Existing Issue Reoffered

In the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, with respect to the Bonds, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION IX: OTHER INFORMATION" herein for further information.

$150,000,000

The City of New York

General Obligation Bonds, Fiscal 2008 Series J, Subseries J-3

ADJUSTABLE RATE BONDS

Conversion Date: January 31, 2011 Due: August 1, 2023

The Bonds are registered in the nominee name of The Depository Trust Company, New York, New York, which acts as securities depository for the Bonds.

The Bonds are available in Authorized Denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000. Other terms of the Bonds including interest rates, interest payment dates, mandatory and optional redemption and tender provisions are described herein.

From the date of issuance of the Bonds through the Conversion Date, payment of the purchase price of Bonds tendered for purchase and not remarketed has been provided for pursuant to a letter of credit. Effective on the Conversion Date, such letter of credit will be terminated and the provider of such letter of credit will have no liability with respect to the Bonds.

Effective on the Conversion Date, the Bonds will bear interest in the Two-Day Mode. The Bonds are subject to redemption and to optional and mandatory tender under the circumstances described herein. Payment of the Purchase Price on the Bonds tendered for purchase as described herein and not remarketed will be made pursuant and subject to the terms of the Liquidity Facility described herein provided by Barclays Bank PLC, the Liquidity Provider. The obligation of Barclays Bank PLC to purchase tendered Bonds pursuant to the terms of the Liquidity Facility can be terminated under certain circumstances. See "SECTION II: THE BONDS—Liquidity Facility." In the event of a failure to remarket the Bonds and a failure by the Liquidity Provider to purchase such Bonds, the City may, but is not obligated to, purchase such Bonds.

In connection with the substitution of the Liquidity Facility for the initial letter of credit, the change in the method of determining the interest rates and other modifications of the Bonds, certain legal matters will be passed upon by Sidley Austin LLP, New York, New York, Bond Counsel to the City. Certain legal matters in connection with the preparation of this Reoffering Circular 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 Remarketing Agent by Hawkins Delafield & Wood LLP, New York, New York, Counsel to the Remarketing Agent. It is expected that the Bonds will be available for delivery in New York, New York on the Conversion Date, which is expected to be January 31, 2011.

Barclays Capital

January 26, 2011

$150,000,000 General Obligation Bonds, Fiscal 2008 Series J
Subseries J-3

Adjustable Rate Bonds

Subseries J-3 Term Bonds(1)

Principal Amount	Price	CUSIP(2)
$150,000,000	100%	64966JCQ7

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(1) See "APPENDIX D — MULTI-MODAL BONDS." Effective on the Conversion Date, Barclays Capital Inc. will be the Remarketing Agent for the Subseries J-3 Bonds, which will be in the Two-Day Mode and will be supported by a Liquidity Facility provided by Barclays Bank PLC. The Liquidity Facility is scheduled to terminate on January 31, 2014.

(2) Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of Bondholders and the City makes no representation with respect to such number nor undertakes any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of Bonds.

RATE PERIOD TABLE
FOR ADJUSTABLE RATE BONDS

	Daily Rate	Two-Day Rate	Weekly Rate	Commercial Paper Rate
Interest Payment Date	First Business Day of each calendar month	First Business Day of each calendar month	First Business Day of each calendar month	(1) If Rate Period is six months or less, the Business Day next succeeding the last day of the Rate Period and (2) if Rate Period is more than six months (i) the Business Day next succeeding the last day of the Rate Period and (ii) the first Business Day of the sixth month of the Rate Period
Record Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date
Reset Date	Not later than 10:00 a.m. on each Business Day	Not later than 10:00 a.m. on the first day of the Rate Period and, thereafter, on each Monday, Wednesday and Friday that is a Business Day	Not later than 10:00 a.m. the first day of the Rate Period	No later than 12:30 p.m. on the first day of each Commercial Paper Rate Period
Rate Periods	Commencing on one Business Day extending to, but not including, the next succeeding Business Day	Commencing on a Monday, Wednesday or Friday that is a Business Day and extending to, but not including, the next day on which a Two-Day Rate is required to be reset	The Rate Period will be a period of seven days beginning on the day of the week specified therefor	A period of 1 to 365 days
Optional Tender Date and Time	On any Business Day not later than 1:00 p.m.	On any Business Day not later than 1:00 p.m.	On any Business Day not later than 1:00 p.m.	Not subject to optional tender
Notice Period for Optional Tenders	Written notice not later than 11:00 a.m. on the Optional Tender Date	Written notice by 3:00 p.m. not less than two Business Days prior to the Optional Tender Date	Written notice by 5:00 p.m. not less than seven days prior to the Optional Tender Date	Not subject to optional tender
Payment Date for Bonds subject to optional tender	Not later than 3:00 p.m. on the Optional Tender Date	Not later than 3:00 p.m. on the Optional Tender Date	Not later than 3:00 p.m. on the Optional Tender Date	Not subject to optional tender
Payment Date for Tendered Bonds upon Mandatory Tender	Not later than 3:00 p.m. on the Mandatory Tender Date	Not later than 3:00 p.m. on the Mandatory Tender Date	Not later than 3:00 p.m. on the Mandatory Tender Date	Not later than 3:00 p.m. on the Mandatory Tender Date

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

In connection with the reoffering of the Bonds, the City will execute on the Conversion Date a Supplemental Certificate with respect to the Bonds which provides for additional Modes referred to in such Certificate as the 2011 Daily Rate and the 2011 Weekly Rate. For ease of reference they are referred to herein as the "Daily Rate" and the "Weekly Rate." The Daily Rate terms and Weekly Rate terms with respect to the Bonds differ in certain respects from the terms for other Subseries of Fiscal 2008 Series J Bonds.

The information in this Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See "APPENDIX D — MULTI-MODAL BONDS" for a description of the Adjustable Rate Bonds.

WHILE THE ADJUSTABLE RATE BONDS MAY IN THE FUTURE BE CONVERTED TO AUCTION RATE BONDS OR OTHER MODES AS DESCRIBED IN "APPENDIX D — MULTI-MODAL BONDS — CONVERSION TO AN ALTERNATE RATE MODE," THIS REOFFERING CIRCULAR DOES NOT DESCRIBE TERMS SPECIFICALLY APPLICABLE TO BONDS BEARING INTEREST AT RATES OTHER THAN THE DAILY RATE, TWO-DAY RATE, WEEKLY RATE OR COMMERCIAL PAPER RATE, NOR DOES IT DESCRIBE ADJUSTABLE RATE BONDS HELD BY THE BANK OR BY ANY REGISTERED OWNER OTHER THAN DTC.

No dealer, broker, salesperson or other person has been authorized by the City or the Remarketing Agent 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 Reoffering Circular, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Remarketing Agent. This Reoffering Circular 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 Reoffering Circular, 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 Reoffering Circular 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 Remarketing Agent may offer and sell Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering price may be changed from time to time by the Remarketing Agent. No representations are made or implied by the City or the Remarketing Agent as to any offering of any derivative instruments.

The factors affecting the City's financial condition are complex. This Reoffering Circular 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 Reoffering Circular may contain computer-generated errors or other deviations from the printed Reoffering Circular. In any such case, the printed version controls.

This Reoffering Circular 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 Reoffering Circular of such forecasts, projections and estimates should not be regarded as a representation by the City, its independent auditors or the Remarketing Agent 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 Reoffering Circular, 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 Reoffering Circular. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2010 and 2009, which is a matter of public record, is included in this Reoffering Circular. 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 Reoffering Circular, since the date of such report and has not been asked to consent to the inclusion of its report in this Reoffering Circular.

IN CONNECTION WITH THIS REOFFERING, THE REMARKETING AGENT 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 REOFFERING CIRCULAR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

REOFFERING CIRCULAR OF THE CITY OF NEW YORK

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REOFFERING CIRCULAR
OF
THE CITY OF NEW YORK

This Reoffering Circular provides certain information concerning The City of New York (the "City") in connection with the conversion by the City of $150,000,000 aggregate principal amount of the City's tax-exempt General Obligation Bonds, Fiscal 2008 Series J, Subseries J-3 (the "Bonds"), to the Two-Day Mode, the substitution of the standby bond purchase agreement (the "Liquidity Facility") provided by Barclays Bank PLC (the "Liquidity Provider") for the initial letter of credit and the reoffering of the Bonds.

If certain conditions are met on the conversion date set forth on the cover page of this Reoffering Circular (the "Conversion Date"), from and after the Conversion Date, the Bonds will bear interest at a Two-Day Rate and other modifications will be made in the terms of the Bonds. The description of the Bonds herein reflects such modifications. On the Conversion Date, the Bonds will be mandatorily tendered by the Holders thereof for purchase at a price of par, plus accrued interest to the Conversion Date.

In connection with the reoffering of the Bonds, the City will execute on the Conversion Date a Supplemental Certificate with respect to the Bonds which provides for additional Modes referred to in such Certificate as the 2011 Daily Rate and the 2011 Weekly Rate. For ease of reference they are referred to herein as the "Daily Rate" and the "Weekly Rate." The Daily Rate terms and Weekly Rate terms with respect to the Bonds differ in certain respects from the terms for other Subseries of Fiscal 2008 Series J Bonds.

From the date of issuance of the Bonds through the Conversion Date, payment of the purchase price of Bonds tendered for purchase and not remarketed has been provided for pursuant to a letter of credit. Effective on the Conversion Date, such letter of credit will be terminated and the provider of such letter of credit will have no liability with respect to the Bonds.

INTRODUCTORY STATEMENT

The Bonds are general obligations of the City for the payment of which the City has pledged its faith and credit. All real property subject to taxation by the City is 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 8,400,000, 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 2010 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 and except for the application of Statement No. 49 of the Government Accounting Standards Board ("GASB 49"), as described below. See "Section VI: Financial Operations—2006-2010 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 2011 fiscal year in accordance with GAAP except for the application of GASB 49. The City's current financial plan projects budget gaps for each of the 2012 through 2014 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, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: FINANCIAL PLAN." For information regarding the recent amendment of the Financial Emergency Act with respect to the application of GASB 49 to the City budget, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS." The City is required to submit its financial plans to the New York State Financial Control Board (the "Control Board"). For further information regarding the Control Board, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Review and Oversight*."

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 future State fiscal years 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—2011-2014 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 2011 through 2014 fiscal years submitted to the Control Board on June 30, 2010 (the "June Financial Plan"), and Modification No. 11-2 to the June Financial Plan submitted to the Control Board on November 18, 2010 (as so modified, the "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 Reoffering Circular 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 Reoffering Circular 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 Reoffering Circular should be read in its entirety.

SECTION I: RECENT FINANCIAL DEVELOPMENTS

For the 2010 fiscal year, the City's General Fund had a total surplus of $3.651 billion, before discretionary and other transfers, and achieved balanced operating results in accordance with GAAP, except for the application of GASB 49 as described below, after discretionary and other transfers. The 2010 fiscal year is the thirtieth consecutive year that the City has achieved balanced operating results when reported in accordance with GAAP, except for the application of GASB 49.

2011-2014 Financial Plan

The City's expense and capital budgets for the 2011 fiscal year were adopted on June 29, 2010. The June Financial Plan, which was consistent with the City's expense and capital budgets as adopted for the 2011 fiscal year, projected revenues and expenses for the 2011 fiscal year balanced in accordance with GAAP, except for the application of GASB 49, as described below. The June Financial Plan projected gaps of $3.7 billion, $4.6 billion and $5.3 billion in fiscal years 2012 through 2014, respectively.

On November 18, 2010, the City submitted to the Control Board the Financial Plan for the 2011 through 2014 fiscal years, which relates to the City and certain entities that receive funds from the City. The Financial Plan is a modification to the June Financial Plan, as subsequently modified by the financial plan submitted to the Control Board on July 13, 2010 (the "July Financial Plan"). The Financial Plan projects revenues and expenses for the 2011 fiscal year balanced in accordance with GAAP, except for the application of GASB 49, and projects gaps of $2.4 billion, $4.8 billion and $5.6 billion in fiscal years 2012 through 2014, respectively, after the implementation of a gap-closing program described below.

The Financial Plan reflects, since the June Financial Plan, increases in projected net revenues of $79 million, $191 million, $81 million and $118 million in fiscal years 2011 through 2014, respectively. Changes in projected revenues include: (i) decreases in personal income tax revenues of $25 million in fiscal year 2011 and increases in personal income tax revenues of $223 million, $238 million and $371 million in fiscal years 2012 through 2014, respectively; (ii) an increase in business tax revenues of $85 million in fiscal year 2011 and decreases in business tax revenues of $58 million, $162 million and $203 million in fiscal years 2012 through 2014, respectively; (iii) an increase in real property transfer and mortgage recording tax revenues of $1 million in fiscal year 2011 and decreases in real property transfer and mortgage recording tax revenues of $85 million, $112 million and $137 million in fiscal years 2012 through 2014, respectively; (iv) increases in real property tax revenues of $7 million in each of fiscal years 2011 through 2014; (v) increases in sales tax revenues of $140 million and $19 million in fiscal years 2011 and 2012, respectively, and decreases in sales tax revenues of $12 million and $55 million in fiscal years 2013 and 2014, respectively; (vi) decreases in cigarette tax revenues of $5 million in each of fiscal years 2011 through 2014; (vii) decreases in State School Tax Relief Program (the "STAR Program") aid of $163 million, $174 million $180 million and $182 million in fiscal years 2011 through 2014, respectively; (viii) net increases in all other taxes of $31 million, $18 million, $16 million and $16 million in fiscal years 2011 through 2014, respectively; (ix) increases in State aid of $302 million in each of fiscal years 2012 through 2014 due to the restoration of State revenue sharing, which requires approval by the State; and (x) net increases in miscellaneous revenues of $8 million and $4 million in fiscal years 2011 and 2014, respectively, and net decreases in miscellaneous revenues of $56 million and $11 million in fiscal years 2012 and 2013, respectively.

The Financial Plan also reflects, since the June Financial Plan, a decrease in projected net expenditures of $497 million in fiscal year 2011 and increases in projected net expenditures of $995 million, $1.3 billion and $1.3 billion in fiscal years 2012 through 2014, respectively. Changes in projected expenditures include: (i) decreases for pollution remediation of $150 million in each of fiscal years 2011 and 2012 and decreases of $200 million in each of fiscal years 2013 and 2014 as a result of the amendment of the Financial Emergency Act to permanently waive the budgetary impact of GASB 49, enabling the City to continue to finance certain pollution remediation costs with the issuance of bonds; (ii) increases for education of $853 million in each of fiscal years 2012 through 2014 resulting from the expiration of federal stimulus funding for education; (iii) increases of $180 million and $72 million in fiscal years 2011 and 2012, respectively, to compensate for the shortfall in additional federal Medicaid participation; (iv) increases in health insurance costs of $7 million, $126 million, $195 million and $276 million in fiscal years 2011 through 2014, respectively; (v) a decrease of $600 million in fiscal year 2011 and increases of $400 million in each of fiscal years 2012 through 2014, in the reserve for changes in pension funding assumptions and methodology, as a result of adjustments in the timing and amount of such changes; (vi) decreases in debt service of $23 million and $341 million in fiscal years 2011 and 2012, respectively, and increases in debt service of

$45 million and $51 million in fiscal years 2013 and 2014, respectively; and (vii) increases in other expenses of $89 million and $35 million in fiscal year 2011 and 2012, respectively, and decreases in other expenses of $21 million and $114 million in fiscal years 2013 and 2014, respectively.

The Financial Plan also reflects, since the June Financial Plan, an increase in the provision for prepayments of future expenses of $1.2 billion in fiscal year 2011 resulting in net expenditure reductions of $1.2 billion in fiscal year 2012.

In addition, the Financial Plan sets forth a gap-closing program to maintain budget balance in fiscal year 2011, to increase the transfer of financial resources from fiscal year 2011 to fiscal year 2012 and to reduce previously projected gaps for each of fiscal years 2012 and 2013. The gap-closing actions include agency programs reflecting reduced agency expenditures or increased revenues totaling $585 million, $1.0 billion, $917 million and $914 million in fiscal years 2011 through 2014, respectively, including proposed headcount reductions of 2,102 and 8,264 in fiscal years 2011 and 2012, respectively, through either layoffs or attrition. These headcount reductions include pedagogical headcount reductions of 5,398 in fiscal year 2012.

The Financial Plan does not reflect the costs associated with the James Zadroga 9/11 Health and Compensation Act of 2010 (the "Zadroga Act"), signed by President Obama on January 2, 2011. The Zadroga Act provides federal funding of $1.6 billion over five years for the monitoring and treatment of first responders and others suffering from 9/11-related illnesses, and requires the City to cover 10% of such health care costs and make certain other payments. The City estimates costs associated with the Zadroga Act could be approximately $170 million over the 2011 through 2015 period and will reflect such costs in the upcoming financial plan.

In December 2010, the United States Environmental Protection Agency ("EPA") informed the Department of Education ("DOE") of its intention to begin inspection of City schools for polychlorinated biphenyls ("PCBs") in older fluorescent light fixtures and strongly urged the City to develop a plan to remove all older light fixtures, which are associated with PCB lighting ballasts in approximately 800 City school buildings. The costs to the City for the removal and replacement of such older light fixtures have been estimated at approximately $1 billion, though the timing of such costs has not been determined at this time. Federal legislation has been proposed to provide grants to localities for a small portion of the costs of such removal and remediation.

The Financial Plan assumes the receipt of State aid reflected in the New York State Mid-Year Financial Plan Update dated November 1, 2010 ("State Mid-Year Update"). In the State Mid-Year Update, the State largely maintained levels of State aid to localities for its fiscal year 2011-2012 that it had reflected in its Executive Budget issued in January 2010, although it projected a budget gap of $9.0 billion in its fiscal year 2011-2012. The Governor's 2011-2012 Executive Budget is due to be released on February 1, 2011 in which the Governor may propose substantial reductions in State aid to localities, including the City, in order to reduce the State's projected budget gap. The City will address reductions in State aid to the City as they become final in the State budget process and in the course of the City's budget process to be concluded with the adoption of the legally-required balanced budget for fiscal year 2012 prior to July 1, 2011. The next iteration of the City's budget process will be the publication of the City's preliminary budget for fiscal year 2012 and modification to the Financial Plan expected on February 17, 2011.

On December 14, 2010, the Director of Management and Budget of the City directed each City agency to prioritize its capital program and identify a 20% reduction in capital commitments in each of fiscal years 2011 through 2021. Such reductions, if implemented, will be reflected in the capital commitment plan for the period 2011 through 2015 and the Preliminary Ten-Year Capital Strategy for the period 2012 through 2021 to be released with the upcoming financial plan modification, and will result in reduced capital borrowing by the City and the TFA and lower debt service costs.

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 State ended the 2009-2010 fiscal year with a general fund balance of $2.3 billion, including $1.3 billion in reserves and $906 million resulting from the deferral of certain payments to localities from the 2009-2010 fiscal year into the 2010-2011 fiscal year. Such deferred payments were made by the State in the first quarter of the 2010-11 fiscal year. The State Legislature completed action on the $136.5 billion budget for the 2010-2011 fiscal year on August 3, 2010 (the "Enacted Budget").

The State Annual Information Statement dated September 7, 2010 (the "Annual Information Statement") reflects the Enacted Budget and revisions to its financial plan through the date thereof. The State expects to update the Annual Information Statement quarterly and released its first quarterly update on November 9, 2010 (the "AIS Update").

In the AIS Update, the State's Division of Budget estimates fiscal year 2010-2011 State General Fund receipts to total $54.5 billion, a reduction of $162 million from the Enacted Budget forecast. Such reduction results primarily from downward revisions to the forecasts for personal income taxes and sales taxes and is partially offset by higher miscellaneous receipts and nontax transfers from other funds. State General Fund disbursements are estimated to total $55.7 billion in fiscal year 2010-2011, an increase of $153 million from the Enacted Budget. Such increase results primarily from upward revisions to Medicaid spending. The State's Division of Budget estimates that the General Fund has a budget gap of $315 million in fiscal year 2010-11, and gaps of $9.0 billion, $14.6 billion and $17.2 billion in fiscal years 2011-12, 2012-13 and 2013-14, respectively. Such gaps have increased by $850 million, $1.2 billion and $1.7 billion, respectively, since the Enacted Budget. The growth in the gaps between fiscal years 2010-2011 and 2011-2012 is primarily caused by (i) the expiration of federal stimulus funds for Medicaid and education, which is expected to result in approximately $5.4 billion in costs reverting to the State's General Fund in fiscal year 2011-2012 and (ii) the sunset, at the end of calendar year 2011, of the temporary personal income tax increase, which is expected to reduce fiscal year 2011-2012 receipts by more than $1.0 billion from fiscal year 2010-2011 levels.

The Annual Information Statement 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 behavioral changes concerning financial sector profitability and bonus payouts, as well as any future legislation governing the structure of compensation; the impact of financial and real estate market developments on bonus income and capital gains realizations; the impact of consumer spending on State tax collections; increased demand in entitlement-based and claims-based programs such as Medicaid, public assistance and general public health; access to the capital markets in light of disruptions in the municipal bond market; litigation against the State; and actions taken by the federal government, including audits, disallowances, changes in aid levels; changes to Medicaid rules; and risks concerning the implementation of gap-closing actions, including reductions in State agency spending.

On January 5, 2011, Governor Cuomo outlined a plan to close the State's fiscal year 2011-12 budget gap. The plan includes a salary freeze on certain State workers and the imposition of a State spending cap limiting spending growth to the rate of inflation. The Governor issued an executive order aimed at redesigning the State's Medicaid program and finding ways to save money within the Medicaid program for the upcoming fiscal year 2011-12 budget proposal. Additionally, the Governor proposed restructuring a portion of State education aid to reward school districts that improve student performance and implement efficiency policies. Public statements by the Governor indicate that he believes the estimated fiscal year 2010-11 budget gap to be $10 billion. The Governor is required to submit his executive budget to the legislature by February 1, 2011. There can be no assurance that the estimated budget gaps in the executive budget will not be higher than estimated in the AIS Update or by the Governor or as to how the executive budget will address the budget gaps.

Job Growth

Private sector jobs in the City declined by 162,000 or 5.0% from a peak in April 2008 to a trough in December 2009 while private sector jobs in the United States declined by 8.5 million or 7.3% from a peak in December 2007 to a trough in December 2009. From December 2009 through December 2010, private sector jobs in the City increased by 50,000 or 31% of private sector jobs lost, while private sector jobs in the United States grew by 1.3 million or 16% of private sector jobs lost.

SECTION II: THE BONDS

General

The Bonds are 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, together with any supplements thereto (with related proceedings, the "Certificate"). The Bonds mature and bear interest as described on the cover and inside cover page of this Reoffering Circular and 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 is 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.

Adjustable Rate Bonds

For the terms of the Adjustable Rate Bonds, including optional and mandatory tender provisions, see the page facing the inside cover page, "APPENDIX C—DEFINITIONS" and "APPENDIX D—MULTI-MODAL BONDS." The Adjustable Rate Bonds may be converted to other Rate Modes as described in "APPENDIX D—MULTI-MODAL BONDS—Conversion to an Alternate Rate Mode." Any such conversion would result in a mandatory tender of the Bonds being so converted. This Reoffering Circular only describes the Adjustable Rate Bonds bearing interest at a Two-Day Rate, Daily Rate, Weekly Rate or Commercial Paper Rate. It is currently anticipated that, should any Adjustable Rate Bonds be converted to a Rate not described herein, a remarketing circular will be distributed describing such Rate.

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, to limit its issuance of bond anticipation notes as required by the Act, as in effect from time to time, to include as terms of the Adjustable Rate Bonds the applicable variable rate provisions and to comply with such provisions and with the statutory restrictions on variable rate bonds 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"). In the opinion of Bond Counsel, the enforceability of the City Covenants 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 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 remarketing of the Bonds will be used to pay the principal of the tendered Bonds on the Conversion Date.

Liquidity Facility

The following summary of the Liquidity Facility does not purport to be comprehensive or definitive and is subject in all respects to all of the terms and provisions of the Liquidity Facility, to which reference is made hereby. Investors are urged to obtain and review a copy of the Liquidity Facility in order to understand all of its terms. A copy of the Liquidity Facility may be obtained from the Remarketing Agent. For information concerning the Liquidity Provider, see "APPENDIX F — LIQUIDITY PROVIDER."

The Liquidity Facility secures only payment of the purchase price of the Bonds bearing interest at an Eligible Rate (as defined in the Liquidity Facility which initially includes only the Two-Day Rate) tendered for purchase as described below (other than in connection with a mandatory tender of the Bonds on an optional redemption date as described under "APPENDIX D—MULTI-MODAL BONDS—Mandatory Tender for Purchase"), and does not otherwise secure payment of the principal of or interest on the Bonds. The Liquidity Facility is subject to termination at the option of the Liquidity Provider as described below.

General. The Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Capitalized terms used in the following summary are defined in this Reoffering Circular or the Liquidity Facility and reference thereto is made for full understanding of their import.

On the Conversion Date, the City will enter into the Liquidity Facility with the Liquidity Provider. Upon compliance with the terms and conditions of the Liquidity Facility, and subject to the terms and conditions set forth therein, the Liquidity Facility requires the Liquidity Provider to extend credit to the City by advancing funds to the Tender Agent to purchase tendered Bonds on behalf of and for the account of the Liquidity Provider from time to time during the Purchase Period (as defined below) at the Purchase Price (as defined in the Liquidity Facility). Tendered Bonds which are purchased and held by the Liquidity Provider will bear interest at the Purchased Bond Rate commencing on and including the date on which the Liquidity Provider has purchased such Purchased Bonds, in accordance with the Liquidity Facility.

The "Purchase Period" is the period from the effective date of the Liquidity Facility to and including the earliest of (i) January 31, 2014 (or such later date to which the Liquidity Facility is extended at the discretion of the Liquidity Provider) (or if such date is not a Business Day (as defined in the Liquidity Facility), the Business Day immediately preceding such date), (ii) the date of delivery of a substitute Standby Agreement in accordance with the provisions of the Liquidity Facility and the Certificate, (iii) the date on which all Bonds have been paid in full (not including a defeasance in which such Bonds continue to be subject to optional or mandatory tender for purchase), redeemed, or converted to a rate other than an Eligible Rate in accordance with the terms of such Bonds (the Purchase Period to include the date of conversion to a rate other than an Eligible Rate) and (iv) the date on which the Available Allocated Commitment is terminated pursuant to the terms of the Liquidity Facility; provided that the Liquidity Provider shall, on the date of any such termination of the Purchase Period resulting from the event described in clause (ii) or in connection with any conversion of the Bonds to a rate other than an Eligible Rate, have transferred funds to the Tender Agent pursuant to a Notice of Purchase, if any, properly delivered in accordance with the terms of the Liquidity Facility and subject to the conditions to such transfer set forth therein, in respect of Bonds tendered prior to the effectiveness of the conversion or the substitute Standby Agreement, as applicable.

Commitment to Purchase Bonds. If, on any Business Day during the Purchase Period, the Liquidity Provider receives a Notice of Purchase from the Tender Agent at the location specified under the Liquidity Facility not later than 12:00 noon (New York time), the Liquidity Provider will, subject to the satisfaction of certain requirements set forth in the Liquidity Facility, transfer to the Tender Agent not later than 2:30 p.m. (New York time) on the Purchase Date (as defined in the Liquidity Facility), in immediately available funds, an amount equal to the aggregate Purchase Price (as defined in the Liquidity Facility) of tendered Bonds bearing interest at an Eligible Rate which have not been remarketed by the Remarketing Agent.

Events of Default. Upon the occurrence of any event (each, an "Event of Default") set forth under the subheadings "Events of Default Resulting in Immediate Termination," "Events of Default Resulting in

Immediate Suspension" and "Other Events of Default" the Liquidity Provider may exercise those rights and remedies provided under the subheading "Remedies" below.

Events of Default Resulting in Immediate Termination. (a) Any failure, wholly or partially, (i) to make timely any payment of principal of, interest on or redemption premium, if any, required to be made on the Bonds (including the Purchased Bonds), or (ii) to make timely payments or repayments of any Parity Debt; but no such failure to pay shall constitute an Event of Default under the Liquidity Facility if (1) such failure to pay was caused solely by an error or omission of an administrative or operational nature, (2) funds were available to enable the City to make such payment when due and (3) such payment is made within two Business Days (as defined in the Liquidity Facility) after the City's actual knowledge of such failure to pay.

(b) An Event of Insolvency has occurred with respect to the City.

(c) A final, nonappealable judgment is issued by a court of competent jurisdiction that the Bonds or any provision of the Liquidity Facility or of the Certificate relating to the payment of principal of or interest on the Bonds ceases for any reason to be valid and binding.

(d) (i) The City initiates legal proceedings or asserts in legal proceedings that the Bonds or any material provision of the Liquidity Facility or of the Certificate relating to the payment of principal of or interest on the Bonds is invalid or that the City has no liability thereon or (ii) a senior officer of the City shall (1) claim that the Certificate is not valid or binding on the City or (2) repudiate its obligations under the Bonds or the Certificate or (3) repudiate all of its obligations under the Liquidity Facility or (4) repudiate its obligation to pay or repay any Parity Debt.

(e) A final, nonappealable money judgment is entered by a court or other regulatory body of competent jurisdiction against the City in an amount in excess of $50,000,000 and the City fails to satisfy said money judgment within 75 days from the first date when said judgment became enforceable and subject to collection in accordance with its terms.

(f) Each of Moody's, S&P and Fitch (i) assigns an unenhanced rating to the Bonds or any general obligation debt of the City below "Baa3" in the case of Moody's and below "BBB-" in the case of S&P and Fitch or (ii) withdraws or suspends any such rating for a credit-related reason.

Events of Default Resulting in Immediate Suspension. (a) (i) An involuntary case or other proceeding is commenced against the City seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property and (ii) such case has not been dismissed and (iii) fewer than 60 days have elapsed since the commencement of such case or proceeding.

(b) A judgment that is appealable or otherwise not final is issued by a court of competent jurisdiction that the Bonds or any provision of the Liquidity Facility or of the Certificate relating to the payment of principal of or interest on the Bonds ceases for any reason to be valid and binding and such judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof.

Other Events of Default. There are various Events of Default listed in the Liquidity Facility which can result in a termination of the Liquidity Facility after notice and a mandatory tender of the Bonds.

Remedies. Upon the occurrence of an Event of Default hereunder, the Liquidity Provider may take one or more of the following actions:

(a) *Termination.* In the case of the occurrence of an Event of Default described under the subheading "Events of Default Resulting in Immediate Termination" (each an "Immediate Termination Event"), the Available Allocated Commitment and the obligation of the Liquidity Provider under the Liquidity Facility to purchase Bonds immediately terminates without notice or demand to any Person, and thereafter the Liquidity Provider is under no obligation to purchase Bonds. Promptly upon the occurrence of such Immediate Termination Event, the Liquidity Provider will give written notice of the same to the City, the Tender Agent and the Remarketing Agent, but the Liquidity

Provider will incur no liability or responsibility by reason of its failure to give such notice and such failure will in no way affect the termination of the Available Allocated Commitment and its obligation to purchase such Bonds pursuant to the Liquidity Facility.

(b) *Suspension of Liquidity Provider Obligation to Purchase.* In the case of the occurrence of an Event of Default described under the subheading "Events of Default Resulting in Immediate Suspension" (each a "Suspension Event"), the Available Allocated Commitment and the obligation of the Liquidity Provider under the Liquidity Facility to purchase Bonds each will be suspended without notice or demand to any Person, and thereafter the Liquidity Provider will be under no obligation to purchase Bonds, until such obligation is reinstated as specified below. The Available Allocated Commitment and the obligation of the Liquidity Provider under the Liquidity Facility immediately will be reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility has otherwise terminated by its terms) as if there had been no such suspension if the Suspension Event is cured prior to becoming an Immediate Termination Event.

(c) *Mandatory Tender.* In the case of the occurrence of an Event of Default referred to under the subheading "Other Events of Default" (each, a "Notice Termination Event"), the Liquidity Provider, in its sole discretion, may (i) give written notice of such Notice Termination Event to the Remarketing Agent and the Tender Agent requesting a mandatory tender of all of the Bonds pursuant to the Certificate and stating that the obligation of the Liquidity Provider to purchase such Bonds will terminate 15 days after such notice is received by the Tender Agent and on such date the Available Allocated Commitment will terminate and the Liquidity Provider will be under no obligation to purchase such Bonds after such date or (ii) give a written notice to the City directing the City to convert to a rate other than an Eligible Rate all or any portion of the Bonds. Upon conversion to a rate other than an Eligible Rate, the Liquidity Provider agrees to purchase the Bonds so converted and not remarketed, subject to and in accordance with the terms of the Liquidity Facility.

(d) *Other Remedies.* Upon the occurrence of an Event of Default under the Liquidity Facility, the Liquidity Provider may deliver a notice (a "Default Rate Notice") to the City for purposes of increasing the Purchased Bond Rate payable on the Bonds or take any other actions permitted by applicable law. The Liquidity Provider may, at anytime, in its discretion, revoke a Default Rate Notice by written notice to the City. Upon any such revocation of a Default Rate Notice or upon cure of an Event of Default under the Liquidity Facility pursuant to which a Default Rate Notice was delivered, such Default Rate Notice is deemed no longer to be in effect. In addition, upon the occurrence of an Event of Default under the Liquidity Facility, the Liquidity Provider will have all remedies provided at law or equity.

Optional Redemption

The Bonds are subject to redemption (or purchase in lieu thereof if permitted by the Certificate) prior to maturity, without premium, at the option of the City, in whole or in part, on any Optional Redemption Date, upon 30 days' written notice to the Bondholders.

The City may select Rate Modes and amounts of Bonds for optional redemption in its sole discretion. In the event that less than all the Bonds of a Rate Mode subject to redemption are to be redeemed, the Bonds shall be selected for redemption as prescribed by the Certificate.

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

Mandatory Redemption

The Bonds are Term Bonds subject to mandatory redemption upon 30 days' (but not more than 60 days') notice to Bondholders, by lot, on each August 1 (or other Mandatory Redemption Date specified in the applicable Rate Mode) at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

August 1,	Amount
2021	$36,565,000
2022	98,705,000
2023(1)	14,730,000

(1) Stated maturity.

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

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

Mandatory and Optional Tender

The Bonds are subject to mandatory and optional tender as described in "APPENDIX D—MULTI-MODAL BONDS."

Special Considerations Relating to the Bonds

The Remarketing Agent is Paid By the City. The responsibilities of the Remarketing Agent include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Certificate and the Remarketing Agreement), all as further described in this Reoffering Circular. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Certificate and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds it remarkets at par plus accrued interest, if any, on the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds it remarkets at the remarketing price. In the event a Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

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 this caption "Book-Entry Only System" shall mean all Bonds held through DTC. The Bonds are 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.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds 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 subsidiaries. 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"). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (under this caption,"Book-Entry Only System," a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

The services of DTC as securities depository with respect to the Bonds of a Subseries 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 of such Subseries 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.

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, was elected to a second term which commenced on January 1, 2006 and was elected for a third term which commenced on January 1, 2010. 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.* John C. Liu, the Comptroller of the City, took office on January 1, 2010. 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 $108.6 billion as of November 30, 2010, 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.* Bill de Blasio, the Public Advocate, took office on January 1, 2010. 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 2, 2010, 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 two or more consecutive full terms, unless one full term or more has elapsed since that person last held such office. Such term limit applies only to officials first elected to office on or after November 2, 2010.

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 and the City Charter require the City to maintain its Expense Budget balanced when reported in accordance with GAAP. For fiscal years 2009 and 2010, the City was authorized to phase in implementation of GASB 49 for budgetary purposes. In June 2010, the Financial Emergency Act was amended to permanently waive the budgetary impact of GASB 49 by allowing the City to include certain pollution remediation costs in its capital budget and to finance such costs with the issuance of bonds. 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 2010 fiscal year, which includes, among other things, the City's financial statements for the 2010 fiscal year, was issued on October 29, 2010. The CAFR for the 2009 fiscal year received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the thirtieth 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-nine consecutive fiscal years with a General Fund surplus when reported in accordance with then applicable GAAP, except with regard to the application of GASB 49 in fiscal year 2010.

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 2010, the City reported an OPEB liability of $75 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—2006-2010 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 ("PRO"), which are obligations to address the current or potential detrimental effects of existing pollution through activities such as site assessments and cleanups. The City implemented GASB 49 in fiscal year 2009 for financial reporting purposes. For fiscal year 2010, the City reported a PRO liability of $255.4 million, the costs of known pollution which the City is obligated to remediate, estimated as of June 30, 2010. See "APPENDIX B — FINANCIAL STATEMENTS — Note D.4." In addition to requiring recognition of PRO, under GASB 49 costs incurred for pollution remediation are generally reported as operating expenses rather than as capital expenditures. The City reported pollution remediation expenditures of approximately $455.1 million in fiscal year 2010.

On April 30, 2008, pursuant to 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. In June 2010, the State amended the Financial Emergency Act to permanently waive the budgetary impact of GASB 49.

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 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 97% 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 November 30, 2010, aggregate pension assets were allocated approximately as follows: 44.7% U.S. equity; 28.6% fixed income; 16.2% international equity; 6.0% private equity; 1.8% private real estate; and 2.7% cash.

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"), the 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.

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 2010, while federal aid has been sharply reduced. The City projects that local revenues will provide approximately 70.0% of total revenues in the 2011 fiscal year while federal aid, including categorical grants, will provide 12.2%, and State aid, including unrestricted aid and categorical grants, will provide 17.8%. 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 43.1% of its total tax revenues and 26.0% of its total revenues for the 2011 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—2006-2010 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)							
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
2011	18,323.7	16,418.4	921.2	5.0	18,898.5	86.9	2.17	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 2011 fiscal year operating limit and general debt limit, have been established by the State Board and include the results of the fiscal year 2009 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)
2007	$116,477,764,261		0.1599		$728,441,302,445
2008	125,777,268,853		0.1703		738,562,941,004
2009	134,294,731,881		0.1848		726,703,094,594
2010	143,334,172,616		0.1852		773,942,616,717
2011	149,311,931,232		0.1770		843,570,232,949
				Average:	$762,244,037,542

(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 2010 fiscal year, the billable assessed value of all real estate (taxable and exempt) was $243.2 billion comprised of $85.6 billion of fully exempt real estate, $57.9 billion of partially taxable real estate and $99.7 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 2011 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 2011, 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 2011 tax rates were set on June 29, 2010 and reflect a 5% limitation on the market value adjustment for 2010. The class tax rates were amended and restated on November 17, 2010 to limit the market value adjustment to 2.5%. The average tax rate for fiscal year 2011 was maintained at $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%, 6.0%, 5.7% and 5.7% in fiscal years 1998 through 2004, respectively.

For fiscal year 2005, billable assessed valuation rose by $3.8 billion to $102.4 billion. The billable assessed valuation as determined by the City Department of Finance rose to $110.0 billion, $115.1 billion, $124.5 billion, $133.0 billion and $141.8 billion for fiscal years 2006 through 2010, respectively. The Department of Finance released the final assessment roll for fiscal year 2011 on May 25, 2010. The billable assessed value rose by $5.8 billion over the 2010 assessment roll to $147.6 billion, a growth of 4.1%. With a forecast decline in the class two and class four market values combined with a deflated level of existing pipeline of deferred assessment increases yet to be phased in, the billable assessed valuations are forecast to grow by 3.6%, 0.7% and 0.5% in fiscal years 2012 through 2014, respectively.

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 expired on December 31, 2010. The City is seeking the reauthorization of such authority. 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 2006 through 2010, the City's tax lien program resulted in net proceeds of approximately $93.8 million, $40.2 million, $35.5 million, $33.9 million and $39.0 million, respectively. The Financial Plan reflects receipt of $40 million in fiscal year 2011 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)				
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	15,903.5	14,423.4	90.7	162.6	(290.4)	(1,187.3)	(283.9)	1.79	33.9
2010	17,588.1	16,168.6	92.0	215.2	(239.3)	(1,077.6)	(341.9)	1.94	39.0
2011(6)	18,323.7	16,935.4	92.4	205.0	(394.0)	(1,031.4)	(356.9)	1.95	40.0

(1) As approved by the City Council through fiscal year 2011.

(2) Quarterly collections on current year levy.

(3) Includes repurchases of defective tax liens amounting to $0.2 million and $3.0 million in the 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 56.9% of its total tax revenues for the 2011 fiscal year from a variety of taxes other than the real estate tax, such as: (i) the 4½% sales and compensating use tax, commencing August 1, 2009, in addition to the 4% sales and use tax imposed by the State upon receipts from retail sales of tangible personal property and certain services in the City and the 0.375% metropolitan transportation district surcharge imposed by the State for the Metropolitan Transit Authority ("MTA"); (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 2011, 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 2010 fiscal year decreased by $554 million, a decrease of approximately 2.6% from the 2009 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real estate tax, for each of the City's 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010
			(In Millions)		
Personal Income(1)	$ 7,657	$ 7,933	$ 9,697	$ 7,489	$ 7,576
General Corporation	2,379	3,124	2,932	2,320	1,976
Banking Corporation	656	1,219	628	1,099	969
Unincorporated Business Income	1,308	1,670	1,852	1,785	1,560
Sales	4,418	4,619	4,868	4,594	5,059
Commercial Rent	477	512	545	583	594
Real Property Transfer	1,295	1,723	1,408	742	615
Mortgage Recording	1,353	1,570	1,138	515	366
Utility	391	360	392	398	375
Cigarette	123	122	123	96	94
Hotel	296	326	379	342	363
All Other(2)	448	457	419	475	515
Audits	775	1,085	1,016	948	769
Total	$21,575	$24,719	$25,397	$21,386	$20,832

Note: Totals may not add due to rounding.

(1) Personal Income excludes $350 million, $685 million, $164 million and $138 million retained by the TFA in fiscal years 2006 through 2009, respectively. In fiscal year 2010, Personal Income includes the personal income tax revenues of $191 million retained by the TFA for funding requirements associated with TFA Future Tax Secured Bonds. In fiscal years 2006 through 2010, Personal Income includes $692 million, $928 million, $1.113 billion, $1.039 billion and $718 million, respectively, which was provided to the City by the State as a reimbursement for the reduced personal income tax revenues resulting from the 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 in fiscal year 2006 which, when combined with grants to the TFA in fiscal years 2005 and 2007, increased tax revenue by $947 million, $229 million, $391 million, $362 million and $382 million in fiscal years 2006 through 2010, respectively. Personal Income also reflects the impact of $546 million of certain additional grants to the TFA in each of fiscal years 2007 through 2009 which were used by the TFA to pay debt service in fiscal years 2008 through 2010 thereby increasing personal income tax revenues by $546 million in each of those fiscal years.

(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 $857 million, $1.093 billion, $1.255 billion, $1.188 billion and $904 million in fiscal years 2006 through 2010, 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 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010
			(In Millions)		
Licenses, Permits and Franchises	$ 418	$ 470	$ 502	$ 493	$ 487
Interest Income	362	473	377	124	22
Charges for Services	611	613	638	687	746
Water and Sewer Payments	990	1,064	1,202	1,284	1,540
Rental Income	209	211	257	255	234
Fines and Forfeitures	723	741	830	802	833
Other	548	671	1,238	981	828
Total	$3,862	$4,243	$5,044	$4,626	$4,689

Note: Totals may not add due to rounding.

Rental income in fiscal years 2006, 2007, 2008, 2009 and 2010 includes approximately $93.5 million, $98 million, $102.7 million, $102.7 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. Water and Sewer Payments includes in fiscal year 2010, $267.3 million for collective bargaining settlements relating to certain water and sewer system workers.

Other miscellaneous revenues for fiscal years 2006, 2008, 2009 and 2010 include $5 million, $552 million, $145.6 million and $121.2 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 2006 through 2010 do not include TSRs retained by TSASC for debt service, trapping requirements and operating expenses, or for later release to the City totaling $194 million, $208 million, $79 million, $87 million and $69 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 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 reimbursement 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 reimbursement 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. Other miscellaneous revenues for fiscal year 2009 include $71 million from HHC reimbursement, $175 million from restitution agreements, $125 million in the refund of FICA overpayments from the period 1989 through 2005 and $106 million from the reimbursement of prior year expenditures. Other miscellaneous revenues for fiscal year 2010 include $133.5 million in settlement revenue from a deferred prosecution, $133.8 million from Battery Park City Authority ("BPCA") joint purpose funds and $122.5 million from the reimbursement of prior year expenditures.

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 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010
			(In Millions)		
State Per Capita Aid(1)	$327	$20	$242	$327	$(26)
Other(2)	167	15	0	0	8
Total	$494	$35	$242	$327	$(18)

(1) Fiscal year 2010 reflects a prior year disallowance of $25.7 million as a result of the elimination of State revenue sharing.

(2) Included in the 2006 fiscal year is $142 million of aid associated with the partial State takeover of long-term care Medicaid costs.

Federal and State Categorical Grants

The City makes certain expenditures for services required by federal and State mandates which are then wholly or partially reimbursed through federal and State categorical grants. State categorical grants are received by the City primarily in connection with City welfare, education, higher education, health and mental health expenditures. The City also receives substantial federal categorical grants in connection with the federal Community Development 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 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010
			(In Millions)		
Federal					
Community Development(1)	$ 261	$ 241	$ 260	$ 251	$ 263
Social Services	2,181	2,429	2,619	2,758	3,084
Education	1,693	1,745	1,739	1,717	2,911
Other	1,108	1,056	1,074	1,215	1,458
Total	$5,243	$ 5,471	$ 5,692	$ 5,941	$ 7,716
State					
Social Services	$1,906	$ 1,889	$ 2,060	$ 2,041	$ 2,099
Education	6,702	7,145	8,011	8,648	8,078
Higher Education	153	165	174	178	173
Health and Mental Health	415	428	487	468	448
Other	410	559	689	789	847
Total	$9,586	$10,186	$11,421	$12,124	$11,645

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

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

Three types of governmental agencies provide public services within the City's borders and receive financial support from the City. One category is the mayoral agencies established by the City Charter which include, among others, the Police, Fire and Sanitation Departments. Another is the independent agencies which are funded in whole or in part through the City 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—2006-2010 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 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 2011 through 2014 fiscal years. Actual enrollment in fiscal years 2006 through 2010 has been 1,033,366, 1,015,586, 1,011,240, 1,011,950 and 1,027,497, 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 41.2% of the costs of the Community Colleges in the 2011 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, 2010, 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 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010
Education	137,067	137,678	140,268	139,208	136,369
Police	51,223	51,957	51,977	52,304	50,715
Social Services, Homeless and Children's Services	23,178	23,034	23,454	22,841	21,838
City University Community Colleges and Hunter Campus Schools	6,444	6,608	6,936	7,286	7,775
Environmental Protection and Sanitation	15,800	16,092	16,106	15,777	15,317
Fire	16,140	16,216	16,390	16,230	15,970
All Other	53,186	54,697	55,887	55,565	53,699
Total	303,038	306,282	311,018	309,211	301,683

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 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010
Transit Authority	47,114	47,746	49,055	48,139	46,582
Housing Authority	12,751	12,398	11,800	11,281	11,222
HHC	36,727	37,799	38,439	38,626	37,744
Total(1)	96,592	97,943	99,294	98,046	95,548

(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 bonds by the City, 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 $43.7 billion during the 2006 through 2010 fiscal years. City-funded expenditures, which totaled $34.6 billion during the 2006 through 2010 fiscal years, have been financed through the issuance of bonds by the City, the TFA and the Water Authority. The following table summarizes the major categories of capital expenditures in the City's 2006 through 2010 fiscal years.

	2006	2007	2008	2009	2010	Total
			(In Millions)			
Education	$1,782	$2,132	$2,358	$ 2,750	$ 2,953	$11,975
Environmental Protection	1,841	1,949	2,313	2,700	2,625	11,428
Transportation	657	757	767	925	1,082	4,189
Transit Authority(1)	126	70	47	77	74	394
Housing	459	436	503	413	429	2,239
Hospitals	232	187	143	189	253	1,003
Sanitation	94	131	188	230	347	990
All Other(2)	1,404	1,834	2,687	2,759	2,773	11,458
Total Expenditures(3)	$6,595	$7,496	$9,005	$10,044	$10,536	$43,676
City-funded Expenditures(4)	$6,211	$5,098	$6,310	$ 7,248	$ 9,824	$34,691

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

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

(3) Total Expenditures for the 2006 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 2006 through 2010 fiscal years are derived from the CAFR.

(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, 2010, 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 "2006-2010 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 Reoffering Circular 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.

2006-2010 Summary of Operations

The following table sets forth the City's results of operations for its 2006 through 2010 fiscal years in accordance with GAAP.

The information regarding the 2006 through 2010 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 2009 and 2010 financial statements included in "Appendix B—Financial Statements." The 2006 through 2008 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				
	2006	2007	2008	2009	2010
			(In Millions)		
Revenues and Transfers					
Real Estate Tax(2)	$12,636	$13,123	$13,204	$14,487	$16,369
Other Taxes(3)(4)	21,575	24,719	25,397	21,386	20,832
Miscellaneous Revenues(3)	3,862	4,243	5,044	4,626	4,689
Other Categorical Grants	1,150	1,037	1,090	1,280	1,579
Unrestricted Federal and State Aid(3)	494	35	242	327	(18)
Federal Categorical Grants	5,243	5,471	5,692	5,941	7,716
State Categorical Grants	9,586	10,186	11,421	12,124	11,646
Less: Disallowances Against Categorical Grants	(542)	(103)	(114)	—	—
Total Revenues and Transfers(5)	$54,004	$58,711	$61,976	$60,171	$62,813
Expenditures and Transfers					
Social Services	$10,148	$11,078	$12,511	$12,151	$12,370
Board of Education	14,794	15,748	16,855	17,774	18,411
City University	550	577	621	658	719
Public Safety and Judicial	6,694	6,842	7,259	7,683	8,000
Health Services	2,758	2,272	1,588	1,843	1,661
Pensions(6)	3,879	4,726	5,616	6,265	6,631
Debt Service(3)(7)	4,510	4,334	5,371	1,603	3,596
MAC Administrative Expenses(3)	10	10	3	—	—
All Other(7)(8)	10,656	12,999	12,147	12,189	11,420
Total Expenditures and Transfers(5)	$53,999	$58,706	$61,971	$60,166	$62,808
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 2006 through 2010, Real Estate Tax includes \$165.4 million, \$165.1 million, \$142.2 million, \$148.7 million and \$185.9 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 Administrative Expenses include amounts paid to MAC by the State for 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." Other Taxes excludes \$350 million, \$685 million, \$164 million and \$138 million of personal income taxes in fiscal years 2006 through 2009, respectively, retained by the TFA. In fiscal year 2010, the funding requirements associated with TFA Future Tax Secured Bonds of \$191 million is included in Debt Service as a debt service expense and the personal income tax revenues retained by the TFA of \$191 million for such funding requirements is included in Other Taxes as revenues to the City. Debt Service does not include debt service on TSASC bonds and, through fiscal year 2009, does not include the funding requirements associated with TFA Future Tax Secured 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 \$3.651 billion, \$2.919 billion, \$4.640 billion, \$4.670 billion and \$3.756 billion before discretionary and other transfers and expenditures for the 2010, 2009, 2008, 2007 and 2006 fiscal years, respectively. Discretionary and other transfers are included in Debt Service 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 \$546 million in each of fiscal years 2007 through 2009, which were used by the TFA for TFA funding requirements in each of fiscal years 2008 through 2010, and resulted in increased personal income tax revenues of \$546 million in each of fiscal years 2008 through 2010. 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 resulted in increased personal income tax revenues of \$33 million, \$362 million and \$382 million in fiscal years 2008 through 2010, respectively. 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 prepayments into the OPEB trust of \$460 million and \$225 million in fiscal years 2008 and 2009, respectively, resulting in lowered OPEB expense of \$235 million in fiscal year 2009 and \$225 million in fiscal year 2010.

Forecast of 2011 Results

The following table compares the forecast for the 2011 fiscal year contained in the June Financial Plan, which was submitted to the Control Board in June 2010 (the "June 2010 Forecast"), with the forecast contained in the Financial Plan, which was submitted to the Control Board on November 18, 2010 (the "November 2010 Forecast"). Each forecast was prepared on a basis consistent with GAAP except for the application of GASB 49. For information regarding recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	June 2010 Forecast	November 2010 Forecast	Increase/(Decrease) from June 2010 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$16,780	$16,787	7
Other Taxes	21,510	21,574	64
Tax Audit Revenue	622	628	6
Subtotal — Taxes	$38,912	$38,989	$ 77
Miscellaneous Revenues	5,912	6,177	265 (1)
Unrestricted Intergovernmental Aid	14	14	—
Less: Intra-City Revenues	(1,616)	(1,824)	(208)
Disallowances Against Categorical Grants	(15)	(15)	—
Subtotal – City Funds	$43,207	$43,341	$ 134
Other Categorical Grants	1,234	1,330	96
Inter-Fund Revenues	558	559	1
Federal Categorical Grants	6,796	7,871	1,075 (2)
State Categorical Grants	11,282	11,475	193 (3)
Total Revenues	$63,077	$64,576	$1,499
EXPENDITURES			
Personal Services			
Salaries and Wages	$21,578	$21,816	$ 238 (4)
Pensions	7,612	7,012	(600)(5)
Fringe Benefits	7,638	7,616	(22)
Retiree Health Benefits Trust	(395)	(395)	—
Total – Personal Services	$36,433	$36,049	$ (384)
Other Than Personal Services			
Medical Assistance	5,166	5,398	232
Public Assistance	1,563	1,558	(5)
All Other	19,522	20,226	704 (6)
Total – Other Than Personal Services	$26,251	$27,182	$ 931
General Obligation, Lease and TFA Debt Service	5,351	5,354	3
FY 2010 Budget Stabilization & Discretionary Transfers	(3,642)	(3,646)	(4)(7)
FY 2011 Budget Stabilization	—	1,161	1,161 (8)
General Reserve	300	300	—
Total Expenditures	$64,693	$66,400	$1,707
Less: Intra-City Expenses	(1,616)	(1,824)	(208)
Net Total Expenditures	$63,077	$64,576	$1,499

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(1) The increase in Miscellaneous Revenues is due to increases of $4 million in charges for services, $14 million in licenses, permits and franchises, $10 million in fines and forfeitures, $65 million in other miscellaneous revenues and $208 million in intra-city revenues offset by decreases of $1 million in water and sewer payments, $8 million in rental income and $27 million in interest income.

(2) The increase in Federal Categorical Grants is due to increases of $183 million in social services funding, $145 million in police department funding, $65 million in health and mental hygiene funding, $74 million in transportation funding, $88 million in housing development and preservation funding, $92 million in fire department funding, $266 million in education funding and $162 million in other grants.

(3) The increase in State Categorical Grants is due to increases of $51 million in transportation funding, $117 million in social services funding, $11 million in police department funding and $17 million in other agency funding offset by a decrease of $3 million in education funding.

(4) The decrease in Personal Services — Salaries and Wages is due to an increase of $151 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants and an increase of $87 million in net agency expenditures.

(5) The decrease in Pensions is due to the elimination of the $600 million reserve to reflect adjustments in the timing of changes in pension funding assumptions and methodology.

(6) The increase in Other Than Personal Services—All Other is due to an increase of $847 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants and a decrease of $143 million in net agency expenditures.

(7) FY 2010 Budget Stabilization reflects the discretionary transfer of $2.888 billion into the General Debt Service Fund in fiscal year 2010 for debt service due in fiscal year 2011 and the payment in fiscal year 2010 of $371 million in TFA funding requirements, $4 million equity contribution to a bond refunding and $383 million in other subsidies otherwise due in fiscal year 2011.

(8) FY 2011 Budget Stabilization reflects the discretionary transfer of $1.161 billion into the General Debt Service Fund in fiscal year 2011 for debt service due in fiscal year 2012.

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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 2011 through 2014 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, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	Fiscal Years(1)(2)			
	2011	2012	2013	2014
	(In Millions)			
REVENUES				
Taxes				
General Property Tax(3)	$16,787	$17,433	$17,703	$17,840
Other Taxes(4)(5)	21,574	22,710	23,801	25,016
Tax Audit Revenue	628	645	644	651
Subtotal – Taxes	$38,989	$40,788	$42,148	$43,507
Miscellaneous Revenues(6)	6,177	5,790	5,837	5,902
Unrestricted Intergovernmental Aid	14	314	314	314
Less: Intra-City Revenues	(1,824)	(1,523)	(1,519)	(1,519)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal – City Funds	$43,341	$45,354	$46,765	$48,189
Other Categorical Grants	1,330	1,160	1,156	1,154
Inter-Fund Revenues(7)	559	500	493	493
Federal Categorical Grants	7,871	5,837	5,725	5,712
State Categorical Grants	11,475	12,318	12,518	12,935
Total Revenues	$64,576	$65,169	$66,657	$68,483
EXPENDITURES				
Personal Services				
Salaries and Wages	$21,816	$21,195	$21,379	$21,848
Pension	7,012	8,345	8,421	8,441
Fringe Benefits	7,616	8,123	8,580	9,152
Retiree Health Benefits Trust(8)	(395)	(672)	—	—
Subtotal – Personal Services	$36,049	$36,991	$38,380	$39,441
Other Than Personal Services				
Medical Assistance	$ 5,398	$ 6,019	$ 6,171	$ 6,778
Public Assistance	1,558	1,590	1,578	1,578
All Other(9)	20,226	19,091	19,891	20,527
Subtotal – Other Than Personal Services	$27,182	$26,700	$27,640	$28,883
General Obligation, Lease and TFA Debt Service(10)	5,354	6,219	6,694	6,956
FY 2010 Budget Stabilization & Discretionary Transfers(11)	(3,646)	—	—	—
FY 2011 Budget Stabilization(12)	1,161	(1,161)	—	—
General Reserve	300	300	300	300
Subtotal — Personal and Other Than Personal Services	$66,400	$69,049	$73,014	$75,580
Less: Intra-City Expenses	(1,824)	(1,523)	(1,519)	(1,519)
Total Expenditures	$64,576	$67,526	$71,495	$74,061
GAP TO BE CLOSED	$ —	$(2,357)	$(4,838)	$(5,578)

(1) The four year financial plan for the 2011 through 2014 fiscal years, as submitted to the Control Board on June 30, 2010, contained the following projections for the 2011-2014 fiscal years: (i) for 2011, total revenues of $63.077 billion and total expenditures of $63.077 billion; (ii) for 2012, total revenues of $64.641 billion and total expenditures of $68.357 billion, with a gap to be closed of $3.716 billion; (iii) for 2013, total revenues of $66.319 billion and total expenditures of $70.883 billion, with a gap to be closed of $4.564 billion; and (iv) for 2014, total revenues of $68.105 billion and total expenditures of $73.449 billion, with a gap to be closed of $5.344 billion.

The four year financial plan for the 2010 through 2013 fiscal years, as submitted to the Control Board on June 23, 2009, contained the following projections for the 2010-2013 fiscal years: (i) for 2010, total revenues of $59.480 billion and total expenditures of $59.480 billion; (ii) for 2011, total revenues of $61.237 billion and total expenditures of $66.162 billion, with a gap to be closed of $4.925 billion; (iii) for 2012, total revenues of $62.659 billion and total expenditures of $67.653 billion, with a gap to be closed of $4.994 billion; and (iv) for 2013, total revenues of $65.024 billion and total expenditures of $70.657 billion, with a gap to be closed of $5.633 billion. The June 2009 Financial Plan did not include as revenues personal income tax revenues to be retained by the TFA and did not include as expenditures the funding requirements for TFA Future Tax Secured bonds.

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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.

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.

(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, 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) 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 includes amounts that are expected to be retained by the TFA for its funding requirements associated with TFA Future Tax Secured Bonds.

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

(6) 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."

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

(8) Retiree Health Benefits Trust reflects the reduction in contributions to the Trust of $395 million and $672 million in fiscal years 2011 and 2012, respectively. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Services Costs."

(9) 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."

(10) For a discussion of the debt service in General Obligation, Lease and TFA Debt Service, see "SECTION VII : FINANCIAL PLAN — Assumptions — *Expenditure Assumptions*—3. General Obligation, Lease and TFA Debt Service."

(11) FY 2010 Budget Stabilization reflects the discretionary transfer of $2.888 billion into the General Debt Service Fund in fiscal year 2010 for debt service due in fiscal year 2011 and the payment in fiscal year 2010 of $371 million in TFA funding requirements, $4 million equity contribution to a bond refunding and $383 million in other subsidies otherwise due in fiscal year 2011.

(12) FY 2011 Budget Stabilization reflects the discretionary transfer of $1.161 billion into the General Debt Service Fund in fiscal year 2011 for debt service due in fiscal year 2012.

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 thirty fiscal years, except for the application of GASB 49 with respect to fiscal years 2009 and 2010, and is projected to achieve balanced operating results for the 2011 fiscal year, except for the application of GASB 49, 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; 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 an increase in economic activity in calendar year 2010 compared to calendar year 2009. The following table presents a forecast of the key economic indicators for the calendar years 2009 through 2014. This forecast is based upon information available in May 2010.

Forecast of Key Economic Indicators

	Calendar Years					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
U.S. Economy						
Economic Activity and Income						
Real GDP (billions of 2005 dollars)	12,990	13,372	13,784	14,289	14,735	15,144
Percent Change	(2.4)	2.9	3.1	3.7	3.1	2.8
Non-Agricultural Employment (millions)	130.9	130.0	132.2	135.9	139.0	141.2
Change from Prior Year	(5.9)	(0.9)	2.2	3.8	3.1	2.1
CPI-All Urban (1982-84=100)	214.5	218.9	223.0	228.0	233.0	237.8
Percent Change	(0.3)	2.0	1.9	2.2	2.2	2.1
Wage Rate ($ per year)	48,007	49,361	50,743	51,969	53,494	55,205
Percent Change	0.3	2.8	2.8	2.4	2.9	3.2
Personal Income ($ billions)	12,030	12,413	13,005	13,735	14,494	15,325
Percent Change	(1.7)	3.2	4.8	5.6	5.5	5.7
Pre-Tax Corp Profits ($ billions)	1,424	1,648	1,812	1,870	1,922	1,905
Percent Change	(2.7)	15.7	10.0	3.2	2.8	(0.9)
Unemployment Rate (Percent)	9.3	9.6	9.1	8.0	7.2	6.7
10-Year Treasury Bond Rate	3.3	4.0	4.9	5.5	5.7	6.0
Federal Funds Rate	0.2	0.2	1.7	3.3	3.6	4.6
New York City Economy						
Real Gross City Product (billions of dollars)	538.7	558.1	559.4	572.6	585.8	597.8
Percent Change	(4.5)	3.6	0.2	2.4	2.3	2.1
Non-Agricultural Employment (thousands)	3,687	3,630	3,642	3,682	3,723	3,754
Change from Prior Year	(107)	(58)	12	40	41	31
CPI-All Urban NY-NJ Area (1982-84=100)	236.8	241.5	246.6	252.5	258.5	264.4
Percent Change	0.4	2.0	2.1	2.4	2.4	2.3
Wage Rate ($ per year)	73,467	76,293	79,313	80,012	82,824	85,859
Percent Change	(8.5)	3.8	4.0	0.9	3.5	3.7
Personal Income ($ billions)	413.3	425.4	441.6	457.8	478.0	501.5
Percent Change	(3.3)	2.9	3.8	3.7	4.4	4.9
New York Real Estate Market						
Manhattan Primary Office Market						
Asking Rental Rate ($ per square foot)	66.89	60.35	59.66	59.73	59.55	59.75
Percent Change	(19.2)	(9.8)	(1.1)	0.1	(0.3)	0.3
Vacancy Rate – Percent	11.5	12.9	11.8	10.8	10.5	10.7

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 $1.3 billion, $1.36 billion, $1.39 billion and $1.40 billion in fiscal years 2011 through 2014, respectively. The increase rescinded the 7% decrease enacted July 1, 2007.

Projections of real estate tax revenues include net revenues from the sale of real property tax liens of $40 million in each of fiscal years 2011 through 2014. The authorization to sell such real estate tax liens expired on December 31, 2010. The Financial Plan assumes the enactment of local legislation to reauthorize such lien sales. 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 $202 million in fiscal year 2011. 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 $425 million, $430 million, $439 million and $439 million in fiscal years 2011 through 2014, respectively.

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, 1.8% in fiscal year 2008, 1.8% in fiscal year 2009 and 1.9% in fiscal year 2010. The Financial Plan projects delinquency rates of 2.0%, 2.1%, 2.1% and 2.1% in fiscal years 2011 through 2014, 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.

	2011	2012	2013	2014
		(In Millions)		
Personal Income(1)	$ 7,532	$ 8,163	$ 8,509	$ 9,059
General Corporation	2,307	2,577	2,764	2,882
Banking Corporation	1,095	1,056	1,060	1,068
Unincorporated Business Income	1,588	1,701	1,789	1,891
Sales	5,285	5,375	5,654	5,924
Commercial Rent	566	563	572	583
Real Property Transfer	669	685	724	776
Mortgage Recording	415	480	562	641
Utility	383	398	412	425
Cigarette	75	74	72	70
Hotel(2)	388	378	352	356
All Other(3)	1,271	1,260	1,331	1,341
Total	$21,574	$22,710	$23,801	$25,016

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Note: Totals may not add due to rounding.

(1) Personal Income includes $803 million, $1.661 billion, $1.879 billion and $2.063 billion of personal income tax revenues projected to be retained by the TFA for debt service and other expenses in the 2011, 2012, 2013 and 2014 fiscal years, respectively. 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 $578 million, $604 million, $673 million and $671 million in the 2011 through 2014 fiscal years, respectively. The State will reimburse the City for reduced revenues resulting from the STAR Program.

(2) Hotel includes the impact of an additional temporary hotel occupancy tax of 0.875 percent resulting in additional revenues of $55 million and $27 million in fiscal years 2011 and 2012, respectively.

(3) All Other includes, among others, beer and liquor taxes and the automobile use tax. All Other also includes $780 million, $806 million, $875 million and $873 million in fiscal years 2011 through 2014, 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 baseline revenues from Other Taxes: (i) with respect to the personal income tax, strong growth in fiscal year 2011 reflecting continued strength in Wall Street bonus payouts, the stabilization in forecast employment in calendar year 2010, a rebound of non-wage income in calendar year 2010 and the elimination of the STAR Program rate cut for filers with NYS adjusted gross income greater than $500,000, continued growth in fiscal years 2012 through 2014 reflecting the recovery of the national and local economies and local employment gains; (ii) with respect to the general corporation tax, a rebound in fiscal year 2011 reflecting strong finance sector profitability in calendar year 2010 and moderate non-finance sector profitability, moderately strong growth in fiscal years 2012 through 2014 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 2011 reflecting the extension of federal support for another year, a decline in growth in fiscal year 2012 reflecting the withdrawal of federal support and for lower growth in fiscal years 2013 and 2014 due to uncertainty over pending regulatory changes and continued withdrawal of federal support; (iv) with respect to the unincorporated business tax, growth in fiscal year 2011 followed by a moderate rebound in fiscal years 2012 through 2014 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, slight growth in fiscal year 2011 reflecting increased consumption from the severely depressed levels of the prior year and trend level growth in fiscal years 2012 through 2014 paralleling growth in wage earnings and the recovery of the local economy; (vi) with respect to real property transfer tax, growth in fiscal year 2011 after three years of decline in fiscal years 2008 through 2010, during which period the local economic slowdown reduced the number and average sales price of transactions in the residential market while the tighter credit market and the re-pricing of real estate related risk slowed the number and value of large commercial real estate transactions, and continued growth through fiscal year 2014, as both the volume and price of residential and commercial transactions rebound with the recovery of the local economy; (vii) with respect to mortgage recording tax, growth in fiscal year 2011 after three years of decline in fiscal years 2008 through 2010, during which period the number and the average sales price of transactions in the residential market declined sharply and the tighter lending standards required higher down-payments reduced the average mortgage loan amount subject to tax, and growth continuing through fiscal year 2014, as both the volume and price of residential and commercial transactions rebound with the recovery of the local economy; (viii) with respect to the commercial rent tax, a slight decline in fiscal year 2011, reflecting rising vacancy rates and declining asking rents as the local economy suffers from the impact of the national slowdown and a contraction in office-using employment, continuing decline in fiscal year 2012 before growth returns in fiscal year 2013 and 2014, as the local office market recovers with employment gains.

4. Miscellaneous Revenues

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

	2011	2012	2013	2014
		(In Millions)		
Licenses, Permits and Franchises	$ 495	$ 507	$ 507	$ 510
Interest Income	21	34	107	140
Charges for Services	755	786	782	781
Water & Sewer Payments (1)	1,331	1,337	1,332	1,360
Rental Income	235	250	256	264
Fines and Forfeitures	858	829	828	828
Other	658	524	506	500
Intra-City Revenues	1,824	1,523	1,519	1,519
	$6,177	$5,790	$5,837	$5,902

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

Rental Income reflects approximately $102.7 million in each of fiscal years 2011 through 2014 for lease payments for the City's airports.

Other reflects $123 million, $124 million, $124 million and $125 million of projected resources in fiscal years 2010 through 2014, 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. Other also reflects, in fiscal year 2011, approximately $70.8 million in settlement revenue from a deferred prosecution and BPCA joint purpose funds of $66.2 million.

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.

	2011	2012	2013	2014
		(In Millions)		
State Revenue Sharing	$—	$302	$302	$302
Other Aid	14	12	12	12
Total	$14	$314	$314	$314

The Other Aid category consists of prior year claims settlements. State Revenue Sharing reflects the elimination of State Revenue Sharing in fiscal year 2011. For information concerning projected State budget gaps, and the status of the State budget, 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.

	2011	2012	2013	2014
		(In Millions)		
Federal				
Community Development	$ 279	$ 241	$ 241	$ 240
Social Services	2,931	2,728	2,693	2,693
Education	2,834	1,716	1,711	1,710
Other	1,827	1,152	1,080	1,069
Total	$ 7,871	$ 5,837	$ 5,725	$ 5,712
State				
Social Services	$ 2,098	$ 2,031	$ 2,003	$ 2,003
Education	7,981	8,857	9,011	9,339
Higher Education	186	220	220	220
Health and Mental Hygiene	452	437	432	432
Other	758	773	852	941
Total	$11,475	$12,318	$12,518	$12,935

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. Federal funds for education, primarily provided through the American Recovery and Reinvestment Act ("ARRA") of $1.557 billion are reflected in fiscal year 2011. In addition, the Financial Plan assumes increased federal Medicaid participation of $483 million, $321 million and $426 million in fiscal years 2011 through 2013, respectively. For information on changes to federal Medicaid participation see "Section I: Recent Financial Developments." 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 September 30, 2010, 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 fiscal years 2007 and 2008, respectively. There were no disallowances in fiscal years 2009 and 2010. As of June 30, 2010, 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.

	2011	2012	2013	2014
		(In Millions)		
Wages and Salaries	$21,735	$21,027	$21,049	$21,260
Pensions	7,012	8,345	8,421	8,441
Other Fringe Benefits	7,616	8,123	8,580	9,152
Retiree Health Benefits Trust	(395)	(672)	—	—
Reserve for Collective Bargaining				
Department of Education	26	62	60	60
Other	55	106	270	528
Reserve Subtotal	81	168	330	588
Total	$36,049	$36,991	$38,380	$39,441

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 259,339 as of June 30, 2011 to an estimated level of 255,584 by June 30, 2014.

Other Fringe Benefits includes $1.815 billion, $2.056 billion, $2.229 billion and $2.422 billion in fiscal years 2011 through 2014, respectively, for OPEB expenditures for current retirees, which costs are currently paid by the City on a pay-as-you-go basis. For information on deposits to the trust to fund a portion of the future cost of OPEB for current and future retirees, see "Section VI: Financial Operations—2006-2010 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."

Retiree Health Benefits Trust reflects lowered expense of $395 million and $672 million in fiscal years 2011 and 2012, respectively, as a result of reduced contributions to the Retiree Health Benefits Trust Fund in those years.

The Reserve for Collective Bargaining contains funds for the cost of collective bargaining increases for wage increases for prevailing wage employees in the period through the 2008-2010 round of collective bargaining. The Reserve for Collective Bargaining assumes annual wage increases of 1.25% after the expiration of contracts settled in the 2010-2012 round of collective bargaining. For additional information, see "Section I: Recent Financial Developments" and "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.

	2011	2012	2013	2014
		(In Millions)		
Administrative OTPS and Energy	$17,071	$16,091	$16,493	$16,954
Public Assistance	1,558	1,590	1,578	1,578
Medical Assistance	5,398	6,019	6,171	6,778
HHC Support	185	186	186	186
Other	2,970	2,814	3,212	3,387
Total	$27,182	$26,700	$27,640	$28,883

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 2010 fiscal year. Thereafter, to account for inflation, administrative OTPS expenditures are projected to rise by 2.5% annually in fiscal years 2012 through 2014. Energy costs for each of the 2011 through 2014 fiscal years are assumed to increase annually, with total energy expenditures projected at $1.01 billion in fiscal year 2011 and increasing to $1.11 billion by fiscal year 2014.

Public Assistance

The number of persons receiving benefits under cash assistance programs is projected to average 361,900 per month in the 2011 fiscal year. Of total cash assistance expenditures in the City, the City-funded portion is projected to be $561 million in fiscal year 2011, $557 million in fiscal year 2012 and $595 million in each of fiscal years 2013 and 2014, when the City is projected to assume the local share of a State-initiated increase in the basic public assistance grant.

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 $5.2 billion for the 2011 fiscal year, which is lower than subsequent fiscal years as a result of a temporary increase in the federal share of Medicaid costs under ARRA. In preliminary discussions with the State, the United States Department of Health and Human Services ("HHS"), which administers the Medicaid program, has stated that it may disallow a claim for the federal share of certain Medicaid costs that HHS believes may have been submitted past the deadline for such claims. If it were disallowed, the City would be required to return approximately $137 million that it previously received. Discussions concerning such possible disallowance are ongoing.

The City-funded portion of medical assistance payments is expected to increase to $5.884 billion, $6.036 billion and $6.643 billion in fiscal years 2012 through 2014, 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 $176 million in fiscal year 2011 increasing to $178 million in fiscal year 2014. 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 $6.6 billion, $6.8 billion, $6.8 billion and $6.8 billion in fiscal years 2011 through 2014, respectively. Total disbursements before implementation of the HHC gap-closing program are projected to be $7.0 billion in fiscal year 2011 increasing to $7.6 billion in fiscal year 2014. These projections assume increases in other than personal services costs and fringe benefits in fiscal years 2011 through 2014. 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 2010 through 2014 fiscal years was prepared in July 2010. The NYCT fiscal year coincides with the calendar year. The NYCT financial plan projects City assistance to the NYCT operating budget of $295.9 million in 2010 increasing to $375 million in 2014, in addition to real estate transfer tax revenue dedicated for NYCT use of $189.4 million in 2010 increasing to $343.8 million in 2014.

The NYCT financial plan includes service cuts, staff and overtime reductions and other actions to achieve at least $35.5 million savings in 2010 in order to balance its budget in 2010. After reflecting such revenues and actions, the NYCT financial plan projects $8.0 billion in revenues and $10.3 billion in expenses for 2010, leaving a budget gap of $2.3 billion. After accounting for accrual adjustments and cash carried over from 2009, NYCT projects an operating budget gap of $23.3 million in 2010. The NYCT financial plan forecasts operating budget gaps of $0.3 billion in 2011, $0.5 billion in 2012, $0.9 billion in 2013 and $0.9 billion in 2014.

The MTA Board approved the 2010-2014 Capital Program in April 2010 and the State's Capital Program Review Board ("CPRB") approved it on June 2, 2010. The plan includes $23.8 billion for all MTA agencies, including $12.8 billion to be invested in the NYCT core system, $1.7 billion for NYCT network expansion, and $0.2 billion for security. To date, funding sources have been identified for only a portion of the 2010-2014 Capital Program. There can be no assurance that the 2010-2014 Capital Program will be fully funded. 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.

The 2010-2014 Capital Program follows the 2005-2009 Capital Program, which provided approximately $17.1 billion for NYCT. In addition, the 2005-2009 Capital Program included 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*."

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, 2010, the City expended $568.2 million for judgments and claims, $135.0 million of which was reimbursed by HHC. The Financial Plan includes provisions for judgments and claims of $687 million, $735.0 million, $785.2 million and $837.8 million for the 2011 through 2014 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 2011 through 2014. 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, 2010 amounted to approximately $5.6 billion. This estimate was made by categorizing the various claims and applying a statistical model, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and by supplementing the estimated liability with information supplied by the City's Corporation Counsel. For further information regarding certain of these claims, see "SECTION IX: OTHER INFORMATION—Litigation."

In addition to the above claims, numerous real estate tax *certiorari* proceedings involving allegations of inequality of assessment, illegality and overvaluation are currently pending against the City. The City's Financial Statements for the fiscal year ended June 30, 2010 include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2010, could amount to approximately $899 million. Provision has been made in the Financial Plan for estimated refunds of $394 million, $409 million, $365 million and $380 million for the 2011 through 2014 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. GENERAL OBLIGATION, LEASE AND TFA DEBT SERVICE

Debt service estimates for fiscal years 2011 through 2014 include debt service on outstanding general obligation bonds and conduit debt, and the funding requirements associated with outstanding TFA Future Tax Secured Bonds, and estimates of debt service costs of, or funding requirements associated with, future general obligation, conduit and TFA Future Tax Secured debt issuances based on 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.

In July 2009, the State amended the New York City Transitional Finance Authority Act to expand the borrowing capacity of the TFA by providing that it may 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, does not exceed the debt limit of the City. As a result of this change, the City currently expects to finance through the TFA approximately half of the capital program that was previously expected to be financed with general obligation debt. Consequently, in order to more accurately reflect the debt service costs of the City's capital program, the Financial Plan includes as a debt service expense the funding requirements associated with TFA Future Tax Secured Bonds. This expense is offset by personal income tax revenues retained by the TFA, which are now included in the Financial Plan.

The Financial Plan reflects general obligation debt service of $3.93 billion, $4.25 billion, $4.49 billion and $4.57 billion in fiscal years 2011 through 2014, respectively, conduit debt service of $247 million, $300 million, $330 million and $325 million in fiscal years 2011 through 2014, respectively, and TFA funding requirements of $1.17 billion, $1.66 billion, $1.88 billion and $2.06 billion in fiscal years 2011 through 2014, respectively. In addition, the Financial Plan reflects, in fiscal year 2011, debt service offsets totaling $3.26 billion as a result of prepayments. See "SECTION VI: FINANCIAL OPERATIONS—Forecast of 2011 Results."

Certain Reports

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

On December 15, 2010 the City Comptroller released a report on the Financial Plan. The report notes that while revenue forecasts in the outyears of the Financial Plan are slightly lower than those in the July Financial Plan, expenditure estimates increased significantly. The report states that the increase results primarily from the expiration of federal stimulus funds, increases in health insurance rates and the cost of anticipated changes in pension assumptions and methodology. Further, when compared to the July Financial Plan projections, agency gap-closing initiatives along with the revenue and expenditure estimate revisions have resulted in a projected budget surplus of $1.161 billion for fiscal year 2011. The projected budget surplus will be used to prepay $1.161 billion of fiscal year 2012 debt service which helps to reduce the projected gap for such fiscal year. Without the benefits of prepayments, the projected budget gaps for fiscal years 2013 and 2014 have increased since July.

In his report, the City Comptroller identified net risks for fiscal years 2011 through 2014 which, when added to the results projected in the Financial Plan, would result in gaps of $766 million, $3.64 billion, $6.05 billion and $6.63 billion, 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 $965 million, $765 million, $812 million and $765 million in fiscal years 2011 through 2014, respectively, resulting from: (i) wage increases as a result of collective bargaining with the City's teacher and school administrator unions, which would result in increased costs of $898 million, $800 million, $897 million and $900 million in fiscal years 2011 through 2014, respectively; (ii) increased overtime expenditures of $152 million in fiscal year 2011 and $100 million in each of fiscal years 2012 through 2014; and (iii) decreased judgments and claims expenditures of $85 million, $135 million, $185 million and $235 million in fiscal years 2011 through 2014, respectively. The differences from the Financial Plan also result from the City Comptroller's revenue projections. The report estimates that (i) property tax revenues will be lower by $39 million, $67 million, $98 million and $92 million in fiscal years 2011 through 2014, respectively; (ii) personal income tax revenues will be lower by $115 million, $117 million, $69 million and $151 million in fiscal years 2011 through 2014, respectively; (iii) business tax revenues will be higher by $120 million, $193 million, $171 million and $316 million in fiscal years 2011 through 2014, respectively; (iv) sales tax revenues will be higher by $99 million, $121 million and $132 million in fiscal years 2012 through 2014, respectively; and (v) real-estate related tax revenues will be higher by $233 million, $379 million, $476 million and $512 million in fiscal years 2011 through 2014, respectively. The revenue projections result in net additional tax revenues of $199 million, $487 million, $601 million and $717 million in fiscal years 2011 through 2014, respectively. Additionally, the City Comptroller estimates that State aid could be reduced by $1 billion in each of fiscal years 2012 through 2014.

On December 15, 2010, the staff of the OSDC released a report on the Financial Plan. The OSDC report notes that the City balanced the fiscal year 2009 budget and subsequent budgets by raising taxes, drawing down prior year surpluses, cutting agency budgets and receiving federal stimulus aid. The report estimates that the fiscal year 2011 budget includes $4.9 billion in nonrecurring resources. The report also states that the size of the fiscal year 2012 budget gap will depend on the pace of the economic recovery and the State budget. The report notes that the growth of City-funded expenditures is expected to accelerate when federal stimulus assistance expires and to outpace revenue growth during the Financial Plan period. In fiscal years 2012 through 2014, the report cites decreased federal and State aid and the results of collective bargaining as risks to the Financial Plan.

The report quantifies certain risks, partially offset by possible additional resources, to the Financial Plan. The report identifies possible net risks to the Financial Plan of $71 million, $796 million, $739 million and $1.04 billion in fiscal years 2011 through 2014, respectively. When combined with the results projected in the Financial Plan, the report estimates that these risks could result in budget gaps of $71 million, $3.15 billion, $5.58 billion and $6.62 billion in fiscal years 2011 through 2014, respectively. The possible additional resources identified in the report result from (i) increased tax revenues of $465 million, $525 million and $225 million in fiscal years 2012 through 2014, respectively, and (ii) increased savings of $200 million in fiscal year 2011 resulting from an overestimation of fiscal year 2010 expenses. The risks to the Financial Plan identified in the report include: (i) decreased tax revenue of $140 million in fiscal year 2011; (ii) increased overtime costs of $100 million in fiscal year 2011 and $150 million in each of fiscal years 2012 through 2014; (iii) decreased savings as a result of failing to achieve certain agency budgetary savings of $31 million, $71 million, $74 million and $77 million in fiscal years 2011 through 2014, respectively; (iv) decreased State education aid of $738 million in each of fiscal years 2012 through 2014; and (v) decreased revenue sharing from the State of $302 million in each of fiscal years 2012 through 2014.

In addition to the adjustments to the Financial Plan projections set forth above, the OSDC report identifies three additional risks that could have a significant impact on the City. First, the OSDC report identifies risks to the Financial Plan resulting from increased costs as a result of collective bargaining with the teachers' union of $898 million, $800 million, $898 million and $900 million in fiscal years 2011 through 2014, respectively. Second, if wages for employees other than teachers were to increase at the projected rate of inflation without any offsetting savings, costs would increase by $222 million, $613 million, $1.03 billion and $1.42 billion in fiscal years 2011 through 2014, respectively. Third, the City's ability to accrue certain education aid from the State in the current fiscal year was not reauthorized. The failure of the State to reauthorize such accrual could result in a loss of $202 million in fiscal year 2011.

On December 16, 2010, the staff of the Control Board issued a report on the Financial Plan. The report observes that in contrast to prior first quarter financial plan modifications, which are usually technical in nature, the City has chosen to deal aggressively with the projected fiscal year 2012 budget gap and to make policy decisions relating to risks to federal education aid in the Financial Plan. The Financial Plan includes an agency reduction plan for fiscal year 2011, even though it is not needed to balance the current budget, in order to maximize savings to help balance the fiscal year 2012 budget. As a result of the agency reduction plan, and the use of $600 million from the City's reserve for changes in pension fund assumptions and methodology, which is not needed for such purpose in fiscal year 2011, the City has added $1.2 billion to its Budget Stabilization Account to be used to lower the fiscal year 2012 budget gap. The report states that despite efforts to reduce agency spending, expenditure growth, primarily relating to healthcare, pension and education costs, continues to outpace revenue growth. The report notes that the City's Financial Plan assumptions of State education aid are overly optimistic given the large budget gaps facing the State and identifies risks of lower property tax collections and higher overtime costs. Additionally, the report states that the gaps stated in the Financial Plan may be substantially higher if the City's assumptions for labor contracts are not achieved.

The report quantifies certain risks to the Financial Plan. The report identifies possible risks of $136 million, $1.56 billion, $1.60 billion and $1.82 billion in fiscal years 2011 through 2014, respectively. When combined with the results projected in the Financial Plan, these net risks would result in estimated gaps of $136 million, $3.91 billion, $6.43 billion and $7.34 billion in fiscal years 2011 through 2014, respectively. The risks to the Financial Plan identified in the report include: (i) decreased property tax collections of $300 million, $250 million and $200 million in fiscal years 2012 through 2014, respectively; (ii) increased uniformed services overtime expenses of $136 million in fiscal year 2011 and $234 million in each of fiscal years 2012 through 2014; (iii) decreased aid from the State of $302 million in each of fiscal years 2012 through 2014; and (iv) decreased State education aid of $721 million, $806 million and $1.08 billion in fiscal years 2012 through 2014, respectively.

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 23, 2010, the City released a capital plan covering fiscal years 2011 through 2014 (the "2011-2014 Capital Commitment Plan").

City-funded commitments, which were $344 million in fiscal year 1979, are projected to reach $9.4 billion in fiscal year 2011. City-funded expenditures are forecast at $8.4 billion in fiscal year 2011; total expenditures are forecast at $9.8 billion in fiscal year 2011. 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 2011-2014 Capital Commitment Plan.

2011-2014 CAPITAL COMMITMENT PLAN

	2011		2012		2013		2014		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)	$ 198	$ 252	$ 119	$ 119	$ 40	$ 40	$ 40	$ 40	$ 397	$ 451
Roadway, Bridges	963	1,306	570	1,067	437	569	580	678	2,550	3,620
Environmental Protection(2)	2,250	2,330	1,346	1,346	1,238	1,248	1,310	1,310	6,143	6,233
Education(3)	1,359	2,422	1,065	2,126	1,044	2,071	1,373	2,745	4,840	9,363
Housing	597	823	202	313	284	389	269	377	1,352	1,902
Sanitation	835	840	86	86	122	122	81	81	1,124	1,129
City Operations/Facilities	6,171	6,832	1,134	1,205	1,628	1,686	1,198	1,252	10,131	10,975
Economic and Port Development	938	1,127	107	107	169	169	56	56	1,269	1,458
Reserve for Unattained Commitments	(3,875)	(3,875)	1,364	1,364	(105)	(105)	(17)	(17)	(2,633)	(2,633)
Total Commitments(4)	$ 9,435	$12,056	$5,992	$7,734	$4,857	$6,188	$4,889	$6,522	$25,173	$32,499
Total Expenditures(5)	$ 8,425	$ 9,841	$7,582	$9,328	$6,780	$8,648	$6,507	$8,369	$29,294	$36,186

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 $4.0 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 December 2010, 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 $6.06 billion in capital investment would be needed for fiscal years 2012 through 2015 to bring the assets to a state of good repair. The report also estimated that $336 million, $191 million, $213 million and $200 million should be spent on maintenance in fiscal years 2012 through 2015, respectively.

The recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the 2011-2014 Capital Commitment Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the 2011-2014 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 2011-2014 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 July 2010, concluded that the capital investment in the Four-Year Capital Plan, for fiscal years 2011 through 2014, for the specifically identified inventoried assets funded 53% of the total investment recommended in the preceding AIMS Report issued in December 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 70% of the expense maintenance levels recommended were included in the financial plan.

See the penultimate paragraph under "SECTION I: RECENT FINANCIAL DEVELOPMENTS—2011-2014 Financial Plan" for a discussion of recent developments which may impact the City's capital program.

Financing Program

The following table sets forth the par amount of bonds issued and expected to be issued during the 2011 through 2014 fiscal years to implement those fiscal years of the 2011-2014 Capital Commitment Plan. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

2011-2014 FINANCING PROGRAM

	2011	2012	2013	2014	Total
			(In Millions)		
City General Obligation Bonds(1)	$2,675	$2,740	$2,500	$2,470	$10,385
TFA Future Tax Secured Bonds(1)	3,600	2,740	2,500	2,470	11,310
Water Authority Bonds(1)(2)	2,573	1,969	1,635	1,394	7,571
Total	$8,848	$7,449	$6,635	$6,334	$29,266

Note: Totals may not add due to rounding.

(1) Figures exclude refunding bonds.

(2) Water Authority Bonds includes commercial paper.

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 2011 through 2019, projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $11.7 billion. The City's Capital Commitment Plan for fiscal years 2011 through 2014 reflects total anticipated City-funded water and sewer commitments of $6.1 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 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 $965 million, $905 million, $1.046 billion and $1.292 billion of Building Aid Revenue Bonds in fiscal years 2011 through 2014, 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 September 30, 2010, the aggregate notional amount of the City's interest rate exchange agreements was $2,591,865,000 and the total marked-to-market value of such agreements was ($176,898,154).

In addition, in connection with its Courts Facilities Lease Revenue Bonds (The City of New York Issue) Series 2005A and B, the Dormitory Authority of the State of New York ("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 September 30, 2010, the total marked-to-market value of the DASNY agreements was ($8,894,059).

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. The City has not issued short-term obligations to finance projected cash flow needs since fiscal year 2004. 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 2011. The Financial Plan reflects the issuance of short-term obligations in the amount of $2.4 billion in each of fiscal years 2012 through 2014.

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 September 30, 2010. "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"), 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)	$40,275,625	
Less: Assets Held for Debt Service(2)	(638,071)	
Net City Long-Term Indebtedness		$39,637,554
PBC Indebtedness		
Bonds Payable	324,350	
Capital Lease Obligations	1,377,244	
Gross PBC Indebtedness	1,701,594	
Less: Assets Held for Debt Service	(212,920)	
Net PBC Indebtedness		1,488,674
Combined Net City and PBC Indebtedness		$41,126,228

(1) Reflects capital appreciation bonds at accreted values as of June 30, 2010.

(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 2000 through 2010 and at September 30, 2010.

	City Indebtedness		PBC	
	Long-Term	Short-Term	Indebtedness	Total
		(In Millions)		
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
2009	38,648	—	1,484	40,131
2010	41,490	—	1,395	42,885
September 30, 2010	39,638	—	1,489	41,126

Rapidity of Principal Retirement

The following table details, as of September 30, 2010, 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	22.71%
10 years	48.81
15 years	72.48
20 years	89.20
25 years	97.98
30 years	100.00

City and PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of September 30, 2010, on City and PBC indebtedness.

	City Long-Term Debt		PBC	
Fiscal Years	Principal	Interest	Indebtedness	Total
		(In thousands)		
2011	2,046,077	1,705,684	71,756	3,823,517
2012	2,139,819	1,623,629	77,025	3,840,473
2013 through 2147	35,452,991	14,453,724	1,507,274	51,413,989
Total	$40,275,625	$19,034,025	$1,701,594	$61,011,244

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 2001 through 2010.

Fiscal Year	City Long-Term Indebtedness (In Millions)	Percentage of Actual Taxable Value of Property(1)	Per Capita
2001	$27,147	29.97%	$3,367
2002	28,465	29.20	3,517
2003	29,679	28.90	3,652
2004	31,378	29.38	3,841
2005	33,903	30.73	4,128
2006	35,844	29.26	4,344
2007	34,506	27.03	4,152
2008	36,100	24.80	4,325
2009	39,991	26.31	4,765
2010	41,555	26.31	4,952

Source: CAFR for the fiscal year ended June 30, 2010.

(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 2001 through 2010. 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)				
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
2009	39,991	102	—	16,913	1,274	2,253	—	1,937	99
2010	41,555	150	—	20,094	1,265	2,178	—	1,859	99

Source: CAFR for the fiscal year ended June 30, 2010.

(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 $230 million, $168 million, $116 million, $64 million, $52 million and $39 million in fiscal years 2000 through 2005, respectively. All of such general obligation "mirror" bonds have been paid.

(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 December 31, 2010, approximately $42 billion of City general obligation bonds were outstanding.

As of September 30, 2010, $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; and (iii) redemption of short-term indebtedness issued in anticipation of the collection of taxes or other revenues, such as tax anticipation notes ("TANs") and revenue anticipation notes ("RANs") which (with permitted renewals thereof) 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 City TANs and RANs when outstanding. 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 bond anticipation notes ("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.

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 and BANs, and long-term indebtedness issued for specified purposes 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, as of December 31, 2010, has outstanding approximately $15.96 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 debt-incurring power as of December 31, 2010.

(In Thousands)

Total City Debt-Incurring Power under General Debt Limit		$76,224,403
Gross Debt-Funded	$41,791,700	
Less: Excluded Debt	(228,917)	
	41,562,782	
Less: Appropriations for Payment of Principal	(401,371)	
	41,161,411	
Contracts and Other Liabilities, Net of Prior Financings Thereof	8,663,157	
Total City Indebtedness		49,824,568
TFA Debt Outstanding above $13.5 billion		2,463,755
Debt-Incurring Power		$23,936,079

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 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 September 30, 2010, $149.7 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

Dormitory Authority of the State of New York

As of September 30, 2010, $595.5 million principal amount and $760.2 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 September 30, 2010, approximately $312.7 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 September 30, 2010, $29.4 million principal amount of UDC bonds subject to 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, 2009 consisted of approximately 370,000 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 295,000 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 2010, 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, 2008, plus the other pension expenditures, were approximately $6.756 billion. Expense projections for fiscal years 2011 through 2014 are estimated at $7.012 billion, $8.340 billion, $8.421 billion and $8.441 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, losses in fiscal years 2008 and 2009 followed by a gain in fiscal year 2010. 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 assumed rate of return of eight percent is effective through fiscal year 2011. A lower assumed rate of return may be enacted effective July 1, 2011. Required contributions are sensitive to changes in the assumed rate of return. For example, an approximately one-half percent reduction in the assumed rate could require an additional annual pension contribution of approximately $750 million to $1 billion. Adjustments in required contributions caused by changes in the assumed rate of return would not be subject to phase-in or averaging.

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. A subsequent independent audit is currently ongoing and a report is expected to be released in 2011.

The Financial Plan includes an annual reserve of $1 billion in each of fiscal years 2012 through 2014 to address changes in actuarial assumptions including the statutory assumed rate of return and life expectancy. However, actual increases in annual pension contributions as a result of any such changes in assumptions could exceed that amount.

The Financial Plan reflects higher additional required contributions associated with actual pension fund investment performance in fiscal years 2008 and 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 Financial Plan reflects additional contributions of $152 million, $225 million, $297 million and $394 million in fiscal years 2011 through 2014, respectively, as a result of the incremental investment loss in fiscal year 2008.

In addition, in fiscal year 2009 the pension funds realized a negative 18.3 percent investment return, which is significantly below the statutory positive rate of return of eight percent. The Financial Plan reflects additional contributions of $406 million, $747 million, $1.104 billion and $1.454 billion in fiscal years 2011 through 2014, respectively, as a result of the incremental investment loss in fiscal year 2009.

As a result of the combined impact of the actual losses in fiscal years 2008 and 2009, the Financial Plan reflects additional pension contributions of $558 million, $972 million, $1.401 billion and $1.848 billion in fiscal years 2011 through 2014, 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.

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 2010 fiscal year. The funded status of the City's pension systems was also reported in the CAFR for the 2010 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 $42 billion, or 70.9% funded. For further information see Appendix B — Financial Statements — Notes to Financial Statements — Notes E.6. and F."

On June 16, 2010, GASB issued a preliminary views document indicating that it is considering significant changes to GAAP relating to pensions. Proposed changes include, among many others, that governments would be required to report net pension liabilities on their financial statements of net assets when the fair value of pension assets falls short of actuarially calculated liabilities. Currently, GAAP requires that employers report net pension liabilities on their financial statements of net assets only when there is a shortfall in cumulative contributions compared to either actuarially determined annual contributions or contractually required contributions for certain multi-employer plans. The impact on the City of such changes to GAAP, if ultimately implemented, is not certain at this time.

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 2010 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 39% 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 ("TRS") and the New York City Board of Education Retirement System ("BERS"). However, the obligations of the participating employers are joint, and, as a result, the failure by any one employer to make its required payment would increase the obligations of the other employers. Depending on the system and the defaulting participating employer, such increased obligation could be material.

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 $432.4 million and approximately $193.0 million, respectively, were recorded as of June 30, 2010.

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, TRS for June 30, 1999 only, BERS for June 30, 1999 to 2002 and the Police Fund for June 30, 1999 to 2008), 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
2008	.04

(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, 2010 amounted to approximately $5.6 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 $899 million at June 30, 2010. 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. 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. On June 10, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. Under the settlement, the WTC Insurance Company would pay up to approximately $712.5 million, leaving residual funds to insure and defend the City and its contractors against claims that are not settled as part of the settlement and any new claims. In order for the settlement to take effect, at least 95 percent of the plaintiffs must accept its terms. On November 19, 2010, District Court Judge Hellerstein announced that more than the required 95% of plaintiffs have agreed to the settlement, thus making it effective, subject to the correction of certain deficiencies in some releases by the WTC Insurance Company. There are still approximately 700 plaintiffs who have sued the City and who have not agreed to the terms of the settlement or who were not eligible to participate in the settlement. The Court has not indicated how or when those cases will proceed.

2. 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, dismissed the claims against the State, and remanded the matter for further proceedings. The trial court on remand has received extensive briefing from the parties on the issue of City liability. 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.

3. In 2006, a relator filed two lawsuits in the United States District Court for the Southern District of New York against the City's Department of Housing Preservation and Development ("HPD") and other defendants under the False Claims Act. The relator alleged that HPD was involved with the submission of false claims to the United States Department of Housing and Urban Development ("HUD") in connection with the federal government's Section 8 Enhanced Voucher program which provides rental subsidies to low and moderate income tenants payable to the landlord. These alleged false claims would have resulted in HUD's overpayment of subsidies to the defendant property owners, by virtue of the alleged improper removal of housing units from rent regulation. These lawsuits remained under seal pending completion of an investigation by the United States Department of Justice, which was completed in 2009. Following this investigation, the federal government elected to pursue common-law claims against the property owners, seeking a declaration that the properties are and should have remained subject to rent-regulation, and to recover any overpayments made as a result of the allegedly improper de-regulation. The federal government has not sought any relief against the City. The relator is pursuing the false claims actions against HPD and the defendant property owners, seeking treble damages of the alleged overpayments made by HUD on approximately 870 units, plus civil penalties of up to $11,000 per claim for each violation of the False Claims Act. On July 2, 2010, the Court granted the City's motion to dismiss these actions subsequent to which the relator filed an appeal.

4. In October 2010, The Building Industry Electrical Contractors Association and the United Electrical Contractors Association commenced an action in the United States District Court for the

Southern District of New York against the City and The Building and Construction Trades Council of Greater New York and Vicinity (the "BCTC") challenging certain Project Labor Agreements (the "PLAs") entered into between the City and the BCTC and labor unions affiliated with the BCTC. The PLAs are contracts between the City and the BCTC that govern labor relations at certain City construction projects and cover matters such as work rules, dispute resolution, wages and benefits and collective bargaining representation. Plaintiffs allege that the PLAs violate the National Labor Relations Act and State competitive bidding statutes. They seek a declaratory judgment that the PLAs are unlawful and an injunction with respect to the application and enforcement of the PLAs. If plaintiffs were to ultimately prevail, the cost of the projects that are subject to PLAs could be increased substantially.

5. On January 7, 2011, the United States District Court for the Southern District of New York unsealed a qui tam lawsuit under the Federal False Claims Act. On January 11, 2011, the federal government filed a complaint in partial intervention concerning the provision of 24-hour home care. The suit brought by the federal government alleges that the City has improperly administered certain areas of the Personal Care program. The suit alleges that the City failed to properly authorize and/or reauthorize services resulting in services being provided to individuals who were not eligible to receive services. The suit also alleges that since 2006 the City has improperly enrolled patients in the Personal Care program. The exact amount of the claim has not been stated, but the federal government has alleged that the City has over billed Medicaid by tens of millions of dollars. The suit seeks treble damages and penalties. The City believes it has meritorious defenses. However, if the federal government were to ultimately prevail and the damages were tripled, the cost to the City could be substantial.

6. The federal Department of Health and Human Services Office of Inspector General ("HHS OIG") conducted a review of Medicaid Personal Care Services claims made by providers in the City from January 1, 2004 through December 31, 2006, and concluded that 18 out of 100 sampled claims by providers failed to comply with federal and State requirements. The Medicaid Personal Care Services program in the City is administered by the City's Human Resources Administration. In its audit report issued in June 2009, the HHS OIG, extrapolating from the case sample, estimated that the State improperly claimed $275.3 million in federal Medicaid reimbursement during the audit period and recommended to the Center for Medicare and Medicaid Services ("CMS") that it seek to recoup that amount from the State. To the City's knowledge, CMS has not taken any action to recover amounts from the State based on the findings in this audit, but no assurance can be given that it will not do so in the future.

Section 22 of Part B of Chapter 109 of the Laws of 2010 amended an earlier unconsolidated State law to set forth a process under which the State Department of Health may recover from a social services district, including the City, the amount of a federal Medicaid disallowance or recovery that the State Commissioner of Health "determines was caused by a district's failure to properly administer, supervise or operate the Medicaid program." Such a determination would require a finding that the local agency had "violated a statute, regulation or clearly articulated written policy and that such violation was a direct cause of the federal disallowance or recovery." It is not clear whether the recovery process set out in the recent amendment can be applied to a federal disallowance against the State based upon a pre-existing audit; however, in the event that it does, and results in a final determination by the State Commissioner of Health against the City, such a determination could result in substantial liability for the City as a result of the audit.

7. On July 21, 2009, the City and DOE agreed to resolve issues concerning billing of the Medicaid program for health-related special education services to children with disabilities. The issues had arisen in audits by the HHS OIG and in a lawsuit under the False Claims Act. The City agreed to pay $100 million to the federal government over a period of four to five years in connection with this settlement, and received releases from the CMS and the State for the broader period from 1990 to 2008. However, this settlement and those releases contained an exception in relation to the allegations made in a separate matter, the existence of which was noted in the text of the final settlement. Although the City believes that it has meritorious defenses with respect to such separate matter, a final adverse judgment resulting from this matter could result in substantial liability for the City.

Environmental Regulation

On March 2, 2010, following an earlier notice of proposed listing, the United States Environmental Protection Agency ("EPA") listed the Gowanus Canal, a waterway located in Brooklyn, New York, as a federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). While it was evaluating listing the Gowanus Canal, on November 5, 2009, EPA notified the City that EPA considers the City a potentially responsible party ("PRP") under CERCLA for hazardous wastes in the Gowanus Canal. In its Gowanus PRP notice letter, EPA identified currently and formerly City-owned and operated properties, including an asphalt plant, an inactive incinerator, and waterfront properties historically leased to private entities, as sources of hazardous substances in the Gowanus Canal.

On September 27, 2010, following an earlier notice of proposed listing, EPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, along with its five tributaries, as a Superfund site. While it was evaluating listing Newtown Creek, on April 6, 2010, EPA notified the City that EPA considers the City a PRP under CERCLA for hazardous wastes in Newtown Creek. In its Newtown Creek PRP notice letter, EPA identified historical City activities that filled former wetlands and low lying areas in and around Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and combined sewer overflow outfalls, as sources of hazardous substances in Newtown Creek.

Under CERCLA, a responsible party may be held responsible for monies expended for response actions at a Superfund site, including investigative, planning, removal, remedial and EPA enforcement actions. A responsible party may also be ordered by EPA to take response actions itself. Responsible parties include, among others, past or current owners or operators of a facility from which there is a release of a hazardous substance that causes the incurrence of response costs. The nature, extent, and cost of response actions at either Gowanus Canal or Newtown Creek, and the extent of the City's liability, if any, for monies expended for such response actions, will likely not be determined for several years.

Tax Exemption

In the opinion of Sidley Austin LLP, New York, New York, as Bond Counsel, interest on the Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

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 Bonds for purposes of federal income taxation. In the opinion of Bond Counsel, assuming compliance by the City with such provisions of the Code, interest on the 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 Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds. Further, Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

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

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

The excess, if any, of the amount payable at maturity of any maturity of the Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for federal, State and City income tax purposes to the same extent as interest on the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

The excess, if any, of the tax basis of the Bonds purchased by a purchaser (other than a purchaser who holds the Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of the Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of the Bonds are required to decrease their adjusted basis in the Bonds by the amount of amortizable bond premium attributable to each taxable year the Bonds are held. The amortizable bond premium on the Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, such amortizable bond premium is treated as an offset to qualified stated interest received on the Bonds. Owners of such Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premiums upon sale or other disposition of such Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. 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 federal income tax liability provided the required information is furnished to the IRS.

Future Tax Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or 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 federal or 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.

Legal Opinions

The legality of the issuance and conversion 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 E 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 are being 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 Reoffering Circular.

Certain legal matters will be passed upon for the Remarketing Agent by Hawkins Delafield & Wood LLP, New York, New York, Counsel for the Remarketing Agent.

Remarketing

The Bonds are being purchased for reoffering by Barclays Capital Inc. ("Barclays") who has agreed, subject to certain conditions, to purchase such Bonds from the tendering holders at par and to remarket the Bonds at par. Barclays will be obligated to purchase all such Bonds if any such Bonds are purchased.

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 remarketing of the Bonds.

Financial Statements

The City's financial statements for the fiscal years ended June 30, 2010 and 2009 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 Reoffering Circular. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2010 and 2009, which is a matter of public record, is included in this Reoffering Circular. 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 Reoffering Circular, since the date of such report and has not been asked to consent to the inclusion of its report in this Reoffering Circular.

Supplemental Certificates

For any one or more of the following purposes and at any time or from time to time, the City may enter into a supplement to the Certificate:

(a) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision relating to the Adjustable Rate Bonds;

(b) to identify particular Adjustable Rate Bonds for purposes not inconsistent with the Certificate, including credit or liquidity support, remarketing, serialization and defeasance; or

(c) to insert such provisions with respect to the Adjustable Rate Bonds as are necessary or desirable and are not to the prejudice of the Bondholders.

Each supplement is conditioned upon delivery to the City of a Favorable Opinion of Bond Counsel.

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 at www.nyc.gov/omb. Copies of the published Comprehensive Annual Financial Reports of the Comptroller are available at www.comptroller.nyc.gov or upon written request to the Office of the Comptroller, Deputy Comptroller for Public Finance, Seventh Floor, Room 720, 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 Reoffering Circular 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 any holders of the Bonds.

THE CITY OF NEW YORK

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APPENDIX A

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 impacted the City from 2007 through the first half of 2010. 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 substantially in number 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 which began in the second half of calendar year 2007 persisted through the first half of 2010 and that a gradual pickup in economic activity will occur in the second half of 2010 and in 2011.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 1998 to 2008 (the most recent year for which City personal income data are available). From 1998 to 2008, personal income in the City and the nation averaged 5.3% growth. After increasing by 8.9% in 2007, total personal income in the City increased by 3.0% in 2008. The following table sets forth information regarding personal income in the City from 1998 to 2008.

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.
1998	$260.5	$33,146	$27,258	121.6%
1999	273.6	34,422	28,333	121.5
2000	293.2	36,576	30,318	120.6
2001	298.9	37,076	31,145	119.0
2002	299.7	37,035	31,461	117.7
2003	305.8	37,627	32,271	116.6
2004	327.7	40,105	33,881	118.4
2005	351.8	42,826	35,424	120.9
2006	387.0	46,901	37,698	124.4
2007	421.5	50,725	39,458	128.6
2008	434.1	52,013	40,673	127.9

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 452,600 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 2008, the City fully recovered those jobs, adding a total of 255,000 private sector jobs. In 2009, the City lost 107,800 private sector jobs, while in 2010, the City added 6,900 private sector jobs.

As of December 2010, total employment in the City was 3,722,700 compared to 3,680,900 in December 2009, an increase of approximately 1.1%.

The table below shows the distribution of employment from 2000 to 2010.

EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)										
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Goods Producing Sectors											
Construction	121	122	116	113	112	113	118	127	133	121	115
Manufacturing	177	156	139	127	121	114	106	101	96	83	80
Service Producing Sectors											
Trade Transportation and Utilities	570	557	536	534	539	547	558	570	574	549	546
Information	187	200	177	164	160	163	165	165	167	161	159
Financial Activities	489	474	445	434	435	445	458	468	465	435	429
Professional and Business Services	587	582	550	537	542	556	572	593	605	573	570
Education and Health Services	615	627	646	658	665	679	695	705	719	734	750
Leisure and Hospitality	257	260	255	260	270	277	285	298	310	308	316
Other Services	147	149	150	149	151	153	154	158	161	160	164
Total Private	3,149	3,127	3,015	2,975	2,995	3,047	3,111	3,185	3,230	3,122	3,129
Government	569	562	566	557	554	556	555	559	564	565	548
Total	3,718	3,689	3,581	3,531	3,549	3,603	3,667	3,744	3,794	3,687	3,676

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 2008, 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 2008, 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 50%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 25% of earnings in 2008. 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 2008 are set forth in the following table.

Sectoral Distribution of Employment and Earnings in 2008(1)

	Employment		Earnings(2)	
	NYC	U.S.	NYC	U.S.
Goods Producing Sectors				
Mining	0.0%	0.6%	0.2%	1.6%
Construction	3.5	5.2	3.0	6.3
Manufacturing	2.5	9.8	1.9	10.9
Total Goods Producing	6.0	15.6	5.1	18.8
Service Producing Sectors				
Trade, Transportation and Utilities	15.1	19.2	8.4	15.6
Information	4.4	2.2	7.1	3.5
Financial Activities	12.3	6.0	30.2	9.0
Professional and Business Services	16.0	13.0	19.9	16.3
Education and Health Services	19.0	13.8	10.4	11.8
Leisure & Hospitality	8.2	9.8	4.4	4.1
Other Services	4.2	4.0	3.0	3.6
Total Service Producing	79.1	68.0	83.5	63.8
Total Private Sector	85.1	83.5	89.8	82.9
Government(3)	14.9	16.5	10.2	17.1

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 2008 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 December 2010, the total unemployment rate in the City was 8.6%, compared to 10.4% in December 2009, 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)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
New York City	5.8%	6.1%	8.0%	8.3%	7.1%	5.8%	5.0%	4.9%	5.4%	9.5%	9.5%
United States	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%

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 November 2010, the number of persons receiving cash assistance in the City was 354,937 compared to 354,278 in November 2009. The following table sets forth the number of persons receiving public assistance in the City.

PUBLIC ASSISTANCE

(Annual Averages in Thousands)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
668.2	573.0	492.8	434.0	424.7	434.8	416.9	393.1	360.8	341.8	346.9

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 1999 and 2009, total taxable sales volume grew at a compounded growth rate averaging over 3.0%. The decline in total taxable sales in 2009 reflects a decline in consumption, as a result of local employment losses and the local and national recessions. The following table illustrates the volume of sales and purchases subject to the sales tax from 1999 to 2009.

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
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)	33.4	12.8	28.1	2.4	19.4	96.1
2008(6)	33.3	13.5	31.5	2.8	20.7	101.8
2009(6)	31.4	14.2	31.5	2.6	20.1	99.8

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

(1) For 1999, the yearly data is for the period from September 1, 1998 through August 31, 1999. For 2000 through 2009 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
2009	8,391,881[(1)]

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

(1) Estimate.

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	1,369,410	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, 2010 and 2009

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Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281-1414
USA

Tel: +1 212 436 2000
Fax: +1 212 436 5000
www.deloitte.com

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, 2010 and 2009. 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 24 percent and 20 percent and 24 percent and 20 percent, as of and for the years ended June 30, 2010 and 2009 respectively, of the assets and revenues of the government-wide financial statements, 11 percent and 7 percent and 10 percent and 6 percent, as of and for the years ended June 30, 2010 and 2009 respectively, of the assets and revenues of the fund financial statements, 8 percent and 9 percent and 8 percent and 8 percent, as of and for the years ended June 30, 2010 and 2009 respectively, of the assets and net assets held in trust of the fiduciary fund financial statements and 51 percent and 79 percent and 51 percent and 79 percent, as of and for the years ended June 30, 2010 and 2009 respectively, of the assets and revenues of the component unit 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, 2010 and 2009, 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.

As described in Note A.2 to the financial statements, in 2010, The City adopted Governmental Accounting Standards Board Statements (GASB) No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

The Management's Discussion and Analysis on pages B-4 through B-29 and the Required Supplementary Information on pages B-88, B-105, B-106, and B-107 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 2010 and 2009 supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

October 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010 and 2009. 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 City implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" (GASB51) in fiscal year 2010. 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. GASB51 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. GASB51 requires that an intangible asset be recognized in the Statement of Net Assets only if it is considered identifiable. Additionally, GASB51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated. GASB51 also establishes guidance specific to intangible assets related to amoritization. The financial reporting impact resulting from the implementation of GASB51 had no effect on net assets in the government-wide financial statements since the recognition of intangible assets was wholly a clarification of the existing equipment fixed assets class description to convey its inclusion of software. None of the intangible assets included in the equipment fixed assets class were considered to have indefinite useful lives and therefore all of the intangible assets are subject to amortization.

The City also implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB53). This Statement enhances 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 GASB53 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. The financial reporting impact resulting from the implementation of GASB53 is the recognition within the government-wide financial statements of a liability for 'hedging' derivative instruments whose negative fair value at June 30, 2010 totaled $91.6 million with a corresponding amount being reported as deferred outflows of resources in the assets section of the government-wide financial statements. Also, 'investment' derivative instruments whose negative fair value at June 30, 2010 totaled $89.2 million is being included with the City's investment disclosures and recorded within the investments account on the statement of net assets.

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. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. 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 funds balance sheet and the governmental funds 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. The New York City Other Postemployment Benefits Plan (the PLAN) is composed of The New York City Retiree Health Benefits Trust (the Trust) and OPEB paid for directly by the City out of its general resources rather than through the Trust. The Trust is used to accumulate assets to pay for some of the OPEB provided by The City to its retired employees. The PLAN is reported in the City's financial statements as an Other Employee Benefit Trust Fund. The PLAN 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" amounts necessary to provide current benefits to eligible retirees and their dependents. During fiscal year 2010, the City contributed $1.6 billion to the PLAN.

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 Other Trust Funds 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 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)
New York City Educational Construction Fund (ECF)
Municipal Assistance Corporation for The City of New York (MAC)
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' governing bodies and either 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:

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)
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 increased the City's net deficit by \$11.7 billion during fiscal year 2010, and increased the net deficit by \$7.0 billion (not including the restated opening fiscal year 2009 net deficit because of GASB49) during fiscal year 2009, and increased the net deficit by \$5.8 billion during fiscal year 2008.

As mentioned previously, the basic financial statements include a reconciliation between the fiscal year 2010 governmental funds statement of revenues, expenditures, and changes in fund balances which reports a decrease of $1.6 billion in fund balances and the increase in the net assets deficit reported in the government-wide statement of activities of $11.7 billion, a difference of $10.1 billion. A similar reconciliation is provided for fiscal year 2009 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/amortized) 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,		
	2010	2009	2008
		(in thousands)	
Revenues:			
Program revenues:			
Charges for services	$ 4,540,775	$ 4,339,456	$ 4,094,423
Operating grants and contributions	20,403,783	18,858,998	17,867,973
Capital grants and contributions	586,080	854,646	1,363,822
General revenues:			
Taxes	38,058,116	34,904,930	38,055,401
Investment income	65,508	286,868	637,711
Other Federal and State aid	478,811	806,415	632,162
Other	216,516	284,528	257,470
Total revenues	64,349,589	60,335,841	62,908,962
Expenses:			
General government	4,298,065	3,770,291	3,892,968
Public safety and judicial	18,293,989	15,198,415	16,253,188
Education	24,749,134	21,534,177	21,597,632
City University	1,035,471	779,539	733,165
Social services	13,183,110	13,076,719	13,529,238
Environmental protection	4,374,543	2,947,939	3,406,311
Transportation services	2,184,078	2,060,043	1,793,394
Parks, recreation and cultural activities	1,012,404	1,091,041	897,363
Housing	1,425,949	1,362,964	1,403,838
Health (including payments to HHC)	2,554,881	2,567,434	2,309,449
Libraries	249,423	402,299	310,048
Debt service interest	2,690,732	2,565,891	2,615,635
Total expenses	76,051,779	67,356,752	68,742,229
Change in net assets	(11,702,190)	(7,020,911)	(5,833,267)
Net deficit—beginning	(96,726,217)	(89,532,464)	(83,699,197)
Restatement of beginning net deficit	—	(172,842)	—
Net deficit—beginning of year, as restated	(96,726,217)	(89,705,306)	(83,699,197)
Net deficit—ending	$(108,428,407)	$ (96,726,217)	$ (89,532,464)

In fiscal year 2010, the government-wide revenues increased from fiscal year 2009 levels by approximately $4.0 billion, while government-wide expenses increased by approximately $8.7 billion.

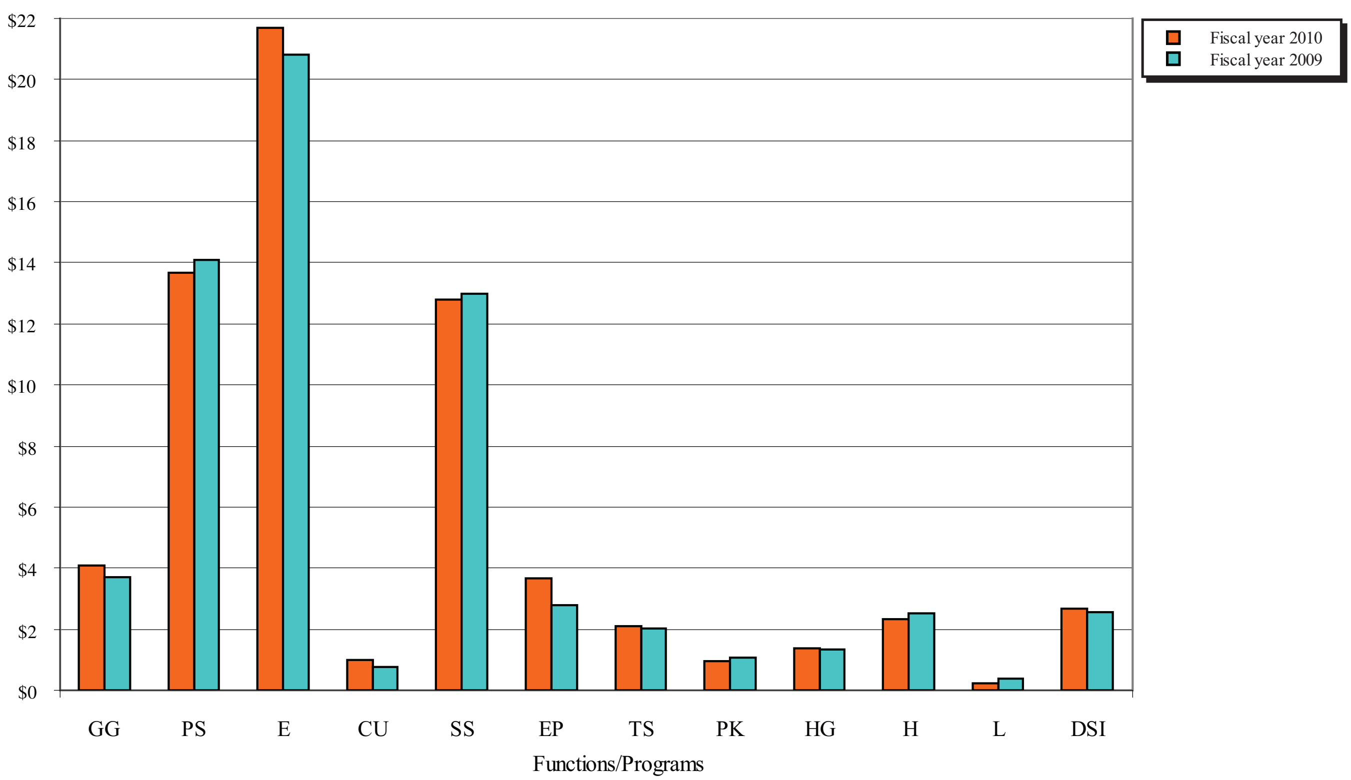
In fiscal year 2009, the increase of OPEB costs associated with GASB45 was approximately $2.3 billion. In fiscal year 2010, the increased costs of OPEB was over $9.4 billion. This increased cost resulted from the assumptions that the OPEB provisions were amended based on the impact of the National Health Care Reform. For example, this reform provides coverage for adult children up until age 26 (currently age 19, age 23 if full-time student). Also, costs increased based on the assumption that the provisions of the plan were amended based on New York State's extension of COBRA eligibility under insured plans from 18 months to 36 months for all COBRA events.

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 2010 and a comparison to fiscal year 2009:

	Fiscal Year 2010 (in thousands)		
Functions/Programs	**Expenses per Statement of Activities**	**GASB45 Expenses**	**Expenses excluding GASB45**
General government (GG)	$ 4,298,065	$ 197,371	$ 4,100,694
Public safety and judicial (PS)	18,293,989	4,626,870	13,667,119
Education (E)	24,749,134	3,056,610	21,692,524
City University (CU)	1,035,471	40,923	994,548
Social services (SS)	13,183,110	398,018	12,785,092
Environmental protection (EP)	4,374,543	705,029	3,669,514
Transportation services (TS)	2,184,078	79,408	2,104,670
Parks, recreation and cultural activities (PK)	1,012,404	48,250	964,154
Housing (HG)	1,425,949	63,327	1,362,622
Health, including payments to HHC (H)	2,554,881	215,671	2,339,210
Libraries (L)	249,423	8,994	240,429
Debt service interest (DSI)	2,690,732	—	2,690,732
Total expenses	$ 76,051,779	$ 9,440,471	$66,611,308

	Fiscal Year 2009 (in thousands)		
Functions/Programs	**Expenses per Statement of Activities**	**GASB45 Expenses**	**Expenses excluding GASB45**
General government (GG)	$ 3,770,291	$ 47,115	$ 3,723,176
Public safety and judicial (PS)	15,198,415	1,104,485	14,093,930
Education (E)	21,534,177	730,246	20,803,931
City University (CU)	779,539	9,769	769,770
Social services (SS)	13,076,719	95,011	12,981,708
Environmental protection (EP)	2,947,939	168,298	2,779,641
Transportation services (TS)	2,060,043	18,955	2,041,088
Parks, recreation and cultural activities (PK)	1,091,041	11,518	1,079,523
Housing (HG)	1,362,964	15,117	1,347,847
Health, including payments to HHC (H)	2,567,434	51,483	2,515,951
Libraries (L)	402,299	2,146	400,153
Debt service interest (DSI)	2,565,891	—	2,565,891
Total expenses	$67,356,752	$2,254,143	$65,102,609

Expenses — Governmental Activities[1]
for the fiscal years ended June 30, 2010 and 2009
(in billions)



(1) Expenses exclude GASB45.

The major components of the changes in government-wide revenues were:

- Unrestricted Federal and State aid decreased primarily due to a significant reduction in New York State revenue sharing aid to the City.
- Tax revenues, net of refunds, increased overall, as a result of the following:
  - The increase in real estate taxes which is a result of growth during the fiscal year in billable assessed value combined with the full-year impact of the property tax rate increase.
  - The overall increase in sales and use taxes which is driven primarily by a large increase in general sales tax stemming from a sales tax increase and strong tourism consumption. This increase is tempered by a decrease in mortgage tax collections due to a slowdown in mortgage originations and tighter lending standards that required higher down payments.
  - The increase in personal income taxes which resulted from increased settlement payments on liability year 2009 which were paid in fiscal year 2010, the result of the expiration of the Middle Class STAR personal income tax credit, and the New York State offset of prior overpayments and subsequent one-time lump sum repayment in fiscal year 2009.
  - Other income taxes (which include general corporation, financial corporation, unincorporated business income, and non-resident personal income taxes) increased due to a decline in refund payouts as large overpayments from the private sector stemming from the fiscal crisis are liquidated.
- Investment income declined primarily due to declining market interest rates.

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

- The following have impacted virtually all functions and programs:
  - OPEB increased primarily as a result of changes in actuarial assumptions for increases to the overall assumed health care cost trend rate, including estimated impact of the National Health Care Reform.
  - Fringe benefits and other benefit payments increased due to growth in health insurance premium costs and one-time payments to welfare funds resulting from collective bargaining agreements.
- Expenses for Public Safety and Judicial increased primarily due to OPEB, as discussed above.
- Expenses for Education grew primarily due to increased costs for special education and charter schools, as well as OPEB and fringe benefits, as discussed above.
- Environmental protection expenses increased primarily due to large collective bargaining settlements, increased pollution remediation costs, and increased OPEB costs, as discussed above.
- Expenses for Health and Hospitals Corporation decreased primarily due to a one-time subsidy made in fiscal year 2009 and not repeated in fiscal year 2010.
- The decline in expenses in Libraries occurred primarily because of a decrease in the prepayments made by the City from fiscal year 2009 to 2010 and a one-time funding increase in fiscal year 2009 that was not repeated in fiscal year 2010.

In fiscal year 2009, the government-wide revenues decreased from fiscal year 2008 by approximately $2.6 billion, while government-wide expenses decreased by approximately $1.4 billion.

The major components of the changes in government-wide revenues 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:

  – The increase in real estate taxes are a result of growth during the fiscal year attributable to billable assessed value growth combined with a mid-year property tax rate increase.

  – The overall decrease in sales and use taxes is driven primarily buy 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 also reflects a drop in general sales tax collections.

  – The large decrease in personal income tax revenue was due to employment losses, a steep decline in bonus payouts in the first quarter of the calendar year, and a drop in nonwage income stemming from a decline in capital gains realizations.

  – There were record losses posted by the financial service entities in calendar years 2007 and 2008 affecting the general corporation taxes.

  – There was an increase in financial corporation taxes reflecting contributions by Federal, State and local tax compliance initiatives. Additionally, Federal monetary policy has widened net interest margins which has bolstered interest income for all banking corporations.

  – A decrease in other taxes is primarily due to a large decrease in real property transaction taxes resulting from a steep decline in the volume and average sales price in both the residential and commercial markets.

- Investment income declined due to declining market interest rates.

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

- City-wide:

  – Other post employment benefit (OPEB) expenses decreased as a result of a smaller growth in the actuarially calculated OPEB obligation during fiscal year 2009.

  – Judgment and claims expenses declined as a result of a decline in the estimated cost of pending cases and incurred but not yet reported claims.

  – Expenses increased as a result of the implementation of GASB49 as discussed later on.

  – Increases in personal service costs resulted from collective bargaining increases.

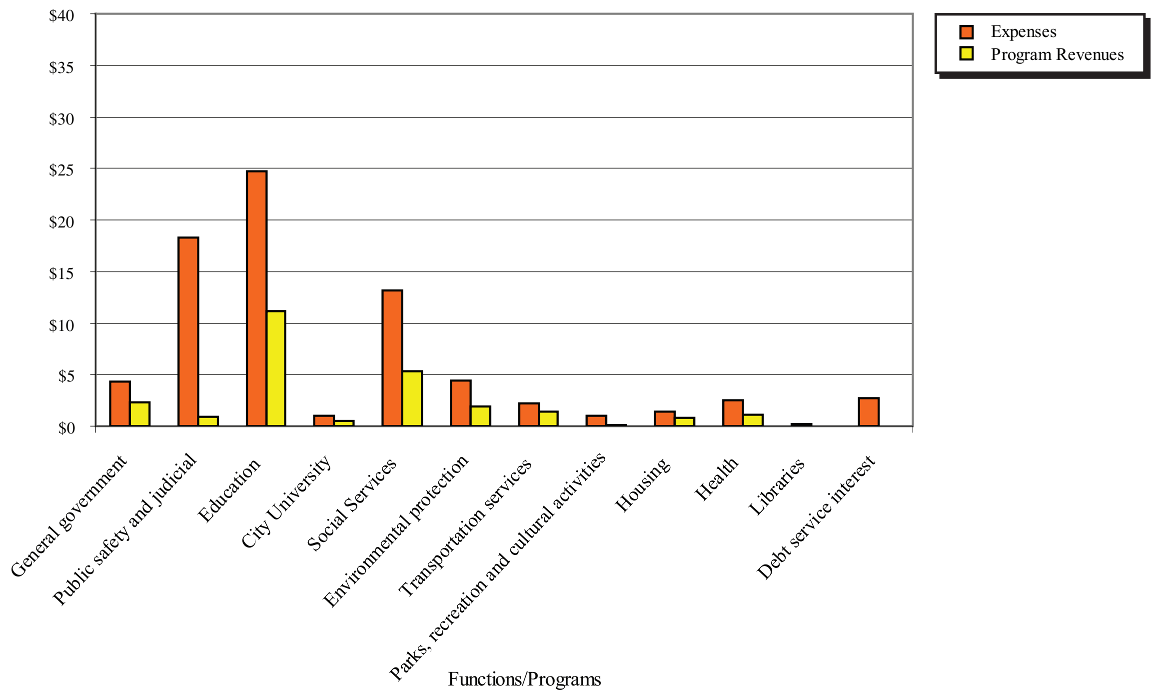
- Expenses for Public Safety and Judicial decreased due to the above-mentioned reductions in OPEB and judgments and claims offset by increased salary and benefit costs resulting from collective bargaining.

- Social service expenses decreased as a result of Medicaid savings from the increased Federal Medical Assistance Percentage in the American Recovery and Reinvestment Act of 2009. These savings were partially offset by increased costs in public assistance to provide rental assistance to homeless individuals and families, and increases in personal service expenditures for collective bargaining agreements.

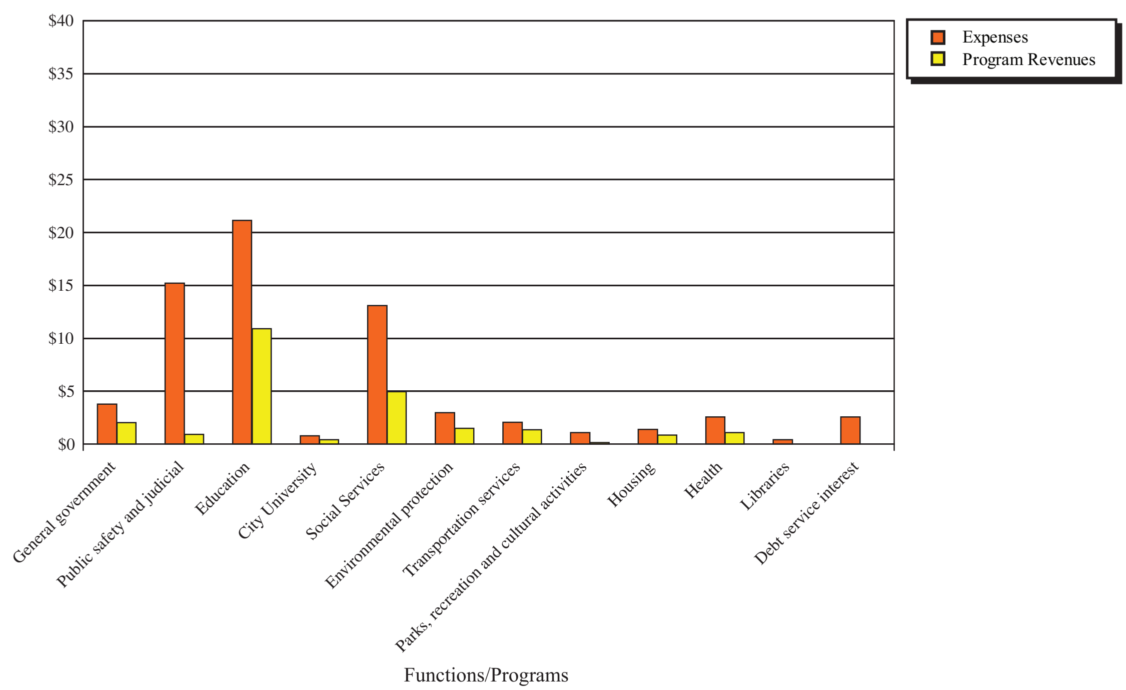
- Health expenses increased due to collective bargaining. Expenses for HHC increased due to subsidy prepayments.

The following charts compare the amounts of expenses and program revenues for fiscal years 2010 and 2009:

Expenses and Program Revenues — Governmental Activities(1)
for the year ended June 30, 2010
(in billions)



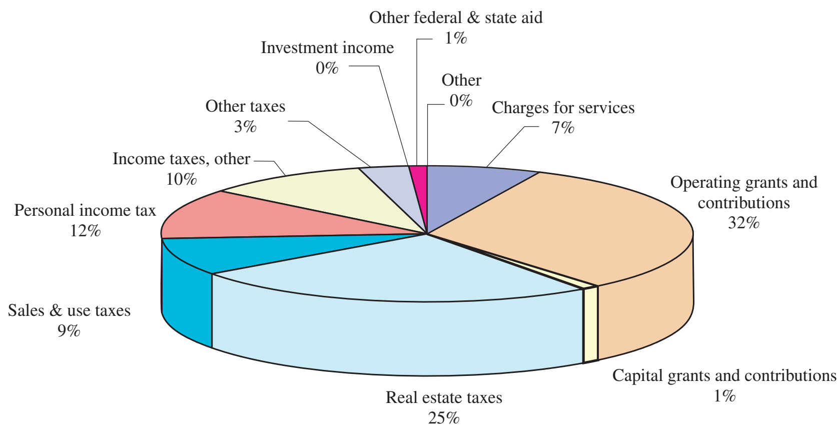
Expenses and Program Revenues — Governmental Activities(1)
for the year ended June 30, 2009
(in billions)



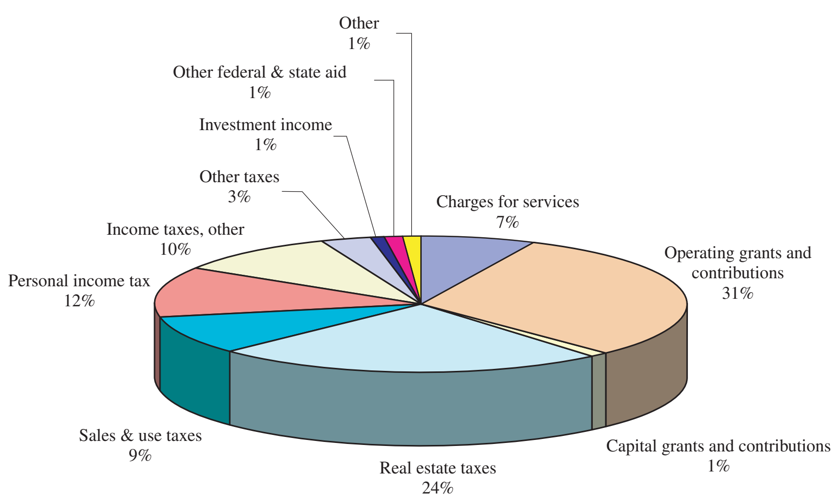
(1) Expenses include GASB45.

The following charts compare the amounts of program and general revenues for fiscal years 2010 and 2009:

Revenues by Source — Governmental Activities
for the Year Ended June 30, 2010



Revenues by Source — Governmental Activities
for the Year Ended June 30, 2009



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 $108.4 billion at the close of the most recent fiscal year, an increase in the excess of liabilities over assets of $11.7 billion from June 30, 2009, which in turn compares with the net deficit increase of $7.2 billion (includes the restated opening fiscal year 2009 Net Assets because of GASB49) over the prior fiscal year 2008.

	Governmental Activities		
	2010	2009	2008
		(in thousands)	
Current and other assets	$ 31,358,012	$31,320,893	$ 32,135,165
Capital assets (net of depreciation/ amortization)	43,474,065	39,881,603	36,892,858
Total assets	74,832,077	71,202,496	69,028,023
Long-term liabilities	160,298,098	145,934,380	137,697,829
Other liabilities	22,962,386	21,994,333	20,862,658
Total liabilities	183,260,484	167,928,713	158,560,487
Net assets:			
Invested in capital assets, net of related debt	(6,899,623)	(5,502,516)	(3,112,434)
Restricted	6,625,036	7,093,369	8,926,022
Unrestricted deficit	(108,153,820)	(98,317,070)	(95,346,052)
Total net deficit	$(108,428,407)	$(96,726,217)	$(89,532,464)

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, 2010 and 2009:

Components of Net Deficit	2010	2009
	(in billions)	
Net Assets Invested in Capital Assets		
Some City-owned assets have a depreciable/amortizable 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/amortize more quickly than their related debt is paid, and they comprise one of the largest components of this difference	$ (6.9)	$ (5.5)
Net Assets Restricted for:		
Debt Service	4.8	5.4
Capital Projects	1.8	1.7
Total net assets restricted	6.6	7.1
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)	(1.5)
STAR issued debt related to the defeasance of the MAC issued debt	(2.2)	(2.3)
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.	(14.1)	(14.4)
Certain long-term obligations do not require current funding:		
OPEB liability	(75.0)	(65.5)
Judgments and claims	(5.6)	(5.5)
Vacation and sick leave	(3.8)	(3.7)
Pension liability	(0.6)	(0.7)
Landfill closure and postclosure costs	(1.7)	(1.7)
Other:	(3.6)	(3.0)
Total unrestricted (deficit) net assets	(108.1)	(98.3)
Total net deficit	$(108.4)	$(96.7)

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, 2008	$ 432,307	$(3,505,885)	$ 5,117,268	$ 3,673,302	$ —	$ 5,716,992
Revenues	59,849,094	3,725,364	57,692	3,569,827	(2,880,850)	64,321,127
Expenditures	(57,865,899)	(10,043,522)	(3,215,502)	(4,537,303)	2,880,850	(72,781,376)
Other financing sources (uses)	(1,978,494)	7,717,479	1,416,372	645,079	—	7,800,436
Fund balances (deficit), June 30, 2009	437,008	(2,106,564)	3,375,830	3,350,905	—	5,057,179
Revenues	62,470,577	3,105,447	14,918	3,659,680	(3,207,719)	66,042,903
Expenditures	(58,885,814)	(10,535,856)	(3,424,507)	(4,933,833)	3,017,073	(74,762,937)
Other financing sources (uses)	(3,579,621)	6,392,629	2,959,957	1,174,664	190,646	7,138,275
Fund balances (deficit), June 30, 2010	$ 442,150	$(3,144,344)	$ 2,926,198	$ 3,251,416	$ —	$ 3,475,420

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 $3.651 billion and $2.919 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2010 and 2009, respectively. After these certain expenditures and transfers (discretionary and other), the General Fund reported an operating surplus of $5 million in both fiscal years 2010 and 2009, 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, 2010, can be attributed principally to transfers (discretionary transfer and other, as described above) from the General Fund totaling $2.892 billion in fiscal year 2010 for fiscal year 2011 debt service. Similar transfers in fiscal year 2009 of $1.290 billion for fiscal year 2010 debt service also primarily account for the General Debt Service Fund balance at June 30, 2009.

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, 2010 and 2009 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

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB49). In addition to requiring recognition of pollution remediation obligations, GASB49 generally precludes costs incurred for pollution remediation from being reported as capital expenditures. Thus, the City's fiscal year 2010 General Fund expenditures include approximately $455.1 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. On April 30, 2008, pursuant to existing authority under the New York State Financial Emergency Act, the New York State Financial Control Board for the City of New York approved a phase-in of the budgetary impact of GASB49, enabling the City to continue to finance, with the issuance of bonds, certain pollution remediation costs for projects authorized prior to fiscal year 2011. Thus, $206 million of City bond proceeds and $249.1 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the $455.1 million of pollution remediation expenditures are also reported in the General Fund for fiscal year 2010. In fiscal year 2009, $176.4 million of City bond proceeds and $59.7 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supported the $236.1 million of pollution remediation expenditures reported in the General Fund. Although amounts were not established in the Adopted Budget, a modification to the budget was made to accommodate the pollution remediation expenditure charge in the General Fund. These pollution remediation expenditures were incurred by various agencies, as follows:

	General Fund Pollution Remediation Expenditures Fiscal Year 2010	
	Modified Budget	**Actual**
	(in thousands)	
General government	$ 17,741	$ 17,741
Public safety and judicial	3,432	3,432
Education	170,872	170,872
Social services	706	706
Environmental protection	250,729	250,729
Transportation services	5,087	5,087
Parks, recreation and cultural activities	1,479	1,479
Housing	2,819	2,819
Health, including HHC	1,690	1,690
Libraries	507	507
Total expenditures	$455,062	$455,062

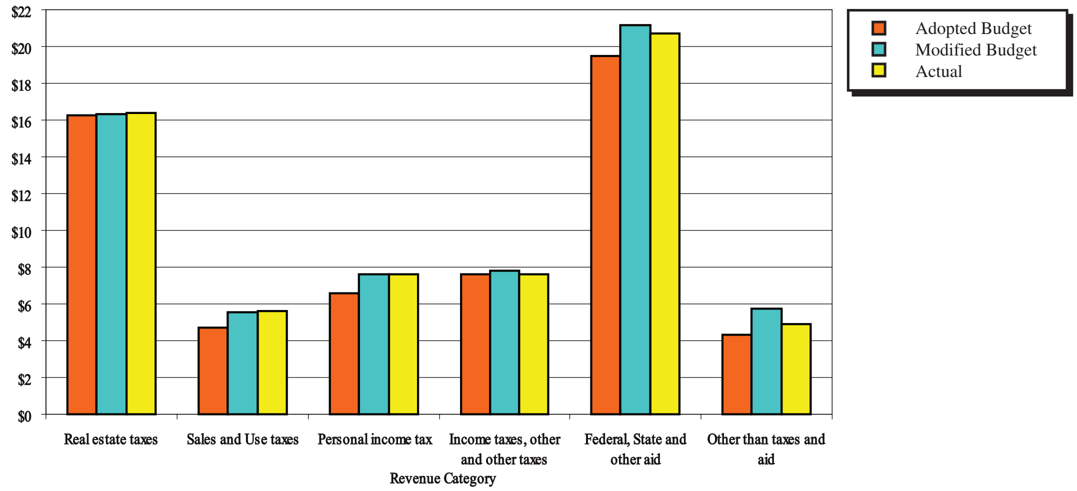
	General Fund Pollution Remediation Expenditures Fiscal Year 2009	
	Modified Budget	**Actual**
	(in thousands)	
General government	$ 3,495	$ 3,495
Public safety and judicial	394	394
Education	158,543	158,543
Social services	63	63
Environmental protection	61,248	61,248
Transportation services	6,463	6,463
Parks, recreation and cultural activities	676	676
Housing	4,178	4,178
Health, including HHC	864	864
Libraries	168	168
Total expenditures	$236,092	$236,092

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 2010 and 2009 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

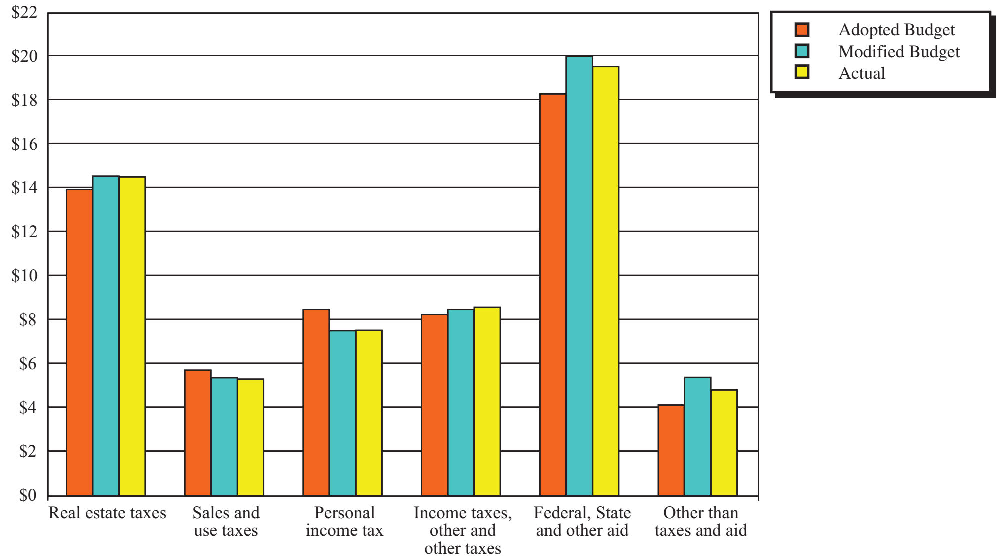
General Fund Revenues
Fiscal Year 2010
(in billions)



General Fund Revenues
Fiscal Year 2010
(in millions)

	Adopted Budget	Modified Budget	Actual
Taxes (net of refunds):			
Real estate taxes	$ 16,251	$ 16,342	$ 16,369
Sales and use taxes	4,714	5,570	5,611
Personal income tax	6,600	7,620	7,593
Income taxes, other	4,445	5,865	5,707
Other taxes	3,190	1,925	1,921
Taxes (net of refunds)	35,200	37,322	37,201
Federal, State and other aid:			
Categorical	19,150	21,008	20,718
Unrestricted	340	171	(18)
Federal, State and other aid	19,490	21,179	20,700
Other than taxes and aid:			
Charges for services	2,262	2,592	2,539
Other revenues	1,918	2,815	2,030
Bond proceeds	—	206	206
Transfers from Nonmajor Debt Service Fund	123	125	125
Transfers from General Debt Service Fund	—	12	12
Other than taxes and aid	4,303	5,750	4,912
Total revenues	$ 58,993	$ 64,251	$ 62,813

General Fund Revenues
Fiscal Year 2009
(in billions)



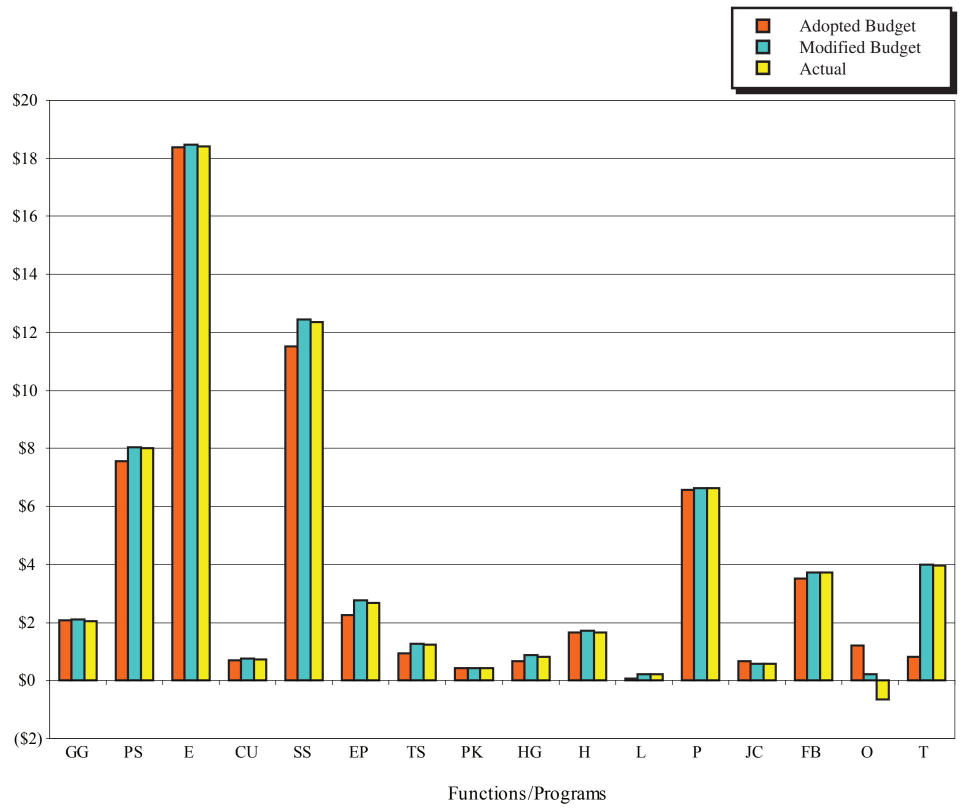
General Fund Revenues
Fiscal Year 2009
(in millions)

	Adopted Budget	Modified Budget	Actual
Taxes (net of refunds):			
Real estate taxes	$13,915	$14,520	$14,487
Sales and use taxes	5,713	5,364	5,302
Personal income tax	8,469	7,498	7,519
Income taxes, other	5,407	5,544	6,589
Other taxes	2,823	2,925	1,976
Taxes (net of refunds)	36,327	35,851	35,873
Federal, State and other aid:			
Categorical	17,906	19,609	19,168
Unrestricted	340	340	327
Federal, State and other aid	18,246	19,949	19,495
Other than taxes and aid:			
Charges for services	2,127	2,209	2,245
Other revenues	1,863	2,853	2,236
Bond proceeds	—	176	176
Transfers from Nonmajor Debt Service Fund	143	146	146
Other than taxes and aid	4,133	5,384	4,803
Total revenues	$58,706	$61,184	$60,171

General Fund Expenditures

The following charts and tables summarize actual expenditures by function/program for fiscal years 2010 and 2009 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

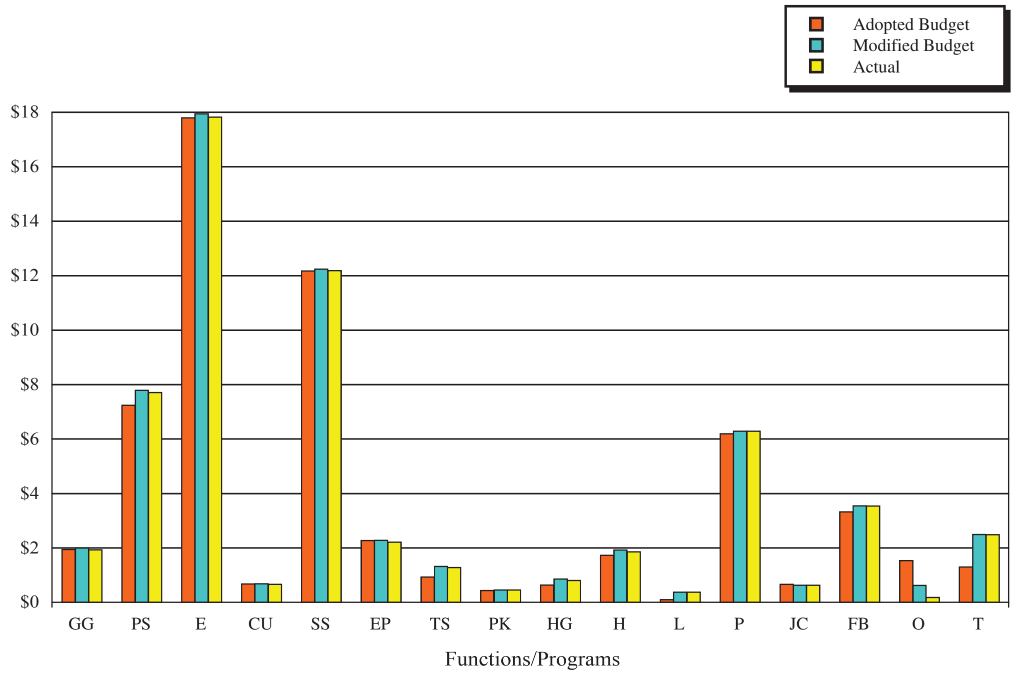
General Fund Expenditures
Fiscal Year 2010
(in billions)



General Fund Expenditures
Fiscal Year 2010
(in millions)

	Adopted Budget	Modified Budget	Actual
General government (GG)	$ 2,063	$ 2,117	$ 2,039
Public safety and judicial (PS)	7,571	8,045	8,000
Education (E)	18,372	18,473	18,411
City University (CU)	684	747	719
Social services (SS)	11,508	12,435	12,370
Environmental protection (EP)	2,258	2,774	2,667
Transportation services (TS)	938	1,273	1,224
Parks, recreation and cultural activities (PK)	423	436	434
Housing (HG)	669	874	814
Health, including HHC (H)	1,652	1,702	1,661
Libraries (L)	58	211	211
Pensions (P)	6,575	6,636	6,631
Judgments and claims (JC)	663	578	568
Fringe benefits and other benefit payments (FB)	3,521	3,737	3,733
Other (O)	1,215	215	(650)
Transfers and other payments for debt service (T)	824	3,998	3,976
Total expenditures	$58,994	$64,251	$62,808

General Fund Expenditures
Fiscal Year 2009
(in billions)



General Fund Expenditures
Fiscal Year 2009
(in millions)

	Adopted Budget	Modified Budget	Actual
General government (GG)	$ 1,932	$ 1,986	$ 1,918
Public safety and judicial (PS)	7,213	7,762	7,683
Education (E)	17,744	17,892	17,774
City University (CU)	670	674	658
Social services (SS)	12,139	12,205	12,151
Environmental protection (EP)	2,257	2,266	2,200
Transportation services (TS)	922	1,309	1,270
Parks, recreation and cultural activities (PK)	429	449	445
Housing (HG)	631	847	797
Health, including HHC (H)	1,722	1,911	1,843
Libraries (L)	95	367	366
Pensions (P)	6,171	6,268	6,265
Judgments and claims (JC)	658	623	623
Fringe benefits and other benefit payments (FB)	3,309	3,528	3,525
Other (O)	1,523	613	172
Transfers and other payments for debt service (T)	1,291	2,484	2,476
Total expenditures	$58,706	$61,184	$60,166

General Fund Surplus

The City had General Fund surpluses of $3.651 billion, $2.919 billion and $4.640 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2010, 2009 and 2008, respectively. For the fiscal years 2010, 2009 and 2008, 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 2010, 2009 and 2008 budgets follow:

	2010	2009	2008
		(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	$ 766	$1,043	$ 672
Discretionary transfers to the General Debt Service Fund	2,122	244	2,401
Net equity contribution in bond refunding that accrued to future years debt service savings	4	3	10
Debt service prepayments for lease purchase debt service due in the fiscal year	—	95	46
Grant to HYIC	—	15	—
Grant to TFA	371	646	546
Advance cash subsidies to the Public Library system	164	264	225
Advance cash subsidies to the TA and Metropolitan Transportation Authority (MTA)	219	294	275
Advance cash subsidies to the HHC	—	85	—
Payment to the RHBT	—	—	460
Payment to the PLAN	—	225	—
Total expenditures and transfers (discretionary and other)	3,646	2,914	4,635
Reported surplus	5	5	5
Total surplus	$3,651	$2,919	$4,640

Fiscal Year 2010

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 2010 Adopted Budget:

	2010
Additional resources:	**(in millions)**
Federal categorical aid	$1,116
Greater than expected personal income tax collections	994
Lower than expected personal services spending accrued for prior years	884
Lower than expected all other personal services spending	619
Non-governmental grants	525
Greater than expected banking corporation tax collections	520
General reserve	300
Lower than expected all other general administrative OTPS spending	292
Higher than expected sales tax collections	267
Lower than expected supplies and materials costs	231
Greater than expected charges for services	277
Greater than expected all other miscellaneous revenues	165
State categorical aid	133
Greater than expected real estate tax collections	119
Greater than expected all other tax collections	113
Greater than expected unincorporated business tax collections	109
Lower than expected energy costs	109
Lower than expected judgments and claims costs	98
Greater than expected transfers to the capital fund	97
Greater than expected commercial rent tax collections	60
Lower than expected lease purchase debt service costs	59
Lower than expected provisions for the disallowance reserve	15
Lower than expected payments to libraries	10
Greater than expected proceeds from asset sales	10
Greater than expected revenues from licenses, permits and privileges	9
Lower than expected all other debt service costs	6
Greater than expected utility tax collections	4
Total	7,141
Enabled the City to provide for:	
Additional prepayments for certain debt service costs and subsidies due in fiscal year 2011	3,642
Higher than expected contractual services costs	1,121
Higher than expected pollution remediation costs	455
Lower than expected unrestricted Federal and State aid	357
Higher than expected Medicaid spending	332
Higher than expected overtime costs	328
Higher than expected health insurance expenditures	178
Greater than expected public assistance spending	168
Greater than expected all other fixed and miscellaneous charges	115
Lower than expected mortgage tax collections	109
Lower than expected general corporation tax collections	76
Greater than expected all other social services costs (excluding Medicaid and public assistance)	74
Lower than expected revenues from fines and forfeitures	66
Higher than expected pension expenditures	56
Higher than expected property and equipment costs	41
Higher than expected payments to HHC	9
Lower than expected interest income	7
All other net overspending and revenues below budget	2
Total	7,136
Reported Surplus	$ 5

Fiscal Year 2009

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 2009 Adopted Budget:

	2009
Additional resources:	(in millions)
Greater than expected banking corporation tax collections	$ 650
State categorical aid	598
Federal categorical aid	575
Greater than expected real estate tax collections	569
Lower than expected all other personal services expenditures	529
Lower than expected supplies and materials costs	405
Lower than expected Medicaid spending	323
General reserve	300
Lower than expected all other general administrative OTPS spending	260
Lower than expected debt service costs	229
Greater than expected all other miscellaneous revenues	210
Pollution remediation bond proceeds	176
Lower than expected fuel and energy costs	140
Lower than expected judgments and claims expenditures	117
Greater than expected unincorporated business tax collections	109
Greater than expected charges for services	118
Greater than expected non-grant revenues	74
Greater than expected utility tax collections	57
Greater than expected fines and forfeitures	54
Asset sales	40
Greater than expected interest income	39
Greater than expected revenues from licenses, permits, privileges and franchises	33
Lower than expected all other health insurance costs	22
Greater than expected commercial rent tax collections	22
Lower than expected provisions for disallowance reserve	15
All other net underspending and revenues above budget	13
Total	5,677
Enabled the City to provide for:	
Additional prepayments for certain debt service costs and subsidies due in fiscal year 2010	2,098
Lower than expected personal income tax collections	951
Higher than expected contractual services costs	869
Lower than expected mortgage tax collections	356
Lower than expected real property transfer tax collections	323
Higher than expected overtime costs	233
Higher than expected all other fixed and miscellaneous charges	284
Lower than expected general corporation tax collections	163
Higher than expected public assistance spending	127
Higher than expected payments to HHC	19
Higher than expected pensions costs	94
Lower than expected sales tax collections	71
Higher than expected all other social services spending (excluding Medicaid and public assistance)	51
Lower than expected unrestricted Federal and State aid	12
Higher than expected property and equipment costs	8
Higher than expected payments to libraries	7
Higher than expected payments to Housing Authority	6
Total	5,672
Reported Surplus	$ 5

Capital Assets

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

	Governmental Activities		
	2010	2009	2008
		(in millions)	
Land*	$ 1,240	$ 1,147	$ 1,097
Buildings	25,154	22,435	21,026
Equipment (including software)	1,979	1,898	1,652
Infrastructure**	10,284	9,539	8,737
Construction work-in-progress*	4,817	4,862	4,381
Total	$43,474	$39,881	$36,893

* not depreciable/amortizable
** Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, bulkheads and tunnels.

The net increase in the City's capital assets during fiscal year 2010 was $3.593 billion, a 9.0% increase. Capital assets additions in fiscal year 2010 were $9.580 billion, an increase of $459 million from fiscal year 2009. In fiscal year 2010, 76% of the capital assets additions resulted from the addition of $3.545 billion in the Education program and $3.752 billion in new construction work-in-progress.

The net increase in the City's capital assets during fiscal year 2009 was $2.988 billion, a 8.1% increase. Capital assets additions in fiscal year 2009 were $9.121 billion, an increase of $807 million from fiscal year 2008. In fiscal year 2009, 60% of the capital assets additions resulted from the addition of $1.754 billion in the Education program and $3.758 billion in new construction work-in-progress.

Additional information on the City's capital assets can be found in Note D.2 of the basic 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 2010, 2009 and 2008.

	New York City and City-Related Debt		
	2010	2009	2008
		(in millions)	
General Obligation Bonds[(a)]	$41,555	$39,991	$36,100
TFA Bonds	14,407	11,140	11,306
TFA Recovery Bonds	1,466	1,522	1,522
TFA BARBs	4,221	4,251	2,000
TSASC Bonds	1,265	1,274	1,297
IDA Bonds	99	99	101
STAR Bonds	2,178	2,253	2,339
FSC Bonds	294	304	321
HYIC Bonds	2,000	2,000	2,000
HYIC Notes	—	33	67
ECF Bonds	150	102	109
Total bonds and notes payable	$67,635	$62,969	$57,162

(a) Does not include capital contract liabilities.

General Obligation

On July 1, 2010, the City's outstanding General Obligation (GO) debt, including capital contract liabilities, totaled $49.9 billion (compared with $47.2 and $42.6 billion as of July 1, 2009 and 2008, 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, 2010, the City's 10% general limitation was $76.2 billion (compared with $74.9 and $70.4 billion as of July 1, 2009 and 2008 respectively). The City's remaining GO debt incurring power as of July 1, 2010, after providing for capital contract liabilities, totaled $26.3 billion.

As of June 30, 2010, the City's outstanding GO variable and fixed rate debt totaled $7.52 billion and $34.04 billion, respectively. During fiscal year 2010, the City's GO tax exempt daily and weekly variable rate debt's interest rates averaged 0.20% and 0.25%, respectively. Of the $5.42 billion in GO bonds issued by the City in fiscal year 2010, a total of $2.0 billion was issued to refund certain outstanding bonds at a lower interest rate 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 $23.4 million in fiscal year 2010, and budgetary savings of $207.8 million and $0.81 million in 2011 and 2012, respectively. The refundings will generate approximately $182.14 million in net present value savings throughout the life of the bonds.

In fiscal year 2010, the City issued $2.75 billion of taxable Build America bonds and $332.31 million of traditional taxable fixed rate bonds. The traditional taxable bonds were sold on a competitive basis.

During fiscal year 2010, Moody's Investors Service (Moody's) and Fitch Ratings (Fitch) recalibrated the General Obligation ratings at Aa2 and AA, respectively. Standard & Poor's Ratings Services (S&P) maintained the General Obligation rating at AA.

Short-term Financing

In fiscal year 2010, 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. As of June 30, 2009 TFA has exhausted its debt incurring authorization for these bonds. In July 2009, however, Chapter 182 of the Laws of New York, authorized the issuance of additional Future Tax Secured Bonds subject to certain limitations. First, the $13.5 billion debt authorization was changed to be based on outstanding debt and not debt issued. Second, the new authorization provides that the further Future Tax Secured Bonds, together with the amount of indebtedness contracted by the City, will not exceed the debt limit of the City. As of July 1, 2010, the debt-incurring margin within the debt limit of the City was $26.3 billion.

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.

As of June 30, 2010, the TFA Future Tax Secured Bond total debt outstanding, including Recovery Bonds and Subordinate Lien Bonds, totaled approximately $15.87 billion.

TFA issued $5.35 billion TFA bonds in fiscal year 2010, a total of $3.57 billion was issued for new money capital purposes and $1.7 billion was issued to refund certain outstanding bonds at lower interest rates. In addition, the TFA converted $81 million of bonds from variable to fixed rate.

The proceeds of the refunding issues were placed in irrevocable escrow accounts to pay, when due, principal, interest, and applicable redemption premium, if any, on the refunded bonds. The refundings produce budgetary dissavings of $30.24 million in fiscal year 2010, due to the timing of debt service fund deposits and budgetary savings of $145.95 million and $1.15 million in fiscal years 2011 and 2012, respectively. The refundings will generate approximately $111.31 million in net present value savings throughout the life of the bonds.

Of the $3.57 billion new money issued in FY2010, $1.73 billion were BABs and $250 million were Qualified School Construction Bonds (QSCBs).

As of June 30, 2010, the TFA's outstanding variable rate debt, which included $1.39 billion of TFA Recovery Bonds, totaled $3.16 billion. During fiscal year 2010, TFA's variable rate debt traded at the following average interest rates:

	Tax-Exempt	Taxable
Dailies	0.20%	—
Weeklies	0.26%	0.36%
Auction Rate Securities—7 Day	0.86%	—

In fiscal year 2010, Moody's recalibrated TFA Senior and Subordinate Lien Bonds ratings to AAA and Aa1, respectively, and Fitch recalibrated TFA Senior Lien and Subordinate Lien Bonds ratings to AAA. In fiscal year 2010, S&P maintained its rating on both Senior Lien Bonds and Subordinate Lien Bonds at AAA.

In fiscal year 2006, the New York State Legislature authorized the 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. The legislation further authorized the City to assign to the 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 TFA Building Aid Revenue Bond (TFA BARB) credit was created. The City assigned all the State Building Aid to the TFA.

The TFA didn't issue TFA BARBs in fiscal year 2010. As of June 30, 2010, TFA BARBs debt outstanding totaled $4.22 billion.

During fiscal year 2010, Moody's and Fitch recalibrated the TFA BARBs ratings to Aa3 and AA-. S&P maintained the TFA BARBs rating at AA-.

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 2010. As of June 30, 2010, TSASC had approximately $1.27 billion of bonds outstanding.

As of June 30, 2010, TSASC's bonds are rated BBB by S&P and by Fitch.

Additional information on the City's long-term debt can be found in Note D.4. 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 Municipal Assistance Corporation for the City of New York (MAC) debt, thereby saved the City approximately $500 million per year for fiscal years 2004 through 2008.

As of June 30, 2010, STAR has $2.18 billion bonds outstanding. It had no financing activity in fiscal year 2010. The bonds are rated Aa2 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, 2010, FSC has $294.25 million bonds outstanding. It had no financing activity in fiscal year 2010.

The bonds are rated Aaa by Moody's and AAA by S&P and Fitch.

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 is payable from revenues generated by the new development in the Hudson Yards District. 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, 2010, HYIC had $2 billion bonds outstanding. It did not sell bonds in fiscal year 2010. HYIC bonds are rated A2 by Moody's, A by S&P and 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.

In fiscal year 2010, The ECF issued $53.8 million in Revenue Bonds for new money capital purposes.

As of June 30, 2010, ECF has $149.7 million bonds outstanding. The bonds are rated Aa3 by Moody's and AA- by S&P.

Interest Rate Exchange Agreements

In an effort to lower 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 to enter into swaps at future dates. The City received specific authorization to enter into such agreements under Section 54.90 of the New York State Local Finance Law. As of June 30, 2010, the outstanding notional amount on the City's various swap agreements was $2.62 billion.

No new swaps were initiated in fiscal year 2010, but an existing swap with Wachovia Bank, N.A. was transferred to Wells Fargo Bank, N.A. on March 20, 2010 as a result of the merger of these two companies.

On August 15, 2009, JPMorgan Chase Bank, N.A. did not exercise its option to enter into a $250 million swap with the City. The option expired and the swap was terminated.

The Water Authority has also from time to time entered into interest rate exchange agreements in order to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio. In fiscal year 2010, it initiated no new swaps. As of June 30, 2010, the outstanding notional amount on Water Authority's various swap agreements was $621 million.

Subsequent Events

Subsequent to June 30, 2010, the City and TFA completed the following long-term financing:

Long-term Financing

City Debt: On August 12, 2010, The City of New York sold its Fiscal 2011 Series A and B General Obligation bonds of $962.535 million for refunding purposes.

On October 20, 2010, The City of New York sold its Fiscal 2011 Series C, D and E General Obligation bonds of $1.225 billion for capital and refunding purposes.

On October 20, 2010, The City of New York converted both its Fiscal 2002 Series A-7 bonds of $60 million from Daily Mode and Fiscal 2002 Series A-8 bonds of $28.545 million from Weekly Mode to Fixed Rate Mode.

TFA Debt: On August 16, 2010, TFA sold its Fiscal 2011 Series A Future Tax Secured Subordinate bonds of $1.0 billion for capital purposes.

Commitments

At June 30, 2010, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $18.4 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 $51.2 billion over fiscal years 2011 through 2019. To help meet its capital spending program, the City and TFA borrowed $7.04 billion in the public credit market in fiscal year 2010. The City and TFA plan to borrow $7.05 billion in the public credit market in fiscal year 2011.

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.

THE CITY OF NEW YORK
STATEMENT OF NET ASSETS

JUNE 30, 2010
(in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 7,382,486	$ 3,370,787
Investments, including accrued interest	1,130,353	1,550,677
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $269,985)	429,458	—
Federal, State and other aid	8,811,998	—
Taxes other than real estate	4,527,240	—
Lease	—	1,720,396
Other	1,282,900	3,881,989
Mortgage loans and interest receivable, net	46	6,658,243
Inventories	280,136	43,388
Due from Primary Government	—	88,241
Due from Component Units	2,106,115	—
Restricted cash, cash equivalents and investments	4,119,525	2,461,751
Deferred charges	754,078	—
Other	442,071	490,912
Capital assets:		
Land and construction work-in-progress	6,057,500	8,419,847
Other capital assets (net of depreciation/amortization):		
Property, plant and equipment (including software)	27,132,957	23,069,095
Infrastructure	10,283,608	—
Deferred outflows of resources	91,606	91,766
Total assets	74,832,077	51,847,092
LIABILITIES:		
Accounts payable and accrued liabilities	12,950,117	1,868,428
Accrued interest payable	810,916	120,630
Unearned revenues:		
Prepaid real estate taxes	4,568,550	—
Other	3,283,893	356,803
Due to Primary Government	—	2,106,115
Due to Component Units	88,241	—
Estimated disallowance of Federal, State and other aid	1,092,915	—
Other	76,148	357,927
Derivative instruments — interest rate swaps	91,606	74,866
Noncurrent liabilities:		
Due within one year	4,441,357	1,761,756
Due in more than one year	155,856,741	40,928,105
Total liabilities	183,260,484	47,574,630
NET ASSETS:		
Invested in capital assets, net of related debt	(6,899,623)	8,038,813
Restricted for:		
Capital projects	1,846,802	61,301
Debt service	4,778,234	908,789
Loans/security deposits	—	48,615
Donor/statutory restrictions	—	63,528
Operations	—	246,985
Unrestricted (deficit)	(108,153,820)	(5,095,569)
Total net assets (deficit)	$(108,428,407)	$ 4,272,462

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

	Primary Government — Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 10,053,785	$ 2,719,736
Investments, including accrued interest	1,065,336	2,438,441
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $202,698)	322,737	—
Federal, State and other aid	6,821,403	—
Taxes other than real estate	3,489,081	—
Lease	—	1,532,340
Other	1,770,291	3,761,406
Mortgage loans and interest receivable, net	58	6,005,357
Inventories	281,645	47,660
Due from Primary Government	—	13,328
Due from Component Units	2,015,758	—
Restricted cash, cash equivalents and investments	4,307,477	2,656,924
Deferred charges	757,261	—
Other	436,061	506,690
Capital assets:		
Land and construction work-in-progress	6,009,299	6,937,782
Other capital assets (net of depreciation/amortization):		
Property, plant and equipment (including software)	24,332,895	22,297,691
Infrastructure	9,539,409	—
Deferred outflows of resources	—	66,098
Total assets	71,202,496	48,983,453
LIABILITIES:		
Accounts payable and accrued liabilities	13,052,000	1,929,317
Accrued interest payable	766,778	125,229
Unearned revenues:		
Prepaid real estate taxes	4,666,370	—
Other	2,294,096	250,988
Due to Primary Government	—	2,015,758
Due to Component Units	13,328	—
Estimated disallowance of Federal, State and other aid	1,112,915	—
Other	88,846	159,893
Derivative instruments — interest rate swaps	—	55,159
Noncurrent liabilities:		
Due within one year	3,949,610	1,583,964
Due in more than one year	141,984,770	37,549,850
Total liabilities	167,928,713	43,670,158
NET ASSETS:		
Invested in capital assets, net of related debt	(5,502,516)	8,101,792
Restricted for:		
Capital projects	1,667,852	63,427
Debt service	5,425,517	853,161
Loans/security deposits	—	48,761
Donor/statutory restrictions	—	56,169
Operations	—	416,906
Unrestricted (deficit)	(98,317,070)	(4,226,921)
Total net assets (deficit)	$(96,726,217)	$ 5,313,295

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary government:						
General government	$ 4,298,065	$1,044,721	$ 1,152,072	$ 90,655	$ (2,010,617)	$ —
Public safety and judicial	18,293,989	264,316	636,638	15,021	(17,378,014)	—
Education	24,749,134	68,117	11,065,829	30,629	(13,584,559)	—
City University	1,035,471	276,792	188,196	—	(570,483)	—
Social services	13,183,110	32,420	5,303,353	6,278	(7,841,059)	—
Environmental protection	4,374,543	1,611,105	259,779	51,159	(2,452,500)	—
Transportation services	2,184,078	894,316	245,747	271,557	(772,458)	—
Parks, recreation and cultural activities	1,012,404	58,972	15,579	30,167	(907,686)	—
Housing	1,425,949	220,757	511,398	88,102	(605,692)	—
Health (including payments to HHC)	2,554,881	69,259	1,025,192	1,520	(1,458,910)	—
Libraries	249,423	—	—	992	(248,431)	—
Debt service interest	2,690,732	—	—	—	(2,690,732)	—
Total primary government	$76,051,779	$4,540,775	$20,403,783	$ 586,080	(50,521,141)	—
Component Units	$15,126,326	$9,920,348	$ 2,083,551	$1,308,567	—	(1,813,860)
General revenues:						
Taxes (Net of Refunds):						
Real estate taxes					16,414,810	—
Sales and use taxes					5,628,398	—
Personal income tax					7,893,657	—
Income taxes, other					6,192,532	—
Other taxes:						
Commercial Rent					620,182	—
Conveyance of Real Property					616,157	—
Hotel Room Occupancy					374,902	—
Payment in Lieu of Taxes					262,351	—
Other					55,127	—
Investment income					65,508	171,882
Other Federal and State aid					478,811	7,087
Other					216,516	594,058
Total general revenues					38,818,951	773,027
Change in net assets					(11,702,190)	(1,040,833)
Net assets (deficit) - beginning					(96,726,217)	5,313,295
Net assets (deficit) - ending					$(108,428,407)	$4,272,462

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary government:						
General government	$ 3,770,291	$1,072,334	$ 929,527	$ 12,608	$ (1,755,822)	$ —
Public safety and judicial	15,198,415	285,598	594,718	18,217	(14,299,882)	—
Education	21,534,177	59,731	10,427,188	409,907	(10,637,351)	—
City University	779,539	219,043	179,882	—	(380,614)	—
Social services	13,076,719	34,410	4,914,361	4,109	(8,123,839)	—
Environmental protection	2,947,939	1,392,941	76,433	5,668	(1,472,897)	—
Transportation services	2,060,043	859,925	226,147	268,899	(705,072)	—
Parks, recreation and cultural activities	1,091,041	110,232	14,831	23,216	(942,762)	—
Housing	1,362,964	239,892	474,284	111,724	(537,064)	—
Health (including payments to HHC)	2,567,434	65,350	1,021,627	—	(1,480,457)	—
Libraries	402,299	—	—	298	(402,001)	—
Debt service interest	2,565,891	—	—	—	(2,565,891)	—
Total primary government	$67,356,752	$4,339,456	$18,858,998	$ 854,646	(43,303,652)	—
Component Units	$14,447,789	$9,420,106	$ 1,964,512	$1,006,031	—	(2,057,140)

	Primary Government: Governmental Activities	Component Units
General revenues:		
Taxes (Net of Refunds):		
Real estate taxes	14,531,191	—
Sales and use taxes	5,294,107	—
Personal income tax	7,195,177	—
Income taxes, other	5,914,642	—
Other taxes:		
Commercial Rent	602,532	—
Conveyance of Real Property	746,522	—
Hotel Room Occupancy	338,148	—
Payment in Lieu of Taxes	221,011	—
Other	61,600	—
Investment income	286,868	236,950
Other Federal and State aid	806,415	5,944
Other	284,528	279,275
Total general revenues	36,282,741	522,169
Change in net assets	(7,020,911)	(1,534,971)
Net assets (deficit) - beginning	(89,532,464)	6,941,975
Restatement of beginning net deficit	(172,842)	(93,709)
Net assets (deficit) - ending	$(96,726,217)	$ 5,313,295

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010
(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 5,229,058	$ 25,215	$2,081,788	$ 46,425	$ —	$ 7,382,486
Investments, including accrued interest	349,233	—	849,660	20,662	—	1,219,555
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $269,985)	429,458	—	—	—	—	429,458
Federal, State and other aid	8,100,203	711,795	—	—	—	8,811,998
Taxes other than real estate	4,213,493	—	—	313,747	—	4,527,240
Other	1,194,608	—	—	77,000	—	1,271,608
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $318,230)	—	—	—	46	—	46
Due from other funds	2,795,205	3,505	—	595,020	(594,926)	2,798,804
Due from Component Units	1,024,372	967,943	—	—	—	1,992,315
Restricted cash and investments	—	1,070,239	—	3,049,286	—	4,119,525
Other	14,857	92,338	—	306,974	—	414,169
Total assets	$23,350,487	$ 2,871,035	$2,931,448	$4,409,160	$ (594,926)	$32,967,204
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$ 9,792,485	$ 2,392,234	$ 5,250	$ 760,148	$ —	$12,950,117
Accrued tax refunds:						
Real estate taxes	41,009	—	—	—	—	41,009
Personal income tax	55,610	—	—	52,747	—	108,357
Other	127,280	—	—	—	—	127,280
Accrued judgments and claims	353,270	206,935	—	—	—	560,205
Deferred revenues:						
Prepaid real estate taxes	4,568,550	—	—	—	—	4,568,550
Uncollected real estate taxes	357,699	—	—	—	—	357,699
Taxes other than real estate	3,285,073	—	—	—	—	3,285,073
Other	3,146,205	26,079	—	341,250	—	3,513,534
Due to other funds	—	3,390,131	—	3,599	(594,926)	2,798,804
Due to Component Units	88,241	—	—	—	—	88,241
Estimated disallowance of Federal, State and other aid	1,092,915	—	—	—	—	1,092,915
Total liabilities	22,908,337	6,015,379	5,250	1,157,744	(594,926)	29,491,784
Fund balances:						
Reserved for:						
Capital projects	—	760,897	—	1,085,905	—	1,846,802
Debt service	—	—	2,926,198	1,851,990	—	4,778,188
Noncurrent mortgage loans	—	—	—	46	—	46
Unreserved (deficit), reported in:						
General Fund	442,150	—	—	—	—	442,150
Capital Projects Fund	—	(3,905,241)	—	—	—	(3,905,241)
Nonmajor Capital Projects Funds	—	—	—	43,627	—	43,627
Nonmajor Debt Service Funds	—	—	—	269,848	—	269,848
Total fund balances (deficit)	442,150	(3,144,344)	2,926,198	3,251,416	—	3,475,420
Total liabilities and fund balances	$23,350,487	$ 2,871,035	$2,931,448	$4,409,160	$ (594,926)	$32,967,204

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, 2009

(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 6,847,972	$ 109,122	$3,029,675	$ 67,016	$ —	$10,053,785
Investments, including accrued interest	712,109	—	351,993	1,234	—	1,065,336
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $202,698)	322,737	—	—	—	—	322,737
Federal, State and other aid	6,068,882	752,521	—	—	—	6,821,403
Taxes other than real estate	3,476,842	—	—	12,239	—	3,489,081
Other	1,685,286	—	—	85,005	—	1,770,291
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $316,316)	—	—	—	58	—	58
Due from other funds	2,199,366	182,055	—	612,893	(794,948)	2,199,366
Due from Component Units	1,120,116	880,664	—	—	—	2,000,780
Restricted cash and investments	—	916,529	—	3,390,948	—	4,307,477
Other	8,280	92,943	—	306,606	—	407,829
Total assets	$22,441,590	$ 2,933,834	$3,381,668	$4,475,999	$ (794,948)	$32,438,143
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$10,220,555	$ 1,984,838	$ 5,838	$ 840,769	$ —	$13,052,000
Accrued tax refunds:						
Real estate taxes	44,904	—	—	—	—	44,904
Personal income tax	71,890	—	—	12,239	—	84,129
Other	45,116	—	—	—	—	45,116
Accrued judgments and claims	323,308	217,441	—	—	—	540,749
Deferred revenues:						
Prepaid real estate taxes	4,666,370	—	—	—	—	4,666,370
Uncollected real estate taxes	260,677	—	—	—	—	260,677
Taxes other than real estate	2,731,292	—	—	—	—	2,731,292
Other	2,514,227	25,916	—	89,975	—	2,630,118
Due to other funds	—	2,812,203	—	182,111	(794,948)	2,199,366
Due to Component Units	13,328	—	—	—	—	13,328
Estimated disallowance of Federal, State and other aid	1,112,915	—	—	—	—	1,112,915
Total liabilities	22,004,582	5,040,398	5,838	1,125,094	(794,948)	27,380,964
Fund balances:						
Reserved for:						
Capital projects	—	652,507	—	1,015,345	—	1,667,852
Debt service	—	—	3,375,830	2,049,629	—	5,425,459
Noncurrent mortgage loans	—	—	—	58	—	58
Unreserved (deficit), reported in:						
General Fund	437,008	—	—	—	—	437,008
Capital Projects Fund	—	(2,759,071)	—	—	—	(2,759,071)
Nonmajor Capital Projects Funds	—	—	—	47,928	—	47,928
Nonmajor Debt Service Funds	—	—	—	237,945	—	237,945
Total fund balances (deficit)	437,008	(2,106,564)	3,375,830	3,350,905	—	5,057,179
Total liabilities and fund balances	$22,441,590	$ 2,933,834	$3,381,668	$4,475,999	$ (794,948)	$32,438,143

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, 2010
(in thousands)

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

Total fund balances—governmental funds	$ 3,475,420
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	280,136
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	43,474,065
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	4,690,283
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(68,728,788)
OPEB liability	(74,984,832)
Accrued interest payable	(810,916)
Capital lease obligations	(1,859,213)
Accrued vacation and sick leave	(3,822,067)
Pension liability	(625,400)
Landfill closure and post-closure care costs	(1,659,727)
Pollution Remediation	(255,381)
Other long-term liabilities	(7,601,987)
Net assets (deficit) of governmental activities	$(108,428,407)

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, 2009
(in thousands)

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

Total fund balances—governmental funds	$ 5,057,179
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	281,645
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	39,881,603
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	4,128,462
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(63,816,603)
OPEB liability	(65,544,361)
Accrued interest payable	(766,778)
Capital lease obligations	(1,937,173)
Accrued vacation and sick leave	(3,682,537)
Pension liability	(658,600)
Landfill closure and post-closure care costs	(1,719,073)
Pollution Remediation	(175,536)
Other long-term liabilities	(7,774,445)
Net assets (deficit) of governmental activities	$(96,726,217)

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, 2010
(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$16,369,447	$ —	$ —	$ —	$ —	$16,369,447
Sales and use taxes	5,611,398	—	—	—	—	5,611,398
Personal income tax	7,592,657	—	—	190,646	(190,646)	7,592,657
Income taxes, other	5,706,532	—	—	—	—	5,706,532
Other taxes	1,920,938	—	—	—	—	1,920,938
Federal, State and other categorical aid	20,718,359	576,702	11,798	170,000	—	21,476,859
Unrestricted Federal and State aid	(17,563)	—	—	—	—	(17,563)
Charges for services	2,538,984	—	—	—	—	2,538,984
Tobacco settlement	—	—	—	193,580	—	193,580
Investment income	22,159	—	2,373	54,059	—	78,591
Interest on mortgages, net	—	—	—	2,319	—	2,319
Other revenues	2,007,666	2,528,745	747	3,049,076	(3,017,073)	4,569,161
Total revenues	62,470,577	3,105,447	14,918	3,659,680	(3,207,719)	66,042,903
EXPENDITURES:						
General government	2,038,518	1,338,855	—	322,359	—	3,699,732
Public safety and judicial	8,000,446	313,862	—	—	—	8,314,308
Education	18,411,207	2,953,167	—	3,066,272	(3,017,073)	21,413,573
City University	718,788	97,359	—	—	—	816,147
Social services	12,370,109	68,007	—	—	—	12,438,116
Environmental protection	2,667,041	2,972,147	—	—	—	5,639,188
Transportation services	1,223,867	1,155,504	—	—	—	2,379,371
Parks, recreation and cultural activities	434,345	833,164	—	—	—	1,267,509
Housing	813,885	428,856	—	—	—	1,242,741
Health (including payments to HHC)	1,661,164	284,737	—	—	—	1,945,901
Libraries	210,535	90,198	—	—	—	300,733
Pensions	6,631,325	—	—	—	—	6,631,325
Judgments and claims	568,246	—	—	—	—	568,246
Fringe benefits and other benefit payments	3,733,084	—	—	—	—	3,733,084
Administrative and other	(650,308)	—	79,615	49,437	—	(521,256)
Debt Service:						
Interest	—	—	1,654,292	994,660	—	2,648,952
Redemptions	—	—	1,690,600	501,105	—	2,191,705
Lease payments	53,562	—	—	—	—	53,562
Total expenditures	58,885,814	10,535,856	3,424,507	4,933,833	(3,017,073)	74,762,937
Excess (deficiency) of revenues over expenditures	3,584,763	(7,430,409)	(3,409,589)	(1,274,153)	(190,646)	(8,720,034)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	2,955,798	639,148	—	3,594,946
Transfers from Nonmajor Capital Projects Funds	—	3,147,139	—	71,638	—	3,218,777
Principal amount of bonds issued	205,971	3,211,849	—	3,618,810	—	7,036,630
Bond premium	—	18,664	182,145	203,606	—	404,415
Capitalized leases	—	14,977	—	—	—	14,977
Issuance of refunding debt	—	—	2,000,335	1,780,995	—	3,781,330
Transfers to Capital Projects Fund	—	—	—	(3,147,139)	—	(3,147,139)
Transfers from (to) General Debt Service Fund, net	(2,955,798)	—	—	6,096	—	(2,949,702)
Transfers from (to) Nonmajor Debt Service Funds, net	(829,794)	—	(6,096)	(71,638)	190,646	(716,882)
Payments to refunded bond escrow holder	—	—	(2,172,225)	(1,926,852)	—	(4,099,077)
Total other financing sources (uses)	(3,579,621)	6,392,629	2,959,957	1,174,664	190,646	7,138,275
Net change in fund balances	5,142	(1,037,780)	(449,632)	(99,489)	—	(1,581,759)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	437,008	(2,106,564)	3,375,830	3,350,905	—	5,057,179
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 442,150	$ (3,144,344)	$ 2,926,198	$ 3,251,416	$ —	$ 3,475,420

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, 2009
(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$14,487,231	$ —	$ —	$ —	$ —	$ 14,487,231
Sales and use taxes	5,302,107	—	—	—	—	5,302,107
Personal income tax	7,518,903	—	—	138,274	—	7,657,177
Income taxes, other	6,588,642	—	—	—	—	6,588,642
Other taxes	1,975,691	—	—	—	—	1,975,691
Federal, State and other categorical aid	19,168,023	851,641	—	170,000	—	20,189,664
Unrestricted Federal and State aid	327,390	—	—	—	—	327,390
Charges for services	2,244,924	—	—	—	—	2,244,924
Tobacco settlement	—	—	—	232,612	—	232,612
Investment income	123,903	—	57,593	98,903	—	280,399
Interest on mortgages, net	—	—	—	6,469	—	6,469
Other revenues	2,112,280	2,873,723	99	2,923,569	(2,880,850)	5,028,821
Total revenues	59,849,094	3,725,364	57,692	3,569,827	(2,880,850)	64,321,127
EXPENDITURES:						
General government	1,917,783	1,341,800	—	357,784	—	3,617,367
Public safety and judicial	7,683,112	336,506	—	—	—	8,019,618
Education	17,774,247	2,750,256	—	2,877,279	(2,880,850)	20,520,932
City University	658,484	66,581	—	—	—	725,065
Social services	12,151,263	90,959	—	—	—	12,242,222
Environmental protection	2,199,569	2,930,162	—	—	—	5,129,731
Transportation services	1,269,989	1,002,396	—	—	—	2,272,385
Parks, recreation and cultural activities	445,188	831,811	—	—	—	1,276,999
Housing	796,803	412,990	—	—	—	1,209,793
Health (including payments to HHC)	1,843,326	232,595	—	—	—	2,075,921
Libraries	366,307	47,466	—	—	—	413,773
Pensions	6,264,914	—	—	—	—	6,264,914
Judgments and claims	623,192	—	—	—	—	623,192
Fringe benefits and other benefit payments	3,524,852	—	—	—	—	3,524,852
Administrative and other	172,347	—	92,878	61,173	—	326,398
Debt Service:						
Interest	—	—	1,562,328	921,687	—	2,484,015
Redemptions	—	—	1,560,296	352,713	—	1,913,009
Lease payments	174,523	—	—	—	—	174,523
Total expenditures	57,865,899	10,043,522	3,215,502	4,570,636	(2,880,850)	72,814,709
Excess (deficiency) of revenues over expenditures	1,983,195	(6,318,158)	(3,157,810)	(1,000,809)	—	(8,493,582)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	1,413,106	741,812	—	2,154,918
Transfers from Nonmajor Capital Projects Funds	—	2,321,950	—	123,163	—	2,445,113
Principal amount of bonds issued	176,424	5,304,576	—	2,270,000	—	7,751,000
Bond premium	—	64,716	30,692	3,090	—	98,498
Capitalized leases	—	26,237	—	—	—	26,237
Issuance of refunding debt	—	—	450,070	219,300	—	669,370
Transfers to Capital Projects Fund	—	—	—	(2,321,950)	—	(2,321,950)
Transfers to General Debt Service Fund	(1,413,106)	—	—	(961)	—	(1,414,067)
Transfers from (to) Nonmajor Debt Service Funds, net	(741,812)	—	961	(123,163)	—	(864,014)
Payments to refunded bond escrow holder	—	—	(478,457)	(232,879)	—	(711,336)
Total other financing sources (uses)	(1,978,494)	7,717,479	1,416,372	678,412	—	7,833,769
Net change in fund balances	4,701	1,399,321	(1,741,438)	(322,397)	—	(659,813)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 437,008	$ (2,106,564)	$ 3,375,830	$ 3,350,905	$ —	$ 5,057,179

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, 2010
(in thousands)

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

Net change in fund balances—governmental funds		$ (1,581,759)
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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.		
Purchases of capital assets	$ 5,783,049	
Depreciation/amortization expense	(2,138,585)	3,644,464
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		24,449
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	(10,817,960)	
Principal payments of bonds	5,886,367	
Other	(78,234)	(5,009,827)
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		(93,054)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		833,853
OPEB obligation		(9,440,471)
Pollution Remediation		(79,845)
Change in net assets—governmental activities		$ (11,702,190)

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, 2009
(in thousands)

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

Net change in fund balances—governmental funds		$ (659,813)
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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.		
Purchases of capital assets	$ 5,843,732	
Depreciation/amortization expense	(2,289,736)	3,553,996
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		(453,331)
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	(8,420,370)	
Principal payments of bonds	2,492,514	
Other	(38,655)	(5,966,511)
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		(115,049)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(1,123,366)
OPEB obligation		(2,254,143)
Pollution Remediation		(2,694)
Change in net assets—governmental activities		$ (7,020,911)

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, 2010
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
Revenues:				
Real estate taxes	$16,250,735	$16,342,135	$16,369,447	$ 27,312
Sales and use taxes	4,714,000	5,570,035	5,611,398	41,363
Personal income tax	6,600,002	7,619,700	7,592,657	(27,043)
Income taxes, other	4,444,900	5,865,080	5,706,532	(158,548)
Other taxes	3,190,275	1,925,465	1,920,938	(4,527)
Federal, State, and other categorical aid	19,150,297	21,008,334	20,718,359	(289,975)
Unrestricted Federal and State aid	339,797	170,575	(17,563)	(188,138)
Charges for services	2,262,383	2,592,322	2,538,984	(53,338)
Investment income	29,640	22,010	22,159	149
Other revenues	1,888,438	2,792,863	2,007,666	(785,197)
Total revenues	58,870,467	63,908,519	62,470,577	(1,437,942)
Expenditures:				
General government	2,062,442	2,116,879	2,038,518	78,361
Public safety and judicial	7,571,307	8,044,904	8,000,446	44,458
Education	18,372,287	18,473,213	18,411,207	62,006
City University	683,699	746,782	718,788	27,994
Social services	11,508,291	12,435,202	12,370,109	65,093
Environmental protection	2,258,409	2,773,650	2,667,041	106,609
Transportation services	937,612	1,273,026	1,223,867	49,159
Parks, recreation, and cultural activities	423,311	436,560	434,345	2,215
Housing	668,797	874,038	813,885	60,153
Health (including payments to HHC)	1,652,490	1,702,125	1,661,164	40,961
Libraries	58,294	211,240	210,535	705
Pensions	6,575,368	6,635,919	6,631,325	4,594
Judgments and claims	662,859	577,709	568,246	9,463
Fringe benefits and other benefit payments	3,520,621	3,736,973	3,733,084	3,889
Lease payments for debt service	89,778	55,764	53,562	2,202
Other	1,214,484	215,342	(650,308)	865,650
Total expenditures	58,260,049	60,309,326	58,885,814	1,423,512
Excess of revenues over expenditures	610,418	3,599,193	3,584,763	(14,430)
Other Financing Sources (Uses):				
Principal amount of bonds issued	—	205,971	205,971	—
Transfers to Nonmajor Debt Service Funds	(382,955)	(954,762)	(954,762)	—
Transfer from Nonmajor Debt Service Fund	123,458	124,968	124,968	—
Transfer from General Debt Service Fund	—	11,797	11,797	—
Transfers and other payments for debt service	(350,921)	(2,987,167)	(2,967,595)	19,572
Total other financing uses	(610,418)	(3,599,193)	(3,579,621)	19,572
Excess of Revenues over Expenditures and Other Financing Uses	$ —	$ —	5,142	$ 5,142
Fund Balance at Beginning of Year			437,008	
Fund Balance at End of Year			$ 442,150	

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, 2009
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
Revenues:				
Real estate taxes	$13,915,354	$14,519,706	$14,487,231	$ (32,475)
Sales and use taxes	5,713,000	5,364,400	5,302,107	(62,293)
Personal income tax	8,469,206	7,497,730	7,518,903	21,173
Income taxes, other	5,407,000	5,543,500	6,588,642	1,045,142
Other taxes	2,822,720	2,925,367	1,975,691	(949,676)
Federal, State and other categorical aid	17,906,115	19,609,378	19,168,023	(441,355)
Unrestricted Federal and State aid	339,797	339,797	327,390	(12,407)
Charges for services	2,127,087	2,209,011	2,244,924	35,913
Investment income	85,400	124,020	123,903	(117)
Other revenues	1,777,337	2,729,022	2,112,280	(616,742)
Total revenues	58,563,016	60,861,931	59,849,094	(1,012,837)
Expenditures:				
General government	1,932,330	1,985,787	1,917,783	68,004
Public safety and judicial	7,213,015	7,762,019	7,683,112	78,907
Education	17,743,707	17,892,034	17,774,247	117,787
City University	670,098	673,854	658,484	15,370
Social services	12,139,240	12,205,011	12,151,263	53,748
Environmental protection	2,257,434	2,265,492	2,199,569	65,923
Transportation services	922,257	1,309,461	1,269,989	39,472
Parks, recreation and cultural activities	428,623	448,637	445,188	3,449
Housing	631,101	847,239	796,803	50,436
Health (including payments to HHC)	1,721,597	1,910,944	1,843,326	67,618
Libraries	94,732	367,301	366,307	994
Pensions	6,171,362	6,267,894	6,264,914	2,980
Judgments and claims	657,706	623,192	623,192	—
Fringe benefits and other benefit payments	3,309,317	3,528,189	3,524,852	3,337
Lease payments for debt service	110,888	174,523	174,523	—
Other	1,522,726	612,949	172,347	440,602
Total expenditures	57,526,133	58,874,526	57,865,899	1,008,627
Excess of revenues over expenditures	1,036,883	1,987,405	1,983,195	(4,210)
Other Financing Sources (Uses):				
Principal amount of bonds issued	—	176,424	176,424	—
Transfer to Nonmajor Debt Service Fund	(27,357)	(887,456)	(887,456)	—
Transfer from Nonmajor Debt Service Fund	142,973	145,639	145,644	5
Transfers and other payments for debt service	(1,152,499)	(1,422,012)	(1,413,106)	8,906
Total other financing uses	(1,036,883)	(1,987,405)	(1,978,494)	8,911
Excess of Revenues over Expenditures and Other Financing Sources (Uses)	$ —	$ —	4,701	$ 4,701
Fund Balance at Beginning of Year			432,307	
Fund Balance at End of Year			$ 437,008	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	$ 2,128,477	$ 897	$ 934,482
Receivables:			
Member loans	1,589,513	—	—
Investment securities sold	3,523,224	—	—
Accrued interest and dividends	475,917	—	—
Tax liens receivable (less allowance for doubtful accounts of $181,579)	—	222,532	—
Other	256	—	—
Investments:			
Other short-term investments	5,601,160	—	—
Debt securities	24,815,399	—	709,285
Equity securities	49,149,241	—	—
Guaranteed investment contracts	3,439,965	—	—
Management investment contracts	47,658	—	—
Mutual funds	22,671,967	—	—
Collateral from securities lending transactions	9,097,294	—	—
Due from Pension Funds	4,156	—	—
Restricted investments	—	26,610	—
Other	302,398	1,762	—
Total assets	122,846,625	251,801	1,643,767
LIABILITIES:			
Accounts payable and accrued liabilities	889,813	8,052	671,060
Payable for investment securities purchased	8,715,845	—	—
Bonds payable, net of discounts	—	42,048	—
Accrued benefits payable	475,789	—	—
Payable to New York City Water Board	—	40,733	—
Due to VSFs	4,156	—	—
Securities lending transactions	9,143,927	—	—
Other	380	—	972,707
Total liabilities	19,229,910	90,833	1,643,767
Net Assets:			
Held in Trust for Benefit Payments	$103,616,715	—	$ —
Held in Trust for Fiduciary Net Assets		$160,968	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	$ 1,545,983	$ 1,040	$ 725,026
Receivables:			
Member loans	1,472,834	—	—
Investment securities sold	3,961,734	—	—
Accrued interest and dividends	494,012	—	—
Tax liens receivable (less allowance for doubtful accounts of $136,795)	—	201,532	—
Other	206	—	—
Investments:			
Other short-term investments	2,348,810	—	—
Debt securities	25,433,241	—	1,125,353
Equity securities	41,260,777	—	—
Guaranteed investment contracts	3,125,516	—	—
Management investment contracts	58,906	—	—
Mutual funds	19,414,671	—	—
Collateral from securities lending transactions	9,960,507	—	—
Due from Pension Funds	4,241	—	—
Restricted investments	—	23,350	—
Other	412,859	1,145	—
Total assets	109,494,297	227,067	1,850,379
LIABILITIES:			
Accounts payable and accrued liabilities	841,457	5,172	652,634
Payable for investment securities purchased	6,595,001	—	—
Bonds payable, net of discounts	—	33,152	—
Accrued benefits payable	500,743	—	—
Payable to New York City Water Board	—	38,577	—
Due to VSFs	4,241	—	—
Securities lending transactions	10,052,991	—	—
Other	403	—	1,197,745
Total liabilities	17,994,836	76,901	1,850,379
Net Assets:			
Held in Trust for Benefit Payments	$ 91,499,461	—	$ —
Held in Trust for Fiduciary Net Assets		$150,166	

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, 2010
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,600,533	$ —
Employer contributions	9,264,129	—
Other employer contributions	82,214	—
Total contributions	10,946,876	—
Investment income:		
Interest income	1,800,325	—
Dividend income	1,387,094	—
Net appreciation in fair value of investments	11,264,137	—
Other	—	4
Less investment expenses	442,959	—
Investment income, net	14,008,597	4
Securities lending transactions:		
Securities lending income	70,488	—
Securities lending fees	(11,972)	—
Unrealized income in fair value of securities lending collateral	45,850	—
Net securities lending income	104,366	—
Tax liens receivables	—	137,235
Payments from Pension Funds	8,436	—
Other	81,080	—
Total additions	25,149,355	137,239
DEDUCTIONS:		
Benefit payments and withdrawals	12,889,122	—
Bond interest expense	—	3,675
Distributions to The City of New York	—	42,662
Additional liability due to New York City Water Board	—	19,643
Payments to VSFs	8,436	—
Increase in allowance for doubtful accounts	—	44,785
Administrative expenses	129,160	5,571
Other	5,383	10,101
Total deductions	13,032,101	126,437
Increase in plan net assets	12,117,254	10,802
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	91,499,461	—
End of Year	$103,616,715	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		150,166
End of Year		$160,968

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, 2009

(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,599,772	$ —
Employer contributions	8,967,394	—
Other employer contributions	74,145	—
Total contributions	10,641,311	—
Investment income:		
Interest income	2,061,955	—
Dividend income	1,453,108	—
Net depreciation in fair value of investments	(26,260,106)	—
Other	—	288
Less investment expenses	355,318	—
Investment income (loss), net	(23,100,361)	288
Securities lending transactions:		
Securities lending income	345,633	—
Securities lending fees	(189,349)	—
Unrealized loss in fair value of securities lending collateral	(65,669)	—
Net securities lending income	90,615	—
Tax liens receivables	—	119,536
Decrease in allowance for doubtful accounts	—	15,104
Payments from Pension Funds	8,489	—
Other	51,506	91
Total additions	(12,308,440)	135,019
DEDUCTIONS:		
Benefit payments and withdrawals	12,557,097	—
Bond interest expense	—	3,219
Distributions to The City of New York	—	8,051
Additional liability due to New York City Water Board	—	23,674
Payments to VSFs	8,489	—
Increase in allowance for doubtful accounts	—	8,575
Administrative expenses	124,451	6,711
Other	145,522	10,034
Total deductions	12,835,559	60,264
Increase (decrease) in plan net assets	(25,143,999)	74,755
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	116,643,460	—
End of Year	$ 91,499,461	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		75,411
End of Year		$150,166

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2010
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2009	Housing Development Corporation October 31, 2009	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,123,962	$ 1,114,868	$ 433,420	$ 543,114	$ 89,132	$ 66,291	$ 3,370,787
Investments, including accrued interest	377,646	1,460	105,434	112,922	31,768	921,447	1,550,677
Lease receivables	—	—	—	—	—	1,720,396	1,720,396
Other receivables	542,472	138,398	937,945	1,879,069	167,335	216,770	3,881,989
Mortgage loans and interest receivable, net	—	28	6,615,836	—	42,379	—	6,658,243
Inventories	—	12,965	—	30,423	—	—	43,388
Due from Primary Government	88,241	—	—	—	—	—	88,241
Restricted cash and investments	—	47,764	1,935,653	234,122	109,522	134,690	2,461,751
Other	204,437	86,738	54,795	14,744	46,940	83,258	490,912
Capital assets:							
Land and construction work-in-progress	6,112,362	1,696,732	—	502,310	108,443	—	8,419,847
Property, plant and equipment	25,460,641	10,218,121	4,676	6,072,145	7,423	286,783	42,049,789
Accumulated depreciation	(8,556,534)	(6,577,819)	(2,994)	(3,763,735)	(3,465)	(76,147)	(18,980,694)
Deferred outflows of resources	71,930	—	—	—	—	19,836	91,766
Total assets	25,425,157	6,739,255	10,084,765	5,625,114	599,477	3,373,324	51,847,092
LIABILITIES:							
Accounts payable and accrued liabilities	56,516	303,964	333,115	1,041,741	129,972	3,120	1,868,428
Accrued interest payable	45,081	6,611	54,142	14,796	—	—	120,630
Deferred revenues	57,329	117,538	152,080	—	10,373	19,483	356,803
Due to Primary Government	967,943	—	862,515	161,857	113,800	—	2,106,115
Other	64,710	34,118	—	191,500	6,689	60,910	357,927
Derivative instruments – interest rate swaps	55,030	—	—	—	—	19,836	74,866
Noncurrent Liabilities:							
Due within one year	964,562	141,319	472,275	154,607	—	28,993	1,761,756
Due in more than one year	23,494,503	2,746,489	6,983,210	4,589,987	119,105	2,994,811	40,928,105
Total liabilities	25,705,674	3,350,039	8,857,337	6,154,488	379,939	3,127,153	47,574,630
NET ASSETS:							
Invested in capital assets, net of related debt	920,728	5,060,566	—	1,871,925	3,958	181,636	8,038,813
Restricted for:							
Capital projects	—	—	—	—	61,301	—	61,301
Debt service	239,192	—	523,167	146,430	—	—	908,789
Loans/security deposits	—	—	—	—	45,545	3,070	48,615
Statutory reserve	—	—	—	52,835	—	—	52,835
Donor restrictions	—	—	—	10,693	—	—	10,693
Operations	191,772	14,289	40,924	—	—	—	246,985
Unrestricted (deficit)	(1,632,209)	(1,685,639)	663,337	(2,611,257)	108,734	61,465	(5,095,569)
Total net assets (deficit)	$ (280,517)	$ 3,389,216	$1,227,428	$ (529,374)	$ 219,538	$ 246,171	$ 4,272,462

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2008	Housing Development Corporation October 31, 2008	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,170,442	$ 795,472	$ 275,582	$ 345,255	$ 55,156	$ 77,829	$ 2,719,736
Investments, including accrued interest	771,277	406,080	202,358	112,126	33,034	913,566	2,438,441
Lease receivables	—	—	—	—	—	1,532,340	1,532,340
Other receivables	491,477	87,387	888,916	2,093,793	177,485	22,348	3,761,406
Mortgage loans and interest receivable, net	—	55	5,957,208	—	48,094	—	6,005,357
Inventories	—	15,792	—	31,868	—	—	47,660
Due from Primary Government	13,328	—	—	—	—	—	13,328
Restricted cash and investments	—	96,271	1,866,467	258,861	107,917	327,408	2,656,924
Other	191,094	81,245	50,268	17,174	80,261	86,648	506,690
Capital assets:							
Land and construction work-in-progress	5,072,496	1,525,717	—	332,930	6,639	—	6,937,782
Property, plant and equipment	24,103,459	10,004,369	4,579	5,886,083	5,686	253,855	40,258,031
Accumulated depreciation	(8,036,717)	(6,301,431)	(2,629)	(3,551,221)	(3,296)	(65,046)	(17,960,340)
Deferred outflows of resources	47,745	—	—	—	—	18,353	66,098
Total assets	23,824,601	6,710,957	9,242,749	5,526,869	510,976	3,167,301	48,983,453
LIABILITIES:							
Accounts payable and accrued liabilities	55,570	316,929	420,008	996,815	133,529	6,466	1,929,317
Accrued interest payable	41,485	7,012	61,065	15,667	—	—	125,229
Deferred revenues	77,672	18,223	136,625	—	10,686	7,782	250,988
Due to Primary Government	880,664	—	838,143	281,973	14,978	—	2,015,758
Other	73,991	33,076	—	—	8,637	44,189	159,893
Derivative instruments – interest rate swaps	36,806	—	—	—	—	18,353	55,159
Noncurrent Liabilities:							
Due within one year	966,026	134,702	310,756	146,690	—	25,790	1,583,964
Due in more than one year	21,421,197	2,693,348	6,314,529	4,135,459	144,796	2,840,521	37,549,850
Total liabilities	23,553,411	3,203,290	8,081,126	5,576,604	312,626	2,943,101	43,670,158
NET ASSETS:							
Invested in capital assets, net of related debt	1,253,882	4,976,964	—	1,704,747	2,390	163,809	8,101,792
Restricted for:							
Capital projects	—	—	—	—	63,427	—	63,427
Debt service	285,348	—	420,651	147,162	—	—	853,161
Loans/security deposits	—	—	—	—	45,182	3,579	48,761
Statutory reserve	—	—	—	44,728	—	—	44,728
Donor restrictions	—	—	—	11,441	—	—	11,441
Operations	195,844	185,418	35,644	—	—	—	416,906
Unrestricted (deficit)	(1,463,884)	(1,654,715)	705,328	(1,957,813)	87,351	56,812	(4,226,921)
Total net assets (deficit)	$ 271,190	$3,507,667	$1,161,623	$ (49,735)	$ 198,350	$ 224,200	$ 5,313,295

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2009	Housing Development Corporation October 31, 2009	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
Expenses	$ 3,503,650	$ 3,248,956	$ 177,786	$ 7,188,343	$ 808,373	$ 199,218	$15,126,326
Program Revenues:							
Charges for services	2,758,073	830,148	201,529	5,886,042	206,721	37,835	9,920,348
Operating grants and contributions	—	1,825,990	—	219,404	38,157	—	2,083,551
Capital grants, contributions and other	—	443,537	—	262,488	575,126	27,416	1,308,567
Total program revenues	2,758,073	3,099,675	201,529	6,367,934	820,004	65,251	13,312,466
Net (expenses) program revenues	(745,577)	(149,281)	23,743	(820,409)	11,631	(133,967)	(1,813,860)
General Revenues:							
Investment income	65,760	11,666	39,090	5,545	963	48,858	171,882
Unrestricted Federal and State aid	—	—	—	—	7,087	—	7,087
Other	128,110	19,164	2,972	335,225	1,507	107,080	594,058
General revenues, net	193,870	30,830	42,062	340,770	9,557	155,938	773,027
Change in net assets	(551,707)	(118,451)	65,805	(479,639)	21,188	21,971	(1,040,833)
Net assets (deficit)—beginning	271,190	3,507,667	1,161,623	(49,735)	198,350	224,200	5,313,295
Net assets (deficit)—ending	$ (280,517)	$ 3,389,216	$ 1,227,428	$ (529,374)	$ 219,538	$ 246,171	$ 4,272,462

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2008	Housing Development Corporation October 31, 2008	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
Expenses	$ 3,500,429	$ 3,172,565	$ 261,778	$ 6,667,936	$ 770,947	$ 74,134	$14,447,789
Program Revenues:							
Charges for services	2,448,567	791,092	241,497	5,677,744	227,432	33,774	9,420,106
Operating grants and contributions	—	1,689,909	—	239,860	34,743	—	1,964,512
Capital grants, contributions and other	—	269,919	—	210,851	503,130	22,131	1,006,031
Total program revenues	2,448,567	2,750,920	241,497	6,128,455	765,305	55,905	12,390,649
Net (expenses) program revenues	(1,051,862)	(421,645)	(20,281)	(539,481)	(5,642)	(18,229)	(2,057,140)
General Revenues:							
Investment income	106,234	36,751	63,714	13,736	3,373	13,142	236,950
Unrestricted Federal and State aid	—	—	—	—	5,944	—	5,944
Other	108,708	26,512	5,030	119,575	1,808	17,642	279,275
General revenues, net	214,942	63,263	68,744	133,311	11,125	30,784	522,169
Change in net assets	(836,920)	(358,382)	48,463	(406,170)	5,483	12,555	(1,534,971)
Net assets—beginning	1,165,891	3,891,762	1,113,160	366,650	192,867	211,645	6,941,975
Restatement of beginning net assets	(57,781)	(25,713)	—	(10,215)	—	—	(93,709)
Net assets (deficit)—ending	$ 271,190	$ 3,507,667	$ 1,161,623	$ (49,735)	$ 198,350	$ 224,200	$ 5,313,295

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 had other liabilities such as accounts payable outstanding. On September 24, 2008, MAC had all of its liabilities paid and discharged and MAC's Board made 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 passed to and were 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 and to pay TFA's administrative expenditures.

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, in July, 2009, authorizing legislation permits TFA to 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. As of July 1, 2010, the City's and TFA's combined debt-incurring capacity was approximately $26.3 billion.TFA is also 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. Further, legislation enacted in April, 2006 enables TFA to have outstanding up to $9.4 billion of Building Aid Revenue bonds (BARBs), notes, or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system and TFA's administrative expenditures. As of June 30, 2010, $4.22 billion of BARBs 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 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.

Under the Amended and Restated Indenture dated January 1, 2006, the Residual Certificate represents the entitlement to receive all amounts in excess of specified percentages of TSRs and other revenues (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. The City's appropriation for the five year capital plan for the fiscal years 2010 through 2014 is $11.3 billion.

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 except for pollution remediation expenditures. 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 and overhead based on its allocated share of personnel and overhead 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 and overhead based on its allocated share of personnel and overhead 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 thirteen 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 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 and overhead based on its allocated share of personnel and overhead 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 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. 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 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.

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 losses result from the essential services that HA provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, HA receives subsidies from: (a) the Federal government, primarily the U.S. Department of Housing and Urban Development, 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 regularly 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 component unit, 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.

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 paid as reimbursement of moving costs 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 manufacturing and 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. As of June 30, 2010, the BRAC fund is valued at $1 million, and grants for both Industrial Relocation Grant and 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 with $999.9 million in funds 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 Recovery Zone Facility Bonds which were allocated to the City to spur construction projects that have been unable to get traditional financing due to the current capital market and 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)
- Teachers' Retirement System of the City of New York 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)
- New York City Transit Police Officers' Variable Supplements Fund (TPOVSF)
- New York City Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)
- New York City Housing Police Officers' Variable Supplements Fund (HPOVSF)
- New York City Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)
- New York City 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 Certain Employees of The City of New York and Related Agencies and Instrumentalities (DCP/401(a) Plan)
- New York City Employee Individual Retirement Account (NYCE IRA/408(q) IRA)
- The New York City Other Postemployment Benefits Plan (PLAN)

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

- New York City Tax Lien Trust (NYCTLT 2010-A)
- New York City Tax Lien Trust (NYCTLT 2009-A)
- 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 2010, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

—Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*

—Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*

—Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

—Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*

Statement No. 51 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 requirements 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 identifiable. 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 lives are subsequently determined to no longer be indefinite due to a change in circumstances.

The financial reporting impact resulting from the implementation of Statement No. 51 had no effect on net assets in the government-wide financial statements since the recognition of intangible assets was wholly a clarification of the existing equipment fixed assets class description to convey its inclusion of software. None of the intangible assets included in the equipment fixed assets class were considered to have indefinite useful lives and therefore all of the intangible assets are subject to amortization.

Statement No. 53 enhances 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 financial reporting impact resulting from the implementation of Statement No. 53 is the recognition within the government-wide financial statements of a liability for 'hedging' derivative instruments whose negative fair value at June 30, 2010 totaled $91.6 million with a corresponding amount being reported as deferred outflows of resources in the assets section of the government-wide financial statements. Also, 'investment' derivative instruments whose negative fair value at June 30, 2010 totaled $89.2 million is being included with the City's investment disclosures and recorded within the investments account on the statement of net assets. See Note A.13. and Note D.1. for disclosure information relating to hedging and investment derivative instruments.

Statement No. 57 provides guidance on two implementation issues related to Other Postemployment Benefits (OPEB). The Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. The Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. Additionally, Statement No. 57 clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements.

There was no practical impact on the City's financial statements as a result of the implementation of Statement No. 57. The New York City Health Benefits Program (Program) is a single-employer defined benefit healthcare plan whose total plan membership vastly exceeds the allowable cutoff for using the alternative measurement method and the Program does not participate in an agent multiple-employer OPEB plan.

Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. For accounts payable, notes, debentures and bonds, and related interest payable, the Statement requires governments to base remeasurement on the new payment plan. For leases, pollution remediation liabilities, and liabilities for pension and other postemployment benefit plans, the Statement requires remeasurement based on existing authoritative guidance. For governments that are not expected to emerge from bankruptcy as going concerns, Statement No. 58 requires remeasurement of assets to a value that represents the amount expected to be received. The Statement classifies gains or losses resulting from remeasurement of liabilities and assets as an extraordinary item. The Statement does not apply to troubled debt restructurings that occur outside of bankruptcy. Governments that have filed for bankruptcy are required to disclose information regarding, among other things, the pertinent conditions and events giving rise to the petition for bankruptcy, the expected gain, and the effects upon services. The objective of Statement No. 58 is to improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that have filed for bankruptcy under Chapter 9. The disclosures required by the Statement cease to apply for periods following the fiscal year in which the bankruptcy case is closed or the government has its petition dismissed.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 58 since the City was not in bankruptcy nor has it filed for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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 2010 and 2009 were approximately $2,733 million and $1,902 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 Fiduciary Funds securities lending activities in fiscal years 2010 and 2009 is included in Deposits and Investments (see Note D.1.).

6. Inventories

Inventories on hand at June 30, 2010 and 2009 (estimated at $280 million and $282 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 (including software), 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, piers, bulkheads 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 (including software); 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 $318.2 million and $316.3 million for fiscal years 2010 and 2009, respectively. The allowance is composed of the balance of refinanced first lien mortgages one or more years in arrears when 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. Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended as reported in the 2010 financial statements are as follows:

Item		Changes in Fair Value		Fair Value at June 30, 2010		
		Classification	Amount	Classification	Amount	Notional
			(in thousands)			
Governmental activities						
Cash flow hedges:						
A	Pay-fixed interest rate swap	Deferred Outflow	$ (7,568)	Debt	$(26,050)	$200,000
B	Pay-fixed interest rate swap	Deferred Outflow	(2,522)	Debt	(8,683)	66,668
C	Pay-fixed interest rate swap	Deferred Outflow	(2,522)	Debt	(8,683)	66,668
D	Pay-fixed interest rate swap	Deferred Outflow	(2,522)	Debt	(8,683)	66,667
F	Pay-fixed interest rate swap	Deferred Inflow	1,159	Debt	(2,294)	55,945
H	Pay-fixed interest rate swap	Deferred Outflow	(18,207)	Debt	(44,270)	350,000
I	Received-fixed interest rate swap	Deferred Inflow	32,028	Debt	12,625	500,000
J	Pay-fixed interest rate swap	Deferred Outflow	(217)	Debt	(2,875)	50,000
L	Pay-fixed interest rate swap	Deferred Inflow	48	Debt	(2,693)	44,145
Investment derivative instruments:						
E	Pay-fixed interest rate swap	Investment Revenue	(5,131)	Investment	(18,275)	135,050
G	Basis Swap	Investment Revenue	3,844	Investment	(23,281)	581,090
K	Basis Swap	Investment Revenue	2,258	Investment	(47,646)	500,000

As of June 30, 2010, the City determined that the pay-fixed interest rate swap listed as an investment derivative instrument under governmental activities no longer met the criteria for effectiveness. Accordingly, the decrease in fair value of the swap from June 30, 2009 to June 30, 2010 of $5,131.8 million is reported within the investment revenue classification for the year ended June 30, 2010.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

Hedging Derivative Instruments

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty. Regarding derivative instruments where the counterparty is unrated, the rating provided is of the counterparty's guarantor.

Item	Type	Objective	Notional Amount (in thousands)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D, and E bonds	$200,000	11/13/2002	8/1/2020	Pay 3.269%; receive 62.8% of USD-LIBOR-BBA	Aa1/AA-
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D, and E bonds	66,668	11/13/2002	8/1/2020	Pay 3.269%; receive 62.8% of USD-LIBOR-BBA	A2/A*
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D, and E bonds	66,668	11/13/2002	8/1/2020	Pay 3.269%; receive 62.8% of USD-LIBOR-BBA	A2/A*
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D, and E bonds	66,667	11/13/2002	8/1/2020	Pay 3.269%; receive 62.8% of USD-LIBOR-BBA	Aa3/A+
F	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series G-2, G-3, and H-2 bonds	55,945	1/22/2003	8/1/2014	Pay 3.109%; receive 61.8% of USD-LIBOR-BBA	Aa3/A+
H	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2004 Series A and B bonds	350,000	7/14/2003	8/1/2031	Pay 2.964%; receive 61.85% of USD-LIBOR-BBA	Aa2/AA
I	Total Return Swap	Obtain Short-Term Variable Rate Funding in SIFMA Market	500,000	12/18/2003	12/15/2011	Pay SIFMA Index +.0035; receive adjusted fixed rates which are same as payments on corresponding bonds	A3/A*
J	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2005 Series A and B bonds	50,000	7/29/2004	8/1/2014	Pay 4.01%/4.12%; receive CPI +80% for 2013 maturity/CPI +90% for 2014 maturity	A2/A*
L	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2005 Series J, K, and L bonds	44,145	3/3/2005	8/1/2017	Pay 4.55%/4.63%/4.71%; receive CPI+1.50 for 2015 maturity; CPI +1.55 for 2016 maturity; CPI plus 1.60 for 2017 maturity	Aa1/AA-

* Counterparty is unrated. Ratings are of counterparty's guarantor.
LIBOR: London Interbank Offered Rate Index
SIFMA: Securities Industry and Financial Markets Association Index

Risks

Credit risk: The City is exposed to credit risk on hedging derivative instruments. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below the following:

Each of the counterparties with respect to derivative instruments B, D, and F (or its respective guarantor) is required to post collateral if its credit rating goes below A3/A-. The counterparty with respect to derivative instruments C and J is required to post collateral if all of its credit ratings go below the double-A category and will also post collateral if it has at least one rating below A3 or A-. The counterparty with respect to derivative instruments A and L is required to post collateral if it has at least one rating below the double-A category. The counterparty with respect to derivative instrument H is required to post collateral if its credit ratings goes below A2/A. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. Swap I does not require the counterparty to post collateral. The City has never been required to access collateral.

It is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, closeout netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments requiring collateralization at June 30, 2010 was $(91.606) million. Since a negative aggregate fair value means the City would have owed payments to the counterparties, the City had no aggregate counterparty credit exposure as of that date.

Interest rate risk: The City is exposed to interest rate risk on its swaps. On its pay-variable, received-fixed total return swap, as the SIFMA Index increases, the City's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the Consumer Price Index decreases, the City's net payment on the swaps increases.

Basis risk: The City is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payments received by the City on these hedging derivative instruments are based on a rate or index other than interest rates the City pays on its hedged variable-rate debt, which is remarketed either daily or weekly. Under the terms of its synthetic fixed rate swap transactions, the City pays a variable rate on its bonds based on SIFMA but receives a variable rate on the swaps based on a percentage of LIBOR.

Tax risk: The City is at 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.

Termination risk: The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The City is at 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). Derivative instrument I (the total return swap) has additional termination events in addition to those just described, including: the counterparty may terminate the swap on any such 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 subject to a floor by an amount equal to the movement of the AAA Municipal Market Data Index on a weekly basis since its previous reset. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Counterparty Risk: The City is at 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.

Rollover risk: The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. Derivative instrument I exposes the City to rollover risk because the interest rate swap terminates prior to both the redemption date and the maturity date of the associated bonds.

Contingencies

All of the City's derivative instruments, except for derivative instrument I (the total return swap), include provisions that require the City to post collateral in the event its credit rating falls below Baa1 (Moody's) or BBB+ (Standard & Poor's) for derivative instruments A, B, C, D, E, F, G, J, K, and L; or below Baa3 (Moody's) or BBB- (Standard & Poor's) for derivative instrument H. The collateral posted is to be in the form of cash, U.S. Treasury securities, or specified Agency securities in the amount equal to in the form of cash or greater to in the form of securities of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements and applicable thresholds. If the City does not post collateral, the derivative instrument may be terminated by the counterparty. At June 30, 2010, the aggregate fair value of all derivative instruments with these collateral posting provisions is $(180.8) million. If the collateral posting requirements were triggered at June 30, 2010, based on ratings of Baa3 or BBB-, the City would be required to post $157.2 million in collateral to its counterparties based on posting cash. The collateral requirements would be $213.5 million for ratings below Baa3 or BBB- based on posting securities. The City's credit rating as of June 30, 2010 was Aa2 (Moody's) and AA (Standard & Poor's); therefore, no collateral has been posted as of that date.

Swap Collateral Requirements upon a Rating Downgrade of the City[1]

Counterparty/Swap	Fair Value[2] as of June 30, 2010	Collateral Threshold at Baa2/BBB to Baa3/BBB-[3]	Collateral Amount[4]	Collateral Threshold below Baa3/BBB-	Collateral Amount[5]
			(in thousands)		
Citigroup Financial Products Inc	$ 12,625	NA	$ NA	NA	$ NA
J.P. Morgan Chase Bank N.A.	(76,389)	3,000	73,400	—	76,400
Merrill Lynch Capital Services Inc	(8,683)	3,000	5,683	—	8,683
Morgan Stanley Capital Services Inc	(34,839)	3,000	31,800	—	34,800
UBS AG	(29,252)	3,000	46,300	—	49,300
Wells Fargo Bank, National Association	(44,270)	Infinity	—	—	44,300
Total Net Fair Value	$(180,808)		$157,183		$213,483

(1) All of the City's swap counterparties (except Citigroup Financial Products Inc) have agreements that collateral is to be posted if the City were to owe a termination payment and its ratings fall below a certain level. The collateral amount is the counterparty's exposure, based on the market value of the swap, less a "threshold" amount. The threshold amount varies from infinity for higher rating levels to zero for lower rating levels. The collateral amount cannot be less than zero and a threshold amount of infinity would always result in no collateral being required regardless of the market value.

(2) A negative payment means the City would owe a termination payment.

(3) A downgrade of the City to either Baa2 (Moody's) or BBB (S&P) is the first rating level at which the City would be required to post collateral.

(4) The swap counterparties, other than Merrill Lynch Capital Services Inc, round the collateral amount up or down to the nearest $100,000. Merrill Lynch does not round the amount.

(5) Represents the total amount of required collateral for ratings below Baa3/BBB-. The amount of collateral required to be posted would be the amount shown below less any collateral previously posted.

NA: Not Applicable.

14. Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 2010 were due July 1, 2009 and January 1, 2010 except that payments by owners of real property assessed at $250,000 or less and cooperatives whose individual units on average are valued at $250,000 or less were due in quarterly installments on the first day of each quarter beginning on July 1.

The levy date for fiscal year 2010 taxes was June 19, 2009. 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% discount and 1.5% discount for the prepayment of real estate taxes for fiscal years 2011 and 2010, respectively. Payment of real estate taxes before July 15, 2010, on properties with an assessed value of $250,000 or less and before July 1, 2010, on properties with an assessed value over $250,000 received the discount. Collections of these real estate taxes received on or before June 30, 2010 and 2009 were $4.6 billion and $4.7 billion, respectively. These amounts were recorded as deferred revenue.

The City sold approximately $39 million of real property tax liens, fully attributable to fiscal year 2010, at various dates in fiscal year 2010. 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 $3.7 million worth of liens sold in fiscal year 2010 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2010 net sale proceeds of $35 million.

In fiscal year 2010, there were no refunds for defective liens from the fiscal year 2009 sale. This resulted in an increase to fiscal year 2010 revenue of $4 million and consequently, the unused fiscal year 2009 accrual of $4 million increased the net sale proceeds of the fiscal year 2009 sale to $37.3 million up from the original fiscal year 2009 net sale proceeds reported as $33.3 million.

The City sold approximately $37.3 million of real property tax liens, fully attributable to fiscal year 2009, at various dates in fiscal year 2009. 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 2009 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2009 net sale proceeds of $33.3 million.

In fiscal year 2009, $3.3 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 2008 sale. This resulted in an increase to fiscal year 2009 revenue of $.7 million for the refund amount was less than the fiscal year 2008 accrual of $4 million and increased the net sale proceeds of the fiscal year 2008 sale to $34.2 million up from the original fiscal year 2008 net sale proceeds reported as $33.5 million.

In fiscal years 2010 and 2009, $270 million and $203 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, 2010 and 2009, excess amounts of $.766 billion and $1.043 billion, 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 Notes E.6. and F.), 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 February, 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. Governments are also required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balances for all 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. 54 on its financial statements.

In June, 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

Statement 59 includes the following guidance:

- Emphasizes the applicability of U.S. Securities and Exchange Commission requirements to certain external investment pools—known as 2a7-like pools—to provide users more consistent information on qualifying pools.
- Addresses the applicability of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, to certain financial instruments to clarify which financial instruments are within the scope of that pronouncement and to provide greater consistency in financial reporting.
- Applies the reporting provisions for interest-earning investment contracts of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, to unallocated insurance contracts to improve the consistency of reporting by pension and OPEB plans.

The requirements of Statement No. 59 are effective for financial statements for periods beginning after June 15, 2010. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 59 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 $5.257 billion and $2.478 billion subsequent to its original adoption in fiscal years 2010 and 2009, 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 $3.1 billion and $2.1 billion at June 30, 2010 and 2009, 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 NYC 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 $250,000 through December 31, 2013 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank for all funds and collateralized by irrevocable letters of credit at 100%, by Treasury Notes at 105%, or collateralized by other securities ranging from 110% to 120% depending on the securities pledged by the bank for balances in excess of $250,000. On January 1, 2014, 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. Also, the temporary Transaction Account Guarantee Program (TAGP) provides unlimited coverage for noninterest-bearing transaction deposit accounts (covers the City's demand deposit accounts including Central Treasury, Pool, and controlled disbursement accounts) at participating FDIC-insured institutions through December 31, 2010. Consequently, these noninterest-bearing transaction deposit accounts that are fully insured by FDIC's TAGP do not need to be collateralized for calendar year 2010.

At June 30, 2010 and 2009, the carrying amount of the City's unrestricted cash and cash equivalents was $7.382 billion and $10.054 billion, respectively, and the bank balances were $2.683 billion and $5.373 billion, respectively. Of the unrestricted bank balances, none of the June 30, 2010 balances were exposed to custodial credit risk. However, $29.2 million at June 30, 2009 was 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 bank balances were uninsured and uncollateralized. The blended component units: SCA and Private Housing Loan Programs as of June 30, 2009 did not have a deposit policy for custodial credit risk. At June 30, 2010 and 2009, the carrying amount of the restricted cash and cash equivalents was $2.098 billion and $1.307 billion, respectively, and the bank balances were $.101 million and $24.4 million, respectively. Of the restricted bank balances, $1 thousand and $24 thousand 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, 2010 and 2009, respectively. FSC, a blended component unit did not have a deposit policy for custodial credit risk as of June 30, 2009.

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, 2010 and 2009:

Governmental activities:

	Investment Maturities (in years)					
	2010			2009		
Investment Type	Less than 1	1 to 5	More than 5	Less than 1	1 to 5	More than 5
	(in thousands)					
Unrestricted						
U.S. Government securities	$1,006,811	$ —	$ —	$ 351,993	$ 59,798	$ —
U.S. Government agency obligations	50,692	62,365	—	653,545	—	—
Commercial paper	99,687	—	—	—	—	—
Investment derivative instruments	—	—	(89,202)[1]	—	—	—
Total unrestricted	$1,157,190	$ 62,365	$ (89,202)	$1,005,538	$ 59,798	$ —
Restricted						
U.S. Government securities	$ 92,720	$ —	$ 7,910	$ 44,368	$ 304,391	$ —
U.S. Government agency obligations	334,916	463,561	—	1,375,639	10,932	—
Commercial paper	439,935	—	—	182,082	—	—
Repurchase agreements	681,516	—	—	9,950	1,073,059	—
Total restricted	$1,549,087	$ 463,561	$ 7,910	$1,612,039	$1,388,382	$ —

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 180 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, 2010 and 2009, 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.

(1) The City has one pay-fixed interest rate swap (E) and two basis swaps (G and K) that are treated as investment derivative instruments (see Note A.13.). At June 30, 2010, the swaps had fair values of $(18,275) thousand, $(23,281) thousand, and $(47,646) thousand, respectively.

Credit Risk. The City is exposed to credit risk on investment derivative instruments. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its investment derivative instruments. These terms require full collateralization of the fair value of investment derivative instruments (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below the following:

The counterparty with respect to derivative instrument E (or its respective guarantor) is required to post collateral if its credit rating goes below A3/A-. The counterparty with respect to derivative instrument G is required to post collateral if all of its credit ratings go below the double-A category and will also post collateral if it has at least one rating below A3 or A-. The counterparty with respect to derivative instrument K is required to post collateral if it has at least one rating below the double-A category. The City has never been required to access collateral.

It is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of investment derivative instruments requiring collateralization at June 30, 2010 was $(89,202) thousand. Since a negative aggregate fair value means the City would have owed payments to the counterparties, the City had no counterparty credit exposure as of that date.

Interest rate risk. The City is exposed to interest rate risk on its swaps. In derivative instrument E, a pay-fixed, receive-variable interest rate swap, as LIBOR decreases, the City's net payment on the swap increases.

Basis risk. The City is exposed to basis risk on derivative instrument E because the variable-rate payment received by the City is based on a rate or index other than the interest rate the City pays on its variable-rate debt, which is remarketed either daily or weekly. Under the terms of its derivative instrument E, the City pays a variable rate on the swap based on SIFMA but receives a variable rate on the swap based on a percentage of LIBOR. In derivative instrument G, the City's variable payer rate is based on SIFMA times 1.36 and the City receives 100% of LIBOR in return. The City's net payments over time will be determined by both the absolute levels of interest rates and the relationship between SIFMA and LIBOR. In derivative instrument K, the City's variable payer rate is based on SIFMA and its variable receiver rate is based 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 rate decreases, the percentage of LIBOR received by the City increases.

Tax risk. The City is at 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 derivative instrument E and its variable payer rate in derivative instruments G and K.

Termination risk. The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The City is at 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). If at the time of termination, an investment derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Counterparty Risk: The City is at a 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.

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 Law, the New York State Banking Law, and the New York City Administrative Code.
3. Short-term investments may be made in the following:
   a. U.S. Government guaranteed securities or U.S. Government agency securities.
   b. Commercial paper rated A1 or P1 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 2009, $21.606 million was recovered as a distribution of bankruptcy proceeds and $31.6 million was received as a partial settlement from litigation. In fiscal year 2010, there was no further recoupment as an ongoing distribution of bankruptcy proceeds. During fiscal year 2009, the value of certain underlying securities became impaired because of the bankruptcy proceeding of the issuer. Accordingly, the carrying amount of the collateral reported in one of the Funds' statements of fiduciary net assets was reduced by a total of $24.3 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. As of June 30, 2010, it is uncertain whether these security losses will be recovered as the bankruptcy proceeding of the securities issuer has not been concluded. As of October 6, 2010, the Funds' Board has decided to terminate its securities lending program as soon as it is feasibly possible, sell the defaulted securities, and assess the participants in its various investment options based on the benefit of the yearly revenues derived from the securities lending program since 2003 in conjunction with the number of years that a participant had been active in its investment programs from 2003 through August, 2008.

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, 2009 and 2010:

Primary Government	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
				(in thousands)			
Governmental activities:							
Capital assets, not being depreciated/amortized:							
Land	$ 1,096,841	$ 50,103	$ —	$ 1,146,944	$ 95,681	$ 2,100	$ 1,240,525
Construction work-in-progress	4,381,046	3,758,361	3,277,052	4,862,355	3,751,599	3,796,979	4,816,975
Total capital assets, not being depreciated/amortized	5,477,887	3,808,464	3,277,052	6,009,299	3,847,280	3,799,079	6,057,500
Capital assets, being depreciated/amortized:							
Buildings	35,532,898	3,277,052	1,192,439	37,617,511	3,796,979	195,688	41,218,802
Equipment (including software)	6,086,988	540,973	260,538	6,367,423	461,810	299,849	6,529,384
Infrastructure	13,360,144	1,494,295	266,913	14,587,526	1,473,959	196,161	15,865,324
Total capital assets, being depreciated/amortized	54,980,030	5,312,320	1,719,890	58,572,460	5,732,748	691,698	63,613,510
Less accumulated depreciation/amortization:							
Buildings	14,506,436	1,277,894	601,743	15,182,587	1,032,577	150,780	16,064,384
Equipment (including software)	4,434,981	360,919	326,448	4,469,452	376,249	294,856	4,550,845
Infrastructure	4,623,642	650,923	226,448	5,048,117	729,759	196,160	5,581,716
Total accumulated depreciation/amortization	23,565,059	2,289,736[1]	1,154,639	24,700,156	2,138,585[1]	641,796	26,196,945
Total capital assets, being depreciated/amortized, net	31,414,971	3,022,584	565,251	33,872,304	3,594,163	49,902	37,416,565
Governmental activities capital assets, net	$36,892,858	$6,831,048	$3,842,303	$39,881,603	$7,441,443	$3,848,981	$43,474,065

[1] Depreciation/amortization expense was charged to functions/programs of the City for the fiscal years ended June 30, 2010 and 2009 as follows:

	2010	2009
	(in thousands)	
Governmental activities:		
General government	$333,941	$ 357,162
Public safety and judicial	151,428	248,245
Education	674,218	686,729
City University	7,266	11,172
Social services	71,670	87,808
Environmental protection	97,423	103,041
Transportation services	495,134	464,913
Parks, recreation and cultural activities	264,590	275,988
Housing	1,750	2,192
Health	31,682	40,814
Libraries	9,483	11,672
Total depreciation/amortization expense—governmental activities	$2,138,585	$2,289,736

The following are the sources of funding for the governmental activities capital assets for the fiscal years ended June 30, 2010 and 2009. Sources of funding for capital assets are not available prior to fiscal year 1987.

	2010	2009
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 6,821,547	$ 5,847,522
City bonds	59,165,429	55,022,477
Federal grants	521,829	532,316
State grants	115,443	135,317
Private grants	561,403	562,212
Capitalized leases	2,485,359	2,481,915
Total funding sources	$69,671,010	$64,581,759

At June 30, 2010 and 2009, 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, 2010 and 2009 are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	2010	2009
	(in thousands)	
Capital asset:		
Buildings, gross	$2,485,358	$2,481,915
Less accumulated amortization	626,145	544,742
Buildings, net	$1,859,213	$1,937,173

Capital Commitments

At June 30, 2010, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $18.4 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 $51.2 billion over the remaining fiscal years 2011 through 2019. To help meet its capital spending program, the City and TFA borrowed $7.04 billion in the public credit market in fiscal year 2010. The City and TFA plan to borrow $7.05 billion in the public credit market in fiscal year 2011.

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, 2010 and 2009 were approximately $737.8 million and $715.5 million, respectively.

As of June 30, 2010, 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
Governmental activities:		(in thousands)	
Fiscal year ending June 30:			
2011	$ 176,005	$ 443,207	$ 619,212
2012	182,823	405,795	588,618
2013	181,265	378,244	559,509
2014	174,180	343,829	518,009
2015	168,337	318,043	486,380
2016-2020	737,039	1,367,642	2,104,681
2021-2025	560,118	723,658	1,283,776
2026-2030	368,284	226,153	594,437
2031-2035	177,058	40,648	217,706
2036-2040	75,941	18,009	93,950
2041-2045	—	11,499	11,499
2046-2050	—	11,499	11,499
Future minimum payments	2,801,050	$4,288,226	$7,089,276
Less interest	941,836		
Present value of future minimum payments	$1,859,214		

The present value of future minimum lease payments includes approximately $1.388 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, 2010 and 2009 was approximately $234 million and $255 million, respectively. As of June 30, 2010, the following future minimum rentals are provided for by the leases:

	Capital Leases	Operating Leases	Total
Governmental activities:		(in thousands)	
Fiscal year ending June 30:			
2011	$ 1,535	$ 174,852	$ 176,387
2012	1,622	170,684	172,306
2013	1,722	168,241	169,963
2014	1,876	166,379	168,255
2015	2,047	155,540	157,587
2016-2020	11,055	720,582	731,637
2021-2025	11,680	666,812	678,492
2026-2030	12,603	623,851	636,454
2031-2035	13,441	620,290	633,731
2036-2040	2,510	591,910	594,420
2041-2045	2,034	571,042	573,076
2046-2050	1,858	568,093	569,951
2051-2055	1,800	99,643	101,443
2056-2060	1,800	48,239	50,039
2061-2065	1,800	48,239	50,039
2066-2070	1,799	48,026	49,825
2071-2075	1,800	46,114	47,914
2076-2080	1,619	37,418	39,037
2081-2085	—	30,839	30,839
2086-2090	—	9,252	9,252
Thereafter until 2106	—	2	2
Future minimum lease rentals	74,601	$5,566,048	$5,640,649
Less interest	46,699		
Present value of future minimum lease rentals	$27,902		

4. Long-Term Liabilities

Changes in Long-term liabilities

In fiscal years 2009 and 2010, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable:								
General obligation bonds	$ 36,100,231	$ 5,931,070	$2,039,926	$ 39,991,375	$ 5,418,155	$3,853,990	$41,555,540	$1,788,816
TFA bonds	14,827,830	2,489,300	403,770	16,913,360	5,345,995	2,165,705	20,093,650	441,665
TSASC bonds	1,297,545	—	23,855	1,273,690	—	8,385	1,265,305	—
IDA bonds	100,680	68,650[2]	70,680	98,650	—	—	98,650	750
STAR bonds	2,338,600	—	85,780	2,252,820	—	74,920	2,177,900	11,640
FSC bonds	321,010	—	16,850	304,160	—	9,915	294,245	11,860
HYIC bonds	2,000,000	—	—	2,000,000	—	—	2,000,000	—
HYIC notes	66,667	—	33,333	33,334	—	33,334	—	—
ECF bonds	109,525	—	7,465	102,060	53,810	6,135	149,735	6,075
Total before premiums/discounts (net)	57,162,088	8,489,020	2,681,659	62,969,449	10,817,960	6,152,384	67,635,025	2,260,806
Less (premiums)/discounts (net)	(896,037)	137,059	88,176	(847,154)	157,806	404,415	(1,093,763)	—
Total bonds and notes payable	58,058,125	8,351,961	2,593,483	63,816,603	10,660,154	5,747,969	68,728,788	2,260,806
Capital lease obligations	2,024,663	7,302	94,792	1,937,173	14,977	92,936	1,859,214	70,219
Other tax refunds	1,976,320	319,245	252,320	2,043,245	235,637	387,245	1,891,637	235,637
Judgments and claims	5,676,140	1,000,949	1,170,845	5,506,244	1,186,295	1,120,258	5,572,281	1,313,267
Real estate tax certiorari	892,666	163,545	205,203	851,008	182,299	134,535	898,772	145,915
Vacation and sick leave	3,389,007	528,922	235,392	3,682,537	433,499	293,969	3,822,067	139,530
Pension liability	692,200	55,300	88,900	658,600	52,700	85,900	625,400	—
OPEB liability	63,290,218	3,937,583	1,683,440	65,544,361	11,021,425	1,580,954	74,984,832	—
Landfill closure and postclosure care costs	1,698,490	89,590	69,007	1,719,073	1,589	60,935	1,659,727	101,904
Pollution remediation obligations	172,842[1]	156,872	154,178	175,536	273,825	193,980	255,381	174,079
Total changes in governmental activities long-term liabilities	$137,870,671	$14,611,269	$6,547,560	$145,934,380	$24,062,400	$9,698,681	$160,298,099	$4,441,357

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.

[1] Opening liability determined per requirements of GASB49.

[2] A refunding issue for the Special Revenue 2004 Series A and B bonds sold by IDA, a discretely presented component unit to finance costs incurred relating to the New York Stock Exchange (NYSE) project which was abandoned after 9/11. The City is obligated per the NYSE Facility Financing Agreement to make periodic rental payments to cover debt service costs on the NYSE issue.

The bonds and notes payable at June 30, 2010 and 2009 summarized by type of issue are as follows:

Primary Government	2010 General Obligations*	2010 Revenue*	2010 Total	2009 General Obligations*	2009 Revenue*	2009 Total
	(in thousands)					
Governmental activities:						
Bonds and notes payable:						
General obligation bonds	$41,555,540	$ —	$41,555,540	$39,991,375	$ —	$39,991,375
TFA bonds	15,872,495	4,221,155	20,093,650	12,662,180	4,251,180	16,913,360
TSASC bonds	1,265,305	—	1,265,305	1,273,690	—	1,273,690
IDA bonds	98,650	—	98,650	98,650	—	98,650
STAR bonds	2,177,900	—	2,177,900	2,252,820	—	2,252,820
FSC bonds	294,245	—	294,245	304,160	—	304,160
HYIC bonds	—	2,000,000	2,000,000	—	2,000,000	2,000,000
HYIC notes	—	—	—	—	33,334	33,334
ECF bonds	—	149,735	149,735	—	102,060	102,060
Total bonds and notes payable	$61,264,135	$6,370,890	$67,635,025	$56,582,875	$6,386,574	$62,969,449

* The City issues General Obligation and Revenue bonds for capital projects which include construction, acquisition, repair or maintenance of the City's infrastructure. These include, but not limited to, sidewalk installations, improvements to City's schools, fire stations, parks, bridges and tunnels, and acquisition of any furnishings, machinery, apparatus or equipment for any public purpose.

The following table summarizes future debt service requirements as of June 30, 2010:

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:				
2011	$ 2,189,276	$ 2,591,486	$ 71,530	$ 314,084
2012	2,784,375	2,568,468	77,940	311,717
2013	2,906,606	2,492,159	82,240	308,773
2014	2,938,180	2,370,180	86,735	305,537
2015	3,028,446	1,940,999	91,555	301,891
2016-2020	15,145,682	9,172,622	530,660	1,441,415
2021-2025	14,097,413	5,839,832	664,700	1,299,457
2026-2030	10,516,188	2,908,086	843,320	1,111,282
2031-2035	5,601,822	1,135,493	1,073,930	872,152
2036-2040	1,497,073	309,481	848,280	584,231
2041-2045	559,028	57,316	—	487,500
2046-2050	4	15	2,000,000	195,000
Thereafter until 2147	42	144	—	—
	61,264,135	31,386,281	6,370,890	7,533,039
Less interest component	—	31,386,281	—	7,533,039
Total future debt service requirements	$ 61,264,135	$ —	$6,370,890	$ —

(1) Includes interest for general obligation bonds estimated at 2% rate on tax-exempt adjustable rate bonds and at 3% 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, 2010 and 2009 were both 4.4% and both ranged from 0% to 10%. The last maturity of the outstanding City debt is in the year 2147.

Since the City has variable rate debt outstanding, the terms by which interest rates change for variable rate debt are as follows: For Auction Rate Securities, an interest rate is established periodically by an auction agent at the lowest clearing rate based upon bids received from broker-dealers. Variable Rate Demand Bonds (VRDBs) are long-term bonds that have a daily or weekly "put" feature backed by a bank Letter of Credit or Stand By Bond Purchase Agreement. VRDBs are repriced daily or weekly and provide investors with the option to tender the bonds at each repricing. A broker, called a Remarketing Agent, is responsible for setting interest rates and reselling to new investors any securities that have been tendered. CPI Bonds pay the holder a floating interest rate tied to the consumer price index. The rate is a fixed spread plus a floating rate equal to the change in the Consumer Price Index-Urban (CPI-U) for a given period. LIBOR Bonds pay the holder a floating interest rate calculated as a percentage of the London Interbank Offering Rate (LIBOR). Direct Funding Bonds are fixed rate bonds that through a derivative pay the holder an adjusted rate based on the movement in the AAA Municipal Market Data (MMD) Index.

In fiscal years 2010 and 2009, the City issued $2 billion and $450 million, respectively, of general obligation bonds to advance refund general obligation bonds of $2.16 billion and $473 million, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $61.87 million and $6.96 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 2010, the refunding transactions will decrease the City's aggregate debt service payments by $209.36 million and provide an economic gain of $182.14 million. In fiscal year 2009, the refunding transactions decreased the City's aggregate debt service payments by $39.05 million and provided an economic gain of $35.45 million. At June 30, 2010 and 2009, $15.11 billion and $13.77 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 GO 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, 2010, the 10% general limitation was approximately $76.224 billion (compared with $74.904 billion as of July 1, 2009). Also, as of July 1, 2010, the City's remaining GO debt-incurring power totaled $26.341 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 2010, discretionary and other transfers of $2.89 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2011 debt service. In addition, in fiscal year 2010, discretionary transfers of $370.5 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds. In fiscal year 2009, discretionary and other transfers of $1.290 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2010 debt service. In addition, in fiscal year 2009, discretionary transfers of $755.75 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds.

Hedging derivative instrument payments and hedged debt

The table that follows represents debt service payments on certain general obligation variable-rate bonds and net receipts/payments on associated hedging derivative instruments (see Note A.13.), as of June 30, 2010. Although interest rates on variable rate debt and the current reference rates of hedging derivative instruments change over time, the calculations included in the table below are based on the assumption that the variable rate and the current reference rates of hedging derivative instruments on June 30, 2010 will remain the same for their term.

	Governmental Activities			
	General Obligation Bonds			
Primary Government	Principal	Interest	Hedging Derivative Instruments, Net	Total
	(in thousands)			
Fiscal year ending June 30:				
2011	$ 23,615	$ 27,868	$ 4,338	$ 55,821
2012	14,560	27,824	3,785	46,169
2013	8,690	27,797	3,448	39,935
2014	50,820	27,084	3,356	81,260
2015	70,210	25,553	3,274	99,037
2016-2020	442,865	105,780	6,309	554,954
2021-2025	273,155	71,927	(9,628)	335,454
2026-2030	373,800	34,188	(220)	407,768
2031-2035	142,375	6,343	(3,509)	145,209
Total	$1,400,090	$354,364	$11,153	$1,765,607

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 constitutional violations; torts; breaches of contract; other violations of law; and condemnation proceedings.

As of June 30, 2010 and 2009, claims in excess of $633 billion and $637 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $5.6 billion and $5.5 billion, respectively.

As explained in Note A.11., the estimate of the liability for all judgments and claims has been reported in the government-wide statement of net assets under noncurrent liabilities. The liability was estimated by using the probable exposure information provided by the New York City Law Department (Law Department), and supplemented by information provided by the 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 $999.9 million. 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. On June 10, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. Under the settlement, the WTC Insurance Company would pay up to approximately $712.5 million, leaving residual funds to insure and defend the City and its contractors against claims that are not settled as part of the settlement and any new claims. In order for the settlement to take effect, at least 95 percent of the plaintiffs must accept its terms. A public hearing was held before the Court on June 23, 2010 to hear from all parties concerning the settlement and the judge found that the settlement was fair and reasonable. Plaintiffs have until November 8, 2010 to decide whether to accept the offer.

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, continued to proceed against other defendants until final judgment was entered on August 14, 2009. Con Edison and its insurers then filed a notice of appeal challenging the dismissal of their claims against the City. The appeal was argued before the Second Circuit on September 14, 2010. A decision has not yet been issued.

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 $455.0 million.

In 2006, a relator filed two lawsuits in the United States District Court for the Southern District of New York against the City's Department of Housing Preservation and Development (HPD) and other defendants under the False Claims Act. The relator alleged that HPD was involved with the submission of false claims to the United States Department of Housing and Urban Development (HUD) in connection with the Federal government's Section 8 Enhanced Voucher program which provides rental subsidies to low and moderate income tenants payable to the landlord. These alleged false claims would have resulted in HUD's overpayment of subsidies to the defendant property owners, by virtue of the alleged improper removal of housing units from rent regulation. These lawsuits remained under seal pending completion of an investigation by the United States Department of Justice, which was completed in 2009. Following this investigation, the Federal government elected to pursue common-law claims against the property owners, seeking a declaration that the properties are and should have remained subject to rent-regulation, and to recover any overpayments made as a result of the allegedly improper de-regulation. The Federal government has not sought any relief against the City. The relator is pursuing the false claims actions against HPD and the defendant property owners, seeking treble damages of the alleged overpayments made by HUD on approximately 870 units, plus civil penalties of up to $11,000 per claim for each violation of the False Claims Act. On July 2, 2010, the Court granted the City's motion to dismiss these actions subsequent to which the relator filed an appeal.

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 $898.8 million and $851.0 million at June 30, 2010 and 2009, 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 Notes E.6. and F.).

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 when the related liability is incurred and payment is due.

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, 2010 which equates to the total estimated current cost is $1.316 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 2010, expenditures for landfill closure and postclosure care costs totaled $65.3 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 19, 2010, 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	$1,315,797
Hazardous waste sites	343,930
Total landfill and hazardous waste sites liability	$1,659,727

Pollution Remediation Obligations

The pollution remediation obligations (PROs) at June 30, 2010 and June 30, 2009 summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	**Fiscal Year 2010**		**Fiscal Year 2009**	
	Amount (in thousands)	**Percentage**	**Amount (in thousands)**	**Percentage**
Imminent endangerment	$ 51,000	20.0%	$ 45,172	25.5%
Violation of pollution prevention-related permit or license	4,002	1.6	5,018	3.0
Named by regulator as a potentially responsible party	3,148	1.2	1,004	.5
Voluntary commencement	197,231	77.2	124,342	71.0
Total	$255,381(1)	100.0%	$175,536(1)	100.0%

Pollution Type	**Amount (in thousands)**	**Percentage**	**Amount (in thousands)**	**Percentage**
Asbestos removal	$106,144	41.5%	$133,100	75.8%
Lead paint removal	77,253	30.3	13,563	7.7
Soil remediation	68,611	26.9	26,657	15.2
Water remediation	2,137	.8	2,138	1.2
Other	1,236	.5	78	.1
Total	$255,381(1)	100.0%	$175,536(1)	100.0%

(1) There are no expected recoveries deemed not yet realized or realizable to reduce the liability.

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the City's Law Department relates that we have approximately 27 cases involving hazardous substances, including underground and aboveground storage tanks, spills from underground and aboveground storage tanks, and other contamination on, or caused by facilities on, City-owned property. Due to the uncertainty of legal proceedings, we cannot estimate future liabilities. Also, we have one case involving environmental review and land use relating to the Bronx Committee for Toxic Free Schools, that involved a suit over the remediation of a property by SCA. The remediation has been completed and the lawsuit, which is on appeal, concerns the scope of monitoring the remediation.

On March 2, 2010, following up on an earlier notice of proposed listing, the United States Environmental Protection Agency (EPA) listed the Gowanus Canal, a waterway located in Brooklyn, New York, as a Federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). While it was evaluating listing the Gowanus Canal, on November 5, 2009, EPA notified the City that EPA considers the City a potential responsible party (PRP) under CERCLA for hazardous wastes in the Gowanus Canal. In its PRP notice letter, EPA identified current and formerly City-owned and operated properties, including an asphalt plant, an inactive incinerator, and waterfront properties historically leased to private entities.

In September, 2009, EPA also proposed to list Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, as a Superfund site. EPA has not yet listed the Newtown Creek. On April 6, 2010, EPA notified the City that EPA considers the City a PRP under CERCLA for hazardous wastes in the Newtown Creek. In its Newtown Creek PRP notice letter, EPA identified historical City activities that filled former wetlands and low lying areas in and around the Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and combined sewer overflow outfalls as sources of hazardous substances in the Newtown Creek.

Under CERCLA, a responsible party may be held responsible for monies expended for response actions at a Superfund site, including investigative, planning, removal, remedial, and EPA enforcement actions. A responsible party may also be ordered by EPA to take response actions themselves. Responsible parties include, among others, past or current owners or operators of a facility from which there is a release of a hazardous substance that causes the incurrence of response costs. The nature, extent, and cost of response actions at either Gowanus Canal or Newtown Creek, and the extent of the City's liability, if any, for monies expended for such response actions, will likely not be determined for several years.

5. Interfund Receivables, Payables, and Transfers

At June 30, 2010 and 2009, 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	2010	2009
		(in thousands)	
General Fund	Capital Projects Fund	$2,795,205[1]	$2,199,366[1]
Capital Projects Fund	TFA	3,505	182,055
HYDC—Capital Projects Fund	HYIC—Capital Projects Fund	94	—
HYIC—Debt Service Fund	HYIC—Capital Projects Fund	—	56
Total due from/to other funds		2,798,804	2,381,477

Component Units:

Due from/to primary government and component units:

Receivable Entity	Payable Entity	2010	2009
Primary government—General Fund:	Component units—HDC	862,515	838,143
	HHC	161,857	281,973
	EDC	113,800	14,978
		1,138,172	1,135,094
Primary government—Capital Projects Fund	Component unit—Water Authority	967,943	880,664
Total due from component units		2,106,115	2,015,758
Component unit—Water Board	Primary government—General Fund	88,241	13,328
Total due to component units		88,241	13,328
Total due from/to primary government and component units		2,194,356	2,029,086
Total primary government and component units receivable and payable balances		$4,993,160	$4,410,563

[1] Net of eliminations within the same fund type.

Note: During both fiscal years 2010 and 2009, the 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 Capital Projects Funds		Nonmajor Debt Service Funds		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(in thousands)									
Transfer From:										
General Fund	$ —	$ —	$2,955,798	$1,413,106	$ —	$ —	$ 639,148	$ 741,812	$3,594,946	$2,154,918
General Debt Service Fund	—	—	—	—	—	—	6,096	—	6,096	—
Nonmajor Debt Service Fund	—	—	—	961	—	—	—	—	—	961
Nonmajor Capital Projects Funds	3,147,139	2,321,950	—	—	—	5,214	71,638	123,163	3,218,777	2,450,327
Total	$3,147,139	$2,321,950	$2,955,798	$1,414,067	$ —	$ 5,214	$ 716,882	$ 864,975	$6,819,819	$4,606,206

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, 2010, the City made the following one-time transfer:
A transfer from the General Fund of an unrestricted grant of $371 million on June 29, 2010 to TFA. These funds will be used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2011.

In the fiscal year ended June 30, 2009, the City made the following one-time transfer:
A transfer from the General Fund of an unrestricted grant of $646 million on June 26, 2009 to TFA. These funds were used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2010.

E. Other Information

1. Audit Responsibility

In fiscal years 2010 and 2009, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Deloitte & Touche LLP are the New York City Transitional Finance Authority, TSASC, Inc., New York City School Construction Authority, New York City Health and Hospitals 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, Deferred Compensation Plan, WTC Captive Insurance Company, Inc., New York City Capital Resource Corporation, New York City Educational Construction Fund, Sales Tax Asset Receivable Corporation, Fiscal Year 2005 Securitization Corporation, NYCTL Trusts, and the New York City Housing Authority.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal years 2010 and 2009:

	Government-wide				Fund-based			
	Governmental Activities		Component Units		Nonmajor Governmental Funds		Fiduciary Funds	
	2010	2009	2010	2009	2010	2009	2010	2009
					(percent)			
Total assets	5	4	51	51	79	69	8	8
Revenues, other financing sources and net assets held in trust	7	7	79	79	99	98	9	8

2. Subsequent Events

The following events occurred subsequent to June 30, 2010:

Long-term Financing

City Debt: On August 12, 2010, The City of New York sold its Fiscal 2011 Series A and B General Obligation bonds of $962.535 million for refunding purposes.

On October 20, 2010, The City of New York sold its Fiscal 2011 Series C, D, and E General Obligation bonds of $1.225 billion for capital and refunding purposes.

On October 20, 2010, The City of New York converted both its Fiscal 2002 Series A-7 bonds of $60 million from Daily Mode and Fiscal 2002 Series A-8 bonds of $28.545 million from Weekly Mode to Fixed Rate Mode.

TFA Debt: On August 16, 2010, TFA sold its Fiscal 2011 Series A Future Tax Secured Subordinate bonds of $1.0 billion for capital purposes.

Deposits

On July 21, 2010, President Barack Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law, which, in part, permanently raises the current standard maximum deposit insurance amount to $250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. On September 27, 2010, the FDIC approved the issuance of a proposed rule to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act to provide depositors at all FDIC-insured institutions unlimited deposit insurance coverage on noninterest bearing transaction accounts beginning December 31, 2010 through December 31, 2012. This will cover the City's demand deposit accounts, including Central Treasury, Pool, and controlled disbursement accounts, at participating FDIC-insured institutions through December 31, 2012.

Financial Market Developments

The City has exposure to risks inherent in a large debt issuance program and debt portfolio. 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 potential contraints on market access; 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. 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; and prudent use of debt strategies that can reduce costs, as market conditions permit.

3. Other Employee Benefit Trust Funds

Deferred Compensation Plans For Employees of The City of New York and Related Agencies and Instrumentalities (DCP) and the New York City Employee Individual Retirement Account (NYCE IRA)

DCP offers employees of The City of New York and Related Agencies and Instrumentalities two defined contribution plans in accordance with Internal Revenue Code Sections 457 and 401(k). DCP permits employees to defer a portion of their salary on either a pre-tax (traditional) or after-tax (Roth) basis until future years. Funds may not be withdrawn until termination, retirement, death, Board-approved unforeseen emergency or hardship (as defined by the Internal Revenue Code) or, if still working for the City, upon attainment of age 70½ in the 457 Plan or upon age 59½ in the 401(k). A 401(a) defined contribution plan is available to certain employees of the Lieutenant's Benevolent Association of The City of New York Police Department.

The NYCE IRA is a deemed Individual Retirement Account (IRA) in accordance with Internal Revenue Code Section 408(q) and 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. Funds may be withdrawn from the NYCE IRA at any time, however, certain conditions must be met for withdrawals to be considered Qualified Distributions (penalty-free).

Amounts maintained under a deferred compensation plan and an IRA by a state or local government are held in trust (or in a custodial account) for the exclusive benefit of participants and their beneficiaries. Consequently, each plan and IRA is presented as an Other Employee Benefit Trust Fund in the City's financial statements.

Participants in DCP or NYCE IRA can choose among seven investment options, or one of twelve pre-arranged portfolios consisting of varying percentages of those investment options. Participants can also invest a portion of their assets in a self-directed brokerage option.

The New York City Other Postemployment Benefits Plan (PLAN)

PLAN is a fiduciary component unit of the City and is composed of: (1) the New York City Retiree Health Benefits Trust (RHBT) which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions (OPEB) provided by the City to its retired employees and (2) OPEB paid for directly by the City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of the City's retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the City's various collective bargaining agreements and the City's Administrative Code. 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, PLAN is presented as an Other Employee Benefit Trust Fund in the City's financial statements. The separate annual financial statements of PLAN 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 PLAN is on the flow of economic resources. This focus emphasizes the determination of changes in the PLAN's 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 GASB45 results of OPEB valuations as of June 30, 2009, 2008, 2007, 2006, and 2005 for the fiscal year ending June 30, 2010. The schedule provides a five 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)			
6/30/09	$3,103,186	$73,674,157	$70,570,971	4.2%	$19,469,182	362.5%
6/30/08	3,186,139	65,164,503	61,978,364	4.9	18,721,681	331.1
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 (2010-A; 2009-A; 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. NYCTLT (2004-A; 1999-1; 1998-1; and 1996-1) entered into an agreement dated March 31, 2009 to transfer all of their rights and obligations to NYCTLT (1998-2). Although the Trusts continue to legally exist, they have no assets or liabilities at June 30, 2009. In accordance with the agreement, NYCTLT (1998-2) will pay all administrative expenses incurred after March 31, 2009 and any costs associated with the transfers. 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

Program Description. The New York City Health Benefits Program (Program) is a single-employer defined benefit healthcare plan funded by PLAN, 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. PLAN issues a publicly available financial report that includes financial statements and required supplementary information for funding 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 Fund Benefits stem from the City's various collective bargaining agreements all of which are to be funded by PLAN. The City is not required by law or contractual agreement to provide funding for PLAN other than the pay-as-you-go amounts necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2010, the City paid $1.6 billion on behalf of the Program. 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. Program 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 (ARC) of the employer, 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 Program, and changes in the City's net OPEB obligation to the Program for the year ended June 30, 2010:

	Amount (in thousands)
Annual required contribution	$76,565,788
Interest on net OPEB obligation	2,621,774
Adjustment to annual required contribution	(68,166,137)
Annual OPEB cost (expense)	11,021,425
Payments made	1,580,954
Increase in net OPEB obligation	9,440,471
Net OPEB obligation—beginning of year	65,544,361
Net OPEB obligation—end of year	$74,984,832

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for the fiscal years ended June 30, 2010, 2009, 2008, 2007, and 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	(in thousands)		
6/30/10	$11,021,425	14.3%	$74,984,832
6/30/09	3,937,583	42.8	65,544,361
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, 2009, the most recent actuarial valuation date, PLAN was 4.2% funded. The actuarial accrued liability for benefits was $73.7 billion, and the actuarial value of assets was $3.1 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $70.6 billion. The covered payroll (annual payroll of active employees covered by PLAN) was $19.5 billion, and the ratio of the UAAL to the covered payroll was 362.5%. 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 PLAN incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status of 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 GASB45 results of OPEB valuations as of June 30, 2009, 2008, 2007, 2006, and 2005 and the schedule provides a five 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, 2009 and 2008 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) Teachers' Retirement System of the City of New York Qualified Pension Plan; (iii) New York City Board of Education Retirement System Qualified Pension Plan; (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, 2008 OPEB actuarial valuation but have been supplemented by probabilities of retirement adopted by the TRS Retirement Board applicable to active participants in the optional 55/25 Plan established under Chapter 19 of the Laws of 2008. The OPEB-specific actuarial assumptions used in the June 30, 2009 OPEB actuarial valuation of the Plan are as follows:

Valuation Date . . . . June 30, 2009.

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 non-Medicare retirees and HIP HMO Medicare retirees. Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population. Insured premiums without age adjustment for other coverage. Premiums assumed to include administrative costs.

Employer premium contribution schedules for the month of July, 2009 and January, 2010 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 date 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. For other rates, where the January, 2010 premium rate was different than the July, 2009 premium rate, the valuation assumed that the January, 2010 rate was more representative of the long-range cost of the arrangement.

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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:

	Monthly Rate	
Plan	FY '10[(1)]	FY '09[(2)]
HIP HMO		
Non-Medicare Single	$ 415.62	$372.99
Non-Medicare Family	1,018.26	913.83
Medicare	88.78	44.98
GHI/EBCBS		
Non-Medicare Single	380.95	347.59
Non-Medicare Family	987.91	902.09
Medicare	153.69	153.28
Others		
Non-Medicare Single	415.32	372.99
Non-Medicare Family	1,017.52	913.83
Medicare	153.69	153.28

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(1) Used in June 30, 2009 actuarial valuation.

(2) Used in June 30, 2008 actuarial valuation.

Welfare Funds . . . . Welfare Fund contributions 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 3.6% for fiscal year 2009 and 3.8% for fiscal year 2008 and earlier, approximating overall recent growth of Welfare Fund contributions.

For the June 30, 2009 OPEB actuarial valuation, certain lump-sum amounts have been included in calculating the three-year trended average.

Reported annual contribution amounts for the last three years shown in Appendix B, Tables 2a to 2e of the Report on the Fifth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 23, 2010, for fiscal year 2010 used for current retirees.

Weighted average annual contribution rates used for future retirees:

	Annual Rate	
	FY'10	FY'09
NYCERS	$1,790	$1,695
TRS	1,835	1,687
BERS	1,792	1,709
POLICE	1,677	1,583
FIRE	1,744	1,696

Contributions were assumed to increase by Medicare Plans trend rates.

For Welfare Fund contribution amounts reflected in the June 30, 2008 actuarial valuation for current retirees, see Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 24, 2009.

Medicare Part B Premiums . . . .

Calendar Year	Monthly Premium
2008	$ 96.40
2009	96.40
2010 *(announced)*	110.50*
2010 *(used)*	100.21*

* Reflected only in the June 30, 2009 actuarial valuation.

2010 Medicare Part B premium assumed to increase by Medicare Part B trend rates.

Medicare Part B premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2010. The actual 2011 Medicare Part B premium was not announced at the time these calculations were prepared and thus, was not reflected in the valuation.

Due to the fact that there was no cost-of-living increase in Social Security benefits for calendar year 2010, most Medicare Part B participants are not acutally being charged the Medicare Part B premium announced for 2010. The announced Medicare Part B premium was artificially increased so that the overall amount collected by the Center for Medicare and Medicaid Services (CMS) would be sufficient for the needs of the Medicare Part B program. Thus, for the June 30, 2009 OPEB actuarial valuation (i.e., fiscal year 2010), the annual premium used (i.e., $1,179.64) equals 6 months of the calendar year 2009 premium plus 6 months of:

- 73% of the calendar year 2009 monthly premium (i.e., $96.40), representing the approximate percentage of the overall U.S. Medicare population that will pay the frozen amount, and

- 27% of the announced calendar year 2010 monthly premium (i.e., $110.50), representing the approximate percentage of the overall U.S. Medicare population that will pay the calendar year 2010 amount.

Overall Medicare Part B premium amounts assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B premiums for high income individuals:

	Income-related Medicare Part B Increase	
Fiscal Year	**June 30, 2009 Valuation**	**June 30, 2008 Valuation**
2009	NA	2.6%
2010	3.3%	3.3
2011	3.4	3.4
2012	3.5	3.5
2013 and later	Increasing by .1% per year to a maximum of 5.0%	Increasing by .1% per year to a maximum of 5.0%

NA: Not Applicable.

Medicare Part B Reimbursement Assumption . . . . For the June 30, 2009 actuarial valuation, 90% of Medicare participants are assumed to claim reimbursement (unchanged from last year).

Health Care Cost Trend Rate (HCCTR) . . Covered medical expenses are assumed to increase by the following percentages:

HCCTR Assumptions

	Pre-Medicare Plans[2]			
Year Ending[1]	**Prior Assumption**	**Revised Assumption**	**Medicare Plans**	**Medicare Part B Premium**
2010[3]	8.5%	NA	5.0%	8.5%
2011	8.0	9.5%	5.0	8.0
2012	7.5	9.5	5.0	7.5
2013	7.0	9.5	5.0	7.0
2014	6.5	9.5	5.0	6.5
2015	6.0	9.0	5.0	6.0
2016	5.5	8.5	5.0	5.5
2017	5.0	8.0	5.0	5.0
2018	5.0	7.5	5.0	5.0
2019	5.0	7.0	5.0	5.0
2020	5.0	6.5	5.0	5.0
2021	5.0	6.0	5.0	5.0
2022	5.0	5.5	5.0	5.0
2023 and later	5.0	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) Updated to reflect recent past experience and anticipated future experience, including the impact of the enactment of National Health Care Reform, i.e., PPACA and HCERA.

(3) For the June 30, 2009 OPEB actuarial valuation, rates shown for 2010 were not reflected since actual values for the fiscal year 2010 per capita costs, fiscal year 2010 Welfare Fund contributions, and calendar year 2010 Medicare Part B premium amounts were used.

NA: Not Applicable.

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. An actual age distribution based on reported census information was used for Medicare-eligible GHI/EBCBS retirees and dependents.

For the June 30, 2009 actuarial valuation, the age adjustment for the non-Medicare GHI/EBCBS premium reflects a 5% (6% last year) reduction in the GHI portion of the premium for the estimated margin anticipated to be returned. GHI represents $183.55 of the $380.95 single non-Medicare GHI/EBCBS monthly rate.

In addition to age adjustment, the premiums for HIP HMO Medicare-eligible retirees were multiplied by the following factors to reflect actual calendar year 2010 premium and future anticipated changes in Medicare Advantage reimbursement rates. As of June 30, 2009, the factors have been updated to reflect that Medicare Advantage reimbursement rates are expected to be significantly reduced over the next several years. The reductions in the reimbursement rates were part of the National Health Care Reform (NHCR) legislation and are likely to be most significant in areas where medical costs are greater, such as New York City. In developing the adjustment factors for the June 30, 2009 valuation, it was assumed that the cost of HIP coverage would not be allowed to exceed the cost of GHI/EBCBS coverage for Medicare retirees. The adjustment factors used as of June 30, 2008 are shown for comparative purposes:

	Factor	
Fiscal Year	6/30/09 Valuation*	6/30/08 Valuation
2009	NA	1.0000
2010	1.0000	1.1800
2011	1.5000	1.3700
2012	1.5800	1.5600
2013	1.6700	1.7500
2014	1.7200	1.9300
2015	1.7200	2.1200
2016	1.7200	2.3000
2017	1.7200	2.4000
2018	1.7200	2.4000
Thereafter	1.7200	2.4000

* Includes anticipated impact of National Health Care Reform.

NA: Not Applicable.

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	
	2009	2008
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 table:

Plan Participation Assumptions

Benefits	June 30, 2009 and June 30, 2008 Valuations				
	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

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 26 previously age 19 or 23 if full-time student) of uniformed members of the Police or Fire Departments who die 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 table. 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 26 (previously age 23). Child dependents of future retirees assumed to receive coverage for eight years (previously five years) after retirement.

Dependent Coverage Assumptions

Group	June 30, 2009 and June 30, 2008 Valuations				
	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 adopted by each respective Board of Trustees, with the addition of supplemental assumptions adopted by TRS to value the optional TRS 55/25 plan.

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, 2009 OPEB actuarial valuation of a lump sum COBRA cost of $625 for terminations during fiscal year 2010 ($575 lump sum cost during fiscal year 2009 was assumed in the June 30, 2008 actuarial valuation). The $625 ($575) lump sum amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Cadillac Tax . . . . Effective with the June 30, 2009 OPEB actuarial valuation, a 1/2% load is applied to all Pre-Medicare, Medicare, and Medicare Part B premium liabilities to estimate the impact of the high cost plan excise tax (Cadillac Tax) that will be imposed beginning in 2018 under NHCR. The additional Cadillac Tax due to the riders is assumed to be reflected in the contribution required for the rider. The additional Cadillac Tax due to

	amounts provided by Welfare Fund benefits is assumed to be absorbed by the Welfare Fund or by lower net Welfare Fund contribution amounts.
Stabilization Fund	A 3/4% load is applied on all City GASB45 obligations (1.6% in last valuation). The same loads apply to the GASB43 obligations in the current and preceding valuation. The load is not applicable to Component Units.
Educational Construction Fund	The actuarial assumptions used for determining obligations for ECF are shown in Appendix E of the Report on the Fifth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 23, 2010. The Report was prepared as of June 30, 2009 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 Fifth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 23, 2010. The Report was prepared as of June 30, 2009 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 Department 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 Department 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, member contributions, Plan and Tier. 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 (10 years for certain members who joined TRS and BERS beginning Calendar Year 2010). Except for NYCERS and BERS, 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 and BERS are generally 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.

Currently there are four Tiers, referred to as Tier I, Tier II, Tier III and Tier IV. Members are assigned a Tier based on Plan and membership date. The Tier II Plan provisions have expired as of June 30, 2009. This affects new hires into the uniformed forces of Police and Fire (new members of POLICE and FIRE) and Detective Investigators who become new members of NYCERS. Absent new legislation, benefits for these future members will be subject to Tier III or Tier IV Plan provisions that, in general, are at a lesser level than Tier II benefits.

Chapter 504 of the Laws of 2009 (Chapter 504/09) modified some of the Plan provisions for certain members who first joined TRS or BERS after Calendar Year 2009. These modifications are expected to reduce future employer pension contributions.

Plan Membership

As of June 30, 2009, June 30, 2008 and June 30, 2007, the membership of NYCRS[1] consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2009:						
Retirees and Beneficiaries Receiving Benefits	131,031	70,825	13,641	44,285	17,263	277,045
Terminated Vested Members Not Yet Receiving Benefits	8,867	7,486	229	843	34	17,459
Other Inactives*	21,513	8,689	3,673	1,998	30	35,903
Active Members	186,284	113,133	23,303	35,608	11,460	369,788
Total Plan Membership	347,695	200,133	40,846	82,734	28,787	700,195

* 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, 2007 (Lag) valuation date was used for determining the Fiscal Year 2009 Employer Contributions.

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2008:						
Retirees and Beneficiaries Receiving Benefits	130,664	69,775	13,196	44,290	17,404	275,329
Terminated Vested Members Not Yet Receiving Benefits	8,774	7,080	283	813	32	16,982
Other Inactives*	24,265	10,890	3,999	2,168	53	41,375
Active Members	183,654	112,472	22,729	35,337	11,574	365,766
Total Plan Membership	347,357	200,217	40,207	82,608	29,063	699,452

* Represents members no longer on payroll, including pending withdrawals, members on leaves of absence, members awaiting refunds of contributions or benefit determinations, etc.

	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.

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.

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 (OYLM) 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).

Annual Pension Costs

Beginning Fiscal Year 2006 the NYCRS annual pension costs and the City's Statutory Contributions are determined under OYLM on the basis of revised actuarial assumptions, the Frozen Initial Liability Actuarial Cost Method (unchanged) and a revised Actuarial Asset Valuation Method (AAVM).

The annual pension costs for NYCRS, for the Fiscal Years ended June 30, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
		(in millions)	
NYCERS	$2,197.7	$2,150.4	$1,874.2
TRS	2,484.1	2,223.6	1,916.5
BERS	147.3	134.2	143.1
POLICE	1,954.7	1,905.4	1,770.0
FIRE	867.4	837.0	773.6
Total actual pension contributions	$7,651.2	$7,250.6	$6,477.4

For Fiscal Year 2010, the City's Statutory Contributions for the NYCRS, based on the actuarial valuations performed as of June 30, 2008 (Lag), plus other pension expenditures, were approximately $6,755.6 million.

For Fiscal Years 2010, 2009 and 2008, 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 2010, 2009 and 2008, 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, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
		(in millions)	
NYCERS*	$1,205.6	$1,186.4	$1,037.8
TRS*	2,450.7	2,196.2	1,891.9
BERS*	139.5	127.8	136.9
POLICE	1,981.0	1,932.2	1,797.8
FIRE	874.3	843.8	780.2
OTHER**	104.5	102.8	95.9
Total actual pension contributions	$6,755.6	$6,389.2	$5,740.5

* 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, 2010, 2009 and 2008 were:

	2010	2009	2008
NYCERS	54.86%	55.17%	55.37%
TRS	98.66	98.77	98.71
BERS	94.69	95.22	95.69

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 2010 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 2010 are as follows:

	POLICE	FIRE (in millions)	TOTAL
(1) Annual Required Contribution	$1,981.0	$874.3	$2,855.3
(2) Interest on Net Pension Obligation	36.7	16.0	52.7
(3) Adjustment to Annual Required Contribution	63.0	22.9	85.9
(4) Annual Pension Cost=(1)+(2)-(3)	1,954.7	867.4	2,822.1
(5) Statutory Contribution	1,981.0	874.3	2,855.3
(6) Decrease in Net Pension Obligation=(4)-(5)	(26.3)	(6.9)	(33.2)
(7) Net Pension Obligation Beginning of Year	458.7	199.9	658.6
(8) Net Pension Obligation End of Year=(6)+(7)	$ 432.4	$193.0	$ 625.4

The following is three-year trend information for the City's actuarially-funded, single-employer pension plans:

	Fiscal Year Ending	Annual Pension Cost (APC) (in millions)	Percentage Of APC Contributed	Net Pension Obligation
POLICE	6/30/10	$1,954.7	101%	$432.4
	6/30/09	1,905.4	101	458.7
	6/30/08	1,770.0	102	485.5
FIRE	6/30/10	867.4	101	193.0
	6/30/09	837.0	101	199.9
	6/30/08	773.6	101	206.7

Additional information as of the latest actuarial valuation follows:

	NYCERS	TRS	BERS	POLICE	FIRE
Valuation Date[(1)]	June 30, 2008 (Lag)	June 30, 2008 (Lag)	June 30, 2008 (Lag)	June 30, 2008 (Lag)	June 30, 2008 (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
Remaining Amortization Period Initial Unfunded	NA	NA	NA	NA	1-Year
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, 2010 and 2009 are as follows:

	2010	2009
Valuation Date	*June 30, 2008 (Lag).*[1]	*June 30, 2007 (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] *All outstanding components of UAAL are being amortized over closed periods.*	*Increasing dollar for FIRE.*[3] *All outstanding components of UAAL are being amortized over closed periods.*
Remaining Amortization Period	*1 year for FIRE*[3].	*2 years for FIRE*[3].
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*[4] *(4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*	*8.0% per annum*[4] *(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.*[4]	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*[4]
Cost-of-Living Adjustments	*1.3% per annum.*[4]	*1.3% per annum.*[4]

(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 for Fiscal Years 2009 and 2010 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 for Fiscal Years 2009 and 2010 using this Frozen Initial Liability Actuarial Cost Method are identical to those that would be produced using the Aggregate Cost Method. For FIRE, for Fiscal Years 2009 and 2010 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) *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 2006 and 2007. A study of Fiscal Years 2008 and 2009 is underway. In a report dated April 2010, the independent actuarial auditor recommended that no changes be made to the actuarial assumptions and methods.

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 265 of the Laws of 2010 extended the Actuarial Interest Rate (AIR) for one year, through June 30, 2011.

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 the 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 the 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.

NYCERS 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 the 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 after Calendar Year 2005.

Funding Policy and Contributions

ACNY 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 2010 and 2009, 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, 2010 and June 30, 2009, respectively.

For Fiscal Years 2010 and 2009, required transfers from NYCERS of approximately $2.4 million and $2.4 million, respectively, were made to HPOVSF.

For Fiscal Years 2010 and 2009, required transfers from NYCERS of approximately $3.0 million and $2.9 million, respectively, were made to HPSOVSF.

For Fiscal Years 2010 and 2009, required transfers from NYCERS of approximately $3.2 million and $3.2 million, respectively, were made to TPSOVSF.

As of June 30, 2010, 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 2010 benefit obligations of those funds.

The funded status of each NYCRS as of June 30, 2008 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					
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) —Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
			(in millions)			
NYCERS	$40,722.2	$51,114.4	$10,392.2	79.7%	$11,306.0	91.9%
TRS	32,227.4	49,400.8	17,173.4	65.2	7,926.6	216.7
BERS	2,084.1	2,721.6	637.5	76.6	852.1	74.8
POLICE	21,393.2	30,226.6	8,833.4	70.8	3,095.9	285.3
FIRE	6,943.0	12,313.2	5,370.2	56.4	1,051.6	510.7

F. Required Supplementary Information (Unaudited)

The schedule of funding progress presents the following information for each of the past eleven 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.

	Actuarial Valuation Date	(1) Actuarial Asset Value (AAV) (a)	(2) Actuarial Accrued Liability (AAL)* (a) & (b)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1) (in millions)	(4) Funded Ratio (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
NYCERS	6/30/08(Lag)	$40,722.2	$40,722.2	$ 0.0	100.0%	$11,306.0	0.0%
	6/30/07(Lag)	38,925.7	38,959.1	33.4	99.9	10,762.0	0.3
	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	40,786.7	148.1	99.6	9,361.2**	1.6
	6/30/04	40,088.2	40,236.3	148.1	99.6	9,157.4	1.6
	6/30/03	42,056.0	42,244.1	188.1	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	6/30/08(Lag)	32,227.4	32,227.4	0.0	100.0	7,926.6	0.0
	6/30/07(Lag)	33,854.2	33,856.7	2.5	100.0	7,222.5	0.0
	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	33,182.7	13.5	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	36,147.6	5.2	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	6/30/08(Lag)	2,084.1	2,084.1	0.0	100.0	852.1	0.0
	6/30/07(Lag)	1,983.7	1,985.6	1.9	99.9	777.6	0.2
	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	6/30/08(Lag)	21,393.2	21,393.2	0.0	100.0	3,095.9	0.0
	6/30/07(Lag)	19,800.6	19,800.6	0.0	100.0	2,961.6	0.0
	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

	Actuarial Valuation Date	(1) Actuarial Asset Value (AAV) (a)	(2) Actuarial Accrued Liability (AAL)* (a) & (b)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(4) Funded Ratio (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
				(in millions)			
FIRE	6/30/08(Lag)	$ 6,943.0	$ 6,986.2	$ 43.2	99.4%	$ 1,051.6	4.1%
	6/30/07(Lag)	6,459.1	6,520.7	61.6	99.1	1,000.4	6.2
	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	6,261.6	92.4	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	6,290.9	105.1	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	6,660.8	135.1	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

Fiscal Year Ended June 30	NYCERS Annual Required Contribution	NYCERS Percentage Contributed	TRS Annual Required Contribution	TRS Percentage Contributed	BERS Annual Required Contribution	BERS Percentage Contributed	POLICE Annual Required Contribution	POLICE Percentage Contributed	FIRE Annual Required Contribution	FIRE Percentage Contributed
					(in millions)					
2010	$2,197.7	100.0%	$2,484.1	100.0%	$147.3	100.0%	$1,981.0	100.0%	$874.3	100.0%
2009	2,150.4	100.0	2,223.6	100.0	134.2	100.0	1,932.2	100.0	843.8	100.0
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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APPENDIX C

DEFINITIONS

In connection with the reoffering of the Bonds, the City will execute on the Conversion Date a Supplemental Certificate with respect to the Bonds which provides for additional Modes referred to in such Certificate as the 2011 Daily Rate and the 2011 Weekly Rate. For ease of reference they are referred to herein as the "Daily Rate" and the "Weekly Rate." The Daily Rate terms and Weekly Rate terms with respect to the Bonds differ in certain respects from the terms for other Subseries of Fiscal 2008 Series J Bonds.

"Adjustable Rate Bonds" means the Multi-Modal Bonds that are not Auction Rate Bonds. Auction Procedures are not described herein.

"Authorized Denominations" means (i) during any Daily Rate Period, Two-Day Rate Period, Commercial Paper Rate Period, or Weekly Rate Period, $100,000 or any integral multiple of $5,000 in excess of $100,000.

"Authorizing Document" means the Certificate of the Deputy Comptroller for Public Finance of the City of New York With Respect to General Obligation Bonds, Fiscal 2008 Series J dated April 1, 2008, as supplemented to and including January 31, 2011.

"Authorized Officer" means the Deputy Comptroller for Public Finance of the City and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

"Bank Bond" or *"Purchased Bond"* means any Multi-Modal Bond held pursuant to a Standby Agreement. The terms of Purchased Bonds are not described in detail in this Reoffering Circular.

"Bank Rate" or *"Purchased Bond Rate"* means the rate set forth in a Standby Agreement as the rate applicable to a Bond purchased by the related Bank.

"Bondholder" or *"Holder"* or *"Owner"* means any person who shall be the registered owner of any Multi-Modal Bonds.

"Bonds" or *"Subseries J-3 Bonds"* means the City's General Obligation Bonds, Fiscal 2008 Series J, Subseries J-3.

"Book Entry Form" or *"Book Entry System"* means a form or system under which physical Multi-Modal Bond certificates in fully registered form are registered only in the name of the Securities Depository, with the physical certificates "immobilized" in the custody of the Securities Depository.

"Business Day" means a day other than (i) a Saturday and Sunday or (ii) a day on which the City, the New York Stock Exchange, the Federal Reserve Bank of New York, the Fiscal Agent, the Tender Agent, the Remarketing Agent or banks and trust companies in New York, New York, are authorized or required to remain closed.

"Certificate" means, as applicable, the Authorizing Document with all Exhibits, Schedules, appendices and related proceedings, including any supplemental certificates.

"City Account" means the account so designated in the Purchase and Remarketing Fund.

"Commercial Paper Mode" means a Rate Mode in which a Multi-Modal Bond for its Commercial Paper Rate Period bears interest at a Commercial Paper Rate.

"Commercial Paper Rate" means each rate at which a Multi-Modal Bond bears interest during a Commercial Paper Rate Period.

"Commercial Paper Rate Period" means, with respect to a particular Multi-Modal Bond, a period of one to 365 days during which such Bond bears interest at a Commercial Paper Rate; and the first day immediately following the last day of each Commercial Paper Rate Period shall be a Business Day and, with respect to at least the amount of such Bonds to be next redeemed by mandatory redemption, shall be not later than the redemption date.

"Conversion" means a change in the Rate Mode of a Multi-Modal Bond. To "Convert" is the act of Conversion.

"Conversion Date" means the Business Day of a Conversion or proposed Conversion, which shall be an eligible Optional Redemption Date for the Rate Mode in effect.

"Conversion Notice" means a notice of Conversion.

"Credit Facility" means a Standby Agreement that specifies no Liquidity Conditions and provides for the purchase of Bonds in the event of the City's failure to pay interest or principal when due.

"Daily Rate" means the rate at which Multi-Modal Bonds bear interest during a Daily Rate Period.

"Daily Rate Mode" means a Rate Mode in which Multi-Modal Bonds bear interest at a Daily Rate.

"Daily Rate Period" means a period commencing on one Business Day and extending to, but not including, the next succeeding Business Day, during which Multi-Modal Bonds bear interest at the Daily Rate.

"Default Notice" or *"Termination Notice"* means, with respect to a notice given by a Standby Purchaser pursuant to a Standby Agreement to the effect that an event of default thereunder has occurred and that the Standby Agreement issued by such Standby Purchaser will terminate on the date specified in such notice or any comparable notice.

"Direct Participant" means a participant in the book-entry system of recording ownership interests in the Multi-Modal Bonds.

"Derivative Agreement" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement, including any such obligations or liabilities thereunder.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as Depository for the Multi-Modal Bonds, or any successor Depository for any Multi-Modal Bonds; and includes each nominee thereof.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Expiration Date" means the fixed date on which a Standby Agreement will expire, as such date may be extended from time to time; and includes the date of an early termination of a Standby Agreement directed by the City (excluding a Termination Date).

"Favorable Opinion of Bond Counsel" shall mean an opinion of nationally recognized bond counsel, to the effect that the action proposed to be taken is authorized or permitted by the Certificate and will not

adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

"Fiduciary" means each Fiscal Agent, Paying Agent or Tender Agent.

"Fiscal Agent" means The Bank of New York Mellon and its successors as the City's fiscal agent.

"Fitch" means Fitch, Inc., and its successors and assigns; references to Fitch are effective so long as Fitch is a Rating Agency.

"Initial Rate" means each rate of interest to be paid in an Initial Period, as set forth in the Certificate.

"Initial Period" means a period specified by the City, beginning on a Conversion Date. The day following an Initial Period shall be a Business Day and shall not be treated as a Mandatory Tender Date.

"Interest Payment Date" means with respect to (a) any Daily Rate Period, any Two-Day Rate Period or any Weekly Rate Period, the first Business Day of each month; (b) any Commercial Paper Rate Period of six months or less, the Business Day following the last day of such Rate Period; and (c) any Commercial Paper Rate Period exceeding six months, the Business Day following the last day of such Rate Period and the first Business Day of the sixth month. With respect to all Multi-Modal Bonds, interest shall be payable on each Mandatory Tender Date, redemption date or maturity date.

"Interest Rate Swap Agreement" means any and all rate swap transactions, basis swaps, forward rate transactions, interest rate options, cap transactions, floor transactions, collar transactions or any other similar transactions or any combination of any of the foregoing entered into in connection with any indebtedness identified in clause (i) of the definition of Parity Debt, whether or not any such transaction is governed by or subject to any master agreement.

"LFL" means the Local Finance Law of the State, as in effect from time to time.

"LIBOR" means the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a period of one-month (unless otherwise specified) which appears on the Reuters LIBOR01 Page at approximately 11:00 A.M., London Time, on each date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Liquidity Condition" means an event of immediate termination or suspension as specified in a Liquidity Facility, upon the occurrence of which the Standby Purchaser is not obligated to purchase Liquidity Enhanced Bonds, and, accordingly, such Bonds are not subject to tender for purchase.

"Liquidity Enhanced Bonds" means the Multi-Modal Bonds bearing interest in the Two-Day Mode, Daily Rate Mode or Weekly Rate Mode.

"Liquidity Facility" means a Standby Agreement that is not a Credit Facility.

"Mandatory Redemption Date" means, in each year so specified in the Bonds, the first Business Day in the Maturity Month (which will be an Interest Payment Date).

"Mandatory Tender Date" means any date on which a Multi-Modal Bond is subject to mandatory tender in accordance with the Certificate.

"Maturity Month" and *"Opposite Month"* mean the respective months indicated below:

Maturity Month	Opposite Month
August	February

"Maximum Rate" means, with respect to the Bonds, the highest of (x) 12%, (y) 150% of three-month LIBOR and (z) 150% of the yield on actively traded 30-year United States Treasury Bonds; never to exceed 25%, or such Maximum Rate not exceeding 25% as may be specified by the City.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns; references to Moody's are effective so long as Moody's is a Rating Agency.

"Multi-Modal Bonds" means the Bonds.

"Optional Redemption Date" means, for Bonds in the Daily Rate Mode, Weekly Rate Mode or Two-Day Mode, any Business Day, and for Bonds in the Commercial Paper Rate Mode, each Mandatory Tender Date.

"Optional Tender Date" means any Business Day.

"Parity Debt" means any and all payments of the City (i) in respect of principal of, interest on and redemption premium, if any, on any bonds, notes, certificates, debentures, loans or other evidence of similar indebtedness issued by or on behalf of the City or assumed or guaranteed by the City that constitutes general obligation debt of the City or is on a parity with the Bonds, (ii) under any Derivative Agreement which is an Interest Rate Swap Agreement (provided that Parity Debt shall include only such payments thereunder which are regularly scheduled payments and that constitutes general obligation debt of the City or is on a parity with the Bonds), (iii) as lessee under a capital lease that constitutes general obligation debt of the City or is on a parity with the Bonds, (x) which payment obligation is not subject to appropriation or abatement or (y) which payment obligation is rated by each Rating Agency then rating the Bonds at a level equal to or higher than the long-term unenhanced debt rating assigned by each such Rating Agency to the Bonds, and (iv) on a guarantee that constitutes general obligation debt of the City or is on a parity with the Bonds; provided, however, that the failure to pay any guarantee described in clause (i) or clause (iv) of this definition as a result of any set-off, recoupment, counterclaim or other legally available defense by the City will not constitute a failure to pay a Parity Debt for purposes of the initial Liquidity Facility.

"Paying Agent" means the Fiscal Agent and any additional paying agent for the Multi-Modal Bonds designated by the City.

"Purchase and Remarketing Fund" means the Purchase and Remarketing Fund established pursuant to the Certificate.

"Purchase Price" means 100% of the principal amount of any Tendered Bond, plus (if not otherwise provided for) accrued and unpaid interest thereon to the Tender Date.

"Rate" means each Initial Rate, Two-Day Rate, Daily Rate or Weekly Rate.

"Rate Mode" or *"Mode"* means the Two-Day Mode, Daily Rate Mode or Weekly Rate Mode.

"Rate Period" means any Initial Period, Two-Day Rate Period, Daily Rate Period or Weekly Rate Period.

"Rating Agency" means each nationally recognized statistical rating organization that has, at the request of the City, a short-term rating in effect for the Multi-Modal Bonds.

"Rating Category" means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rating Confirmation" means a written notice from each Rating Agency that its rating on the Multi-Modal Bonds will not be suspended, withdrawn or reduced (by Moody's) or reduced in Rating Category (by other Rating Agencies) solely as a result of action proposed to be taken under the Certificate.

"Record Date" means, with respect to each Interest Payment Date (unless otherwise specified by an Authorized Officer of the City), the close of business on the Business Day preceding such Interest Payment Date.

"Remarketing Agent" means each remarketing agent for Liquidity Enhanced Bonds appointed and serving in such capacity.

"Remarketing Agreement" means each Remarketing Agreement between the City and the Remarketing Agent for a Liquidity Enhanced Bond, as in effect from time to time.

"Remarketing Proceeds Account" means the account so designated in the Purchase and Remarketing Fund which may consist of one or more accounts established for the deposit of remarketing proceeds from

the remarketing of one or more subseries of the City's bonds into which such remarketing proceeds may be deposited prior to the withdrawal of such proceeds to pay the purchase price of tendered bonds of that subseries.

"Reset Date" means the date on which the interest rate on an Adjustable Rate Bond is to be determined.

"S&P" means Standard & Poor's Ratings Services and its successors and assigns; references to S&P are effective so long as S&P is a Rating Agency.

"Securities Depository" or *"Depository"* or *"DTC"* means the Depository Trust Company and its nominees, successors and assigns or any other securities depository selected by the City which agrees to follow the procedures required to be followed by such securities depository in connection with the Multi-Modal Bonds.

"SIFMA Municipal Index" means the Securities Industry and Financial Markets Association Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor; or, if at the time a Weekly Rate is to be determined Municipal Market Data had not provided the relevant information on the SIFMA Municipal Index for the most recent Wednesday, then the rate determined by Municipal Market Data on the Tuesday next preceding the beginning of the Weekly Rate Period for which such Weekly Rate is to be determined.

"Standby Agreement" or *"Alternate Standby Agreement"* means an agreement providing, to the extent required by the LFL, for the purchase of any Liquidity Enhanced Bonds, as in effect from time to time.

"Standby Purchaser," "Credit Facility Provider," "Liquidity Provider," "Provider," "Subseries Bank" or *"Bank"* means any provider of a Standby Agreement then in effect for Liquidity Enhanced Bonds.

"Subseries" shall mean the Subseries J-3 Bonds.

"Suspension Condition" means, with respect to a Liquidity Facility, a condition under which the obligations of the provider of a Liquidity Facility to purchase Bonds will be suspended.

"Tender Agent" means the Fiscal Agent and any additional Tender Agent appointed by the City.

"Tender Date" means each Optional Tender Date or Mandatory Tender Date.

"Tender Notice" means the notice delivered by the Holder of a Liquidity Enhanced Bond subject to optional tender pursuant to the Certificate.

"Tendered Bond" means a Bond mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with the Certificate, including a Bond deemed tendered, but not surrendered on the applicable Tender Date.

"Termination Date" means the date on which a Standby Agreement will, terminate as set forth in a Default Notice delivered by the Standby Purchaser in accordance with the Standby Agreement.

"Two-Day Mode" means a Rate Mode in which Multi-Modal Bonds bear interest at a Two-Day Rate.

"Two-Day Rate" means the rate at which Multi-Modal Bonds bear interest during a Two-Day Rate Period.

"Two-Day Rate Period" means a period during which Multi-Modal Bonds bear interest at the Two-Day Rate.

"Weekly Rate" means the rate at which Multi-Modal Bonds of a Subseries bear interest during a Weekly Rate Period.

"Weekly Rate Mode" means a Mode in which Multi-Modal Bonds bear interest at a Weekly Rate.

"Weekly Rate Period" means a period of 7 days commencing on a Conversion Date or the date (Thursday unless otherwise specified by the City) following an Initial Period or a Weekly Rate Period.

"Written Notice," "written notice" or "notice in writing" means notice in writing which may be delivered by hand or first class mail and includes Electronic Means.

MULTI-MODAL BONDS

The Multi-Modal Bonds are subject to the provisions summarized below. Capitalized terms used in this "APPENDIX D—MULTI-MODAL BONDS" which are not otherwise defined in this Reoffering Circular are defined in "APPENDIX C—DEFINITIONS."

General

The Bonds are subject to mandatory tender for purchase as described under "Mandatory Tender for Purchase" and are subject to optional tender for purchase as described under "Optional Tender for Purchase." The Multi-Modal Bonds will continue in a Rate Mode until converted to another Rate Mode and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Mode. See "Conversion to an Alternate Rate Mode" and "Interest Rates and Reset Dates" below.

During any Initial Period for the Liquidity Enhanced Bonds, a Two-Day Rate Period, a Daily Rate Period, a Commercial Paper Rate Period or a Weekly Rate Period, interest will be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed.

Interest on the Multi-Modal Bonds will be the interest accruing and unpaid through and including the day preceding the Interest Payment Date and will be payable on each Interest Payment Date to the registered owner thereof as shown on the registration books kept by the Fiscal Agent at the close of business on the applicable Record Date.

Conversion to an Alternate Rate Mode

Subject to the conditions in the Certificate, the City may convert all or a portion of the Multi-Modal Bonds in one Rate Mode to a different Rate Mode by delivering a Conversion Notice to, as applicable, the Remarketing Agent, the applicable Standby Purchaser, DTC, the Fiscal Agent and the Tender Agent specifying the Multi-Modal Bonds to be converted, the Conversion Date and the Rate Mode that will be effective on the Conversion Date. The City must deliver such Conversion Notice not less than 15 days prior to the Conversion Date or a shorter period (of at least 10 days) if acceptable to the Fiscal Agent and DTC.

The Tender Agent, no later than three days after receipt of the Conversion Notice, is to give notice by first-class mail to the Holders of Liquidity Enhanced Bonds to be converted, which notice must state (i) the Conversion Date; (ii) that the Rate Mode will not be converted unless the City receives on the Conversion Date a Favorable Opinion of Bond Counsel; (iii) the name and address of the principal corporate trust offices of the Fiscal Agent and Tender Agent; (iv) that the Liquidity Enhanced Bonds to be converted will be subject to mandatory tender for purchase on the Conversion Date at the Purchase Price; and (v) that upon the Conversion, if there is on deposit with the Tender Agent on the Conversion Date an amount sufficient to pay the Purchase Price of the Bonds so converted, such Bonds not delivered to the Tender Agent will be deemed to have been properly tendered for purchase and will cease to represent a right on behalf of the Holder thereof to the payment of principal of or interest thereon and shall represent only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon from and after the Conversion Date.

If less than all of the Adjustable Rate Bonds of a Subseries then subject to a particular Rate Mode are to be converted to a new Rate Mode, the particular Multi-Modal Bonds which are to be converted to a new Rate Mode will be selected by the Fiscal Agent (or, if the City so elects, the City) subject to the provisions of the Certificate regarding Authorized Denominations.

If a Favorable Opinion of Bond Counsel cannot be obtained, or if the election to convert was withdrawn by the City, or if the Remarketing Agent has notified the Fiscal Agent, the City and the applicable Standby Purchaser that it has been unable to remarket the Multi-Modal Bonds on the

Conversion Date, the affected Multi-Modal Bonds will bear interest in the Rate Mode previously in effect or, with a Favorable Opinion of Bond Counsel, any other Rate Mode selected by the City.

Interest Rates and Reset Dates

General. The rate at which the Adjustable Rate Bonds will bear interest during any Rate Period will be the rate of interest that, if borne by the Adjustable Rate Bonds for such Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of the Adjustable Rate Bonds, would be the lowest interest rate that would enable the Adjustable Rate Bonds to be sold at a price equal to the principal amount thereof, plus accrued interest, thereon, if any. No Rate Period for Liquidity Enhanced Bonds will extend beyond the scheduled Expiration Date of the Standby Agreement then in effect.

Maximum Rate. The Liquidity Enhanced Bonds may not bear interest at a rate greater than the Maximum Rate.

Daily Rate. The Daily Rate for any Business Day is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on such Business Day. For any day which is not a Business Day, the Daily Rate will be the Daily Rate for the immediately preceding Business Day.

If (i) a Daily Rate for a Daily Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Daily Rate so established is held to be invalid or unenforceable with respect to a Daily Rate Period or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Daily Rate, the Daily Rate for such Daily Rate Period will be the SIFMA Municipal Index on the date such Daily Rate was to have been determined by the Remarketing Agent.

Two-Day Rate. When interest on the Bonds is payable at a Two-Day Rate, the Remarketing Agent will set a Two-Day Rate on or before 10:00 a.m., New York City time, on the first day of a period during which the Bonds bear interest at a Two-Day Rate and on each Monday, Wednesday and Friday thereafter so long as interest on the Bonds is to be payable at a Two-Day Rate or, if any Monday, Wednesday or Friday is not a Business Day, on the next Monday, Wednesday or Friday that is a Business Day. The Two-Day Rate set on any Business Day will be effective as of such Business Day and will remain in effect until the next day on which a Two-Day Rate is required to be set in accordance with the preceding sentence. Each Two-Day Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the Two-Day Rate is set at their principal amount (without regard to accrued interest).

If (i) a Two-Day Rate for a Two-Day Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Two-Day Rate determined by the Remarketing Agent is held to be invalid or unenforceable or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Two-Day Rate, the Two-Day Rate in effect during the preceding Two-Day Rate Period will continue in effect on such Bonds until a new Two-Day Rate is determined but in no event for more than two weeks, and thereafter such Bonds will bear interest at the Purchased Bond Rate until a Rate has been duly established by the Remarketing Agent.

Weekly Rate. Unless otherwise provided by the City pursuant to the Certificate, the Weekly Rate is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on the first day of the Weekly Rate Period. The Weekly Rate Period means a period commencing on the day specified by the City and extending to and including the sixth day thereafter, e.g. if commencing on a Thursday then extending to and including the next Wednesday.

If (i) a Weekly Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing

Agreement, the Remarketing Agent is not then required to establish a Weekly Rate, the Weekly Rate for such Weekly Rate Period will continue in effect on such Bonds for two weeks, and thereafter, such Bonds will bear interest at the Bank Rate until a Rate has been duly established by the Remarketing Agent.

Commercial Paper Rate. The Commercial Paper Rate Period for each Adjustable Rate Bond in a Commercial Paper Rate Mode is to be determined by the Remarketing Agent and announced by 12:30 p.m., New York City time, on the first day of each Commercial Paper Rate Period. Commercial Paper Rate Periods may be from 1 to 365 days. If the Remarketing Agent fails to specify the next succeeding Commercial Paper Rate Period, such Commercial Paper Rate Period will be the shorter of (i) seven days or (ii) the period remaining to but not including the maturity or redemption date of such Bond. Each Adjustable Rate Bond in a Commercial Paper Mode is to bear interest during a particular Commercial Paper Rate Period at a rate per annum equal to the interest rate determined above corresponding to the Commercial Paper Rate Period. An Adjustable Rate Bond can have a Commercial Paper Rate Period and bear interest at a Commercial Paper Rate that differs from other Adjustable Rate Bonds in the Commercial Paper Rate Mode.

If (i) a Commercial Paper Rate for a Commercial Paper Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Commercial Paper Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Commercial Paper Rate Period, or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Commercial Paper Rate, the Commercial Paper Rate for such Commercial Paper Rate Period will be the SIFMA Municipal Index on the date such Commercial Paper Rate was to have been determined by the Remarketing Agent.

Optional Tender for Purchase

General. If a Subseries of Bonds is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, an Adjustable Rate Bond or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner upon giving notice of the registered owner's election to tender in the manner and at the times described below. Notice of an election to tender an Adjustable Rate Bond registered in the name of DTC is to be given by the DTC Participant on behalf of the Beneficial Owner of the Adjustable Rate Bond and will not be given by DTC. Notice of the election to tender for purchase of an Adjustable Rate Bond registered in any other name is to be given by the registered owner of such Adjustable Rate Bond or its attorney-in-fact. Adjustable Rate Bonds bearing interest in a Commercial Paper Mode are not subject to Optional Tender.

A DTC Participant or the registered owner of an Adjustable Rate Bond must give written notice of its irrevocable election to tender such Adjustable Rate Bond or a portion thereof for purchase at its option to the Tender Agent and the Remarketing Agent at their respective principal offices, in the case of Adjustable Rate Bonds bearing interest in a Two-Day Mode, not later than 3:00 p.m. two Business Days prior to the Optional Tender Date, in the case of Adjustable Rate Bonds bearing interest in a Daily Mode, by no later than 11:00 a.m. on the Optional Tender Date and in the case of Adjustable Rate Bonds bearing interest in a Weekly Rate Mode by no later than 5:00 p.m., New York City time, at least seven days prior to the Optional Tender Date. In addition, the registered owner of an Adjustable Rate Bond is required to deliver such Bond to the Tender Agent at its principal corporate trust office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date.

Mandatory Tender for Purchase

If a Credit Facility is in effect (or if a Subseries is supported by a Liquidity Facility and there is no existing Liquidity Condition), the Liquidity Enhanced Bonds which are affected by the following actions are subject to mandatory tender and purchase at the Purchase Price on the following dates (each, a "Mandatory Tender Date"):

(a) on each Conversion Date for the Adjustable Rate Bonds being converted to a different Rate Mode;

(b) on the Business Day following each Rate Period for the Adjustable Rate Bonds in the Commercial Paper Mode or the Term Rate Mode;

(c) on a Business Day specified by the Tender Agent, at the direction of the City, which shall be not less than one Business Day prior to the substitution of a Standby Agreement or the Expiration Date of any Standby Agreement (which Standby Agreement will be drawn upon to pay the Purchase Price of unremarketed Tendered Bonds), unless Rating Confirmation has been delivered prior to a substitution (at least 15 days prior to any Expiration Date not directed by the City);

(d) on a Business Day that is not less than one Business Day prior to the Termination Date of a Standby Agreement relating to a Subseries of Adjustable Rate Bonds specified in a Default Notice delivered in accordance with the Standby Agreement.

Should a Credit Facility be in effect at a future date, in addition to the preceding, upon any failure by the City to provide funds to the Fiscal Agent for the timely payment of principal or interest on the maturity or mandatory redemption date or Interest Payment Date for such Bonds, the Tender Agent shall cause a draw to be made upon each Credit Facility for the immediate purchase of the applicable Bonds and notice of mandatory tender to be given to each Holder of such Bonds.

The Adjustable Rate Bonds are also subject to mandatory tender for purchase on any Optional Redemption Date, upon 10 days' notice to Holders, if the City has provided a source of payment therefor in accordance with the Certificate and State law; provided, however that under such circumstances, the Purchase Price is not payable by the initial Liquidity Facility.

Whenever Adjustable Rate Bonds are to be tendered for purchase in accordance with (a) above, the Tender Agent is to give notice to the Holders of Adjustable Rate Bonds indicating that such Bonds are subject to mandatory tender for purchase on the date specified in such notice. The failure of any Holder of any portion of Adjustable Rate Bonds to receive such notice will not affect the validity of such Conversion to a new Rate Mode.

Whenever Adjustable Rate Bonds are to be tendered for purchase in accordance with (c) or (d) above, the Tender Agent is to give notice to the Holders of Adjustable Rate Bonds indicating that such Bonds are subject to mandatory tender for purchase on the date specified in such notice. The Tender Agent is to give such notice by first-class mail and not less than five calendar days prior to the Expiration Date or (if practicable) Termination Date. The failure of any Holder of any portion of Adjustable Rate Bonds to receive such notice will not affect the validity of the proceedings in connection with the effectiveness of the affected Standby Agreement.

Bonds Deemed Purchased

The Adjustable Rate Bonds or portions thereof required to be purchased upon a tender at the option of the registered owner thereof or upon a mandatory tender will be deemed to have been tendered and purchased for all purposes of the Certificate, irrespective of whether such Adjustable Rate Bonds have been presented and surrendered to the Tender Agent, if on the Tender Date money sufficient to pay the Purchase Price thereof is held by the Tender Agent. The former registered owner of a Tendered Bond or an Adjustable Rate Bond deemed to have been tendered and purchased will have no claim thereunder or under the Certificate or otherwise for payment of any amount other than the Purchase Price.

Purchase Price and Payment

On each Tender Date, a Tendered Bond will be purchased at the applicable Purchase Price. The Purchase Price of a Tendered Bond is the principal amount of the Adjustable Rate Bond to be tendered or the amount payable to the registered owner of a Purchased Bond following receipt by such owner of a purchase notice from the Remarketing Agent, plus accrued and unpaid interest from the immediately preceding Interest Payment Date. If the date of purchase is an Interest Payment Date, then the Purchase Price will not include accrued and unpaid interest, which will be paid to the Holder of record on the applicable Record Date.

The Purchase Price of a Tendered Bond held in a book-entry-only system will be paid, in same-day funds, to DTC in accordance with DTC's standard procedures for effecting same-day payments, as described herein under the heading "Book-Entry Only System." Payment will be made without presentation and surrender of the Tendered Bonds to the Tender Agent and DTC will be responsible for effecting payment of the Purchase Price to the DTC Participants.

The Purchase Price of any other Adjustable Rate Bond will be paid, in same-day funds, only after presentation and surrender of the Adjustable Rate Bond to the Tender Agent at its designated office. Payment will be made by 3:00 p.m., New York City time, on the Tender Date on which an Adjustable Rate Bond is presented and surrendered to the Tender Agent.

The Purchase Price is payable solely from, and in the following order of priority, the proceeds of the remarketing of Adjustable Rate Bonds tendered for purchase, money made available by the Standby Purchaser under the Standby Agreement then in effect and money furnished by or on behalf of the City (which has no obligation to do so).

No Extinguishment

Bonds held by any Standby Purchaser or by a Fiduciary for the account of any Standby Purchaser following payment of the Purchase Price of such Bonds by the Fiduciary with money provided by any Standby Purchaser shall not be deemed to be retired, extinguished or paid and shall for all purposes remain outstanding.

Liquidity Conditions

Upon the occurrence of a Suspension Condition, as specified in a Liquidity Facility, the Standby Purchaser's obligations to purchase the related Bonds shall immediately be suspended (but not terminated) without notice or demand to any person and thereafter the Standby Purchaser shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase) unless and until the Standby Purchaser's commitment is reinstated pursuant to the Liquidity Facility. Promptly upon the occurrence of such suspension condition, the Standby Purchaser shall notify the City, the Tender Agent and the Remarketing Agent of such suspension in writing and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the Standby Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of its obligation to purchase such Bonds. If the suspension condition shall be cured as described in the Liquidity Facility, the obligations of the Standby Purchaser under the Liquidity Facility shall be reinstated (unless the Standby Purchaser's obligations shall have expired or shall otherwise have been terminated or suspended as provided in the Liquidity Facility).

Upon the occurrence of an event of immediate termination, as specified in a Liquidity Facility, the Standby Purchaser's obligation under the Liquidity Facility to purchase the related Bonds shall immediately terminate without notice or demand to any person, and thereafter the Standby Purchaser shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase). Promptly upon the occurrence of such event the affected Standby Purchaser shall give written notice of the same to the City, the Tender Agent and the Remarketing Agent and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the affected Standby Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of its obligation to purchase such Bonds.

Inadequate Funds for Tender

If the funds available for purchase of Bonds backed by a Standby Purchaser are inadequate for the purchase of all such Bonds tendered on any Tender Date, or a Liquidity Condition shall exist under a Liquidity Facility, then the Holders shall not have the right to require the City or other persons to repurchase the Bonds and the Tender Agent shall give written notice to all Bondholders of the Subseries. However, the Holders may submit their Bonds for remarketing pursuant to the procedures described in the

Certificate and the Remarketing Agreement. Any such Bonds that cannot be remarketed shall immediately be returned to the owners thereof and shall bear interest from such Tender Date at the Maximum Rate. Under a Credit Facility, or as long as no Liquidity Condition exists, the obligation to deposit funds in sufficient amounts to purchase such Bonds pursuant to the applicable Standby Agreement shall remain enforceable, and shall only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all such Bonds that were required to be purchased on such Tender Date, together with any interest which has accrued to the subsequent purchase date.

Remarketing of Bonds Upon Tender

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to remarket a Tendered Bond on its Tender Date at a price equal to the Purchase Price. The Remarketing Agreement sets forth, among other things, certain conditions to the Remarketing Agent's obligation to remarket Tendered Bonds.

On each Tender Date, the Remarketing Agent is to give notice by Electronic Means to the Liquidity Provider, the Fiscal Agent, the Tender Agent and the City specifying the principal amount of Bonds which have been tendered for purchase and remarketed, along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing. The Tender Agent is, on such Tender Date, to obtain funds under the applicable Standby Agreement in accordance with its terms in an amount equal to the difference between the Purchase Price of the Tendered Bonds subject to purchase and the remarketing proceeds available to the Tender Agent.

Defeasance

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

Standby Agreements

For each Subseries of Adjustable Rate Bonds that is not defeased and is subject to optional or mandatory tender for purchase, the City shall, as required by law, keep in effect one or more Credit Facilities or Liquidity Facilities for the benefit of the Bondholders of such Subseries, which shall require a financially responsible party or parties other than the City to purchase all or any portion of such Adjustable Rate Bonds duly tendered by the holders thereof for repurchase prior to the maturity of such Adjustable Rate Bonds. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons determined by the Mayor and the Comptroller of the City to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of the Adjustable Rate Bonds which may be tendered for repurchase by the holders thereof.

So long as no Liquidity Condition is in effect under a Liquidity Facility, mandatory purchase of the Adjustable Rate Bonds shall occur under the circumstances provided therefor in the Certificate and the Standby Agreement, including failure to extend or replace the Standby Agreement and (at the option of the Standby Purchaser) other events, which may include without limitation breaches of covenants. Notwithstanding the other provisions of the Adjustable Rate Bonds and the Certificate, upon the purchase of an Adjustable Rate Bond by the Standby Purchaser, all interest accruing thereon from the last date for which interest was paid shall accrue for the benefit of and be payable to the Standby Purchaser.

To the extent described in the Adjustable Rate Bonds and each Standby Agreement, the City shall have the right to terminate each Standby Agreement upon due notice to the Standby Purchaser and may seek a substitute provider or providers to assume the rights and obligations of the Standby Purchaser. If a Standby Agreement is to be extended or replaced, the City shall give Written Notice to each affected Bondholder at least 10 days prior to the extension or replacement.

The preceding is a summary of certain provisions expected to be included in the initial Standby Agreement and proceedings with respect to the Multi-Modal Bonds, and is subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Fiscal Agent. Information regarding the Standby Purchaser is included herein as "APPENDIX F—LIQUIDITY PROVIDER." Neither the City nor the Remarketing Agent makes any representation with respect to the information in "APPENDIX F—LIQUIDITY PROVIDER."

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SIDLEY AUSTIN LLP
SIDLEY

SIDLEY AUSTIN LLP
787 SEVENTH AVENUE
NEW YORK, NY 10019
(212) 839 5300
(212) 839 5599 FAX

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FOUNDED 1866

January 31, 2011

HONORABLE JOHN C. LIU
COMPTROLLER
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Liu:

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 reoffering of its General Obligation Bonds, Fiscal 2008 Subseries J-3 (the "Bonds").

The Bonds are issued pursuant to 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"). In rendering the opinions set forth herein, we reviewed certificates of the City and such other agreements, documents and matters to the extent we deemed necessary to render our opinions. We have not undertaken an independent audit or investigation of the matters described or contained in the foregoing certificates, agreements and documents. We have assumed, without undertaking to verify, the genuineness of all documents and signatures presented to us; the due and legal execution and delivery thereof by, and validity against, any parties other than the City; and the accuracy of the factual matters represented, warranted or certified therein.

Based on the foregoing and our examination of existing law, 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 Bonds for purposes of federal income taxation. Assuming compliance by the City with such provisions of the Code, interest on the 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 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 Bonds of any action taken or not taken after the date of this opinion without our approval.

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

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and the enforcement of related contractual and statutory covenants of the City and the State may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

Very truly yours,

APPENDIX F

LIQUIDITY PROVIDER

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "Group") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA− by Standard & Poor's, Aa3 by Moody's and AA− by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2009, the Group had total assets of £1,379,148 million (2008: £2,053,029 million), total net loans and advances[1] of £461,359 million (2008: £509,522 million), total deposits[2] of £398,901 million (2008: £450,443 million), and total shareholders' equity of £58,699 million (2008: £43,574 million) (including non-controlling interests of £2,774 million (2008: £2,372 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2009 was £4,559 million (2008: £5,094 million) after impairment charges and other credit provisions of £8,071 million (2008: £5,419 million). Profit after tax for the year ended 31 December 2009, including discontinued operations and the sale of Barclays Global Investors, was £10,289 million (2008: £5,249 million). The financial information in this paragraph is extracted from the audited Annual Report of the Group for the year ended 31 December 2009.

Based on the Group's unaudited financial information for the six months ended 30 June 2010, the Group had total assets of £1,587,806 million, total net loans and advances[1] of £494,190 million, total deposits[2] of £455,297 million, and total shareholders' equity of £61,720 million (including non-controlling interests of £3,016 million). The profit before tax from continuing operations of the Group for the six months ended 30 June 2010 was £3,947 million after impairment charges on loans and advances and other credit provisions of £3,080 million. The financial information in this paragraph is extracted from the unaudited Interim Results Announcement of the Group for the six months ended 30 June 2010.

The delivery of the information concerning Barclays Bank PLC and the Group herein shall not create any implication that there has been no change in the affairs of Barclays Bank PLC and the Group since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

Barclays Bank PLC is responsible only for the information contained in this Appendix F of the Reoffering Circular and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Reoffering Circular. Accordingly, Barclays Bank PLC assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Reoffering Circular.

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[1] Total net loans and advances include balances relating to both bank and customer accounts.

[2] Total deposits include deposits from bank and customer accounts.

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