EXISTING ISSUE REOFFERED

On the date of original issuance of the Bonds, Sidley Austin LLP, Bond Counsel, delivered its opinion that interest on the Bonds would be exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. In connection with the reoffering, Fulbright & Jaworski LLP, Bond Counsel to the City for Tax Matters, will deliver its opinion that certain actions described herein will not in and of themselves adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. See "Section IX: Other Information—Tax Matters" herein for further information.

$50,000,000

The City of New York

General Obligation Bonds, Fiscal 2006 Series I, Subseries I-8

ADJUSTABLE RATE BONDS

Reoffering Date: July 10, 2014 Due: April 1, 2036

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 have initially been issued 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. *A detailed schedule of the Bonds is set forth on the inside cover page.*

The Bonds are subject to redemption and to optional and mandatory tender under the circumstances described herein. Effective on the Reoffering Date, payment of the Purchase Price of 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 State Street Bank and Trust Company (the "Bank" or the "Liquidity Provider"). The obligation of the Liquidity Provider to purchase tendered Bonds pursuant to the terms of the Liquidity Facility may be terminated or suspended under certain circumstances as described herein. See "Section II: The Bonds—Liquidity Facility." In the event of a failure to remarket Bonds and a failure by the Liquidity Provider to purchase such Bonds, the City may, but is not obligated to, purchase such Bonds. Upon any such failure, such Bonds, if not purchased by the City, will continue to be held by the tendering holders and will bear interest at the Maximum Rate.

In connection with the reoffering 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 will be passed upon for the City by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, New York, New York, Bond Counsel to the City for Tax Matters. 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 Squire Patton Boggs (US) LLP, New York, New York, and D. Seaton and Associates, New York, New York, Co-Counsel to the Remarketing Agent. It is expected that the Bonds will be available for delivery in New York, New York, on their date of reoffering which is expected to be on or about July 10, 2014.

Piper Jaffray & Co.

July 8, 2014

$50,000,000 General Obligation Bonds, Fiscal 2006 Series I
Subseries I-8

Adjustable Rate Term Bonds
Maturity Date: April 1, 2036
Price: 100%

Rate Mode at Delivery Date: Daily
First Interest Payment Date: August 1, 2014
Liquidity Facility Provider: State Street Bank and Trust Company
Scheduled Expiration Date: July 10, 2019
Remarketing Agent: Piper Jaffray & Co.
CUSIP Number[(1)]: 64966FB45

---

(1) 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 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 as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Bonds 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 the Bonds.

REOFFERING CIRCULAR OF THE CITY OF NEW YORK

TABLE OF CONTENTS

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 reoffer and sell Bonds to certain dealers and others at prices lower than the reoffering price stated on the inside cover page hereof. The reoffering prices 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, 2013 and 2012, 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 PRICE 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 REOFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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	First Business Day of each calendar month and the Business Day following the last day 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. on 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
Notice Period for Optional Tenders	Written notice not later than 10:30 a.m. on the Optional Tender Date	Written notice by 3:00 p.m. on a Business Day not less than two Business Days prior to the Optional Tender Date	Written notice by 5:00 p.m. on a Business Day not less than seven days prior to the Optional Tender Date	Not subject to optional tender
Optional Tender Date and Time (after Initial Period)	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
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.

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, TERM RATE BONDS, FIXED RATE BONDS, INDEX RATE BONDS OR STEPPED COUPON BONDS, 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.

[This page intentionally left blank]

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 reoffering by the City of $50,000,000 aggregate principal amount of its tax-exempt General Obligation Bonds, Fiscal 2006 Series I, Subseries I-8 (the "Bonds").

By this Reoffering Circular, the Bonds are being reoffered. Such Bonds are expected to be delivered to their purchasers on the Reoffering Date set forth on the cover page hereof (the "Reoffering Date"). Certain capitalized terms used herein and not otherwise defined will have the meanings ascribed thereto in "APPENDIX C—DEFINITIONS".

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, political, geo-political, environmental and other factors which could have a material effect on the City. This Reoffering Circular should be read in its entirety.

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 an estimated 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, insurance, information, publishing, fashion design, retailing, education and health care 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 2013 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. 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 2014 and 2015 fiscal years in accordance with GAAP except for the application of GASB 49. In 2010, the Financial Emergency Act was amended to waive the budgetary impact of GASB 49 by enabling the City to continue to finance with bond proceeds certain pollution remediation costs. The City's current financial plan projects budget gaps for the 2016 through 2018 fiscal years. A pattern of current year balance and projected future 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 June 2010 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—2014-2018 Financial Plan." In addition, the City has made various assumptions with respect to federal aid. Future federal actions or inactions 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. The financial plan is modified quarterly. 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 include the condition of the international, national, 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 pension structures and healthcare. 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."

SECTION I: RECENT FINANCIAL DEVELOPMENTS

For the 2013 fiscal year, the City's General Fund had a total surplus of $2.812 billion, before discretionary and other transfers, and achieved balanced operating results in accordance with GAAP, except for the application of GASB 49 as described above, after discretionary and other transfers. The 2013 fiscal year is the thirty-third consecutive year that the City has achieved balanced operating results when reported in accordance with GAAP, except for the application of GASB 49.

2014-2018 Financial Plan

On June 27, 2013, the City submitted to the Control Board the financial plan for the 2014 through 2017 fiscal years (the "June 2013 Financial Plan"), which was consistent with the City's capital and expense budgets as adopted for the 2014 fiscal year. The June 2013 Financial Plan projected revenues and expenses for the 2014 fiscal year balanced in accordance with GAAP, except for the application of GASB 49. Subsequently, the June Financial Plan was modified quarterly during the 2014 fiscal year. On June 26, 2014, the City submitted to the Control Board the financial plan for the 2015 through 2018 fiscal years, which is consistent with the City's capital and expense budgets as adopted for the 2015 fiscal year, and a modification to the June 2013 Financial Plan with respect to the 2014 fiscal year (together, the "Financial Plan").

The Financial Plan projects revenues and expenses for the 2014 and 2015 fiscal years balanced in accordance with GAAP, except for the application of GASB 49. The June 2013 Financial Plan had projected gaps of approximately $1.97 billion, $1.77 billion and $1.38 billion in fiscal years 2015 through 2017, respectively. The Financial Plan currently projects gaps of approximately $2.6 billion, $1.9 billion and $3.1 billion in fiscal years 2016 through 2018, respectively. The gaps projected in the Financial Plan for each year are below the average gaps projected for the comparable years at the time of the adopted budget during the previous twelve years, both as a percent of revenues and as a stated dollar amount.

The Financial Plan reflects, since the June 2013 Financial Plan, increases in projected net revenues of $3.7 billion, $1.9 million, $1.2 billion and $1.1 billion in fiscal years 2014 through 2017, respectively. Changes in projected revenues include: (i) increases in real property tax revenues of $429 million, $451 million, $595 million and $772 million in fiscal years 2014 through 2017, respectively; (ii) increases in personal income tax revenues of $1.33 billion, $146 million, $220 million and $225 million in fiscal years 2014 through 2017, respectively; (iii) an increase in business tax revenues of $181 million in fiscal year 2014, and decreases in business tax revenues of $31 million, $4 million and $142 million in fiscal years 2015 through 2017, respectively; (iv) increases in real property transfer and mortgage recording tax revenues of $655 million, $132 million, $174 million and $46 million in fiscal years 2014 through 2017 respectively; (v) increases in sales tax revenues of $137 million, $76 million, $117 million and $168 million in fiscal years 2014 through 2017, respectively; (vi) increases in all other tax revenues of $75 million in fiscal year 2014 and decreases in all other tax revenues of $3 million, $12 million and $8 million in fiscal years 2015 through 2017, respectively; (vii) an increase in tax audit revenues of $176 million in fiscal year 2014; (viii) a decrease in lunch-program fees of $3 million in fiscal year 2015 as a result of City Council initiatives; (ix) an increase in other revenues of $1 billion in fiscal year 2015 from the release of reserves from the health stabilization fund to offset the cost of the collective bargaining agreements described below; (x) a net increase in other revenues of $714 million in fiscal year 2014, resulting primarily from the sale of two city office buildings, the reconciliation of prior years' health insurance premiums, a vendor settlement payment and increased taxi medallion sales, net increases in other revenues of $170 million and $115 million in fiscal years 2015 and 2016, respectively, and a net decrease in other revenues of $6 million in fiscal year 2017.

The Financial Plan also reflects, since the June 2013 Financial Plan, increases in projected net expenditures of $1.9 billion, $1.8 billion, $2.1 billion and $1.5 billion in fiscal years 2014 through 2017, respectively. Changes in projected expenditures include: (i) net increases in agency expenses of $197 million, $860 million, $699 million and $702 million in fiscal years 2014 through 2017, respectively; (ii) net decreases of $2 million in each of fiscal years 2015 through 2017 reflecting increased State aid for transit services; (iii) a decrease in pension contributions of $47 million in fiscal year 2014, an increase in pension contributions of $25 million in fiscal year 2015, and decreases in pension contributions of $84 million and $236 million in fiscal years 2016 and 2017, respectively, primarily as a result of higher than assumed investment returns in fiscal year 2013; (iv) decreases in debt service of $618 million, $398 million, $155 million and $138 million in fiscal years 2014 through 2017, respectively, primarily as a result of lower interest rates and debt refinancing; (v) decreases in employer health insurance costs of $21 million, $364 million, $399 million and $437 million in fiscal years 2014 through 2017, respectively, as a result of lower than assumed health insurance rates; (vi) a decrease in the general reserve of $410 million in fiscal year 2014 and increases in the general reserve of $450 million in each of fiscal years 2015 through 2017; (vii) an increase of $1.864 billion in the Retiree Health Benefits Trust Fund (the "Trust Fund") in fiscal year 2014 reflecting the maintenance in the Trust Fund of $1 billion which was previously projected to be drawn down in fiscal year 2014, and the deposit of $864 million into the Trust Fund for the payment of future other post-employment benefits; (viii) increases of $93 million, $477 million, $502 million and $502 million in fiscal years 2014 through 2017, respectively, resulting primarily from the restoration of certain expense reductions and other actions; (ix) a reduction in the reserve for claims from past periods of $993 million in fiscal year 2014; (x) net decreases in other expenses of $109 million in fiscal year 2014 and $174 million in each of fiscal years 2015 through 2017; (xi) an increase of $1.896 billion in fiscal year 2014, a decrease of $344 million in fiscal year 2015 and increases of $1.224 billion and $877 million in fiscal years 2016 and 2017, respectively, for the net additional cost of labor settlements as described below, above the amounts already provided for in the reserve for collective bargaining; (xii) an increase of $1.0 billion in the reserve for collective bargaining in fiscal year 2015 offset by the release of reserves of $1.0 billion from the health stabilization fund described above; and (xiii) an increase of $284 million (for a total of $287 million, when combined with the $3 million decrease in revenues for lunch program fees described above) in fiscal year 2015 for City Council initiatives.

The Financial Plan also reflects, since the June 2013 Financial Plan, an increase of $1.84 billion in the provision for the prepayment in fiscal year 2014 of fiscal year 2015 expenses. The increase, when added to the $142 million provision for prepayments in the June Financial Plan, results in total prepayment of future expenses of $1.98 billion in fiscal year 2014 resulting in net expenditure reductions of $1.98 billion in fiscal year 2015.

The Financial Plan reflects funding to cover the cost of the collective bargaining agreement ("UFT Agreement" or the "Agreement") between the City and the United Federation of Teachers ("UFT") ratified on June 3, 2014, covering the period November 1, 2009 through October 31, 2018, as well as estimated costs of settlements with other collective bargaining units, as described below. For the 2008-2010 round of collective bargaining, the Agreement provides for the restructuring of increases that were previously granted to much of the municipal workforce, as four 2% increases in each of fiscal years 2015 through 2018. In addition, the Agreement provides for five lump-sum payments which together approximate the wages that would have been paid to employees who worked throughout the period, and to those who worked part of the period and then retired from active service, had the settlement been reached during the 2008-2010 round. Of the total of such lump-sum payments, 12.5% will be paid in each of fiscal years 2016 and 2018 and 25% will be paid in each of fiscal years 2019 through 2021. For the collective bargaining round covering the period 2010-2017, the Agreement provides for wage increases of 0%, 1%, 1%, 1%, 1.5%, 2.5% and 3% in fiscal years 2012 through 2018, respectively. A one-time $1,000 per person ratification payment was paid in fiscal year 2014. The fiscal year 2013 and 2014 increases will be paid in fiscal year 2015. The Financial Plan reflects funding for the total cost of all of the wage increases, two of the lump-sum payments and the $1,000 ratification payment, that are offset by: (i) contractually-enforceable savings from reform of City health insurance of $130 million, $230 million, $330 million and $420 million in fiscal years 2015 through 2018, respectively, and (ii) the release of reserves from a health stabilization fund of approximately $330 million in fiscal year 2015. The net costs of $1.09 billion, $926 million, $758 million and $1.69 billion in fiscal years 2014, 2016, 2017 and 2018, respectively, combined with the net offset of $55 million in fiscal year 2015, result in a total net cost of $4.4 billion during the Financial Plan period.

As of the date hereof, tentative settlements have been reached with the District Council 37 and Local 1199 SEIU collective bargaining units. In addition, a settlement with the New York State Nurses Association has been ratified. Each of these settlements was consistent with the pattern reflected in the UFT Agreement.

The Financial Plan also assumes that settlements with other collective bargaining units that remain unsettled for the 2008-2010 round of collective bargaining will be consistent with the restructuring reflected in the UFT Agreement for the 2008-2010 round and that wage settlements with all collective bargaining units will follow the pattern of the wage increases for the subsequent seven-year portion of the Agreement. The Financial Plan funding for the net cost of all of the elements of the Agreement as applied to the entire municipal workforce (including the UFT as described above) is $1.96 billion, $43 million, $1.92 billion, $1.92 billion and $3.3 billion in fiscal years 2014 through 2018, respectively, for a total net cost of $9.16 billion. Such net amounts reflect the offsets from the release of $1 billion of reserves from a health stabilization fund in fiscal year 2015 and health insurance savings of $400 million, $700 million, $1.0 billion and $1.3 billion in fiscal years 2015 through 2018, respectively, which have been approved by the Municipal Labor Committee. The City has the right to enforce such health insurance savings through a binding arbitration process. If health insurance savings during the Financial Plan period are greater than $3.4 billion, the first $365 million of such additional savings is payable to union members as a one-time bonus or may be used for other purposes subject to negotiation. Any additional savings beyond such $365 million is to be divided equally between the City and the unions.

The Financial Plan reflects $300 million in State aid to the City in each of fiscal years 2014 and 2015 for the implementation and expansion of universal pre-kindergarten. Such amount is expected to fully cover the costs of creating or converting new classroom seats, paying enhanced salaries and other start-up costs. The cost of such program is expected to increase to $340 million in fiscal year 2016.

The Financial Plan assumes that all of the City's costs relating to emergency services and the repair of damaged infrastructure as a result of Superstorm Sandy ("Sandy") will ultimately be paid from non-City sources, primarily the federal government. Although it is not possible for the City to quantify the full, long-term impact of the storm on the City and its economy, the current estimate of costs to the City and the New York City Health and Hospitals Corporation ("HHC") is approximately $5.2 billion. Of such amount, approximately $1.9 billion represents expense funding for emergency response, debris removal and emergency protective measures, and approximately $3.3 billion represents capital funding of long-term permanent work to repair damaged infrastructure. No assurance can be given that the City will be reimbursed for all of its costs or that such reimbursements will be received within the time periods assumed in the Financial Plan. In addition, the City may incur costs relating to flood insurance that are not reflected in the Financial Plan, which could offset some reimbursements. For further information, see "SECTION IX: OTHER INFORMATION—Environmental Matters."

The City is expected to benefit from a portion of the recent $8.9 billion penalty from the bank BNP Paribas in connection with a State and federal criminal proceeding. The amount of the portion to benefit the City, which will be subject to use restrictions, is $895.5 million.

From time to time, the Control Board staff, the Office of the State Deputy Comptroller for the City of New York ("OSDC"), the City Comptroller, the Independent Budget Office ("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. For information on reports issued on the May 2014 modification to the June 2013 Financial Plan (the "May Financial Plan") and to be issued on the Financial Plan by the City Comptroller and others reviewing, commenting on and identifying various risks therein, see "SECTION VII: FINANCIAL PLAN—Certain Reports."

The State

The State ended the 2013-2014 fiscal year with a general fund balance of $2.24 billion, an increase of $432 million above the estimate in the Governor's 2014-2015 Executive Budget released on January 21, 2014, reflecting stronger than expected tax collections. The State Legislature completed action on the $138 billion budget for the 2014-2015 fiscal year on March 31, 2014 (the "Enacted Budget"). The Enacted Budget provides for balanced operations on a cash basis in the State's General Fund (the "General Fund"), as required by law. The State released its Annual Information Statement, which reflects the Enacted Budget and the State's financial plan for fiscal years 2015 through 2018 (the "State Financial Plan"), on June 13, 2014 (the "Annual Information Statement").

The State forecasts ending the 2014-2015 fiscal year in balance on a cash basis of accounting with a General Fund balance of $2.1 billion, a decrease of $180 million from the 2013-2014 fiscal year closing balance, after undertaking the State Financial Plan gap-closing and tax actions. The State projects the General Fund budget surplus for fiscal years 2015-2016, 2016-2017 and 2017-2018 to be approximately $1.23 billion, $2.38 billion and $2.63 billion, respectively, after undertaking the gap-closing actions and prior to undertaking the tax actions described in the State Financial Plan. After undertaking such tax actions, the State projects surpluses of approximately $303 million, $1.11 billion and $1.48 billion in fiscal years 2015-2016, 2016-2017 and 2017-2018, respectively. The State Financial Plan projections for fiscal year 2016 reflect an assumption that the Governor will continue to propose, and the State Legislature will continue to enact, balanced budgets in future years that limit annual growth in State operating funds to no greater than 2 percent. By adhering to the 2 percent spending benchmark, the State Division of the Budget expects that the State is positioned to fully fund the tax reductions and spending commitments in fiscal year 2015 and accrue surpluses in future years, based on updated projections.

The tax actions consist of tax and assessment reductions intended to provide property, business and estate tax relief, and include a residential property tax credit and renter's credit, corporate tax reform and the elimination of the tax on net income for corporate manufacturers, the elimination of the temporary utility assessment, and an increase in the estate tax filing threshold. The State Financial Plan gap-closing plan includes, among other things, projected savings from the institution of spending controls, agency actions, debt management actions, and decreases in local assistance payments. There can be no assurance that any such gap-closing measures will be implemented or achieve the results expected in the State Financial Plan.

The Annual Information Statement identifies a number of risks inherent in the implementation of the budget and the State financial plan. Such risks include, but are not limited to, the strength and duration of the economic recovery; the impact of federal deficit reduction measures; the performance of the national and State economies; the impact of international events on consumer confidence, oil supplies and oil prices; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the impact of behavioral changes concerning financial sector profitability and the structure of financial sector bonuses, 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; shifts in monetary policy affecting interest rates and the financial markets; 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; the ability of the State to successfully market its securities; litigation against the State; actions taken by the federal government, including audits, disallowances, and changes in aid levels; changes to Medicaid rules; environmental and weather related events; and risks concerning the implementation of gap-closing actions, including reductions in State agency spending.

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 New York City Charter (the "City Charter") and in accordance with bond resolutions of the Mayor and a certificate of the Deputy Comptroller for Public Finance, as amended (the "Certificate"). The Bonds mature and bear interest as described on the 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 additional terms of the Bonds not included in this SECTION II see the cover page, the inside cover page, "APPENDIX C—DEFINITIONS" and "APPENDIX D—MULTI-MODAL BONDS." All or a portion of the 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 Bonds bearing interest at a Daily Rate, Two-Day Rate, Weekly Rate or Commercial Paper Rate. The Liquidity Facility does not cover the Bonds bearing interest at a Commercial Paper Rate. Under the Certificate, it is a condition to conversion to the Commercial Paper Rate Mode that the City provide a liquidity facility covering the Bonds in such Mode. It is currently anticipated that, should any Bonds be converted to a Term Rate, Fixed Rate, Stepped Coupon Rate, Index Rate or Auction Rate, a remarketing circular will be distributed describing such Term Rate, Fixed Rate, Stepped Coupon Rate, Index Rate or Auction Rate.

Payment Mechanism

Pursuant to the New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act"), a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings, that is set aside under other procedures). The statutory formula has in recent years resulted in retention of sufficient real estate taxes to comply with the City Covenants (as defined in "Certain Covenants and Agreements below"). 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*" herein.

Enforceability of City Obligations

As required by the State Constitution and applicable law, the City pledges its faith and credit for the payment of the principal of and interest on all City indebtedness. Holders of City debt obligations have a contractual right to full payment of principal and interest at maturity. If the City fails to pay principal or interest, the holder has the right to sue and is entitled to the full amount due, including interest to maturity at the stated rate and at the rate authorized by law thereafter until payment. Under the General Municipal Law, if the City fails to pay any money judgment, it is the duty of the City to assess, levy and cause to be collected amounts sufficient to pay the judgment. Decisions indicate that judicial enforcement of statutes such as this provision in the General Municipal Law is within the discretion of a court. Other judicial decisions also indicate that a money judgment against a municipality may not be enforceable against municipal property devoted to public use.

The rights of the owners of Bonds to receive interest, principal and redemption premium, if any, from the City could be adversely affected by a restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of City securities (including the Bonds) to payment from money retained in the Fund or from other sources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such money might then be available for the payment of all City creditors generally. Judicial enforcement of the City's obligation to make payments into the Fund, of the obligation to retain money in the Fund, of the rights of holders of bonds and notes of the City to money in the Fund, of the obligations of the City under the City Covenants and of the State under the State Pledge and Agreement (in each case, as defined in "—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" herein.

Certain Covenants and Agreements

The City has covenanted 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 has further covenanted 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 cash equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

Liquidity Facility

It is a condition to the reoffering of the Bonds that, on the date of reoffering of the Bonds, State Street Bank and Trust Company (the "Bank" or the "Liquidity Provider") has irrevocably committed to provide the Liquidity Facility effective July 10, 2014 in the form of a standby bond purchase agreement. 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. Copies of the Liquidity Facility will be available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (www.emma.msrb.org) or may be obtained from the Remarketing Agent for the Bonds. For information regarding the Liquidity Provider, see "APPENDIX I—THE BANK."

General. The Liquidity Facility provides coverage for the principal of tendered Bonds and up to 35 days accrued interest on such Bonds at a maximum interest rate of 9% based upon a year of 365 days. The scheduled expiration date for the Liquidity Facility is July 10, 2019. The Liquidity Facility supports only the payment of the purchase price of the Bonds bearing interest at a Daily Rate, Two-Day Rate or Weekly Rate optionally 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 support the payment of the principal of or interest on the Bonds. The Liquidity Facility is subject to termination or suspension, in some events with notice and in some events immediately without notice, as described below.

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 a full understanding of their import.

On the Reoffering Date of the Bonds, 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 purchase tendered Bonds from time to time during the Purchase Period (as hereinafter defined) 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 Bank Rate (as defined in the Liquidity Facility) commencing on and including the date on which the Liquidity Provider has purchased such Purchased Bonds, in accordance with the terms of the Liquidity Facility.

The Purchase Period is the period from the effective date of the Liquidity Facility to and including the earliest to occur of (i) July 10, 2019 (or, if such date is not a Business Day (as defined in the Liquidity Facility), the Business Day immediately succeeding such date), (ii) the opening of business of the Bank on the Business Day immediately succeeding 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 an interest rate other than a Daily Rate, Two-Day Rate or a Weekly Rate in accordance with the terms of the Bonds (the Purchase Period to include the date of such conversion), (iii) the opening of business of the Bank on the Business Day immediately succeeding the date on which the Liquidity Facility is substituted with a substitute liquidity facility in accordance with the terms of the Certificate, and (iv) the date on which the Available Commitment (as defined in the Liquidity Facility) is terminated pursuant to the terms of the Liquidity Facility.

Events of Default and Defaults Under the Liquidity Facility. Upon the occurrence of any event (each an "Event of Default") set forth under the subheading below entitled "*Events of Default Resulting in Immediate Termination Under the Liquidity Facility*" and any event or condition which would, with the giving of notice or lapse of time or both, unless cured or waived, become an Event of Default (each, a "Default") set forth under the subheading below entitled "*Defaults Resulting in Suspension*" the Liquidity Provider may exercise those rights and remedies provided under such subheadings and the subheading "*Remedies Under the Liquidity Facility*" below.

Events of Default Resulting in Immediate Termination Under the Liquidity Facility. Upon the occurrence of any of the following events ("Event of Termination"), the Available Commitment and the obligation of the Bank under the Liquidity Facility to purchase Bonds shall immediately terminate without notice or demand to any Person (as defined in the Liquidity Facility), and thereafter the Bank shall be under no obligation to purchase such Bonds. Promptly upon the occurrence of such Event of Termination, the Bank shall give written notice of the same to the City, the Tender Agent, the Fiscal Agent and the Remarketing Agent; but the Bank 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 the Available Commitment with respect to the Bonds and its obligation to purchase such Bonds:

(a) any default by the City shall have occurred and be continuing in the payment of principal of or premium, if any, or interest on any bond, note or other similar forms of indebtedness (including Bonds or Purchased Bonds) issued, assumed or guaranteed (*provided, however,* that the failure to pay any such guarantee as a result of any set-off, recoupment, counterclaim or any other defense of the City shall not constitute a failure to pay such indebtedness) by the City which is supported by the full faith, credit and taxing power of the City; *provided, however*, that a payment default by the City under the Liquidity Facility shall not constitute an Event of Default if (x) the default was caused solely by an error or omission of an administrative or operational nature, (y) funds were available to enable the City to make the payment when due, and (z) the payment is made within two (2) Business Days of the City's actual knowledge of the failure to pay;

(b) the City shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself 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 of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or becomes insolvent within the meaning of Section 101(32) of the Federal Bankruptcy Code, or shall declare a debt moratorium, or shall take any action to authorize any of the foregoing;

(c) an involuntary case or other proceeding shall be 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 of it or any substantial part of its property, and such involuntary case shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the City under the federal bankruptcy laws as now or hereafter in effect;

(d) (i) any provision of the Liquidity Facility, the Certificate or the Bonds relating to the payment of principal or interest on the Bonds (including Purchased Bonds) as provided in the Liquidity Facility, the Certificate or the Bonds (including Purchased Bonds) shall at any time for any reason cease to be valid and binding on the City as a result of a ruling, finding, decree, order or legislative act or similar action (and with respect to any such ruling, finding, decree, order or similar action, such ruling, finding, decree order or similar action is final or non-appealable) by a governmental authority having jurisdiction over the City, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the City to be null and void, invalid or unenforceable, or (ii) the City, acting through any official of the City having the authority to do so, shall publicly repudiate or repudiate in writing its obligations under the Liquidity Facility or publicly contest or contest in writing (whether by legal proceedings or other similar proceedings or otherwise) any provision of the Liquidity Facility, the Certificate or the Bonds (including Purchased Bonds) relating to the payment of principal or interest on the Bonds (including Purchased Bonds), or the City, acting through any official of the City having the authority to do so, shall publicly deny or deny in writing that it has any obligation to make payments on the Bonds (including Purchased Bonds) or the City, acting through any official of the City having the authority to do so, shall publicly claim or claim in writing that any of its general obligation debt is not a valid, binding and enforceable general obligation of the City for any reason whatsoever;

(e) (i) the City shall declare a debt moratorium or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any bond, note or other similar forms of indebtedness issued, assumed or guaranteed by the City, which is supported by the full faith, credit and taxing power of the City or (ii) any Governmental Authority (as defined in the Liquidity Facility) having appropriate jurisdiction over the City shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the Bonds or Purchased Bonds or on all bonds, notes or other similar forms of indebtedness issued, assumed or guaranteed by the City, which is supported by the full faith, credit and taxing power of the City;

(f) the long-term unenhanced ratings assigned by Moody's, S&P and Fitch to any bond, note or other similar forms of indebtedness issued, assumed or guaranteed by the City, which is supported by the full faith, credit and taxing power of the City, are withdrawn or suspended (for credit related reasons) or reduced below "Baa3," "BBB-" and "BBB-" respectively; or

(g) a final, nonappealable money judgment shall be entered by a court or other regulatory body of competent jurisdiction against the City in an amount in excess of fifty million dollars ($50,000,000) and the City shall have failed to satisfy said money judgment within sixty (60) days from the first date when said judgment shall have become enforceable and subject to collection in accordance with its terms.

Defaults Resulting in Suspension. In the case of the occurrence of a Default under paragraph (a) under "*Events of Default Resulting in Immediate Termination Under the Liquidity Facility*" hereof, the Available Commitment with respect to the Bonds and the obligations of the Bank under the Liquidity Facility to purchase Bonds shall immediately be suspended without notice or demand to any Person from and after the date of such failure to make any payment set forth therein, as applicable, and thereafter the

Bank shall be under no obligation to purchase Bonds, until such obligation is reinstated as specified in the following sentence. The Available Commitment with respect to the Bonds and the obligations of the Bank under the Liquidity Facility immediately shall be reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which, prior to the expiration of the time period specified in the proviso of paragraph (a) under "*Events of Default Resulting in Immediate Termination Under the Liquidity Facility*" above, as applicable, the relevant payment is made. In the event the City fails to cure any payment default described in paragraph (a) under "*Events of Default Resulting in Immediate Termination Under the Liquidity Facility*" above, the Available Commitment with respect to the Bonds and the obligations of the Bank under the Liquidity Facility immediately shall be terminated at the close of business upon the second (2nd) Business Day after the City has actual knowledge of such failure to make such payment thereunder.

Upon the occurrence of a Default described in paragraph (c) under "*Events of Default Resulting in Immediate Termination Under the Liquidity Facility*" above relating to any involuntary case or other proceeding being commenced against the City, the obligation of the Bank under the Liquidity Facility to purchase Bonds shall be immediately suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is so terminated, the obligations of the Bank under the Liquidity Facility to purchase Bonds shall be reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the obligations of the Bank to purchase Bonds shall have otherwise terminated in accordance with the terms hereof) as if there had been no such suspension.

In the event of the issuance of any judgment that is appealable or not final but is otherwise described in paragraph d(i) under "*Events of Default Resulting in Immediate Termination Under the Liquidity Facility*" above (such judgment a "Nonfinal Invalidity Judgment"), if such Nonfinal Invalidity Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, the Available Commitment and the obligation of the Bank under the Liquidity Facility to purchase Bonds each shall be suspended without notice or demand to any Person, and thereafter the Bank shall be under no obligation to purchase Bonds, from the thirtieth day after issuance of such Nonfinal Invalidity Judgment until such obligation is reinstated as specified below. The Bank's obligation to purchase Bonds following the stay of any Nonfinal Invalidity Judgment shall be suspended immediately (without the lapse of another thirty day time period) if such stay is lifted pursuant to a subsequent Nonfinal Invalidity Judgment. Following any suspension pursuant to this paragraph, the Available Commitment and the obligation of the Bank under the Liquidity Facility each immediately shall terminate and the Bank shall be under no further obligation to purchase Bonds under the Liquidity Facility (i) from the date on which a court of competent jurisdiction shall enter a final, nonappealable judgment 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 shall cease for any reason to be valid and binding and (ii) from the date that is the earlier to occur of (A) July 10, 2019 and (b) the date which is one (1) year after the date of issuance of the relevant Nonfinal Invalidity Judgment, if on such date the relevant litigation is still pending and a final and nonappealable judgment related thereto has not been obtained. The Available Commitment and the obligation of the Bank under the Liquidity Facility immediately shall be reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction shall issue a judgment that the Bonds or any provision of the Liquidity Facility or of the Certificate, as applicable, relating to the payment of principal of or interest on the Bonds is valid and binding.

Remedies Under the Liquidity Facility. Upon the occurrence of an Event of Default, (x) the Bank Rate shall automatically equal the Default Rate and (y) the Bank may take any other actions permitted by applicable law. The Bank shall not have the right to declare any amount due and payable hereunder, or to accelerate the maturity date of any Bonds.

Upon the occurrence of an Event of Default, the Bank may deliver a notice to the Remarketing Agent not to remarket any of the Purchased Bonds. The Bank may, at any time, in its discretion, revoke a such notice by written notice to the City and the Remarketing Agent. In addition, the Bank, in its sole discretion, may (i) give written notice of such Event of Default to the City, the Remarketing Agent, the Fiscal Agent and the Tender Agent requesting a mandatory tender of all of the Bonds pursuant to the Certificate on a date not later than the last Business Day which is less than 15 calendar days after the City, the Remarketing Agent, the Fiscal Agent and the Tender Agent receive notice of such mandatory tender and stating that the obligation of the Bank to purchase such Bonds, shall terminate 15 days after such notice is received by the Tender Agent and on such date the related Available Commitment shall terminate and the Bank shall be under no obligation hereunder 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 the Daily Rate, Two-Day Rate or the Weekly Rate all or any portion of the Bonds. Upon such a conversion, the Bank agrees to pay an amount equal to the Purchase Price of Bonds so converted and not remarketed, subject to and in accordance with the terms of the Liquidity Facility.

Optional Redemption

The Bonds are subject to redemption (or purchase in lieu thereof) prior to maturity, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, at the option of the City, in whole or in part, on any Optional Redemption Date, which, for Bonds in the Daily Rate Mode, Two-Day Rate Mode or the Weekly Rate Mode is any Business Day, upon written notice to Bondholders as provided in the Certificate. Bonds in the Commercial Paper Rate Mode are subject to optional redemption only on a Mandatory Tender Date.

The City may select Subseries, Rate Modes and amounts of Bonds for optional redemption in its sole discretion. In the event that less than all the Bonds of a Subseries, Rate Mode and maturity 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 April 1 (or other Mandatory Redemption Date specified for 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:

April 1	Amount
2027	$3,610,000
2028	4,475,000
2029	4,630,000
2030	4,795,000
2031	4,960,000
2032	5,135,000
2033	5,315,000
2034	5,500,000
2035	5,690,000
2036(1)	5,890,000

(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.

Notice of Redemption

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

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 information under this caption "Special Considerations Relating to the Bonds" was provided by the Remarketing Agent and is not the responsibility of the City.

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 the 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. The Liquidity Facility is available only to purchase Bonds tendered in accordance with the tender process.

Remarketing Agent May Cease Remarketing the Bonds. Under certain circumstances the Remarketing Agent may cease remarketing the Bonds, subject to the terms of the Remarketing Agreement.

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 will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each subseries of the Bonds 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 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, banks, 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. If less than all of the Bonds within a subseries are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such subseries to be redeemed.

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 may be discontinued at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

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. Neither the City nor the Remarketing Agent of the Bonds makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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.* Bill de Blasio, the Mayor of the City, took office on January 1, 2014. 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.* Scott M. Stringer, the Comptroller of the City, took office on January 1, 2014. 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 advisor of the City's five pension systems.

— *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.* Letitia James, the Public Advocate, took office on January 1, 2014. 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 2013 fiscal year, which includes, among other things, the City's financial statements for the 2013 fiscal year, was issued on October 29, 2013. The CAFR for the 2013 fiscal year received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the thirty-fourth 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 thirty-three 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.

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 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 April 30, 2014, aggregate pension assets were allocated approximately as follows: 40.5% U.S. equity; 30.0% fixed income; 17.1% international equity; 6.0% private equity; 3.3% private real estate; 2.0% hedge funds; and 1.1% 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 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"), HHC and the Housing Authority 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 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 OSDC, reviews and monitors revenues and expenditures of the City and the Covered Organizations. In addition, 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 2014, while federal aid has been sharply reduced. The City projects that local revenues will provide approximately 74.9% of total revenues in the 2015 fiscal year while federal aid, including categorical grants, will provide 8.6%, and State aid, including unrestricted aid and categorical grants, will provide 16.5%. 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 42.7% of its total tax revenues and 26.5% of its total revenues for the 2015 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—2009-2013 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, which amount may be further limited by the State Constitution or laws. On June 24, 2011 the Governor signed into law the State's tax levy limitation law which restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a municipality in a particular year. Such law does not apply to the City. 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
	(Dollars in Millions, except for Tax Rates)							
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
2012	19,284.5	17,181.1	1,135.5	5.9	18,936.0	90.7	2.28	12.28
2013	20,133.2	16,239.9	2,896.2	14.4	19,101.9	85.0	2.35	12.28
2014	21,285.5	18,779.8	1,435.8	6.7	19,601.7	95.8	2.36	12.28
2015	22,591.5	17,923.1	3,623.5	16.0	20,164.1	88.9	2.43	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 Office of Real Property Tax Services.

Assessment

The City has traditionally assessed real property at less than market value. The State Office of Real Property Tax Services (the "State Office") 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 Office 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 2015 fiscal year operating limit and general debt limit, have been established by the State Office and include the results of the fiscal year 2013 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)
2011	$149,311,931,232		0.2		$746,559,656,160
2012	157,121,003,987		0.2048		767,192,402,280
2013	164,036,985,806		0.2081		788,260,383,498
2014	173,429,032,559		0.2073		836,608,936,609
2015	184,059,201,523		0.1981		929,122,673,009
				Average:	$813,548,810,311

(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 2014 fiscal year, the billable assessed value of all real estate (taxable and exempt) was $302.7 billion comprised of $110.7 billion of fully exempt real estate, $66.0 billion of partially taxable real estate and $126.0 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 2015 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 2015, 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 2015 tax rates were set on June 25, 2014 and reflect a 5% limitation on the market value adjustment for 2014. The average tax rate for fiscal year 2015 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 Office 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 Office 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

State law provides for increases in assessed values of most properties to be phased into property tax bills over five-year periods. For fiscal year 2009, billable assessed valuation rose by $8.5 billion to $133.0 billion. The billable assessed valuation as determined by the City Department of Finance rose to $141.8 billion, $147.6 billion, $155.4 billion, $162.3 billion, $171.7 billion and $182.5 billion for fiscal years 2010 through 2015, respectively. 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 5.3%, 4.4% and 4.1% in fiscal years 2016 through 2018, 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 were 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 was extended through December 31, 2014. 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 2010 through 2014, the City's tax lien program resulted in net proceeds of approximately $39.0 million, $2.4 million, $81.6 million, $86.7 million and $88 million, respectively. The Financial Plan reflects receipt of $58.0 million in fiscal year 2015 from the tax lien program.

REAL ESTATE TAX COLLECTIONS AND DELINQUENCIES

Fiscal Year	Tax Levy(1)	Tax Collections on Current Year Levy	Tax Collections as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of End of Fiscal Year	Delinquency as a Percentage of Tax Levy	Lien Sale Program(2)
				(Dollars In Millions)					
2010	17,588.1	16,168.6	92.0	215.2	(239.3)	(1,077.6)	(341.9)	1.94	39.0
2011	18,323.7	16,830.2	91.8	265.7	(230.0)	(1,093.0)	(400.5)	2.19	2.4
2012	19,284.5	17,820.6	92.4	283.9	(240.6)	(1,129.5)	(334.4)	1.73	81.6
2013	20,133.2	18,710.4	92.9	305.9	(352.5)	(1,119.0)	(303.7)	1.51	86.7
2014(3)	21,285.5	19,886.4	93.4	296.0	(271.0)	(1,013.5)	(385.3)	1.81	88.0
2015(3)	22,591.5	20,952.1	92.7	260.0	(491.2)	(1,197.4)	(442.0)	1.96	58.0

(1) As approved by the City Council.

(2) Includes repurchases of defective tax liens amounting to $14.2 million in the 2011 fiscal year.

(3) Forecast.

Other Taxes

The City expects to derive 57.3% of its total tax revenues for the 2015 fiscal year from a variety of taxes other than the real estate tax, such as: (i) the 4.5% sales and compensating use tax, which commenced 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; (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. 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 2013 fiscal year increased by $2.799 billion, an increase of approximately 11.7% from the 2012 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real estate tax, for each of the City's 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013
			(In Millions)		
Personal Income(1)	$ 7,489	$ 7,576	$ 8,138	$ 8,531	$ 9,778
General Corporation	2,320	1,976	2,278	2,447	2,692
Banking Corporation	1,099	969	1,346	1,278	1,357
Unincorporated Business Income	1,785	1,560	1,675	1,637	1,808
Sales	4,594	5,059	5,586	5,812	6,132
Commercial Rent	583	594	601	629	664
Real Property Transfer	742	615	795	912	1,086
Mortgage Recording	515	366	434	537	742
Utility	398	375	394	371	385
Cigarette	96	94	70	67	61
Hotel	342	363	422	476	505
All Other(2)	475	515	536	513	533
Audits	948	769	989	743	1,009
Total	$21,386	$20,832	$23,264	$23,953	$26,752

Note: Totals may not add due to rounding.

(1) Personal Income excludes $138 million retained by the TFA in fiscal year 2009. In fiscal years 2010 through 2013, Personal Income includes the personal income tax revenues of $191 million, $695 million, $617 million and $1.006 billion, respectively, retained by the TFA for funding requirements associated with TFA Future Tax Secured Bonds. 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, operating expenses and contractual and other obligations incurred pursuant to the TFA indenture. Personal Income also reflects the impact of grants or the early provision for TFA debt service in fiscal year 2007 which increased tax revenue by $362 million and $382 million in fiscal years 2009 and 2010, respectively. Personal Income also reflects the impact of certain additional grants to the TFA of $546 million, $371 million, $790 million and $879 million in fiscal years 2009 through 2012, respectively, which were used by the TFA to pay debt service in the following fiscal year thereby increasing personal income tax revenues by a like amount in each of those fiscal years. In fiscal years 2009 through 2013, Personal Income includes $1.039 billion, $718 million, $494 million, $578 million and $610 million, respectively, which was provided to the City by the State as a reimbursement for the reduced personal income tax revenues resulting from the State School Tax Relief Program (the "STAR Program").

(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 STAR Program aid of $1.188 billion, $904 million, $712 million, $790 million and $829 million in fiscal years 2009 through 2013, 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 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013
			(In Millions)		
Licenses, Permits and Franchises	$ 493	$ 487	$ 525	$ 583	$ 593
Interest Income	124	22	21	16	16
Charges for Services	687	746	776	850	872
Water and Sewer Payments	1,284	1,540	1,295	1,373	1,361
Rental Income	255	234	253	291	297
Fines and Forfeitures	802	833	820	859	815
Other	981	828	698	1,275	703
Total	$4,626	$4,690	$4,388	$5,247	$4,657

Note: Totals may not add due to rounding.

Rental income in fiscal years 2009 through 2013 includes approximately $102.7 million, $102.7 million, $106.3 million, $124.8 million and $128.5 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 $267.3 million in fiscal year 2010 for collective bargaining settlements relating to certain water and sewer system workers.

Other miscellaneous revenues for fiscal years 2009 through 2013 include $145.6 million, $121.2 million, $114.9 million, $117.2 million and $117.1 million, respectively, of tobacco settlement revenues ("TSRs") from the settlement of litigation with certain cigarette manufacturers, that were not retained by TSASC. Other miscellaneous revenues for fiscal years 2009 through 2013 do not include TSRs retained by TSASC for debt service and operating expenses totaling $87 million, $69 million, $69 million, $70 million and $70 million, respectively. Pursuant to the TSASC indenture, less than 40% of the TSRs are pledged to the TSASC bondholders and the remainder flow to the City. 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 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. Other miscellaneous revenues for fiscal year 2011 include $70.8 million in settlement revenue from a deferred prosecution and BPCA joint purpose funds of $66.2 million. Other miscellaneous revenues for fiscal year 2012 include a $469 million settlement payment by Science Applications International Corporation and $150 million from a federal settlement with ING Bank N.V.

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 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013
	(In Millions)				
State Per Capita Aid(1)	$327	$(26)	$ 0	$ 0	$0
Other	0	8	39	25	0
Total	$327	$(18)	$39	$25	$0

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

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 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013
			(In Millions)		
Federal(1)					
Community Development(2)	$ 251	$ 263	$ 241	$ 225	$ 566
Social Services	2,758	3,084	3,209	3,290	3,315
Education	1,717	2,911	2,762	1,861	1,873
Other(3)	1,215	1,458	1,665	1,802	2,866
Total	$ 5,941	$ 7,716	$ 7,877	$ 7,178	$ 8,620
State					
Social Services	$ 2,034	$ 2,099	$ 1,743	$ 1,533	$ 1,509
Education	8,639	8,078	8,110	8,012	7,933
Higher Education	178	173	154	179	200
Health and Mental Health	468	448	397	536	495
Other	805	847	851	854	890
Total	$12,124	$11,645	$11,255	$11,114	$11,027

(1) Federal funding includes amounts received under the American Recovery and Reinvestment Act of $75.3 million, $1.61 billion, $1.55 billion, $444.7 million and $377.6 million in fiscal years 2009 through 2013, respectively.

(2) 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. Community Development includes $367.2 million in fiscal year 2013 in disaster recovery funding for storm damage remediation as a result of Superstorm Sandy.

(3) Other includes $1.262 billion in fiscal year 2013 of FEMA funding for expenditures for storm damage remediation as a result of Superstorm Sandy.

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 public benefit corporations ("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—2009-2013 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 federal Temporary Assistance for Needy Families ("TANF") block grant funds through the State for 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. Historically, the cost of the Safety Net Assistance Program was borne equally by the City and the State. In the 2011-2012 State Budget the State implemented new funding formulas, increasing the City share of the Safety Net Assistance Program to 71 percent and eliminating the City Share of 25% for the Family Assistance Program by fully funding it with TANF block grant funds.

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."

In July 2002, the Board of Education was 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 1.1 million in each of the 2015 through 2018 fiscal years. Actual enrollment in fiscal years 2010 through 2014 has been 1,027,286, 1,038,798, 1,043,689, 1,051,232 and 1,062,146, 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 36.0% of the costs of the Community Colleges in the 2015 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 which are then reimbursed by the State.

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 in fiscal year 2006 capping City Medicaid payments, the State percentage of the non-federal share may vary. In addition, as a result of State legislation, the City share of Medicaid will increase by 1% in State fiscal year 2014-2015. The federal government pays 50% of Medicaid costs for federally eligible recipients and a higher share for federally eligible childless adults.

The City's Expense Budget increased during the five-year period ended June 30, 2013, 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 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013
Education	139,208	136,369	134,209	132,273	132,469
Police	52,304	50,715	49,671	50,325	50,549
Social Services, Homeless and Children's Services	22,841	21,838	21,303	21,963	21,738
City University Community Colleges and Hunter Campus Schools	7,286	7,775	7,653	7,849	8,399
Environmental Protection and Sanitation	15,777	15,317	14,824	14,738	14,824
Fire	16,230	15,970	15,752	15,404	15,512
All Other	55,565	53,699	51,573	50,998	52,403
Total	309,211	301,683	294,985	293,550	295,894

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 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013
Transit Authority	48,139	46,582	44,966	44,963	45,300
Housing Authority	11,281	11,222	11,248	11,293	11,398
HHC	38,626	37,744	36,798	36,335	35,455
Total(1)	98,046	95,548	93,012	92,591	92,153

(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. Although the impasse procedure may not impose a binding settlement, it may influence ongoing collective bargaining.

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 as required by the City Charter, is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The four-year capital plan, which is updated three times a year, as required by the City Charter, 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 2, 2013, the City published the Ten-Year Capital Strategy for fiscal years 2014 through 2023. The Ten-Year Capital Strategy totals $53.7 billion, of which approximately 74% 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) $19.8 billion to construct new schools and improve existing educational facilities; (ii) $12.4 billion for improvements to the water and sewer system; (iii) $2.9 billion for expanding and upgrading the City's housing stock; (iv) $2.6 billion for reconstruction or resurfacing of City streets; (v) $520.0 million for continued City-funded investment in mass transit; (vi) $4.4 billion for the continued reconstruction and rehabilitation of all four East River bridges and 108 other bridge structures; (vii) $1.1 billion to expand current jail capacity; and (viii) $439.3 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, 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 \$46.5 billion during the 2009 through 2013 fiscal years. City-funded expenditures, which totaled \$39.6 billion during the 2009 through 2013 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 2009 through 2013 fiscal years.

	2009	2010	2011	2012	2013	Total
			(In Millions)			
Education	$ 2,750	$ 2,953	$2,015	$1,877	$1,803	$11,399
Environmental Protection	2,700	2,625	2,824	2,406	1,844	12,400
Transportation	925	1,082	951	1,044	1,031	5,033
Transit Authority(1)	77	74	65	131	123	470
Housing	413	429	330	349	414	1,935
Hospitals	189	253	128	169	286	1,024
Sanitation	230	347	234	322	353	1,485
All Other(2)	2,759	2,773	2,551	2,133	2,531	12,748
Total Expenditures(3)	$10,044	$10,536	$9,099	$8,431	$8,385	$46,495
City-funded Expenditures(4)	$ 7,248	$ 9,824	$8,602	$6,994	$6,888	$39,556

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

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

(3) Total Expenditures for the 2009 through 2013 fiscal years include City, State and federal funding and represent amounts which include an accrual for work-in-progress. These figures 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, 2013, which is available for inspection at the Office of the Comptroller and at www.comptroller.nyc.gov. 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 "2009-2013 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.

2009-2013 Summary of Operations

The following table sets forth the City's results of operations for its 2009 through 2013 fiscal years in accordance with GAAP.

The information regarding the 2009 through 2013 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 2012 and 2013 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS." The 2009 through 2011 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				
	2009	2010	2011	2012	2013
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	$14,487	$16,369	$17,086	$18,158	$18,970
Other Taxes(3)(4)	21,386	20,832	23,264	23,953	26,752
Miscellaneous Revenues(3)	4,626	4,690	4,388	5,247	4,657
Other Categorical Grants	1,280	1,579	1,523	1,141	1,062
Unrestricted Federal and State Aid(3)	327	(18)	39	25	—
Federal Categorical Grants	5,941	7,716	7,877	7,178	8,620
State Categorical Grants	12,124	11,645	11,255	11,114	11,027
Disallowances Against Categorical Grants	—	—	(112)	166	(59)
Total Revenues and Transfers(5)	$60,171	$62,813	$65,320	$66,982	$71,029
Expenditures and Transfers					
Social Services	$12,151	$12,370	$11,786	$13,259	$13,433
Board of Education	17,774	18,411	18,862	19,129	19,129
City University	658	719	736	750	802
Public Safety and Judicial	7,683	8,000	8,281	8,240	8,385
Health Services	1,843	1,661	1,667	1,608	1,856
Pensions(6)	6,265	6,631	6,843	7,830	8,054
Debt Service(3)(7)	1,603	3,596	5,255	4,257	6,333
All Other(7)(8)	12,189	11,420	11,885	11,904	13,032
Total Expenditures and Transfers(5)	$60,166	$62,808	$65,315	$66,977	$71,024
Surplus(7)(8)	$ 5	$ 5	$ 5	$ 5	$ 5

(Footnotes on next page)

(Footnotes from previous page)

---

(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 2009 through 2013, Real Estate Tax includes \$148.7 million, \$185.9 million, \$218.1 million, \$212.2 million and \$219.1 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 excludes \$138 million of personal income taxes in fiscal year 2009 retained by the TFA. In fiscal years 2010 through 2013, the funding requirements associated with TFA Future Tax Secured Bonds of \$191 million, \$695 million, \$617 million and \$1.006 billion, respectively, are included in Debt Service as a debt service expense and the personal income tax revenues retained by the TFA of \$191 million, \$695 million, \$617 million and \$775 million, respectively, 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 in 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 \$2.919 billion, \$3.651 billion, \$3.747 billion, \$2.467 billion and \$2.812 billion before discretionary and other transfers and expenditures for the 2009 through 2013 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 through fiscal year 2009, in All Other. Debt Service includes grants to the TFA of \$371 million, \$790 million and \$879 million in fiscal years 2010 through 2012, respectively, which were used by the TFA to pay debt service in the following fiscal year thereby increasing personal income tax revenues by a like amount in each of those fiscal years.

(8) All Other includes a grant to the TFA of \$546 million in fiscal year 2009, which was used by the TFA for TFA funding requirements in fiscal year 2010, and resulted in increased personal income tax revenues of \$546 million in fiscal year 2010. All Other includes prepayments into the Retiree Health Benefits Trust Fund of \$225 million in fiscal year 2009 resulting in lowered OPEB expense of \$225 million in fiscal year 2010.

Forecast of 2014 Results

The following table compares the forecast for the 2014 fiscal year contained in the financial plan, submitted to the Control Board in June 2013 (the "June 2013 Forecast"), with the forecast contained in the Financial Plan, which was submitted to the Control Board on June 26, 2014 (the "June 2014 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 2013 Forecast	June 2014 Forecast	Increase/(Decrease) from June 2013 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$ 19,570	$ 19,999	$ 429 (1)
Other Taxes	25,035	27,409	2,374 (2)
Tax Audit Revenue	709	885	176 (3)
Subtotal — Taxes	$ 45,314	$ 48,293	$ 2,979
Miscellaneous Revenues	6,573	7,506	933 (4)
Less: Intra-City Revenues	(1,582)	(1,801)	(219)
Disallowances Against Categorical Grants	(15)	(15)	—
Subtotal – City Funds	$ 50,290	$ 53,983	$ 3,693
Other Categorical Grants	840	939	99
Inter-Fund Revenues	536	541	5
Federal Categorical Grants	6,495	8,298	1,803 (5)
State Categorical Grants	11,756	11,725	(31)
Total Revenues	$ 69,917	$ 75,486	$ 5,569
EXPENDITURES			
Personal Services			
Salaries and Wages	$ 22,169	$ 24,451	$ 2,282 (6)
Pensions	8,317	8,309	(8)
Fringe Benefits	8,881	8,756	(125)(7)
Retiree Health Benefits Trust	(1,000)	864	1,864 (8)
Total – Personal Services	$ 38,367	$ 42,380	$ 4,013
Other Than Personal Services			
Medical Assistance	$ 6,366	$ 6,364	$ (2)
Public Assistance	1,387	1,379	(8)
All Other	21,388	22,376	988 (9)
Total – Other Than Personal Services	$ 29,141	$ 30,119	$ 978
General Obligation, Lease and TFA Debt Service	6,221	5,603	(618)(10)
FY 2013 Budget Stabilization and Discretionary Transfers	(2,822)	(2,838)	(16)(11)
FY 2014 Budget Stabilization	142	1,983	1,841 (12)
General Reserve	450	40	(410)
Total Expenditures	$ 71,499	$ 77,287	$ 5,788
Less: Intra-City Expenses	(1,582)	(1,801)	(219)
Net Total Expenditures	$ 69,917	$ 75,486	$ 5,569

(Footnotes on next page)

(Footnotes from previous page)

---

(1) The increase in General Property Tax is from a decline in reserve for uncollectibles of $234 million, an increase in collections from prior year delinquencies of $36 million, a reduction in refunds payout of $109 million and an increase in tax lien sales of $50 million.

(2) The increase in Other Taxes is due to increases in personal income tax of $1.326 billion, real property transfer tax of $409 million, mortgage recording tax of $246 million, hotel tax of $21 million, general corporation tax of $258 million, unincorporated business tax of $3 million, sales tax of $137 million, commercial rent tax of $11 million and other taxes of $52 million offset by decreases in utility tax of $1 million, banking corporation tax of $80 million and cigarette tax of $8 million.

(3) The increase in Tax Audit Revenues is primarily from an increase in general corporation tax audits.

(4) The increase in Miscellaneous Revenues is due to increases of $579 million in miscellaneous other revenues, $219 million in intra-city revenues, $26 million in charges for services, $51 million in permits, $58 million in fines and forfeitures, $6 million in interest income, $3 million in franchises and $9 million in rental income, offset by decreases of $17 million in water and sewer charges and $1 million in licenses.

(5) The increase in Federal Categorical Grants is due primarily to increases of $895 million in community development funding, primarily disaster recovery funding, $121 million in police department funding, $127 million in housing preservation and development funding, $138 million in fire department funding, $125 million in transportation funding, $107 million in homeless services funding, $51 million in social services funding, $91 million in environmental protection funding, funding, $46 million in health and mental hygiene funding, $43 million in emergency management funding, $27 million in parks and recreation funding, $37 million in small business services funding, $22 million in youth and community development funding, $12 million in citywide administrative services funding, $11 million in information technology funding and $41 million in other agencies funding, offset by decreases of $14 million in children services funding and $75 million in education funding.

(6) The increase in Personal Services—Salaries and Wages is due to increases of $175 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, and $2.107 billion in net agency spending primarily as a result of the UFT Agreement.

(7) The decrease in Fringe Benefits is due to decreases of $32 million in budget modifications reflecting decreases in federal and categorical expenditures which are offset by federal and categorical grants and of $93 million in net agency spending.

(8) The increase in Retiree Health Benefits Trust reflects the maintenance in the Trust Fund of $1 billion which was previously projected to be drawn down to pay current year OPEB expenses in fiscal year 2014, and the deposit of $864 million into the Trust Fund for the payment of future OPEB expenses.

(9) The increase in Other Than Personal Services—All Other is primarily due to an increase of $2.203 billion in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, offset by a decrease of $1.215 billion in net agency expenditures.

(10) The decrease in General Obligation, Lease and TFA Debt Service is primarily due to lower actual interest rates on floating rate obligations and the elimination of a projected note issuance.

(11) FY 2013 Budget Stabilization and Discretionary Transfers includes $2.807 billion in fiscal year 2013 which reflects the discretionary transfer of $2.727 billion into the General Debt Service Fund in fiscal year 2013 for debt service due in fiscal year 2014, payments of $64 million of other subsidies and $16 million in net equity contribution in bond refunding in fiscal year 2013 otherwise due in fiscal year 2014. FY 2013 Budget Stabilization and Discretionary Transfers also includes $31 million from fiscal year 2012 budget stabilization which was used for prepayment of fiscal year 2014 debt service.

(12) FY 2014 Budget Stabilization reflects the discretionary transfer of $621 million into the General Debt Service Fund and a grant of $1.36 billion to the TFA in fiscal year 2014 for debt service due in fiscal year 2015.

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 2014 through 2018 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)				
	2014	2015	2016	2017	2018
	(In Millions)				
REVENUES					
Taxes					
General Property Tax(3)	$19,999	$20,779	$21,854	$22,799	$23,734
Other Taxes(4)(5)	27,409	27,130	28,329	29,291	30,220
Tax Audit Revenue	885	709	709	709	709
Subtotal – Taxes	$48,293	$48,618	$50,892	$52,799	$54,663
Miscellaneous Revenues(6)	7,506	8,020	6,996	6,988	6,624
Less: Intra-City Revenues	(1,801)	(1,797)	(1,822)	(1,825)	(1,830)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal – City Funds	$53,983	$54,826	$56,051	$57,947	$59,442
Other Categorical Grants	939	809	876	872	867
Inter-Fund Revenues(7)	541	533	519	518	518
Federal Categorical Grants	8,298	6,458	6,329	6,306	6,293
State Categorical Grants	11,725	12,401	12,820	13,294	13,813
Total Revenues	$75,486	$75,027	$76,595	$78,937	$80,933
EXPENDITURES					
Personal Services					
Salaries and Wages	$24,451	$23,747	$24,668	$24,975	$26,388
Pension(8)	8,309	8,595	8,833	8,900	9,408
Fringe Benefits	8,756	8,670	9,039	9,460	9,972
Retiree Health Benefits Trust(9)	864	—	—	—	—
Subtotal – Personal Services	$42,380	$41,012	$42,540	$43,335	$45,768
Other Than Personal Services					
Medical Assistance	$ 6,364	$ 6,447	$ 6,415	$ 6,415	$ 6,415
Public Assistance	1,379	1,428	1,407	1,413	1,413
All Other(10)	22,376	22,640	22,688	23,138	23,671
Subtotal – Other Than Personal Services	$30,119	$30,515	$30,510	$30,966	$31,499
General Obligation, Lease and TFA Debt Service(11)	5,603	6,530	7,242	7,582	7,839
FY 2013 Budget Stabilization and Discretionary Transfers(12)	(2,838)	—	—	—	—
FY 2014 Budget Stabilization(13)	1,983	(1,983)	—	—	—
General Reserve	40	750	750	750	750
Subtotal	$77,287	$76,824	$81,042	$82,633	$85,856
Less: Intra-City Expenses	(1,801)	(1,797)	(1,822)	(1,825)	(1,830)
Total Expenditures	$75,486	$75,027	$79,220	$80,808	$84,026
Gap to be Closed	$ —	$ —	$ (2,625)	$ (1,871)	$ (3,093)

(Footnotes on next page)

(Footnotes from previous page)

---

(1) The four year financial plan for the 2014 through 2017 fiscal years, as submitted to the Control Board on June 27, 2013, contained the following projections for the 2014-2017 fiscal years: (i) for 2014, total revenues of $69.917 billion and total expenditures of $69.917 billion; (ii) for 2015, total revenues of $72.587 billion and total expenditures of $74.552 billion, with a gap to be closed of $1.965 billion; (iii) for 2016, total revenues of $74.937 billion and total expenditures of $76.706 billion, with a gap to be closed of $1.769 billion; and (iv) for 2017, total revenues of $77.439 billion and total expenditures of $78.821 billion, with a gap to be closed of $1.382 billion.

The four year financial plan for the 2013 through 2016 fiscal years, as submitted to the Control Board on June 28, 2012, contained the following projections for the 2013-2016 fiscal years: (i) for 2013, total revenues of $68.501 billion and total expenditures of $68.501 billion; (ii) for 2014, total revenues of $69.703 billion and total expenditures of $72.211 billion, with a gap to be closed of $2.508 billion; (iii) for 2015, total revenues of $72.111 billion and total expenditures of $75.228 billion, with a gap to be closed of $3.117 billion; and (iv) for 2016, total revenues of $74.081 billion and total expenditures of $77.151 billion, with a gap to be closed of $3.070 billion.

The four year financial plan for the 2012 through 2015 fiscal years, as submitted to the Control Board on June 29, 2011, contained the following projections for the 2012-2015 fiscal years: (i) for 2012, total revenues of $65.911 billion and total expenditures of $65.911 billion; (ii) for 2013, total revenues of $67.036 billion and total expenditures of $71.668 billion, with a gap to be closed of $4.632 billion; (iii) for 2014, total revenues of $68.266 billion and total expenditures of $73.110 billion, with a gap to be closed of $4.844 billion; and (iv) for 2015, total revenues of $69.998 billion and total expenditures of $74.920 billion, with a gap to be closed of $4.922 billion.

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 plans released in fiscal years prior to fiscal year 2011 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.

(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 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) Pension reflects savings commencing in fiscal year 2015 from the implementation of a new pension tier as a result of recent State legislation. See "SECTION IX: OTHER INFORMATION—Pension Systems."

(9) Retiree Health Benefits Trust reflects the deposit of $864 million into the Trust Fund in fiscal year 2014 for future OPEB expenses.

(10) 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."

(11) 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."

(12) FY 2013 Budget Stabilization and Discretionary Transfers includes $2.807 billion in fiscal year 2013 which reflects the discretionary transfer of $2.727 billion into the General Debt Service Fund in fiscal year 2013 for debt service due in fiscal year 2014, payments of $64 million in other subsidies and $16 million in net equity contribution in bond refunding in fiscal year 2013 otherwise due in fiscal year 2014. FY 2013 Budget Stabilization and Discretionary Transfers also includes $31 million from fiscal year 2012 budget stabilization which was used for prepayment of fiscal year 2014 debt service.

(13) FY 2014 Budget Stabilization reflects the discretionary transfer of $621 million into the General Debt Service Fund and a grant of $1.36 billion to the TFA in fiscal year 2014 for debt service due in fiscal year 2015.

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-three fiscal years, except for the application of GASB 49 with respect to fiscal years 2009 through 2013, and is projected to achieve balanced operating results for the 2014 and 2015 fiscal years, 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 be substantial. No assurance can be given that these estimates and projections, which include actions the City expects will be taken but 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 modest growth in economic activity in calendar year 2014 compared to calendar year 2013. The following table presents a forecast of the key economic indicators for the calendar years 2013 through 2018. This forecast is based upon information available in May 2014.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
U.S. ECONOMY						
Economic Activity and Income						
Real GDP (billions of 2005 dollars)	15,761	16,156	16,656	17,181	17,721	18,258
Percent Change	1.9	2.5	3.1	3.2	3.1	3.0
Non-Agricultural Employment (millions)	136.4	138.6	141.5	144.3	146.7	148.6
Percent Change	1.7	1.6	2.1	2.0	1.7	1.3
CPI-All Urban (1982-84=100)	233.0	236.7	241.3	245.5	250.1	255.5
Percent Change	1.5	1.6	1.9	1.7	1.9	2.1
Wage Rate ($ per year)	52,348	53,516	55,253	57,015	58,851	60,851
Percent Change	1.3	2.2	3.2	3.2	3.2	3.4
Personal Income ($ billions)	14,135	14,657	15,425	16,262	17,160	18,063
Percent Change	2.8	3.7	5.2	5.4	5.5	5.3
Pre-Tax Corp Profits ($ billions)	2,260	2,631	2,610	2,578	2,567	2,608
Percent Change	3.2	16.4	(0.8)	(1.2)	(0.4)	1.6
Unemployment Rate (Percent)	7.4	6.4	5.9	5.6	5.2	5.0
10-Year Treasury Bond Rate	2.4	3.3	3.9	4.3	4.6	4.6
Federal Funds Rate	0.1	0.1	0.4	2.2	3.8	4.0
NEW YORK CITY ECONOMY						
Real Gross City Product (billions of dollars)	694.5	695.1	707.7	726.3	743.6	760.4
Percent Change	2.8	0.1	1.8	2.6	2.4	2.3
Non-Agricultural Employment (thousands)	3,967	4,025	4,076	4,134	4,189	4,239
Percent Change	2.1	1.5	1.3	1.4	1.3	1.2
CPI-All Urban NY-NJ Area (1982-84=100)	256.8	261.3	265.8	270.6	276.2	282.5
Percent Change	1.7	1.7	1.7	1.8	2.1	2.3
Wage Rate ($ per year)	81,191	83,195	84,119	86,700	89,361	92,099
Percent Change	0.9	2.5	1.1	3.1	3.1	3.1
Personal Income ($ billions)	484.8	501.2	520.0	544.0	571.3	598.3
Percent Change	2.7	3.4	3.7	4.6	5.0	4.7
NEW YORK REAL ESTATE MARKET						
Manhattan Primary Office Market						
Asking Rental Rate ($ per square foot)	68.90	67.98	69.87	71.73	72.74	74.17
Percent Change	1.4	(1.3)	2.8	2.7	1.4	2.0
Vacancy Rate – Percent	12.1	12.8	12.4	11.5	11.7	12.0

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 include net revenues from the sale of real property tax liens of $88 million, $58 million, $38 million, $40 million and $40 million in fiscal years 2014 through 2018, respectively. The authorization to sell such real estate tax liens was extended through December 31, 2014. Projections of real estate tax revenues include the effects of the STAR Program which will reduce the real estate tax revenues by an estimated $225 million in fiscal year 2014. 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 $414 million, $416 million, $437 million, $455 million and $473 million in fiscal years 2014 through 2018, respectively.

The delinquency rate was 1.8% in fiscal year 2009, 1.9% in fiscal year 2010, 2.2% in fiscal year 2011, 1.7% in fiscal year 2012 and 1.5% in fiscal year 2013. The Financial Plan projects delinquency rates of 1.8% in fiscal year 2014 and 1.9% in each of fiscal years 2015 through 2018. 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.

	2014	2015	2016	2017	2018
			(In Millions)		
Personal Income(1)	$ 9,495	$ 9,191	$ 9,617	$ 9,948	$10,220
General Corporation	2,844	2,858	2,950	3,036	3,136
Banking Corporation	1,217	1,168	1,183	1,190	1,226
Unincorporated Business Income	1,846	1,933	2,016	2,086	2,168
Sales	6,460	6,666	6,946	7,260	7,556
Commercial Rent	697	715	745	778	812
Real Property Transfer	1,519	1,352	1,476	1,531	1,576
Mortgage Recording	969	874	991	1,030	1,062
Utility	393	415	413	421	431
Cigarette	55	53	51	50	49
Hotel(2)	534	535	556	573	595
All Other(3)	1,380	1,370	1,385	1,388	1,389
Total	$27,409	$27,130	$28,329	$29,291	$30,220

Note: Totals may not add due to rounding.

(1) Personal Income includes $1.641 billion, $698 million, $2.332 billion, $2.647 billion and $2.837 billion of personal income tax revenues projected to be retained by the TFA for debt service and other expenses in the 2014 through 2018 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 $613 million in fiscal year 2014, $660 million in fiscal year 2015 and $645 million in each of fiscal years 2016 through 2018. The State will reimburse the City for reduced revenues resulting from the STAR Program.

(Footnotes continued on next page)

(Footnotes continued from previous page)

(2) Hotel includes the impact of an additional temporary hotel occupancy tax of 0.875 percent resulting in additional revenues of $66 million, $75 million, $78 million, $81 million and $84 million in fiscal years 2014 through 2018, respectively.

(3) All Other includes, among others, beer and liquor taxes and the automobile use tax. All Other also includes $838 million, $862 million, $877 million, $881 million and $881 million in fiscal years 2014 through 2018, respectively, to be provided to the City by the State as reimbursement for the reduced property tax and personal income tax revenues resulting from the STAR Program.

The Financial Plan reflects the following assumptions regarding projected baseline revenues from Other Taxes: (i) with respect to the personal income tax, low growth in fiscal year 2014 as strong wage earnings and Wall Street bonus payments offset a decrease in non-wage income, a slight decline in fiscal year 2015 reflecting a drop-off in Wall Street bonuses as well as nearly flat non-wage income, and moderate growth in fiscal years 2016 through 2018 reflecting the steady growth of the national and local economies; (ii) with respect to the general corporation tax, moderate growth in fiscal year 2014 reflecting the high levels of Wall Street profitability in calendar year 2013, nearly flat growth for fiscal year 2015 reflecting the decrease in Wall Street profits in calendar year 2014, and moderate growth in fiscal years 2016 through 2018 reflecting trend levels of Wall Street profitability and steady economic growth; (iii) with respect to the banking corporation tax, a steep decline in growth in fiscal year 2014 reflecting a decline in tax payments from several large commercial banks, the result of declines in mortgage loan originations and refinancing activity and settlements related to mortgage securities and unfair banking practices, a further decline in growth in fiscal year 2015 reflecting the drop in Wall Street profitability, ongoing litigation, increased financial regulations and tightened monetary policy, followed by low growth in fiscal years 2016 through 2018 reflecting the gradual withdrawal of government support from the nation's financial system, the implementation of government regulations as well as trend levels of Wall Street profitability; (iv) with respect to the unincorporated business tax, subdued but steady growth from fiscal years 2014 through fiscal year 2018 reflecting steady economic growth; (v) with respect to the sales tax, healthy growth in fiscal year 2014 reflecting increased taxable consumption due to the local economic recovery and moderate tourist consumption, and moderate growth in fiscal years 2015 through 2018 reflecting steady economic growth; (vi) with respect to the real property transfer tax, strong growth in fiscal year 2014, a decline in fiscal year 2015, as the volume of large commercial transactions declines from the high levels of fiscal year 2014, and growth in fiscal year 2016 through 2018, as both the volume and price of residential and commercial transactions rebound with the recovery of the local economy; (vii) with respect to the mortgage recording tax, strong growth continuing in fiscal year 2014 for the fourth consecutive year, after three years of decline from fiscal years 2008 through 2010, a decline in 2015 as the volume of large commercial transactions drops from the high levels seen in 2014 and growth in fiscal year 2016 through 2018, 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, moderate growth in fiscal year 2014, reflecting improving vacancy rates and asking rents as the local economy recovers from the impact of the national slowdown and contraction in office-using employment, and continuing growth through 2018, 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.

	2014	2015	2016	2017	2018
			(In Millions)		
Licenses, Permits and Franchises	$ 637	$ 583	$ 591	$ 592	$ 589
Interest Income	16	10	45	134	163
Charges for Services	935	920	924	924	924
Water and Sewer Payments (1)	1,497	1,559	1,565	1,513	1,509
Rental Income	301	272	272	272	272
Fines and Forfeitures	874	789	787	787	787
Other	1,445	2,090	990	941	550
Intra-City Revenues	1,801	1,797	1,822	1,825	1,830
	$7,506	$8,020	$6,996	$6,988	$6,624

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

Rental Income reflects approximately $128.5 million in each of fiscal years 2014 through 2018 for lease payments for the City's airports.

Other reflects $132.5 million, $123.8 million, $123.5 million, $123.0 million and $137.3 million of projected resources in fiscal years 2014 through 2018, 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 disputes concerning adjustments provided for under the settlement agreement, may significantly affect the receipt of TSRs by TSASC and the City. Other also reflects $337 million, $553 million, $360 million and $400 million in fiscal years 2014 through 2017, respectively, from the sale of taxi medallions. Other also reflects in fiscal year 2014 a payment of $50 million from Verizon to settle cost overruns caused by delays on the Emergency Communications Transformation Program, $214 million from the sale of two City office buildings and $103 million from the reconciliation of prior years' health insurance premiums. Other reflects in fiscal year 2015 the release of $1 billion of reserves from the health stabilization fund to offset the cost of collective bargaining agreements. For additional information, see "Section I: Recent Financial Developments—2014-2018 Financial Plan."

5. 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.

	2014	2015	2016	2017	2018
			(In Millions)		
Federal					
Community Development	$ 1,115	$ 245	$ 229	$ 226	$ 219
Social Services	3,307	3,242	3,222	3,213	3,209
Education	1,710	1,736	1,748	1,747	1,747
Other	2,166	1,235	1,130	1,120	1,118
Total	$ 8,298	$ 6,458	$ 6,329	$ 6,306	$ 6,293
State					
Social Services	$ 1,486	$ 1,476	$ 1,485	$ 1,479	$ 1,482
Education	8,524	9,253	9,569	9,932	10,341
Higher Education	256	260	260	260	260
Health and Mental Hygiene	490	468	458	458	458
Other	969	944	1,048	1,165	1,272
Total	$11,725	$12,401	$12,820	$13,294	$13,813

The Financial Plan assumes that all existing federal and State categorical grant programs will continue, unless specific legislation provides for their termination or adjustment, and assumes increases in aid where increased costs are projected for existing grant programs. For information concerning projected State budget gaps and the possible impact on State aid to the City, see "Introductory Statement" and "Section I: Recent Financial Developments—The State."

As of May 31, 2014, approximately 13.0% 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, age of housing 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, although in some cases the City remits payment for disallowed amounts to the grantor. Substantial disallowances of aid claims may be asserted during the course of the Financial Plan. The City estimates probable amounts of disallowances of recognized grant revenues and makes the appropriate adjustments to recognized grant revenue for each fiscal year. The amounts of such downward adjustments to revenue for 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 adjustments for estimated disallowances in fiscal years 2009 and 2010. In fiscal year 2011 the downward adjustment for disallowances was $113 million and in fiscal year 2012 an upward adjustment of $166 million was made, reflecting a reduced estimate of disallowances attributable to prior years as of June 30, 2012. In fiscal year 2013 a downward adjustment of $59 million was made. As of June 30, 2013, the City had an accumulated reserve of $1.011 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.

	2014	2015	2016	2017	2018
			(In Millions)		
Wages and Salaries	$22,377	$22,497	$22,462	$22,513	$22,556
Pensions	8,309	8,595	8,833	8,900	9,408
Other Fringe Benefits	8,748	8,670	9,039	9,460	9,972
Retiree Health Benefits Trust	864	—	—	—	—
Reserve for Collective Bargaining	2,082	1,250	2,206	2,462	3,832
Total	$42,380	$41,012	$42,540	$43,335	$45,768

The Financial Plan projects that the authorized number of City-funded full-time and full-time equivalent employees will increase from an estimated level of 259,620 as of June 30, 2014 to an estimated level of 259,731 by June 30, 2018.

Other Fringe Benefits includes $2.127 billion, $2.103 billion. $2.230 billion, $2.374 billion and $2.580 billion in fiscal years 2014 through 2018, 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—2009-2013 Summary of Operations." For information on the OPEB reporting requirement, see "Section IX: Other Information—Other Post-Employment Benefits," and "Appendix B—Financial Statements—Notes to Financial Statements—Note E.4."

The Reserve for Collective Bargaining contains funds for unsettled non-uniformed employees for the 2006-2008 round of bargaining. The Reserve for Collective Bargaining contains amounts for settlements with all collective bargaining units consistent with the UFT Agreement described in "Section I: Recent Financial Developments—2014-2018 Financial Plan."

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.

	2014	2015	2016	2017	2018
			(In Millions)		
Administrative OTPS and Energy	$18,595	$18,864	$18,773	$19,011	$19,350
Public Assistance	1,379	1,428	1,407	1,413	1,413
Medical Assistance	6,364	6,447	6,415	6,415	6,415
HHC Support	201	179	179	179	179
Other	3,580	3,597	3,736	3,948	4,142
Total	$30,119	$30,515	$30,510	$30,966	$31,499

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 the impact of agency gap-closing actions relating to such expenditures in the 2014 and 2015 fiscal years. Thereafter, to account for inflation, administrative OTPS expenditures are projected to rise by 2.5% annually in fiscal years 2016 through 2018. Energy costs for each of the 2014 through 2018 fiscal years are assumed to vary annually, with total energy expenditures projected at $1.07 billion in fiscal year 2014 and increasing to $1.09 billion by fiscal year 2018.

Public Assistance

The number of persons receiving benefits under cash assistance programs is projected to be 350,297 in June 2014 and remain at that level through the 2018 fiscal year. Of total cash assistance expenditures in the City, the City-funded portion is projected to be $561 million, $600 million, $582 million, $586 million and $586 million in fiscal years 2014 through 2018, respectively.

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 $6.3 billion for the 2014 fiscal year. The United States Department of Health and Human Services ("HHS"), which administers the Medicaid program, has communicated to the State that it will disallow a claim for a portion of the federal share of certain Medicaid costs that HHS believes should have been submitted as a different type of expenditure with a lower federal Medicaid rate than claimed. The City participated in discussion with HHS and the State and agreed to return approximately $114 million that it previously received.

The City-funded portion of medical assistance payments is expected to increase to $6.353 billion in fiscal year 2015 and remain at $6.322 billion annually in fiscal years 2016 and 2018. Such payments include, among other things, City-funded Medicaid payments, including City-funded Medicaid payments to HHC.

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 $197 million in fiscal year 2014 decreasing to $179 million in fiscal year 2018. City-funded expenditures include City subsidy, intra-City payments and grants.

On an accrual basis, HHC's total receipts before implementation of the HHC gap-closing program are projected to be $7.6 billion, $8.2 billion, $8.4 billion, $8.4 billion and $8.2 billion in fiscal years 2014 through 2018, respectively. Total disbursements before implementation of the HHC gap-closing program are projected to be $8.1 billion in fiscal year 2014 increasing to $9.7 billion in fiscal year 2018. These projections assume increases in fringe benefits in fiscal years 2014 through 2018. 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 2013 through 2017 fiscal years was prepared in February 2014. The NYCT fiscal year coincides with the calendar year. The NYCT financial plan projects City assistance to the NYCT operating budget of $368.8 million in 2014 increasing to $412.9 million in 2017, in addition to real estate transfer tax revenue dedicated for NYCT use of $563.7 million in 2014 increasing to $729.8 million in 2017.

The NYCT financial plan includes additional revenues from a fare increase in 2013, three year net-zero and accelerated zero wage increases from 2011 through 2015 on pending labor negotiations, updated inflation assumptions and other actions. After reflecting such revenues and actions, the NYCT financial plan projects $9.3 billion in revenues and $12.2 billion in expenses for 2014, leaving a budget gap of $2.9 billion. After accounting for accrual adjustments and cash carried over from 2011, NYCT projects an operating budget gap of $96.1 million in 2014. The NYCT financial plan projects operating budget gaps of $372.9 million, $709.2 million and $1.3 billion in 2015 through 2017, respectively.

In 2009, a Payroll Mobility Tax ("PMT") was enacted into State law to provide $0.34 for every $100 of payroll in the MTA's twelve county service area. The PMT is currently expected to raise revenues for the MTA in the amount of $1.3 billion in 2014, growing to $1.5 billion in 2017.

The MTA Board approved the 2010-2014 Capital Program in April 2010 and the State Capital Program Review Board ("CPRB") approved the first two years of it on June 2, 2010 because the MTA had identified funding for only the first two years of the program. The CPRB vetoed the last three years of the program without prejudice to permit the MTA additional time to resolve the funding issues. The MTA Board approved the amended 2010-2014 Capital Program in December 2011 and the CPRB approved it on March 27, 2012. The plan includes $22.2 billion for all MTA agencies, including $11.6 billion to be invested in the NYCT core system, $1.9 billion for NYCT network expansion, and $200 million for security. Due to damages caused by Hurricane Sandy on October 29, 2012, the MTA Board approved a revised 2010-2014 Capital Program in December 2012, that includes $4.0 billion in additional capital funds, of which $3.4 billion is for the NYCT. On August 27, 2013 the CPRB approved an amendment to the 2010-2014 Capital Program which added $5.7 billion for mitigation projects, of which $5.0 billion is for the NYCT. This amendment increased the total amount of the 2010-2014 Capital Program to $31.9 billion. The 2010-2014 Capital Program follows the 2005-2009 Capital Program, which provided approximately $17.1 billion for NYCT.

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, 2013, the City expended $524.5 million for judgments and claims, $121.6 million of which was reimbursed by HHC. The Financial Plan includes provisions for judgments and claims of $662.9 million, $674.0 million, $709.9 million, $746.4 million and $781.6 million for the 2014 through 2018 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 $140 million for each of fiscal years 2014 through 2018. 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, 2013 amounted to approximately $6.2 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, 2013 include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2013, could amount to approximately $880 million. Provision has been made in the Financial Plan for estimated refunds of $271 million, $491 million, $495 million, $500 million and $500 million for the 2014 through 2018 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.4."

3. GENERAL OBLIGATION, LEASE AND TFA DEBT SERVICE

Debt service estimates for fiscal years 2014 through 2018 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 $3.70 billion, $4.15 billion, $4.59 billion, $4.62 billion and $4.70 billion in fiscal years 2014 through 2018, respectively, conduit debt service of $260 million, $317 million, $323 million, $312 million and $305 million in fiscal years 2014 through 2018, respectively, and TFA funding requirements of $1.64 billion, $2.06 billion, $2.33 billion, $2.65 billion and $2.84 billion in fiscal years 2014 through 2018, respectively, in each case prior to giving effect to prepayments. Such debt service requirements are projected to be below 15% of projected City tax revenues for each year of the Financial Plan.

Certain Reports

Set forth below are the summaries of the most recent reports of the City Comptroller, OSDC and the staff of the Control Board. These summaries do not purport to be comprehensive or definitive.

On June 4, 2014, the City Comptroller released a report entitled "Comments on New York City's Modified Fiscal Year 2015 Executive Budget." In the report, the City Comptroller estimates gaps of $1.77 billion, $405 million and $914 million in fiscal years 2016 through 2018, respectively, which gaps are smaller than those forecast in the May Financial Plan due to the Comptroller's higher revenue projections. The report estimates surpluses of $138 million in fiscal year 2014 and $797 million in fiscal year 2015, which, if rolled into fiscal year 2016 would further reduce the estimated fiscal year 2016 gap to $830 million. The differences from the May Financial Plan projections result in part from the City Comptroller's net expenditure projections, which are lower by $7 million in fiscal year 2014, and higher by $84 million in fiscal year 2015 and $180 million in each of fiscal years 2016 through 2018, resulting from: (i) increased overtime expenditures of $30 million and $109 million in fiscal years

2014 and 2015, respectively, and $100 million in each of fiscal years 2016 through 2018; (ii) uncertainty of Medicaid reimbursement for special education services of $30 million and $40 million in fiscal years 2014 and 2015, respectively, and $70 million in each of fiscal years 2016 through 2018; (iii) costs relating to fair hearings for social services recipients of $3 million in fiscal year 2014 and $10 million in each of fiscal years 2015 through 2018 as a result of the shifting of such costs from the State to the City; and (iv) lower estimates for debt service of $70 million and $75 million in fiscal years 2014 and 2015, respectively. The differences from the May Financial Plan also result from the City Comptroller's revenue projections. The report estimates that (i) property taxes will be higher by $260 million, $785 million and $1.33 billion in fiscal years 2016 through 2018, respectively; (ii) personal income taxes will be higher by $135 million, $622 million, $618 million, $686 million and $808 million in fiscal years 2014 through 2018, respectively; (iii) business tax revenues will be lower by $4 million, $28 million and $56 million in fiscal years 2014 through 2016, respectively, and higher by $10 million and $32 million in fiscal years 2017 and 2018, respectively; (iv) sales tax revenues will be higher by $40 million, $52 million and $63 million in fiscal years 2016 through 2018, respectively; (v) real-estate related tax revenues will be higher by $259 million, $107 million, $114 million and $137 million in fiscal years 2015 through 2018, respectively; and (v) speed camera revenues will be higher by $28 million, $14 million and $7 million in fiscal years 2015, 2016 and 2017, respectively.

The City Comptroller expects to issue a report on the Financial Plan during the second half of July 2014.

On June 12, 2014, the OSDC released a report on the May Financial Plan. The report states that the recent UFT Agreement, the absence of which had previously been the greatest uncertainty facing the May Financial Plan, is reflected in the May Financial Plan. The report notes that while such agreement is assumed by the City to set the pattern for future collective bargaining agreements, the City's police officers' union is seeking larger wage increases and has begun the process that could lead to binding arbitration. The report states that the agreement with the City's unions to reduce the cost of health insurance is unprecedented and untested, and raises questions about whether the savings are achievable. The report also states that the City's unfunded obligations for post-employment benefits other than pensions grew by nearly $39 billion to $92.5 billion between fiscal years 2006 and 2013, and will likely continue to grow during the May Financial Plan period. Further, while the City's budget gaps are smaller than historical averages as a share of City revenues, a significant economic setback during the May Financial Plan years could make closing the gaps more difficult.

The OSDC report quantifies certain risks and offsets to the May Financial Plan. The report identifies net additional resources of $130 million and $700 million in fiscal years 2014 and 2015, respectively, and $320 million in each of fiscal years 2016, 2017 and 2018. When combined with the results projected in the May Financial Plan, the report estimates budget surpluses of $130 million and $700 million in fiscal years 2014 and 2015, respectively, and budget gaps of $2.25 billion, $1.56 billion and $2.78 billion in fiscal years 2016 through 2018, respectively. The risks to the May Financial Plan identified in the report include: (i) decreased savings of $35 million in fiscal year 2014, $135 million in fiscal year 2015, and $80 million in each of fiscal years 2016 through 2018, if Medicaid reimbursement continues to grow in enrollment and the State does not successfully provide relief to localities; and (ii) $50 million in each of fiscal years 2015 through 2018 in uniformed services overtime costs. The report identifies (i) additional tax revenues of $125 in fiscal year 2014, $600 million in fiscal year 2015 and $400 million in each of fiscal years 2016, 2017 and 2018; (ii) debt service savings of $40 million and $150 million in fiscal years 2014 and 2015, respectively; and (iii) lower estimated judgments and claims costs of $50 million in each of fiscal years 2015 through 2018. In addition to the May Financial Plan projections set forth above, the OSDC report identifies two additional risks that could have a significant impact on the City. First, the report identifies risks of $481 million, $360 million and $400 million in fiscal years 2015, 2016 and 2017, respectively, if the planned sale of taxi medallions is not successfully implemented. Second, the report identifies risks of $400 million, $700 million, $900 million and $1.3 billion in fiscal years 2015 through 2018, respectively, if the health insurance savings planned in the agreement between the City and the City's municipal labor unions are not achieved. Further, the report notes that the May Financial Plan assumes that the 14 percent personal income tax surcharge, which is valued at more than $1 billion and is set to expire on December 31, 2014, will be extended as it has been every two to three years since its enactment in 1991.

The OSDC expects to issue a report on the Financial Plan on or before July 29, 2014.

On June 12, 2014, the staff of the Control Board issued a report reviewing fiscal year 2014, examining the changes in the City's budget during the fiscal year and outlining the City's recent labor settlement with the UFT and the pattern it sets for the unsettled labor contracts because of its effect on the May Financial Plan years and beyond. The report states that the City relied on more than $2.8 billion of surplus funds from fiscal years 2012 and 2013, and the drawdown of $1 billion from the Retiree Health Benefits Trust Fund, to balance the fiscal year 2014 budget. The City's fiscal condition improved during the fiscal year due to, among other things, stronger revenue collections and lower debt service costs, resulting in a fiscal year 2014 surplus of over $4.9 billion. The City used such surplus to return $1 billion to Retiree Health Benefits Trust Fund, allocated approximately $1.8 billion to the labor reserve to fund the labor settlement and used $470 million to fund new needs and agency expenses. The City now projects using over $1.6 billion to prepay fiscal year 2015 expenses. The report notes that the total cost of all labor settlements over the May Financial Plan years is $13.6 billion, and increases by an additional $4.2 billion in the three years beyond the May Financial Plan. The total cost is offset by $1 billion in the health stabilization fund, $3.5 billion in the labor reserve and $3.4 billion in projected healthcare savings over the May Financial Plan years, though the report states that the healthcare savings must be monitored carefully. The report notes that the City's projected gaps are consistent with historical levels, though gaps are likely to extend beyond fiscal year 2018 due to factors associated with the labor settlements, such as lump sum payments, pension costs and the full impact of wage increases. The report recommends that the City should continue its practices of forecasting conservative revenue estimates, maintain high levels of reserves and implement agency gap-closing programs with recurring savings to reduce outyear budget gaps.

The Control Board expects to release a report on the Financial Plan on or before July 29, 2014.

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, which is updated three times a year as required by the City Charter, 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 May 8, 2014, the City released the capital commitment plan for fiscal years 2014 through 2018 which covers the current fiscal year and the four-year capital plan for fiscal years 2015 through 2018 (the "2014-2018 Capital Commitment Plan").

City-funded commitments, which were $344 million in fiscal year 1979, are projected to reach $7.7 billion in fiscal year 2014. City-funded expenditures are forecast at $7.8 billion in fiscal year 2014; total expenditures are forecast at $9.2 billion in fiscal year 2014. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 2014 through 2023, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures."

The following table sets forth the major areas of capital commitment projected in the 2014-2018 Capital Commitment Plan.

2014-2018 CAPITAL COMMITMENT PLAN

	2014		2015		2016		2017		2018		TOTALS	
	City Funds	*All Funds*	*City Funds*	*All Funds*	*City Funds*	*All Funds*	*City Funds*	*All Funds*	*City Funds*	*All Funds*	*City Funds*	*All Funds*
Mass Transit(1)	$ 286	$ 310	$ 100	$ 100	$ 40	$ 40	$ 40	$ 40	$ 40	$ 40	$ 506	$ 530
Roadway, Bridges	699	1,017	1,068	1,991	738	977	608	963	513	585	3,625	5,535
Environmental Protection(2)	1,572	1,663	2,995	3,015	1,289	1,289	1,542	1,722	1,526	1,526	8,924	9,215
Education(3)	1,303	2,513	1,218	2,418	1,200	2,600	1,200	2,600	1,200	2,600	6,121	12,731
Housing	484	585	356	482	616	666	627	677	643	693	2,726	3,102
Sanitation	310	310	399	423	185	185	304	304	108	108	1,305	1,330
City Operations/Facilities	5,575	6,870	3,543	4,166	1,389	1,519	977	1,261	827	879	12,311	14,695
Economic Development	720	892	207	234	286	286	266	266	65	65	1,544	1,743
Reserve for Unattained Commitments	(3,284)	(3,284)	(279)	(279)	305	305	169	169	284	284	(2,805)	(2,805)
Total Commitments(4)	$ 7,666	$10,875	$9,607	$12,549	$6,047	$7,868	$5,733	$8,002	$5,206	$6,782	$34,259	$46,076
Total Expenditures(5)	$ 7,784	$ 9,186	$6,702	$ 9,045	$6,736	$9,335	$6,641	$9,162	$6,467	$8,844	$34,330	$45,572

Note: Individual items may not add to totals 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 $5.79 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.

On May 5, 2014, the Mayor issued "Housing New York: A Five-Borough, Ten-Year Plan" which lays out a comprehensive plan to build and preserve 200,000 affordable units over the coming decade. The expected City costs of such plan for fiscal years 2015 through 2018 are reflected in the 2014-2018 Capital Commitment Plan.

In December 2013, 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 $6.20 billion in capital investment would be needed for fiscal years 2015 through 2018 to bring the assets to a state of good repair. The report also estimated that $378 million, $187 million, $231 million and $207 million should be spent on maintenance in fiscal years 2015 through 2018, respectively.

The recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the 2014-2018 Capital Commitment Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the 2014-2018 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 2014-2018 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 May 2014, concluded that the capital investment in the four-year capital plan, for fiscal years 2015 through 2018, for the specifically identified inventoried assets funded 61% of the total investment recommended in the preceding AIMS Report issued in December 2013. Capital investment allocated in the Ten-Year Capital Strategy published in May 2013 funded an additional portion of the recommended investment. In the same Reconciliation Report, OMB estimated that 64% of the expense maintenance levels recommended were included in the financial plan.

Financing Program

The following table sets forth the par amount of bonds issued and expected to be issued during the 2014 through 2018 fiscal years to implement the 2014-2018 Capital Commitment Plan. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

2014-2018 FINANCING PROGRAM

	2014	2015	2016	2017	2018	Total
			(In Millions)			
City General Obligation Bonds(1)	$2,275	$1,750	$2,600	$2,600	$2,500	$11,725
TFA Future Tax Secured Bonds(1)	2,805	3,500	2,600	2,600	2,500	14,005
Water Authority Bonds(1)(2)	1,550	1,379	1,289	1,186	1,208	6,895
Total	$6,630	$6,629	$6,489	$6,386	$6,208	$32,625

Note: Totals may not add due to rounding.

(1) Figures exclude refunding bonds.

(2) Water Authority Bonds includes commercial paper. Fiscal years 2014 and 2015 include bonds to refinance bond anticipation notes issued to the New York State Environmental Facilities Corporation. Figures do not include bonds that defease commercial paper or refunding bonds.

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 2014 through 2023, projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $13.4 billion. The City's Capital Commitment Plan for fiscal years 2014 through 2018 reflects total anticipated City-funded water and sewer commitments of $8.9 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, do 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 $1.50 billion, $1.43 billion, $1.42 billion and $1.44 billion of Building Aid Revenue Bonds in fiscal years 2015 through 2018, respectively, subject to State authorization to increase the amount of Building Aid Revenue Bonds permitted to be outstanding.

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 Preliminary Ten-Year Capital Strategy for fiscal years 2014 through 2023 totals $53.7 billion, of which approximately 74% 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 March 31, 2014, the aggregate notional amount of the City's interest rate exchange agreements was $1,806,920,000 and the total marked-to-market value of such agreements was ($131,847,122).

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. Under 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 March 31, 2014, the total marked-to-market value of the DASNY agreements was ($18,135,004).

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 reflects the issuance of short-term obligations in the amount of $2.4 billion in each of fiscal years 2015 through 2018.

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 March 31, 2014. "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 PBCs: 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 the Hudson Yards Infrastructure Corporation ("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)	$41,971,028	
Less: Assets Held for Debt Service(2)	(75,500)	
Net City Long-Term Indebtedness		$41,895,528
PBC Indebtedness		
Bonds Payable	382,551	
Capital Lease Obligations	1,201,803	
Gross PBC Indebtedness	1,584,353	
Less: Assets Held for Debt Service	(228,152)	
Net PBC Indebtedness		1,356,201
Combined Net City and PBC Indebtedness		$43,251,729

(1) Reflects capital appreciation bonds at accreted values as of June 30, 2013.

(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 2004 through 2013 and at March 31, 2014.

	City Indebtedness		PBC	
	Long-Term	Short-Term	Indebtedness	Total
	(In Millions)			
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
2011	41,737	—	1,550	43,287
2012	40,913	—	1,486	42,399
2013	38,844	—	1,413	40,257
March 31, 2014	41,896	—	1,356	43,252

Rapidity of Principal Retirement

The following table details, as of March 31, 2014, 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	22.20%
10 years	48.59
15 years	71.75
20 years	86.92
25 years	96.79
30 years	100.00

City and PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of March 31, 2014, on City and PBC indebtedness.

Fiscal Years	City Long-Term Debt		PBC Indebtedness	Total
	Principal	Interest		
	(In Thousands)			
2014	$ 217,227	$ 321,621	$ 17,439	$ 556,287
2015	2,145,129	1,798,541	77,133	4,020,803
2016	2,350,850	1,704,826	83,872	4,139,548
2017 through 2147	37,257,822	14,716,979	1,405,909	53,380,710
Total	$41,971,028	$18,541,967	$1,584,353	$62,097,348

Certain Debt Ratios

The following table sets forth the approximate ratio of City long-term general obligation indebtedness to taxable property value as of June 30 of each of the fiscal years 2004 through 2013.

Fiscal Year	City Long-Term Indebtedness	Restricted Cash: Debt Service	Net General Obligation Bonds Less Restricted Cash on Hand	Percentage of Taxable Assessed Value of Property(1)	Per Capita
	(In Millions)				
2004	$31,378	$1,202	$30,176	28.26%	$3,752
2005	33,903	2,097	31,806	28.83	3,969
2006	35,844	3,251	32,593	26.61	4,077
2007	34,506	3,378	31,128	24.39	3,884
2008	36,100	5,125	30,975	21.28	3,839
2009	39,991	3,382	36,609	24.09	4,502
2010	41,555	2,931	38,624	24.45	4,718
2011	41,785	2,824	38,961	24.40	4,725
2012	42,286	1,379	40,907	25.90	4,907
2013	41,592	2,771	38,821	23.48	4,657

Source: CAFR for the fiscal year ended June 30, 2013.

(1) Based on full valuations for each fiscal year derived from the application of the special equalization ratio reported by the State Office 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 2004 through 2013. 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	HYIC	PBC Indebtedness and Other(3)	IDA Stock Exchange
					(In Millions)				
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	2,100	2,832	102
2008	36,100	109	—	14,828	1,297	2,339	2,067	2,025	101
2009	39,991	102	—	16,913	1,274	2,253	2,033	1,937	99
2010	41,555	150	—	20,094	1,265	2,178	2,000	1,859	99
2011	41,785	281	—	23,820	1,260	2,117	2,000	1,895	98
2012	42,286	274	—	26,268	1,253	2,054	3,000	1,818	95
2013	41,592	268	—	29,203	1,245	1,985	3,000	1,739	93

Source: CAFR for the fiscal year ended June 30, 2013.

(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 $52 million and $39 million in fiscal years 2004 and 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) PBC Indebtedness and Other includes PBC indebtedness (excluding ECF) and includes capital leases of the City.

As of May 31, 2014, approximately $41 billion of City general obligation bonds were outstanding. For information regarding the City's variable rate bonds, see Appendix H hereto.

As of May 31, 2014, $3 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 Financial Plan provides approximately $68.7 million for such interest support payments in fiscal year 2014 and $106.7 million in each of fiscal years 2015 through 2018, of which $31 million in fiscal year 2014 has been provided through prepayments of HYIC debt service. 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 previously 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 April 30, 2014, has outstanding approximately $24.01 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA is authorized to have outstanding $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 May 31, 2014.

		(In Thousands)
Total City Debt-Incurring Power under General Debt Limit		$79,100,316
Gross Debt-Funded	$41,534,780	
Less: Excluded Debt	(80,798)	
	41,453,982	
Less: Appropriations for Payment of Principal	(78,937)	
	41,375,044	
Contracts and Other Liabilities, Net of Prior Financings Thereof	5,325,353	
Total City Indebtedness		46,700,398
TFA Debt Outstanding above $13.5 billion		10,513,395
Debt-Incurring Power		$21,886,523

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. 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 March 31, 2014, $266.2 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 March 31, 2014, $512.3 million principal amount and $664.9 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 March 31, 2014, approximately $225.7 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 March 31, 2014, $19.8 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, 2012 consisted of approximately 372,000 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 313,000 retirees and beneficiaries receiving benefits and other vested members terminated but not receiving benefits. The City also contributes to three other pension systems, maintains a closed non-actuarial retirement program for retired individuals not covered by the five major actuarial systems, provides other supplemental benefits to retirees and makes contributions to certain union annuity funds.

Each of the City's five major actuarial pension systems is managed by a board of trustees which includes representatives of the City and the employees covered by such system. The City Comptroller is the custodian of, and has been delegated investment responsibilities for, the major actuarial systems, subject to the policies established by the boards of trustees of the systems and State law. The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired.

The City has consistently made its full statutorily required pension contributions based on then-current actuarial valuations. For fiscal year 2013, the City's pension contributions for the five major actuarial pension systems, based on actuarial valuations performed as of June 30, 2011, plus other pension expenditures, were approximately $8.2 billion. The Financial Plan reflects pension expense projections of $8.309 billion, $8.595 billion, $8.833 billion, $8.900 billion and $9.408 billion for fiscal years 2014 through 2018, respectively, which are the pension contributions based on statutory requirements and actuarial valuations. These projections reflect certain impacts of the Tax-Deferred Annuity programs and the Variable Supplements Funds discussed below. The Financial Plan reflects higher additional required contributions associated with actual pension fund investment performance in fiscal year 2012 of 1.4 percent which is significantly below the assumed actuarial rate of return of seven percent. The Financial Plan also reflects reduced contributions associated with actual pension fund investment performance in fiscal year 2013 of 12.1 percent. The incremental cost or benefit of the return on investments in any given year is phased in, beginning two fiscal years later, using six-year averaging periods under the Chief Actuary's actuarial asset valuation method. These amounts also reflect OMB's estimates of the impact of the recent UFT Agreement as applied to the entire workforce (including the settled and unsettled groups).

Pension expense estimates in the Financial Plan reflect estimates of required City contributions to its major retirement systems. The required City contributions reflect funding assumptions and methods first implemented in 2012 as recommended by the Chief Actuary and adopted by the boards of trustees of each of the City's retirement systems. Certain assumptions subject to legislation were enacted into law in January 2013, retroactive to July 1, 2011. The major new assumptions and methods include an actuarial interest rate assumption of seven percent (net of expenses), updated mortality tables to account for longer life expectancy, and the use of the Entry Age Actuarial Cost Method. Under this method, emerging discrete unfunded liabilities are recognized and amortized over closed, fixed periods using level dollar payments. The initial unfunded liability is being amortized over a closed 22-year period from June 30, 2010 using increasing annual payments.

In the CAFR for fiscal year 2013, the funded status of the City's pension systems was reported under the Entry Age Actuarial Cost Method and shows assets being reported in the aggregate as less than liabilities by approximately $72 billion, or 60.7% funded as of June 30, 2011. For further information see "APPENDIX B — FINANCIAL STATEMENTS — Notes to Financial Statements — Note E.5" and "APPENDIX B — FINANCIAL STATEMENTS – Required Supplementary Information — Note A." Based on the valuation provided by the Actuary in January 2014, assuming that all underlying assumptions are realized, the funded ratio is projected to increase to 62%, 64%, 65%, 66% and 67% in fiscal years 2014 through 2018, respectively, and to continue to increase thereafter. These projections do not reflect the impact of the recent collective bargaining agreements. There can be no assurance that such assumptions will be realized. Other measures of funded status would produce, in some cases, lower funded ratios of assets to obligations and, in other cases, higher funded ratios of assets to obligations.

The net position of Funds Held in Trust for Pension Benefits reported in the fiscal 2013 CAFR was approximately $125 billion and $111 billion in fiscal years 2013 and 2012, respectively. For further information see "APPENDIX B—FINANCIAL STATEMENTS—Pension and Other Employee Benefit Trust Funds Statement of Fiduciary Net Position."

In addition to the Funds Held in Trust for Pension Benefits, the Teachers' Retirement System of the City of New York ("TRS") Qualified Pension Plan ("QPP") and the New York City Board of Education Retirement System ("BERS") QPP also invest the fixed fund account balances of members of the TRS Tax-Deferred Annuity Program ("TDA") and the BERS TDA, respectively. As of June 30, 2013, the fixed fund portion of the TRS TDA had total account balances of approximately $15.8 billion and the fixed fund portion of the BERS TDA had total account balances of approximately $900 million. These fixed fund TDA account balances represent voluntary contributions by TDA participants that are credited with interest at rates set by statute, currently either 7.0% per annum or 8.25% per annum. The fixed fund TRS TDA account balances and TRS QPP balances are invested in a single asset pool. The fixed fund BERS account balances and BERS QPP assets are also invested in a single asset pool. If earnings on investments made with fixed fund TDA account balances are less than the amounts credited to the fixed fund TDA participants, then additional payments to the pension funds by the City would be required and if such earnings are greater than the amounts credited to the fixed fund TDA participants, then lower payments by the City would be required. Such payments are recognized in developing the City's annual pension contributions described above.

In addition, certain Tier I and Tier II pension plan members have the right to make supplemental, voluntary member contributions that are credited with interest at rates set by statute and may be withdrawn or annuitized at retirement. In general, the assets and liabilities associated with these member contributions are included in the reported assets and actuarially-determined net pension obligations of the respective plans. Ultimately, investment earnings of the funds less than the amounts credited to the members would result in additional required payments by the City and investment earnings greater than the amounts credited to the members would result in lower required payments by the City.

Pursuant to State law, certain retirees of the New York City Employees' Retirement System ("NYCERS"), New York City Police Pension Fund ("Police") and New York Fire Department Pension Fund ("Fire") are eligible to receive scheduled supplemental benefits from Variable Supplements Funds ("VSFs"). Under some circumstances, NYCERS, Police and Fire are required to fund shortfalls in the VSFs. However under current State law, the VSFs are not to be construed as constituting pension or retirement system funds and are subject to change by the State legislature. For further information see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note E.5"

The City accounts for its pensions consistent with the requirements of GASB. In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"). GASB 68 amends standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. GASB 68 impacts reporting, disclosure and supplemental information related to pensions in financial statements but does not affect funding requirements, which are determined by State law. A significant change contained in GASB 68 is the requirement to report net pension liabilities on employers' Statements of Net Assets when the fair value of pension assets falls short of actuarially calculated liabilities. Prior to the implementation of GASB 68, GASB required that employers report net pension liabilities on their financial statements only when there is a shortfall in cumulative contributions compared to either actuarially determined annual contributions, or contractually required contributions for certain plans. Although the City has not completed the process of evaluating the impact of GASB 68, the City expects that under certain circumstances the reported funded ratios of its pension plans could be lower under GASB 68 than stated under the current standard, which is described above. GASB 68 is effective for fiscal years beginning after June 15, 2014, which, with respect to the City, would be its fiscal year 2015. The City will adopt GASB 68 early, in fiscal year 2014, so that its implementation will correspond with that of GASB 67 for the City's five pension systems.

For the 2013 fiscal year, the City's total annual pension costs, including pension costs not associated with the five major actuarial systems, plus Social Security tax payments by the City for the year, were approximately 44% 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.

Annual pension costs are computed by the City 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 NYCERS, the TRS and the BERS. However, the failure by any one employer to make its required payment could increase the obligations of the other employers. Depending on the system and the defaulting participating employer, such increased obligations could be material.

For information regarding the amount and investment allocation of investments in the pension systems see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS." For further information regarding the City's pension systems see "APPENDIX B—FINANCIAL STATEMENTS—Pension and Other Employee Benefit Trust Funds Statement of Fiduciary Net Position," "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note E.5" and "APPENDIX B—FINANCIAL STATEMENTS—Required Supplementary Information—Note A."

Other Post-Employment Benefits

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 postemployment benefits ("OPEB") expense and related liabilities. OPEB includes post-employment healthcare, 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 current approach adopted with regard to accounting for pension expense and liabilities, with modifications to reflect differences between pension benefits and OPEB. As of June 30, 2013, the City reported an OPEB liability of $92.5 billion in its governmentwide financial statements, based upon an actuarial valuation in accordance with GASB 45. See "APPENDIX B—FINANCIAL STATEMENTS—Note E-4." 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 VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Services Costs."

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, 2013 amounted to approximately $6.2 billion. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Services Costs—*Judgments and Claims*."

Taxes

1. Numerous real estate tax *certiorari* proceedings alleging overvaluation, inequality and illegality are pending against the City. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding *certiorari* proceedings to be $880 million at June 30, 2013. 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.4."

2. Con Edison has challenged the City's method of valuation for determining assessments of certain of its properties in two separate actions. Con Edison has challenged the City's tax assessments on its Manhattan East River plants for tax years 1994/1995 through 2013/2014 and the City's special franchise assessment on its electric grid located in the public right of way for tax years 2009/2010 and 2013/2014. The challenges could result in substantial real property tax refunds in fiscal years 2014 and 2015.

3. In 2014, a class action seeking declaratory and injunctive relief was filed on the basis that the City's real property tax classification system as prescribed by State law violates the Fair Housing Act, denies plaintiffs equal protection and due process rights and results in disparate, adverse and discriminatory treatment of the City's African-American and Hispanic renters. The City believes this case has no merit.

Miscellaneous

1. Complaints on behalf of approximately 11,900 plaintiffs 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 were 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. The actions were consolidated in 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. A not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the "WTC Insurance Company") was 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 WTC Insurance Company was funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. On June 10, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. On November 19, 2010, District Court Judge Hellerstein announced that more than the required 95% of plaintiffs agreed to the settlement, thus making it effective. Approximately $642.5 million has been paid under the settlement, leaving residual funds of approximately $335 million to insure and defend the City and its contractors against any new claims. Additionally, the City is threatened with third-party claims in more than 1,000 building clean-up cases to which it is currently not a party. Since the applicable statute of limitations runs from the time a person learns of his or her injury or should reasonably be aware of the injury, additional plaintiffs may bring lawsuits in the future, which could result in substantial damages. No assurance can be given that the insurance will be sufficient to cover all liability that might arise from such claims.

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 District Court dismissed the case following a bench trial. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the District Court's ruling, dismissed the claims against the State, and remanded for further proceedings. On remand in December 2012 the District Court decertified the class with respect to plaintiffs' claims for monetary relief and individualized injunctive relief. The District Court, however, left open the possibility that plaintiffs' claims for monetary relief, in the form of back pay, and individualized injunctive relief could be certified as a class during a remedies phase. The District Court found that the class survived as to plaintiffs' claims for classwide declaratory and injunctive relief and decided that the Board of Education had not violated Title VII by reducing plaintiffs' salaries, benefits, and seniority if they failed to pass the Core Battery exam, the earlier of the

two exams at issue, which was last used by the State in 1996. The court, however, found that the City had violated Title VII by requiring plaintiffs to pass the Liberal Arts and Sciences Test (“LAST”), a version of which is currently used by the State but slated to be replaced in Spring 2014 by the Academic Literacy Skills Test (“ALST”), a New York State certification examination aligned with the new Common Core curriculum. On August 29, 2013, the District Court certified an individual damages class. The number of class members is not ascertainable at this time, nor, at this time, is it possible to estimate possible class-wide damages given the highly individualized nature of each individual plaintiff’s damages claim and of DOE’s defense of mitigation. In addition, plaintiffs are seeking to add a category of plaintiffs, day-to-day substitutes, that would increase the number of individuals seeking monetary recovery. Finally, although the current class period ends on February 14, 2004, the class could be expanded to the present. Specifically, the Court has directed the appointment of a neutral expert, whose opinion the parties will have an opportunity to address, to advise the Court as to whether the LAST administered after February 14, 2004, and possibly the ALST were properly validated as job-related. If the Court, after reviewing the neutral expert’s opinion, determines that they were not properly validated, the plaintiffs may seek to expand the damages class to include people who failed to pass those examinations. On January 28, 2013, the District Court granted the City’s motion for leave to file an interlocutory appeal from the District Court’s December 2012 decision which ruled against the City with respect to the controlling legal question of whether an employer’s compliance with a facially neutral state licensing requirement that allegedly has a disparate impact on members of a protected class may subject it to liability under Title VII. On March 19, 2013, the Second Circuit granted the City’s motion for an interlocutory appeal. By Summary Order, dated February 4, 2013, the Second Circuit affirmed the District Court’s December 2012 decision, deciding the controlling legal question against the City.

3. 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.

4. A lawsuit has been brought against the City in the United States District Court for the Southern District of New York by School Safety Agents alleging violation of the federal Equal Pay Act, Title VII of the Civil Rights Act of 1964 and provisions of State law. Plaintiffs claim that School Safety Agents (who are predominantly female) earn less pay than Special Officers (who are predominantly male) although both jobs require substantially equal skill, effort and responsibility. The case has been certified as a class action. Although the case was commenced by three named plaintiffs in 2010, 4,900 plaintiffs subsequently opted into the lawsuit. Plaintiffs seek injunctive relief and damages. If plaintiffs were to ultimately prevail, the City could be subject to substantial liability.

5. In May 2007, the United States filed an action under Title VII of the Civil Rights Act of 1964 in the United States District Court for the Eastern District of New York challenging the City's use of two written examinations for the entry-level position of firefighter on the ground that use of the tests on a pass/fail basis and to rank-order applicants for selection resulted in a disparate impact on black and Hispanic candidates and that the tests were not "job related and consistent with business necessity." In September 2007, the Vulcan Society, a fraternal organization of black firefighters, and three black applicants intervened as plaintiffs and also asserted intentional discrimination claims. In July 2009, the Court found the City liable on the disparate impact claims. In January 2010, the Court ruled that the City had engaged in intentional discrimination and found that absent the discriminatory tests, the City would have hired an additional 293 black and Hispanic candidates from the two civil service lists generated by the two challenged exams. The Court also determined that all black and Hispanic candidates who took the discriminatory tests who can show they were otherwise qualified to be firefighters are entitled to a portion of the backwages and benefits which would have been paid to the 293 candidates had they been hired. The finding of intentional discrimination was vacated on appeal in May 2013, and a trial was scheduled to begin in late March 2014. Prior to the trial, the City agreed to settle the intentional discrimination claims for injunctive relief only and agreed to pay $98 million in economic damages to resolve the disparate impact claims. The parties are scheduled to submit formal stipulations of settlement for approval to the court by June 30, 2014. The court plans to hold a fairness hearing on the settlement in October and will, thereafter, decide whether to approve the settlement.

6. A lawsuit against the DOE and other school districts throughout the State alleging that claims by the districts seeking Medicaid reimbursement for their respective Targeted Case Management programs violated the federal False Claims Act was unsealed in July 2012 and served on the City in October 2012. The Targeted Case Management program is a program that coordinates services for children with disabilities. The relators (plaintiffs) allege that the districts submitted false and fraudulent claims for reimbursement. The federal government is not participating in this action. The relators seek treble damages as well as civil penalties. By order dated March 2, 2014, all of the relators' claims were dismissed. The relators filed a notice of appeal relating to that order on April 10, 2014. If the relators were to ultimately prevail, the City could be subject to substantial damages.

7. The City has received Civil Investigative Demands from the United States Department of Justice in connection with a False Claims Act investigation of claims relating to Medicaid reimbursement for the City's Early Intervention Program. If the City were to be a defendant in a False Claims Act lawsuit relating to the investigation it could be subject to substantial liability.

8. In 2010, several unions sued the City and its Police and Fire Pension Funds. The plaintiffs alleged that the City illegally failed to pay an increased-take-home-pay ("ITHP") benefit to Tier 3 police and fire members. Eligibility for Tier 2 public pension benefits for newly hired employees generally ended in 1976 when Tier 3 was established (Tier 1 ended in 1973). However, Tier 2 benefits were routinely extended to City police officers and firefighters on a temporary basis by the State Legislature. Tier 2, as well as Tier 1, includes an ITHP program. ITHP was created as a temporary benefit, and provides that employers assume a portion of Tier 1 and 2 members' contributions that are used to pay an annuity benefit to eligible retirees. As of 2000, the City pays an ITHP benefit, equal to 5% of salary, to eligible Tier 1 and Tier 2 police and fire members. The temporary ITHP program was generally scheduled to expire but was routinely extended by the State Legislature on a two-year basis. In 2009, Governor Patterson vetoed the Tier 2 extension for City police officers and firefighters. As a result of the veto, newly appointed City police officers and firefighters were defaulted into Tier 3 since Tier 4, the only other open tier at the time, explicitly excludes coverage to police officers and firefighters. Later that year, the Legislature closed off the ITHP extender and made the temporary ITHP program permanent for eligible employees. Because Tier 3 neither has statutory provisions for an ITHP program nor an annuity benefit to account for an ITHP payment, newly appointed Tier 3 police officers and firefighters (as were all other City Tier 3 members since 1976) were not provided with the ITHP benefit. The plaintiffs claimed that the Legislature, in making the temporary benefits permanent, expanded the ITHP program to include Tier 3 police and fire members. The City and its affected Pension Funds claimed that the permanency of the ITHP program applied only to eligible Tier 1 and Tier 2 police and fire members. It is estimated that the City has collected $25 million

in Tier 3 police and fire contributions to date. Should the plaintiffs prevail, these funds would have to be returned to the members and the City would be required to assume, up to 5% of salary, the affected members' contribution rate in the future. Since Tier 3 police and fire members are required to contribute 3% of their salary towards retirement, application of ITHP to Tier 3 police and fire members would result in a non-contributory pension plan for newly hired Tier 3 police and fire employees. Cumulative costs in the event of an adverse decision were estimated to be $500 million over the next ten years and would have increased thereafter. The Court of Appeals held oral argument on May 8, 2014 and on June 30, 2014 the Court ruled in favor of the City and the other defendants.

9. A personal injury lawsuit brought in 1998 alleges that a 12 year-old female suffered brain injuries as a result of the negligent actions of City emergency medical technicians. On May 28, 2014, a Bronx jury awarded plaintiffs a $172 million judgment. The City intends to appeal the verdict.

Environmental Matters

On Monday, October 29, 2012, Sandy hit the Mid-Atlantic East Coast. The storm caused widespread damage to the coastal and other low lying areas of the City and power failures in various parts of the City, including most of downtown Manhattan. Although it is not possible for the City to quantify the full, long-term impact of the storm on the City and its economy, the current estimate of costs to the City and HHC is approximately $5.2 billion. Of such amount, approximately $1.9 billion represents expense funding for emergency response, debris removal and emergency protective measures, and approximately $3.3 billion represents capital funding of long-term permanent work to restore damaged infrastructure.

The Financial Plan assumes that all of the City's costs relating to emergency services and the repair of damaged infrastructure as a result of the storm will ultimately be paid from non-City sources, primarily the federal government. On January 29, 2013, President Obama signed legislation providing for approximately $50.5 billion in storm-related aid for the region affected by the storm. The maximum reimbursement rate from the Federal Emergency Management Agency ("FEMA") is 90% of total costs. Other funding sources may have larger local share percentages. In addition to the $5.2 billion of costs to the City and HHC described above, which the City expects to be predominately funded by FEMA, the City has received an allocation of $805 million from the U.S. Department of Housing and Urban Development of Community Development—Disaster Recovery funding. This allocation would be available to fill gaps in such FEMA funding. No assurance can be given that the City will be reimbursed for all of its costs or that such reimbursements will be received within the time periods assumed in the Financial Plan. In addition, the City may incur costs relating to flood insurance that are not reflected in the Financial Plan, which could offset some reimbursements.

In June 2013, the City released a report that analyzed the City's climate risks and outlined certain recommendations to address those risks. The report included a first phase of recommendations with a total estimated cost of nearly $20 billion. Such recommendations involve City and non-City assets and programs, and reflect both expense and capital funding from the City along with other sources. The report identified approximately $10 billion to be provided through a combination of $5.5 billion of City capital funding already included in the Ten Year Capital Strategy for City infrastructure and coastal protection and federal relief already appropriated by Congress and allocated to the City. In addition, the report expected an additional $5 billion of funding, in part from federal support already appropriated by Congress but not yet allocated to the City. Additional costs would require increased federal or other funding and increased City capital or expense funding.

On March 2, 2010, the United States Environmental Protection Agency ("EPA") listed the Gowanus Canal (the "Canal"), a waterway located in the City, as a federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). EPA considers the City a potentially responsible party ("PRP") under CERCLA, based on contaminants from currently and formerly City-owned and operated properties, as well as from the City's combined sewer overflows ("CSOs"). EPA's 2013 Record of Decision ("ROD") for the remediation requires dredging the contaminated sediment in the Canal and covering it with a cap. The ROD includes two CSO tanks in order to prevent recontamination of the Canal following implementation of the Superfund remedy. EPA estimates that the costs of the tanks will be approximately $85 million and the overall cleanup costs (to be allocated among potentially responsible parties) will be $506 million. The City anticipates that the actual cleanup costs could substantially exceed EPA's cost estimate. In March 2014, EPA issued a unilateral administrative order to perform the in-canal remedial design work to National Grid and approximately 30 non-governmental PRPs. On May 28, 2014, EPA issued a unilateral administrative order requiring the City to design major components of the remedy for the Canal, including the CSO retention tanks, remediation of the First Street basin (a currently filled-in portion of the Canal), and storm water controls. On June 23, 2014, the City notified EPA of its intent to commence design of the tanks but also outlined several major legal and practical problems with the unilateral administrative order, including EPA's vast underestimate of costs, the agency's failure to identify and analyze certain control measures according to CERCLA's legally mandated and scientifically valid remedy selection process, and unreasonable deadlines for completion of the tank design.

On September 27, 2010, EPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, as a Superfund site. On April 6, 2010, EPA notified the City that EPA considers the City a PRP under CERCLA for hazardous substances 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 CSO outfalls, as potential sources of hazardous substances in Newtown Creek. In July, 2011, the City entered into an Administrative Settlement Agreement and Order on Consent with EPA and five other PRPs to conduct an investigation of conditions in Newtown Creek and evaluate feasible remedies. The investigation and feasibility study is expected to take approximately seven years. The City's share will be determined in a future allocation proceeding. The settlement does not cover any remedy that may ultimately be chosen by EPA to address the contamination identified as a result of the investigation and evaluation.

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 the Canal or Newtown Creek, the contribution, if any, of discharges from the City's water and sewer system of hazardous substances in 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 and could be material.

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.

Tax Matters

In connection with the issuance of the Bonds, Sidley Austin LLP, New York, New York, Bond Counsel, delivered its approving opinion in the form attached hereto as Appendix E (the "Original Opinion"). The Original

Opinion concluded that under then existing law interest on the Bonds would not be includable in the gross income of the owners of the Bonds for purposes of federal income taxation; however, interest on the Bonds would be includable in gross income of the owners thereof retroactive to the date of original issuance of the Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure or investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the United States Treasury. The Original Opinion further concluded that, under then existing law, interest on the Bonds would not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax; however, interest on the Bonds would be includable in the calculation of a corporation's alternative minimum tax and holders may be subject to other federal income tax consequences. In addition, the Original Opinion concluded that, under then existing law, interest on the Bonds would be exempt from personal income taxes of the State of New York and its political subdivisions, including the City.

The Original Opinion also concludes that the Bonds constitute valid and legally binding obligations of the City, as described therein. On the Reoffering Date of the Bonds, Sidley Austin LLP will deliver its opinion substantially in the form contained in Appendix F to this Reoffering Circular.

The Bonds are reoffered pursuant to a Supplemental Certificate of the Deputy Comptroller for Public Finance, dated June 30, 2014 (the "Supplemental Certificate"). On the Reoffering Date of the Bonds, as herein contemplated, Fulbright & Jaworski LLP ("Bond Counsel to the City for Tax Matters" or "Tax Counsel") will deliver its opinion (the "No-Adverse-Effect Opinion") to the effect that the Supplemental Certificate will not in and of itself adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation. A form of the No-Adverse-Effect Opinion is contained in Appendix G to this Reoffering Circular.

In rendering the No-Adverse-Effect Opinion, Tax Counsel will assume the correctness of the Original Opinion, and will rely on the opinion of Sidley Austin LLP to the effect that the Supplemental Certificate and the actions ordered thereby are authorized by law and the Certificate (as identified in the Supplemental Certificate). Tax Counsel will express no opinion with respect to the current status of the interest on the Bonds for federal income tax purposes.

Except as described above, Tax Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

Sidley Austin LLP has not been engaged to review any matter or conduct any investigation or examination relating to the effect of the Supplemental Certificate on the federal, state or local tax consequences with respect to the receipt of interest on the Bonds, or the ownership or the disposition of the Bonds, and takes no responsibility therefor. Furthermore, Sidley Austin LLP is not expressing any opinion as to any federal, state or local tax consequences of the Supplemental Certificate arising with respect to the Bonds, the receipt of interest thereon or the ownership or disposition thereof, including, without limitation, the exclusion from gross income of interest on the Bonds.

Ratings

The Bonds have been rated “Aa2/VMIG 1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA/F1+” by Fitch, Inc. (“Fitch”). The City expects to receive a rating of “AA/A-1+” on the Bonds from Standard & Poor’s Ratings Services (“Standard & Poor’s”). Such ratings reflect only the views of Moody’s, Standard & Poor’s and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of such bonds. A securities rating is not a recommendation to buy, sell or hold securities.

Legal Opinions

The legality of a Supplemental Certificate of the Deputy Comptroller for Public Finance, dated June 30, 2014, will be affirmed by the legal opinion of Sidley Austin LLP, New York, New York, Bond Counsel to the City substantially in the form of Appendix F hereto. Such firm is also acting as counsel for and against the City in certain other unrelated matters.

The opinion of Fulbright & Jaworski LLP, Bond Counsel to the City for Tax Matters, will be substantially in the form of Appendix G hereto. Reference should be made to the form of such opinion for the matters covered by such opinion and the scope of Tax Counsel’s engagement in relation to the Bonds.

Certain legal matters will be passed upon for the City by its Corporation Counsel.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Special Disclosure Counsel to the City, will pass upon certain legal matters in connection with the preparation of this Reoffering Circular. A description of those matters and the nature of the review conducted by that firm is set forth in its opinion which is on file at the office of the Corporation Counsel.

Certain legal matters will be passed upon by Squire Patton Boggs (US) LLP, New York, New York, and D. Seaton and Associates, New York, New York, Co-Counsel to the Remarketing Agent.

Certain legal matters will be passed upon for the Bank by its special counsel.

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 reoffering of the Bonds.

Financial Statements

The City’s financial statements for the fiscal years ended June 30, 2013 and 2012 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, 2013 and 2012, 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.

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, 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 published 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 the original purchaser or any holders of the Bonds.

THE CITY OF NEW YORK

[This page intentionally left blank]

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents 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. 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 until the second half of 2007. A decrease in economic activity began in the second half of 2007 and continued through the first half of 2010. The Financial Plan assumes that the gradual increase in economic activity that began in the second half of 2010 will continue through 2014.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 2002 to 2012 (the most recent year for which City personal income data are available). From 2002 to 2008, personal income averaged 4.8% growth in the City and the nation, respectively. Total personal income in the City decreased by 2.6% in 2009 and increased by 5.7%, 6.1% and 3.1% in 2010 through 2012, respectively. Total personal income in the nation decreased by 2.8% in 2009 and increased by 2.9%, 6.1% and 4.2% in 2010 through 2012, respectively.

The following table sets forth information regarding personal income in the City from 2002 to 2012.

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.
2002	$303.1	$37,548	$31,798	118.1%
2003	309.5	38,367	32,676	117.4
2004	329.0	40,904	34,300	119.3
2005	345.5	43,120	35,888	120.2
2006	377.7	47,253	38,127	123.9
2007	415.4	51,842	39,804	130.2
2008	419.7	52,015	40,873	127.3
2009	408.7	50,263	39,357	127.7
2010	432.1	52,758	40,163	131.4
2011	458.2	55,412	42,298	131.0
2012	472.3	56,652	43,735	129.5

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

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

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, fashion design and retail fields. Over the past two decades the City has experienced a number of business cycles. From 1992 to 2000, the City added 453,900 private sector jobs (growth of 17%). From 2000 to 2003, the City lost 174,700 private sector jobs (decline of 6%). From 2003 to 2008, the City added 255,300 private sector jobs (growth of 9%). From 2008 to 2009, the City lost 103,800 private sector jobs (decline of 3%). From 2009 to 2013, the City added 297,700 private sector jobs (growth of 10%). All such changes are based on average annual employment levels through and including the years referenced.

As of May 2014, total employment in the City was 4,047,400 compared to 3,972,400 in May 2013, an increase of approximately 1.9%.

The table below shows the distribution of employment from 2003 to 2013.

EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Goods Producing Sectors											
Construction	112.7	111.8	113.3	118.5	127.3	132.7	120.8	112.5	112.3	116.1	121.0
Manufacturing	126.6	120.8	113.9	106.1	101.0	95.6	81.6	76.3	75.7	76.3	76.3
Service Producing Sectors											
Trade, Transportation & Utilities	534.1	539.9	548.2	559.0	570.5	574.5	552.4	559.1	574.7	589.3	602.7
Information	163.9	160.2	162.8	164.9	166.9	169.5	165.3	166.0	170.9	175.8	178.7
Financial Activities	433.6	435.5	445.1	458.3	467.6	465.0	434.2	428.6	439.5	439.1	437.3
Professional & Business Services	537.0	542.0	556.0	571.9	592.3	603.5	569.4	575.8	598.3	620.4	643.6
Education & Health Services	656.8	663.9	677.4	693.3	703.7	717.6	733.2	751.4	767.9	784.6	809.3
Leisure & Hospitality	260.3	270.1	276.7	284.9	297.8	310.2	308.5	322.2	342.2	365.7	380.3
Other Services	149.1	150.5	153.2	154.3	157.7	160.8	160.3	160.6	165.2	170.4	174.1
Total Private	2,974.1	2,994.6	3,046.6	3,111.2	3,184.7	3,229.4	3,125.6	3,152.4	3,246.6	3,337.8	3,423.3
Total Government	556.6	554.4	555.6	555.2	559.0	564.1	567.0	558.0	550.6	546.1	543.8
Total	3,530.7	3,549.4	3,602.3	3,666.4	3,743.7	3,793.4	3,692.6	3,710.4	3,797.2	3,884.0	3,967.1

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 2012, the City's service producing sectors provided approximately 3.2 million jobs and accounted for approximately 81% 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 2012, the employment share for the financial activities and professional and business services sectors was approximately 27% while the earnings share for those same sectors was approximately 48%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 26% of earnings in 2012. 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 2012 are set forth in the following table.

Sectoral Distribution of Employment and Earnings in 2012(1)

	Employment		Earnings(2)	
	NYC	U.S.	NYC	U.S.
Goods Producing Sectors				
Mining	0.0%	0.6%	0.1%	1.7%
Construction	3.0	4.2	3.0	5.3
Manufacturing	2.0	8.9	1.3	10.0
Total Goods Producing	5.0	13.7	4.3	17.1
Service Producing Sectors				
Trade, Transportation and Utilities	15.2	19.0	8.8	15.4
Information	4.5	2.0	6.5	3.2
Financial Activities	11.3	5.8	27.3	9.0
Professional and Business Services	16.0	13.4	20.6	16.7
Education and Health Services	20.2	15.4	11.3	12.8
Leisure & Hospitality	9.4	10.3	4.9	4.2
Other Services	4.4	4.0	2.9	3.7
Total Service Producing	81.0	69.9	82.3	65.0
Total Private Sector	85.9	83.7	88.1	82.3
Government(3)	14.1	16.3	11.9	17.7

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 2012 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 May 2014, the total unemployment rate in the City was 7.7%, compared to 8.6% in May 2013, 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)
(Average Annual)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
New York City	8.3%	7.1%	5.8%	5.0%	4.9%	5.5%	9.2%	9.6%	9.1%	9.4%	8.7%
United States	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%

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 May 2014, the number of persons receiving cash assistance in the City was 336,403 compared to 362,128 in May 2013. The following table sets forth the number of persons receiving public assistance in the City.

PUBLIC ASSISTANCE

(Annual Averages in Thousands)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
424.7	434.8	416.9	393.1	360.8	341.8	346.9	350.5	351.7	353.9	356.0

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. Taxable sales and purchases reflects data from the State Department of Taxation and Finance publication "Taxable Sales and Purchases, County and Industry Data." The yearly data presented in this paragraph and the table below covers the period from March 1 of the year prior to the listed year through the last day of February of the listed year. Between 2002 and 2008, total taxable sales volume growth rate averaged 4.4%. From 2009 to 2010, total taxable sales volume decreased by 6.3%, reflecting a decline in consumption, as a result of local employment losses and the local and national recessions. Between 2010 to 2012, total taxable sales volume growth rate averaged 8.9% primarily as a result of an increase in consumption as a result of local employment gains and the local and national recoveries, as well as two sales tax base expansions enacted by the City, effective August 1, 2009.

The following table illustrates the volume of sales and purchases subject to the sales tax from 2002 to 2012.

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

Year(1)	Retail(2)	Utility & Communication Sales(3)	Services(4)	Manufacturing	Other(5)	City Other(6)	All Total
2002	25.6	11.9	20.7	2.0	15.2	5.4	80.9
2003	26.1	11.4	21.0	1.8	14.8	6.5	81.6
2004	32.3	11.6	21.7	1.9	14.8	7.1	89.5
2005	36.5	12.0	24.1	2.1	16.2	7.3	98.2
2006	35.9	13.2	26.3	2.2	17.9	9.6	105.1
2007	33.4	12.8	28.1	2.4	19.4	10.6	106.7
2008	33.3	13.5	31.5	2.8	20.7	13.1	115.0
2009	31.3	14.3	31.8	2.7	19.8	13.8	113.6
2010	31.0	13.9	30.1	2.2	17.9	11.3	106.4
2011	36.6	13.7	33.7	4.6	15.0	12.7	116.4
2012(7)	41.4	13.5	36.8	5.0	16.2	13.3	126.2

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

(1) 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.

(Footnotes continued on next page)

(Footnotes continued from previous page)

(3) Utility and Communication sales include non-residential electric, non-residential gas and communication.

(4) Services include business services, hotel occupancy services (stays for the first 90 days), and other services (auto repair, parking and others).

(5) Other sales include construction, wholesale trade, arts, entertainment and recreation, and others.

(6) City Other sales reflect the local tax base component of City taxable sales and purchases and include residential utility (electric and gas), Manhattan parking services, hotel occupancy services (stays from 91 to 180 days), and miscellaneous services (credit rating and reporting services, miscellaneous personal services and other services).

(7) Preliminary.

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
2010	8,175,133

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

The United States Census Bureau estimates that the City's population increased to 8,405,837 in July 2013.

The following table sets forth the distribution of the City's population by age between 2000 and 2010.

DISTRIBUTION OF POPULATION BY AGE

	2000		2010	
Age		% of Total		% of Total
Under 5	540,878	6.8	517,724	6.3
5 to 14	1,091,931	13.6	941,313	11.5
15 to 19	520,641	6.5	535,833	6.6
20 to 24	589,831	7.4	642,585	7.9
25 to 34	1,368,021	17.1	1,392,445	17.0
35 to 44	1,263,280	15.8	1,154,687	14.1
45 to 54	1,012,385	12.6	1,107,376	13.5
55 to 64	683,454	8.5	890,012	10.9
65 and Over	937,857	11.7	993,158	12.1

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

Housing

In 2011, the housing stock in the City consisted of approximately 3,352,041 housing units, excluding certain special types of units primarily in institutions such as hospitals and universities ("Housing Units") according to the 2011 Housing and Vacancy Survey released February 9, 2012. The 2011 housing inventory represented an increase of approximately 24,000 units, or 0.7%, since 2008. The 2011 Housing and Vacancy Survey indicates that rental housing units predominate in the City. Of all occupied housing units in 2011, approximately 31.9% were conventional home-ownership units, cooperatives or condominiums and approximately 68.1% were rental units. Due to changes in the inventory basis beginning in 2002, it is not possible to accurately compare Housing and Vacancy Survey results beginning in 2002 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	1987	1991	1993	1996	1999	2002	2005	2008	2011
Total Housing Units	2,840	2,981	2,977	2,995	3,039	3,209	3,261	3,328	3,352
Owner Units	837	858	825	858	932	997	1,032	1,046	1,015
Owner-Occupied	817	829	805	834	915	982	1,010	1,019	984
Vacant for Sale	19	29	20	24	17	15	21	26	31
Rental Units	1,932	2,028	2,040	2,027	2,018	2,085	2,092	2,144	2,173
Renter-Occupied	1,884	1,952	1,970	1,946	1,953	2,024	2,027	2,082	2,105
Vacant for Rent	47	77	70	81	64	61	65	62	68
Vacant Not Available for Sale or Rent(1)	72	94	111	110	89	127	137	138	164

Note: Details may not add up to totals due to rounding.

Sources: U.S. Bureau of the Census, 1987, 1991, 1993, 1996, 1999, 2002, 2005, 2008 and 2011 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

Basic Financial Statements of the City of New York
June 30, 2013 and 2012

REQUIRED SUPPLEMENTARY INFORMATION—PART II-B

SCHEDULE OF FUNDS HELD IN TRUST—PART III-B

[This page intentionally left blank]

Deloitte.

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112 0015
USA

Tel: +1 212 492 4000
Fax: +1 212 492 5000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The People of The City of New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major governmental fund, the aggregate remaining fund information, each major component unit, and the aggregate nonmajor component units of The City of New York ("The City") as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise The City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 22 percent and 17 percent and 23 percent and 18 percent as of and for the years ended June 30, 2013 and 2012, respectively, of the assets and revenues of the government-wide financial statements, 7 percent and 3 percent and 9 percent and 4 percent, as of and for the years ended June 30, 2013 and 2012 respectively, of the assets and revenues of the fund financial statements, 7 percent and 9 percent and 7 percent and 9 percent, as of and for the years ended June 30, 2013 and 2012, respectively, of the assets and net position of the fiduciary fund financial statements, and 50 percent and 77 percent and 50 percent and 78 percent, as of and for the years ended June 30, 2013 and 2012, 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 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 the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of The City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate remaining fund information, each major component unit, and the aggregate nonmajor component units of The City, as of June 30, 2013 and 2012, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matters

As discussed in Note A.2, in 2013, The City adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

As discussed in Note E.4, in 2013, The City changed the actuarial cost method used to determine the annual other postemployment benefits ("OPEB") costs and net OPEB obligation from the Frozen Entry Age Actuarial Cost Method to the Entry Age Actuarial Cost Method. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-5 through B-32 and the Required Supplementary Information on pages B-121 through B-124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and the other auditors as it relates to Management's Discussion and Analysis only, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

October 29, 2013

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, 2013 and 2012. 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 position* presents information on all of the City's assets, liabilities and deferred outflows and inflows of resources. *Net position (deficit)* is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* 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 position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement No. 60 establishes recognition, measurement and disclosure requirements for Service Concession Arrangements for both transferors and governmental operators. A Service Concession Arrangement is an arrangement between a transferor (government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties.

The City has also implemented, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement provides financial reporting guidance for deferred outflows of resources, which is a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period.

Statement No. 63 also amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The adoption of Statement No. 63 resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Also implemented in fiscal year 2013 is GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Certain reclassifications were made to the fiscal year 2012 financial statements to conform with this new Statement.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues*, respectively.

There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 66.

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 New York City Other Postemployment Benefits Plan (the PLAN) is composed of The New York City Retiree Health Benefits Trust (the Trust) and Postemployment Benefits Other Than Pensions (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 2013, the City contributed approximately $1.2 billion to the PLAN.

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.

Financial Reporting Entity

The financial reporting entity consists of the primary government and its Component Units which are legally separate organizations for which the primary government is financially accountable, and other legally separate organizations for which the primary government has determined, through the exercise of management's professional judgment, that inclusion of those organizations do not meet the financial accountability criteria, but are necessary to be included to prevent the reporting entity's financial statements from being 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 organizations that are fiscally dependent on the primary government if there is a potential for the organizations to provide specific financial benefits to the primary government or impose specific financial burdens on the primary government regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government or jointly appointed boards. The City is financially accountable for all of its Component Units.

Blended Component Units

Certain Component Units, despite being legally separate from the primary government, are reported as if they were part of the primary government because they 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)
Fiscal Year 2005 Securitization Corporation (FSC)
Sales Tax Asset Receivable Corporation (STAR)
Hudson Yards Development Corporation (HYDC)
Hudson Yards Infrastructure Corporation (HYIC)
New York City Tax Lien Trusts (NYCTLTs):

- NYCTLT 1998-2
- NYCTLT 2011-A
- NYCTLT 2012-A
- NYCTLT 2013-A

New York City Technology Development Corporation (TDC)

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 stateme nts as nonmajor Component Units:

WTC Captive Insurance Company, Inc. (WTC Captive)
Brooklyn Navy Yard Development Corporation (BNYDC)
New York City Industrial Development Agency (IDA)
New York City Energy Efficiency Corporation (EEC)
The Trust for Governors Island (TGI)
Brooklyn Bridge Park Corporation (BBPC)
Business Relocation Assistance Corporation (BRAC)
New York City Capital Resource Corporation (CRC)
Build NYC Resource Corporation (Build NYC)
New York City Land Development Corporation (LDC)

Financial Analysis of the Government-wide Financial statements

In the government-wide financial statements, all of the activities of the City, aside from its Discretely Presented Component Units, are considered governmental activities. Governmental activities decreased the City's net position by $4.6 billion during fiscal year 2013. The net position was decreased by governmental activities during fiscal years 2012 and 2011 by $7.5 billion and $9.6 billion, respectively.

As mentioned previously, the basic financial statements include a reconciliation between the fiscal year 2013 governmental funds statement of revenues, expenditures, and changes in fund balances which reports an increase of $323 million in fund balances and the decrease in the net position reported in the government-wide statement of activities of $4.6 billion. A similar reconciliation is provided for fiscal year 2012 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,		
	2013	2012	2011
		(in thousands)	
Revenues:			
Program revenues:			
Charges for services	$ 4,483,973	$ 4,626,270	$ 4,236,030
Operating grants and contributions	20,063,707	18,768,706	19,951,270
Capital grants and contributions	849,828	594,313	538,015
General revenues:			
Taxes	45,669,639	41,982,497	40,803,751
Investment income	102,612	117,608	133,758
Other Federal and State aid	452,122	730,310	470,117
Other	554,404	980,491	329,218
Total revenues	72,176,285	67,800,195	66,462,159
Expenses:			
General government	4,272,676	4,144,136	3,791,462
Public safety and judicial	17,325,500	17,077,117	18,815,201
Education	25,005,635	24,957,704	25,604,277
City University	972,275	954,590	947,402
Social services	14,322,278	14,181,836	12,896,220
Environmental protection	4,051,876	3,456,151	3,744,521
Transportation services	2,512,251	2,536,846	2,073,164
Parks, recreation, and cultural activities	1,066,057	1,086,246	1,119,677
Housing	1,325,460	1,327,674	1,317,725
Health (including payments to HHC)	2,611,592	2,419,857	2,484,876
Libraries	338,560	243,470	343,395
Debt service interest	2,955,121	2,929,182	2,911,817
Total expenses	76,759,281	75,314,809	76,049,737
Change in net position	(4,582,996)	(7,514,614)	(9,587,578)
Net position—beginning	(125,733,209)	(117,855,019)	(108,267,441)
Restatement of beginning net position[a]	—	(363,576)	—
Net position—ending	$ (130,316,205)	$ (125,733,209)	$ (117,855,019)

(a) The fiscal year 2011 net position ending balance compared to the fiscal year 2012 adjusted net position beginning balance results in a change of $363.6 million. This is a result of the analysis performed by the City in the course of implementing GASB60 and GASB65 to record service concession arrangements and to classify deferred inflows and outflows of resources.

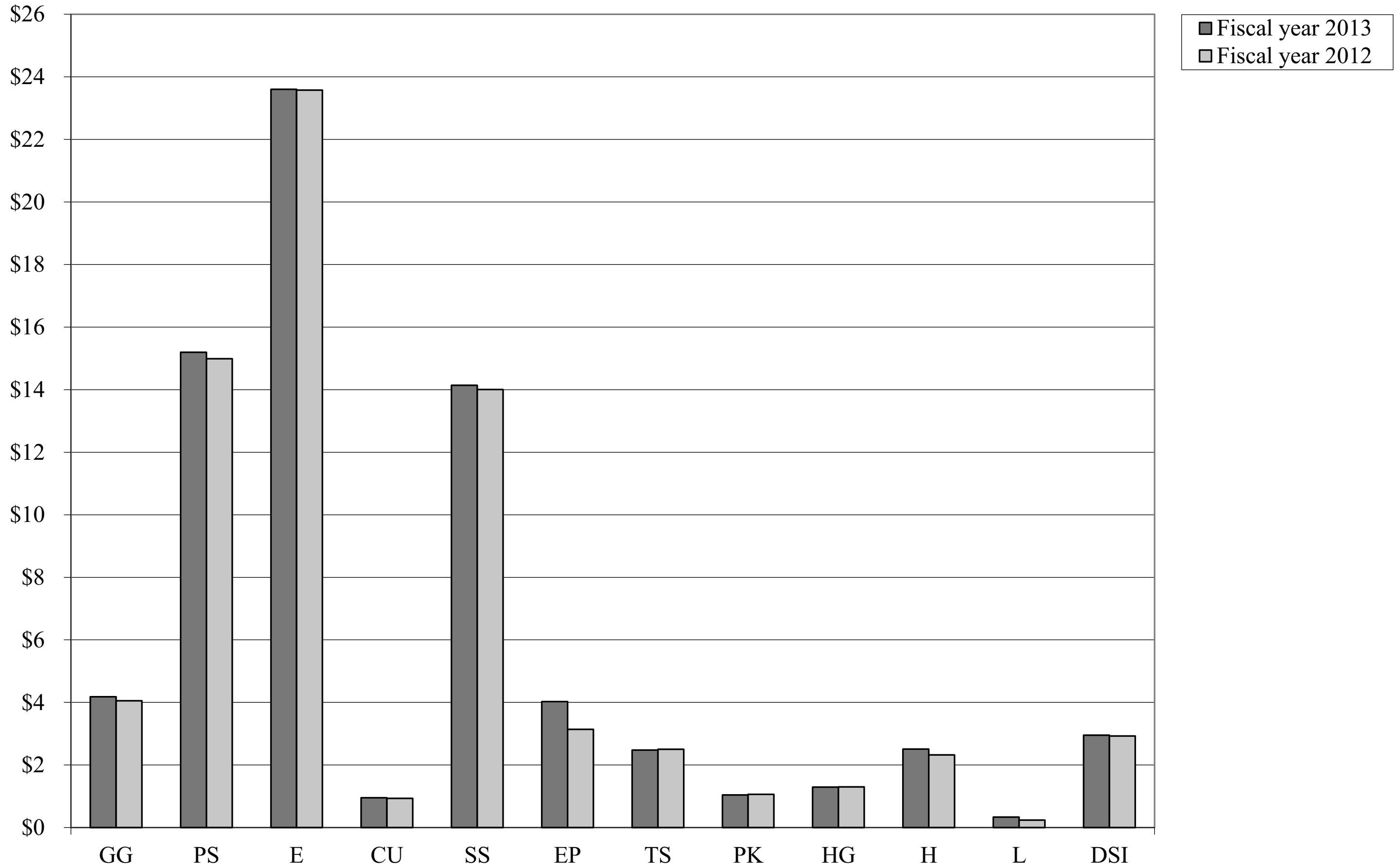
In fiscal year 2013, the increased costs of OPEB (i.e., the increase in the Net OPEB Obligation NOO) was approximately $4.35 billion. The increase was due primarily to the increased value of benefits and interest in excess of employer contributions. In fiscal year 2012, the NOO increased by approximately $4.27 billion.

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 2013 and a comparison to fiscal year 2012:

	Fiscal Year 2013		
Functions/Programs	Expenses per Statement of Activities	GASB45 Expenses	Expenses excluding GASB45
		(in thousands)	
General government (GG)	$ 4,272,676	$ 90,883	$ 4,181,793
Public safety and judicial (PS)	17,325,500	2,130,511	15,194,989
Education (E)	25,005,635	1,407,663	23,597,972
City University (CU)	972,275	18,844	953,431
Social services (SS)	14,322,278	183,273	14,139,005
Environmental protection (EP)	4,051,876	324,641	3,727,235
Transportation services (TS)	2,512,251	36,565	2,475,686
Parks, recreation and cultural activities (PK)	1,066,057	22,217	1,043,840
Housing (HG)	1,325,460	29,160	1,296,300
Health, including payments to HHC (H)	2,611,592	99,309	2,512,283
Libraries (L)	338,560	4,141	334,419
Debt service interest (DSI)	2,955,121	—	2,955,121
Total expenses	$ 76,759,281	$ 4,347,207	$ 72,412,074

	Fiscal Year 2012		
Functions/Programs	Expenses per Statement of Activities	GASB45 Expenses	Expenses excluding GASB45
		(in thousands)	
General government (GG)	$ 4,144,136	$ 89,179	$ 4,054,957
Public safety and judicial (PS)	17,077,117	2,090,568	14,986,549
Education (E)	24,957,704	1,382,753	23,574,951
City University (CU)	954,590	18,490	936,100
Social services (SS)	14,181,836	179,837	14,001,999
Environmental protection (EP)	3,456,151	318,555	3,137,596
Transportation services (TS)	2,536,846	35,879	2,500,967
Parks, recreation and cultural activities (PK)	1,086,246	21,801	1,064,445
Housing (HG)	1,327,674	28,613	1,299,061
Health, including payments to HHC (H)	2,419,857	97,447	2,322,410
Libraries (L)	243,470	4,064	239,406
Debt service interest (DSI)	2,929,182	—	2,929,182
Total expenses	$ 75,314,809	$ 4,267,186	$ 71,047,623

Expenses — Governmental Activities[1]
for the fiscal years ended June 30, 2013 and 2012
(in billions)



Functions/Programs

GG	General government
PS	Public safety and judicial
E	Education
CU	City University
SS	Social services
EP	Environmental protection
TS	Transportation services
PK	Parks, recreation, and cultural activities
HG	Housing
H	Health, including payments to HHC
L	Libraries
DSI	Debt service interest

(1) Expenses exclude GASB45.

In fiscal year 2013, the government-wide revenues increased from fiscal year 2012 by approximately $4.4 billion, and government-wide expenses increased by approximately $1.4 billion.

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

- Grants increased due to reimbursement for costs associated with Superstorm Sandy which impacted New York City in October 2012.

- Tax revenues, net of refunds, increased overall, as a result of the following:

  – The increase in real estate taxes results from growth in billable assessed value during the fiscal year.

  – The overall increase in sales and use taxes is driven primarily by large growth in mortgage recording taxes reflecting a rebound in the commercial real estate market. Additionally, there was an increase in the collection of general sales tax which demonstrates an increase in taxable consumption resulting from the local economic recovery and continued growth in visitor spending.

  – The increase in personal income taxes continued from 2011 as both wage and nonwage income strengthened in addition to a change in Federal tax law which increased the long-term capital gains rate, significantly increasing collections.

  – The increase in other income taxes (which include general corporation, financial corporation, unincorporated business income, non-resident personal income taxes, and utility tax) is attributable to increases in the business taxes (general corporation, financial corporation, and unincorporated business taxes). These increases reflect strong finance sector tax payments which were based on Wall Street profitability, combined with moderate growth of non-finance sector tax payments.

  – For all other taxes, the increase in taxes associated with the conveyance of real property reflects a continued recovery in both the volume and average sale price for commercial transactions and an improvement in the average sale prices for residential properties. Also increasing was commercial rent tax which shows improvements in commercial office vacancy rates and asking rents in Manhattan.

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

- General government expenses rose in part due to increases in heat, light and power costs as well as spending associated with Superstorm Sandy.

- Expenses in Environmental Protection increased due to the NYC Rapid Repairs Program in response to Superstorm Sandy, for which the Department of Environmental Protection served as the contracting entity.

- Health expenses increased primarily due to the costs of providing healthcare to individuals who were left without services as a result of Superstorm Sandy, in addition to costs associated with operational readiness activities in anticipation of reopening facilities after the storm.

- Expenses in Libraries grew due to an increase in advance cash subsidies made to the Systems by the City in comparison with fiscal year 2012 for which the City had made significant prepayments during fiscal year 2011.

In fiscal year 2012, the government-wide revenues increased from fiscal year 2011 by approximately $1.3 billion, and government-wide expenses decreased by approximately $735 million.

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

- Operating grants and contributions decreased due to a winding down of the American Recovery and Reinvestment Act of 2009 in 2012 versus 2011.

- Unrestricted Federal and State aid increased because the reported amount in 2011 was unusually low due to a write-off of the prior year's accrued New York State Revenue Sharing.

- Tax revenues, net of refunds, increased overall, as a result of the following:

  – The increase in real estate taxes results from growth in billable assessed value during the fiscal year.

  – The overall increase in sales and use taxes is driven primarily by large growth in mortgage recording taxes reflecting a rebound in the commercial real estate market. Additionally, there was an increase in the collection of general sales tax which demonstrates an increase in taxable consumption resulting from the local economic recovery and strong tourist consumption.

  – The increase in personal income taxes continued from 2011 as both wage and nonwage income strengthened.

  – The decrease in other income taxes (which include general corporation, financial corporation, unincorporated business income, non-resident personal income taxes, and utility tax) is mostly attributable to decreases in the business taxes (general corporation, financial corporation, and unincorporated business taxes). These declines originate from declines in the financial sector and Wall Street profitability versus prior years.

  – For all other taxes, the increase in taxes associated with the conveyance of real property reflects a recovery in both the volume and average sale price for commercial transactions and an improvement in the average sale prices for residential properties. Also increasing were hotel occupancy taxes stemming from record levels of tourism reached in calendar year 2011 as well as increases in commercial rent tax which shows improvements in commercial office vacancy rates and asking rents in Manhattan.

- The increase in the general revenues includes a settlement reached by the United States Attorney on behalf of the City of New York for restitution associated with the CityTime project.

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

- General government expenses rose predominantly due to increased fringe benefits costs.

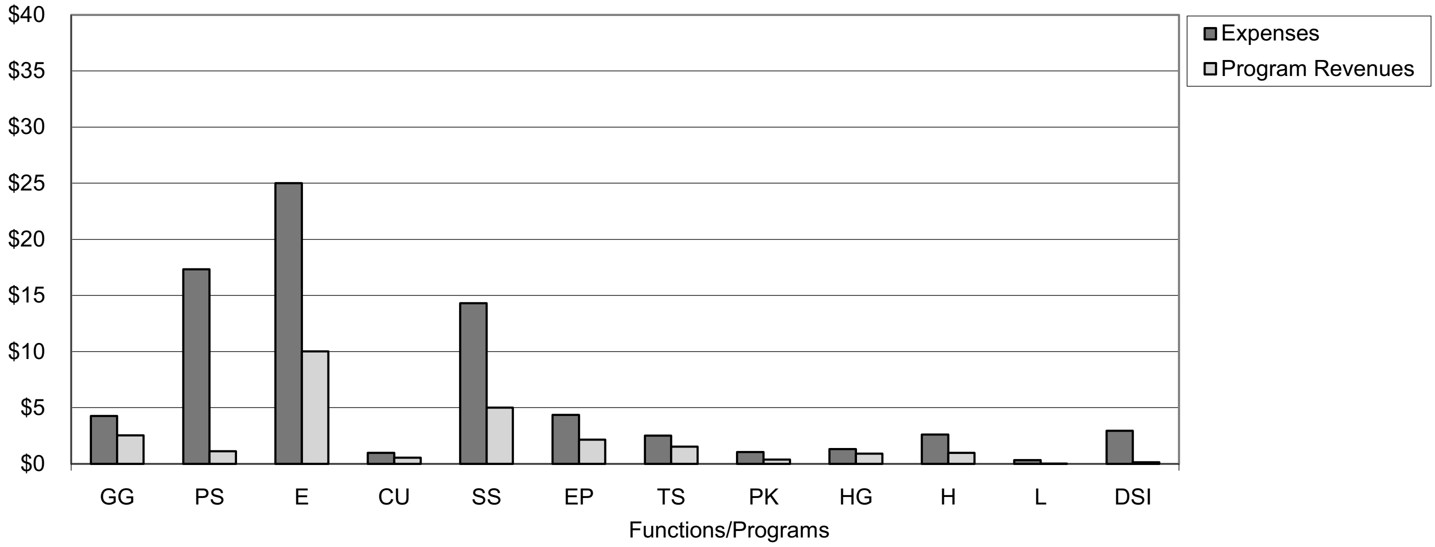
- Expenses for Public Safety and Judicial decreased largely because the Department of Juvenile Justice was merged with the Administration for Children's Services and as a result is now reflected in Social Services.

- Social Services expenses increased primarily due to the merger of the Department of Juvenile Justice with the Administration for Children's Services and the subsequent transfer of associated costs.

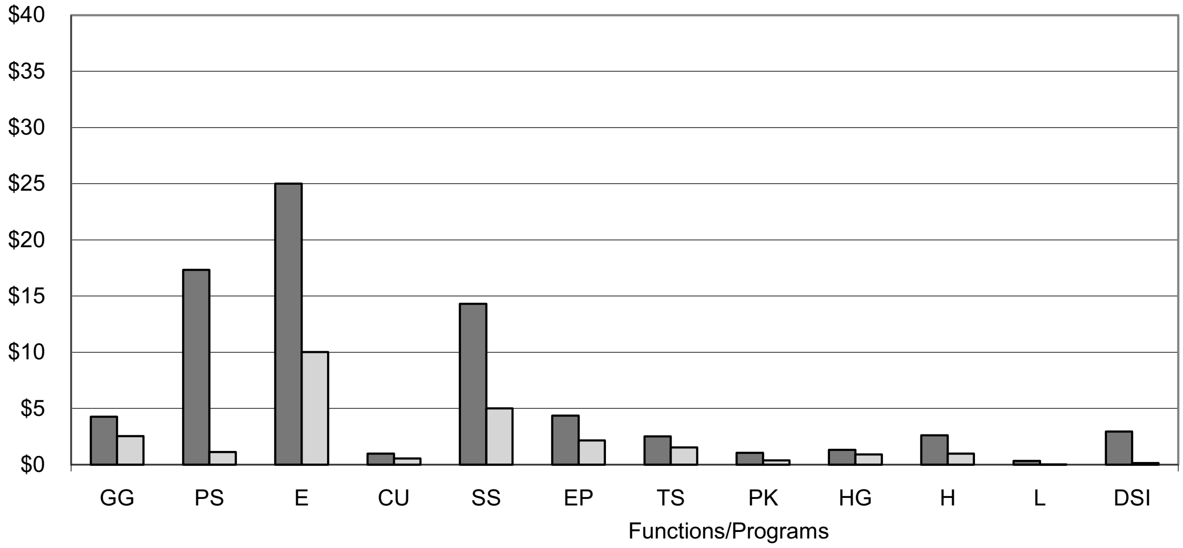
- Transportation services increased in part due to higher payments made to the Transit Authority in fiscal year 2012.

The following charts compare the amounts of expenses and program revenues for fiscal years 2013 and 2012:

Expenses and Program Revenues — Governmental Activities[(1)]
for the year ended June 30, 2013
(in billions)



Expenses and Program Revenues — Governmental Activities[(1)]
for the year ended June 30, 2012
(in billions)



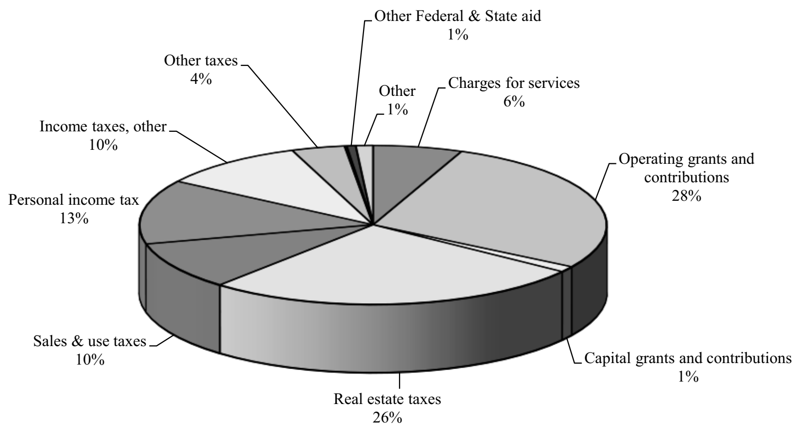
Functions/Programs

GG	General government
PS	Public safety and judicial
E	Education
CU	City University
SS	Social services
EP	Environmental protection
TS	Transportation services
PK	Parks, recreation, and cultural activities
HG	Housing
H	Health, including payments to HHC
L	Libraries
DSI	Debt service interest

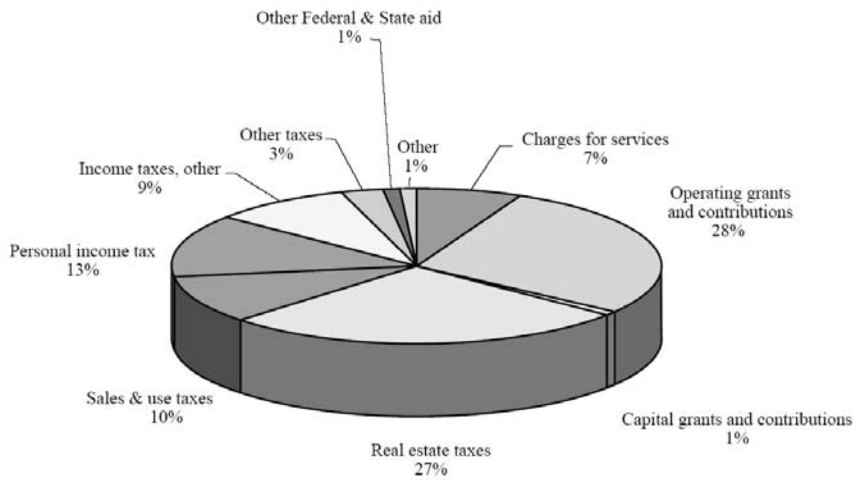
(1) Expenses include GASB45.

The following charts compare the amounts of program and general revenues for fiscal years 2013 and 2012:

Revenues by Source — Governmental Activities
for the year ended June 30, 2013



Revenues by Source — Governmental Activities
for the year ended June 30, 2012



As noted earlier, increases and decreases of net position may over time serve as a useful indicator of changes in a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by $130.3 billion at the close of the most recent fiscal year, an increase in the excess of liabilities and deferred inflows of resources over assets and deferred outflows of resources of $4.6 billion from June 30, 2012, which in turn compares with the net position decrease of $7.9 billion over the prior fiscal year 2011.

	Governmental Activities		
	2013	**2012**	**2011**
		(in thousands)	
Current and Other assets	$ 35,504,503	$ 32,624,899	$ 32,035,997
Capital assets (net of depreciation)	50,510,064	48,515,419	46,468,237
Total assets	86,014,567	81,140,318	78,504,234
Deferred outflows of resources	635,161	548,563	—
Long-term liabilities	190,019,384	183,083,517	174,138,334
Other liabilities	20,503,400	18,516,094	22,220,919
Total liabilities	210,522,784	201,599,611	196,359,253
Deferred inflows of resources	6,443,149	5,822,479	—
Net position:			
Net investment in capital assets	(9,343,601)	(10,794,379)	(9,996,793)
Restricted	7,265,917	6,635,670	6,657,505
Unrestricted (deficit)	(128,238,521)	(121,574,500)	(114,515,731)
Total net position (deficit)	$ (130,316,205)	$ (125,733,209)	$ (117,855,019)

The excess of liabilities over assets reported on the government-wide statement of net position (deficit) is a result of several factors. The largest components of the net position (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, 2013 and 2012:

Components of Net Position (Deficit)	2013	2012
	(in billions)	
Net Position Investment in Capital Assets		
Some City-owned assets have a depreciable life used for financial reporting that is different from the period over which the related debt principal is being repaid. Schools and related education assets depreciate more quickly than their related debt is paid, and they comprise one of the largest components of this difference	$ (9.3)	$ (10.8)
Net Position Restricted for:		
Debt Service	4.8	3.9
Capital Projects	2.5	2.7
Total net position restricted	7.3	6.6
Unrestricted Net Position		
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	(1.2)	(1.4)
STAR issued debt related to the defeasance of the MAC issued debt	(2.0)	(2.1)
The City has issued debt for the acquisition and construction of public purpose capital assets which are not reported as City-owned assets on the Statement of Net Position. 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	(21.8)	(14.5)
Certain long-term obligations do not require funding:		
OPEB liability	(92.5)	(88.2)
Judgments and claims	(6.2)	(6.3)
Vacation and sick leave	(4.2)	(4.2)
Pension liability	(0.6)	(0.6)
Landfill closure and postclosure costs	(1.1)	(1.5)
Other	1.3	(2.7)
Total unrestricted net position (deficit)	(128.3)	(121.5)
Total net position (deficit)	$ (130.3)	$ (125.7)

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	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
			(in thousands)			
Fund balances (deficit), June 30, 2011	$ 447,272	$ (3,014,725)	$ 2,817,390	$ 3,827,908	$	$ 4,077,845
Revenues	66,482,257	2,805,913	121,158	3,488,013	(2,726,100)	70,171,241
Expenditures...	(62,649,080)	(8,430,996)	(3,841,129)	(6,733,015)	2,109,236	(79,544,984)
Other financing sources (uses).........................	(3,828,165)	5,893,250	2,276,189	4,462,349	616,864	9,420,487
Fund balances (deficit), June 30, 2012	452,284	(2,746,558)	1,373,608	5,045,255		4,124,589
Revenues	70,522,027	2,562,094	109,838	3,612,222	(2,846,612)	73,959,569
Expenditures...	(64,498,721)	(8,385,332)	(3,779,693)	(5,094,143)	1,840,161	(79,917,728)
Other financing sources (uses).........................	(6,018,123)	5,534,040	5,062,954	695,912	1,006,451	6,281,234
Fund balances (deficit), June 30, 2013	$ 457,467	$ (3,035,756)	$ 2,766,707	$ 4,259,246	$	$ 4,447,664

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 $2.812 billion and $2.467 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2013 and 2012, respectively. After these certain expenditures and transfers (discretionary and other), the General Fund reported an operating surplus of $5 million in both fiscal years 2013 and 2012, 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, 2013, can be attributed principally to transfers (discretionary transfer and other, as described above) from the General Fund totaling $2.743 billion in fiscal year 2013 for fiscal year 2014 debt service. Similar transfers in fiscal year 2012 of $1.363 billion for fiscal year 2013 debt service also primarily account for the General Debt Service Fund balance at June 30, 2012.

The 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 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, 2013 and 2012 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 2013 General Fund expenditures include approximately $200 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. In June 2010, the state amended the Financial Emergency Act to permanently waive the budgetary impact of GASB49. Thus, $191.5 million of City bond proceeds and $8.5 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the $200 million of pollution remediation expenditures are also reported in the General Fund for fiscal year 2013. In fiscal year 2012, $201.9 million of City bond proceeds and $23.0 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supported the $224.9 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:

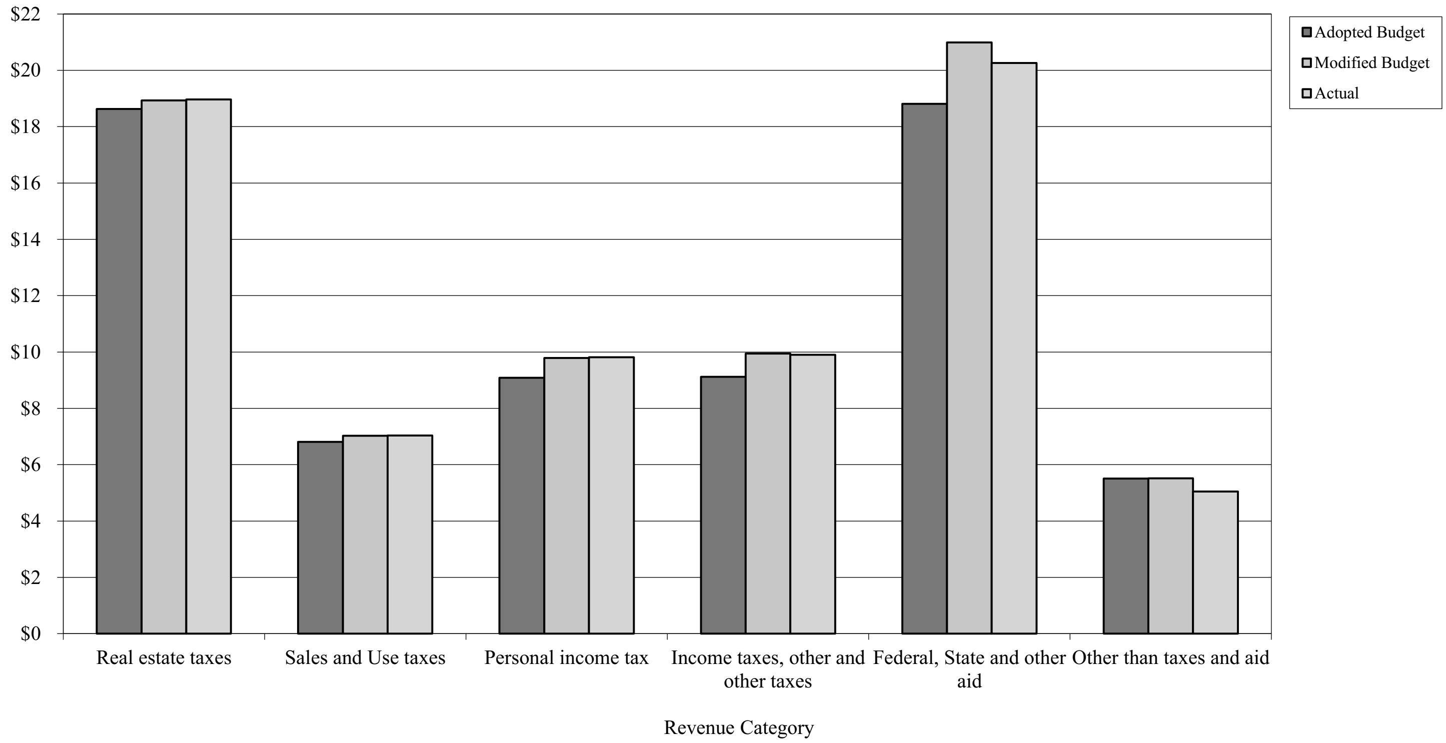
	General Fund Pollution Remediation Expenditures Fiscal Year 2013	
	Modified Budget	**Actual**
	(in thousands)	
General government	$ 30,498	$ 30,498
Public safety and judicial	1,548	1,548
Education	102,064	102,064
Social services	293	293
Environmental protection	11,451	11,451
Transportation services	19,065	19,065
Parks, recreation and cultural activities	286	286
Housing	964	964
Health, including HHC	33,234	33,234
Libraries	597	597
Total expenditures	$ 200,000	$ 200,000

	General Fund Pollution Remediation Expenditures Fiscal Year 2012	
	Modified Budget	**Actual**
	(in thousands)	
General government	$ 22,347	$ 22,347
Public safety and judicial	1,865	1,865
Education	121,628	121,628
Social services	157	157
Environmental protection	25,007	25,007
Transportation services	50,339	50,339
Parks, recreation and cultural activities	257	257
Housing	1,725	1,725
Health, including HHC	1,366	1,366
Libraries	172	172
Total expenditures	$ 224,863	$ 224,863

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 2013 and 2012 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

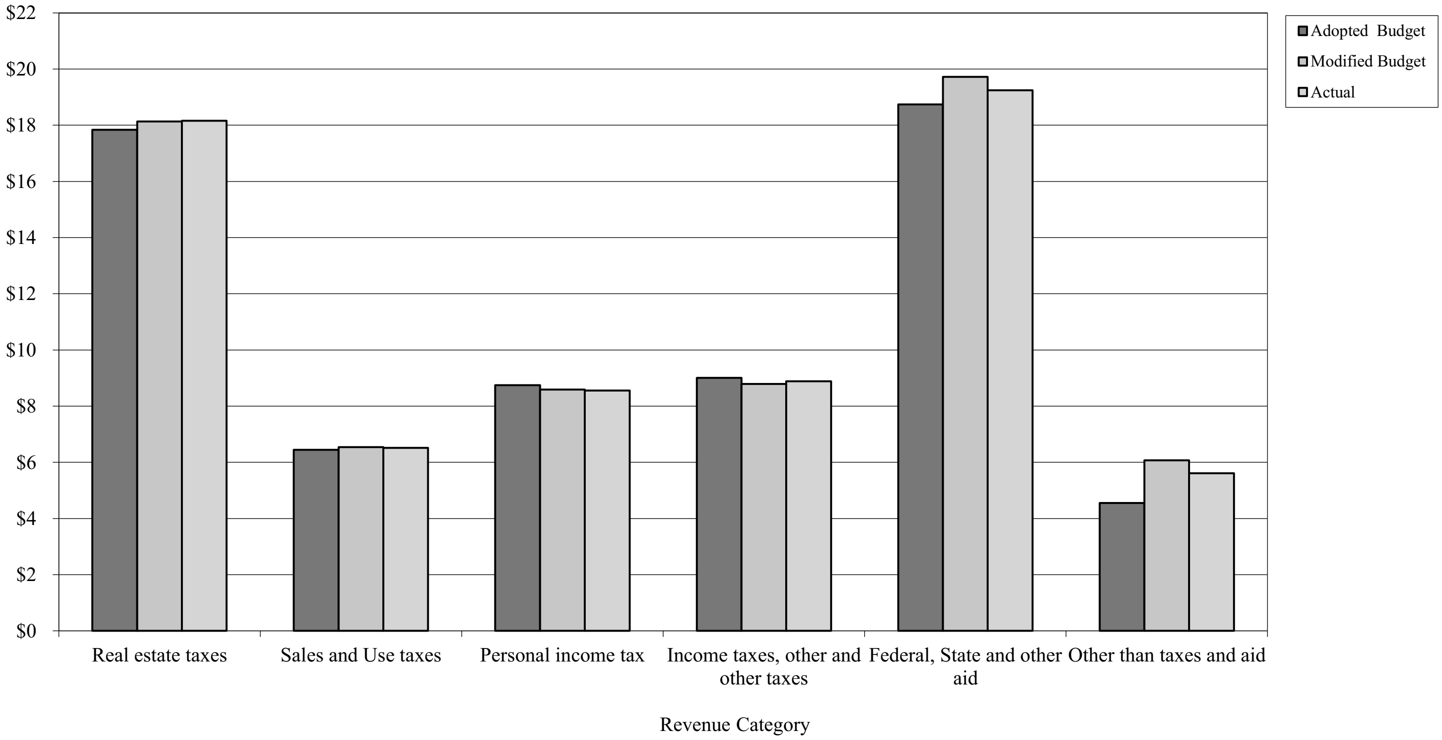
General Fund Revenues
Fiscal Year 2013
(in billions)



General Fund Revenues
Fiscal Year 2013

	Adopted Budget	Modified Budget (in millions)	Actual
Taxes (net of refunds):			
Real estate taxes	$ 18,631	$ 18,930	$ 18,970
Sales and use taxes	6,809	7,025	7,032
Personal income tax	9,086	9,790	9,815
Income taxes, other	6,012	7,328	7,249
Other taxes	3,106	2,620	2,656
Taxes (net of refunds)	43,644	45,693	45,722
Federal, State and other aid:			
Categorical	18,811	20,989	20,260
Federal, State and other aid	18,811	20,989	20,260
Other than taxes and aid:			
Charges for services	2,681	2,585	2,572
Other revenues	2,513	2,425	1,968
Bond proceeds	—	192	192
Transfers from Nonmajor Debt Service Fund	225	229	229
Transfers from General Debt Service Fund	88	86	86
Other than taxes and aid	5,507	5,517	5,047
Total revenues	$ 67,962	$ 72,199	$ 71,029

General Fund Revenues
Fiscal Year 2012
(in billions)



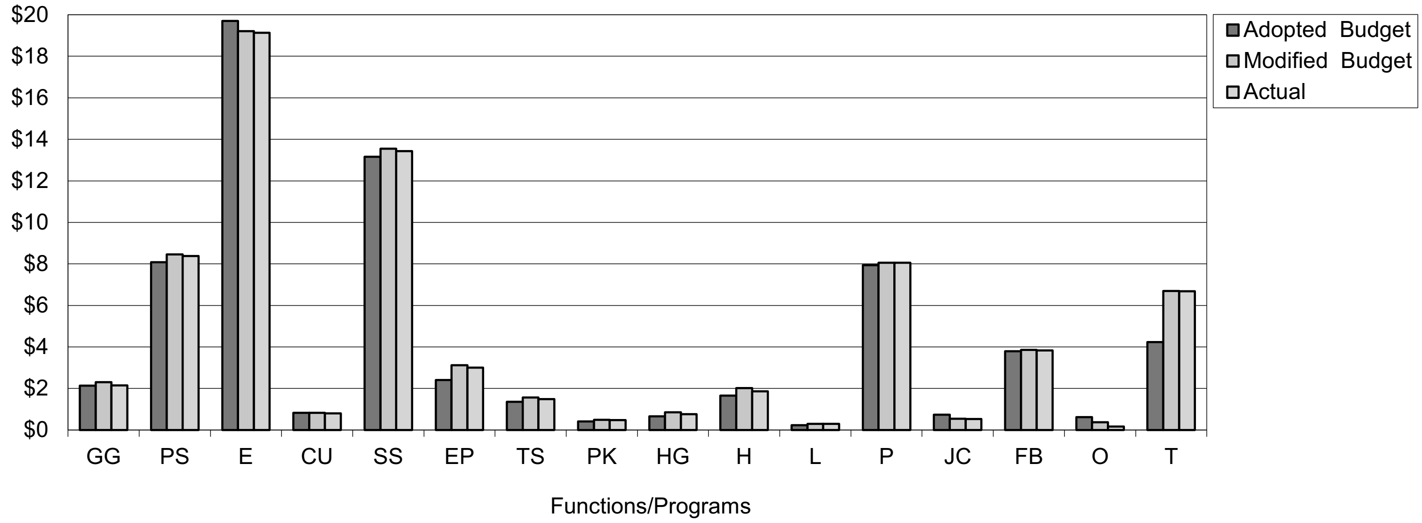
General Fund Revenues
Fiscal Year 2012

	Adopted Budget	Modified Budget (in millions)	Actual
Taxes (net of refunds):			
Real estate taxes	$ 17,838	$ 18,129	$ 18,158
Sales and use taxes	6,444	6,539	6,512
Personal income tax	8,749	8,594	8,557
Income taxes, other	6,285	6,420	6,499
Other taxes	2,721	2,371	2,385
Taxes (net of refunds)	42,037	42,053	42,111
Federal, State and other aid:			
Categorical	18,705	19,694	19,216
Unrestricted	37	25	25
Federal, State and other aid	18,742	19,719	19,241
Other than taxes and aid:			
Charges for services	2,491	2,521	2,539
Other revenues	1,790	3,067	2,591
Bond proceeds	—	202	202
Transfer from Nonmajor Debt Service Fund	213	209	210
Transfer from General Debt Service Fund	88	88	88
Other than taxes and aid	4,582	6,087	5,630
Total revenues	$ 65,361	$ 67,859	$ 66,982

General Fund Expenditures

The following charts and tables summarize actual expenditures by function/program for fiscal years 2013 and 2012 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

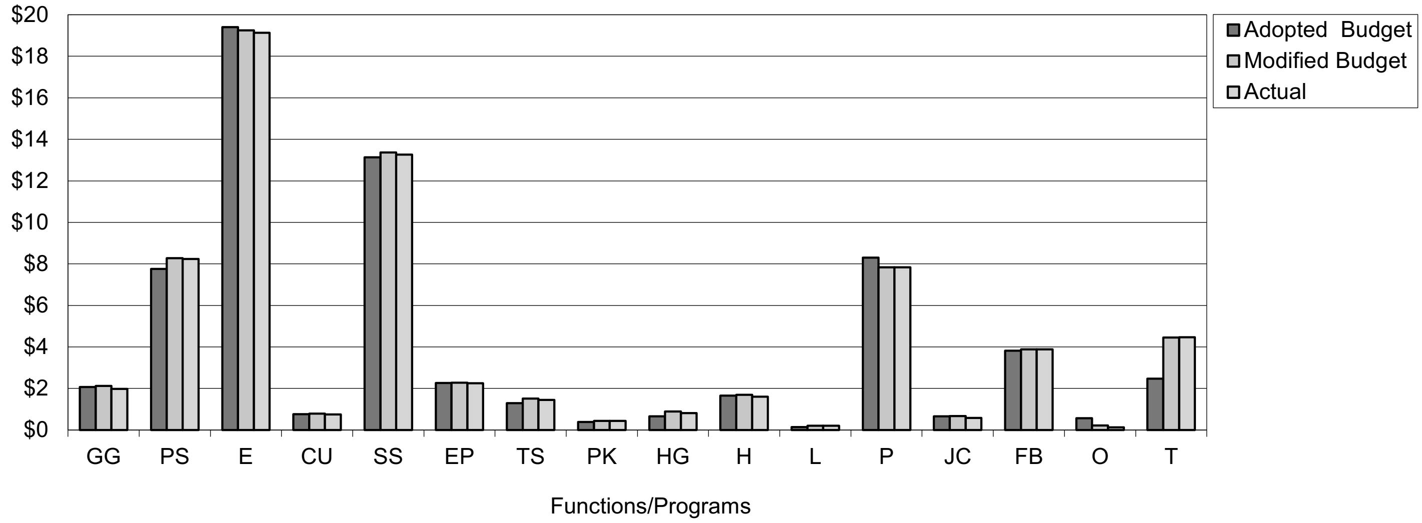
General Fund Expenditures
Fiscal Year 2013
(in billions)



General Fund Expenditures
Fiscal Year 2013

	Adopted Budget	Modified Budget (in millions)	Actual
General government (GG)	$ 2,135	$ 2,303	$ 2,152
Public safety and judicial (PS)	8,084	8,452	8,384
Education (E)	19,707	19,205	19,129
City University (CU)	832	831	802
Social services (SS)	13,163	13,552	13,433
Environmental protection (EP)	2,412	3,118	3,003
Transportation services (TS)	1,364	1,564	1,484
Parks, recreation, and cultural activities (PK)	414	491	481
Housing (HG)	652	847	756
Health, including HHC (H)	1,649	2,013	1,856
Libraries (L)	235	299	299
Pensions (P)	7,937	8,061	8,054
Judgments and claims (JC)	735	544	524
Fringe benefits and other benefit payments (FB)	3,797	3,858	3,830
Other (O)	615	368	160
Transfers and other payments for debt service (T)	4,231	6,693	6,677
Total expenditures	$ 67,962	$ 72,199	$ 71,024

General Fund Expenditures
Fiscal Year 2012
(in billions)



General Fund Expenditures
Fiscal Year 2012

	Adopted Budget	Modified Budget (in millions)	Actual
General government (GG)	$ 2,069	$ 2,118	$ 1,978
Public safety and judicial (PS)	7,763	8,275	8,240
Education (E)	19,407	19,249	19,129
City University (CU)	757	788	750
Social services (SS)	13,140	13,371	13,259
Environmental protection (EP)	2,266	2,282	2,246
Transportation services (TS)	1,296	1,510	1,444
Parks, recreation, and cultural activities (PK)	389	436	432
Housing (HG)	656	894	811
Health, including HHC (H)	1,660	1,692	1,608
Libraries (L)	139	200	199
Pensions (P)	8,300	7,838	7,830
Judgments and claims (JC)	655	665	583
Fringe benefits and other benefit payments (FB)	3,819	3,878	3,880
Other (O)	570	215	123
Transfers and other payments for debt service (T)	2,475	4,448	4,465
Total expenditures	$ 65,361	$ 67,859	$ 66,977

General Fund Surplus

The City had General Fund surpluses of $2.812 billion, $2.467 billion and $3.747 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2013, 2012 and 2011, respectively. For the fiscal years 2013, 2012 and 2011, 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 2013, 2012 and 2011 budgets follow:

	Governmental Activities		
	2013	**2012**	**2011**
		(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	$ 587	$ 65	$ 356
Discretionary transfers to the General Debt Service Fund	2,140	1,275	2,428
Net equity contribution in bond refunding that accrued to future years debt service savings	16	23	4
Grant to HYIC	—	156	—
Grant to TFA	—	879	790
Advance cash subsidies to the Public Library system	64	64	164
Total expenditures and transfers (discretionary and other)	2,807	2,462	3,742
Reported surplus	5	5	5
Total surplus	$ 2,812	$ 2,467	$ 3,747

Fiscal Year 2013

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 2013 Adopted Budget:

	2013
	(in millions)
Additional Resources:	
Federal categorical aid	$1,958
Greater than expected personal income tax collections	697
Greater than expected general corporation tax collections	426
Lower than expected supplies and materials costs	425
Higher than expected real estate tax collections	339
General Reserve	300
Lower than expected judgments and claims expenditures	262
Lower than expected debt service costs	134
Lower than expected all other general administrative OTPS expenditures	187
Greater than expected banking corporation tax collections	144
Greater than expected mortgage tax collections	143
Higher than expected real property transfer tax collections	142
Lower than expected fuel and energy costs	141
Non-governmental grants	139
Higher than expected sales tax collections	63
Greater than expected all other miscellaneous revenues	62
Higher than expected all other tax collections	47
Lower than expected health insurance costs	44
Higher than expected revenues from licenses, permits and privileges	41
Higher than expected commercial rent tax collections	40
Higher than expected unincorporated business tax collections	36
Greater than expected general government charges	27
Higher than expected rental income revenues	17
Higher than expected revenues from fines and forfeitures	10
All other net underspending and revenues above budget	3
Total	5,827
Enabled the City to provide for:	
Additional prepayments for certain debt service costs and subsidies due in fiscal year 2014	2,667
Lower than expected proceeds from sale of taxi medallions	635
Higher than expected contractual services costs	502
State categorical aid	403
Greater than expected overtime costs	357
Greater than expected payments to the HHC	287
Pollution remediation costs	200
Lower than expected water and sewer charges	153
Higher than expected Medicaid spending	126
Higher than expected public assistance spending	117
Greater than expected pension expenditures	117
Higher than expected all other personal services spending	64
Greater than expected all other fixed and miscellaneous charges	63
Greater than expected property and equipment costs	58
Higher than expected provisions for disallowance reserve	44
Lower than expected proceeds from asset sales	22
Lower than expected tobacco settlement proceeds	7
Total	5,822
Reported Surplus	$ 5

Fiscal Year 2012

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 2012 Adopted Budget:

	2012
	(in millions)
Additional Resources:	
Federal Categorical Aid	$ 505
CityTime settlement proceeds	469
Lower than expected pension expenditures	469
Lower than expected supplies and materials costs	406
Lower than expected all other general administrative OTPS expenditures	367
Greater than expected real estate tax collections	320
General Reserve	300
Lower than expected all other debt service costs	257
Higher than expected all other miscellaneous revenues	195
Lower than expected provisions for disallowance reserve	181
Higher than expected real property transfer tax collections	137
Lower than expected energy costs	133
Higher than expected all other tax collections	120
Greater than expected banking corporation tax collections	87
State categorical aid	84
Lower than expected health insurance costs	80
Lower than expected judgments and claims expenditures	74
Higher than expected revenues from licenses, permits and privileges	57
Greater than expected proceeds from asset sales	47
Higher than expected charges for services	47
Lower than expected public assistance spending	44
Higher than expected revenues from fines and forfeitures	44
Higher than expected mortgage tax collections	37
Higher than expected commercial rent tax collections	36
Lower than expected lease purchase debt service costs	35
Greater than expected sales tax collections	6
All other net underspending and revenues above budget	2
Total	4,539
Enabled the City to provide for:	
Additional prepayments for certain debt service costs and subsidies due in fiscal year 2013	2,439
Greater than expected overtime costs	432
Greater than expected contractual services costs	353
Lower than expected general corporation tax collections	272
Lower than expected personal income tax collections	228
Pollution remediation costs	225
Lower than expected unincorporated business tax collections	169
Greater than expected all other fixed and miscellaneous charges	136
Higher than expected Medicaid spending	77
Higher than expected property and equipment costs	66
Lower than expected non-governmental grants	53
Greater than expected payments to HHC	24
Greater than expected all other social services spending (excluding Medicaid and public assistance)	22
Lower than expected interest income	17
Lower than expected unrestricted Federal and State aid	12
Higher than expected all other personal services spending	9
Total	4,534
Reported Surplus	$ 5

Capital Assets

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

	Governmental Activities		
	2013	2012	2011
		(in millions)	
Land*	$ 1,700	$ 1,634	$ 1,569
Buildings	29,381	28,383	27,007
Equipment (including software)	2,505	2,410	2,153
Infrastructure**	12,219	11,651	11,133
Construction work-in-progress*	4,705	4,437	4,897
Total	$ 50,510	$ 48,515	$ 46,759

* 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 2013 was $1.995 billion, a 4% increase. Capital assets additions in fiscal year 2013 were $8.380 billion, an increase of $361 million from fiscal year 2012.

Due to the implementation of GASB60, the net increase in the City's capital assets during fiscal year 2012 of $1.756 billion, a 4% increase, was impacted by recognizing $300.3 million in capital assets associated with service concession arrangements. Capital assets additions in fiscal year 2012 were $8.019 billion, a decrease of $832 million from fiscal year 2011.

Additional information on the City's capital assets can be found in Note D.2 of the Basic Financial Statements and in schedule CA1 thru CA3 of other supplementary information.

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 2013, 2012 and 2011.

	New York City and City-Related Debt		
	2013	2012	2011
		(in millions)	
General Obligation Bonds[(a)]	$ 41,592	$ 42,286	$ 41,785
TFA Bonds	21,816	19,587	17,624
TFA Recovery Bonds	1,233	1,372	1,466
TFA BARBs	6,154	5,309	4,730
TSASC Bonds	1,245	1,253	1,260
IDA Bonds	93	95	98
STAR Bonds	1,985	2,054	2,117
FSC Bonds	260	270	282
HYIC Bonds	3,000	3,000	2,000
ECF Bonds	268	274	281
Total bonds and notes payable	$ 77,646	$ 75,500	$ 71,643

(a) Does not include capital contract liabilities.

General Obligation

On July 1, 2013, the City's outstanding General Obligation (GO) debt, including capital contract liabilities, totaled $54.3 billion (compared with $52.7 and $52.03 billion as of July 1, 2012 and 2011, 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, 2013, the City's 10% general limitation was $79.1 billion (compared with $76.9 and $76.1 billion as of July 1, 2012 and 2011 respectively). The City and TFA's combined debt incurring power as of July 1, 2013, after providing for capital contract liabilities, totaled $24.83 billion.

As of June 30, 2013, the City's outstanding GO variable and fixed rate debt totaled $7.66 billion and $33.93 billion, respectively. Of the $4.55 billion in GO bonds issued by the City in fiscal year 2013, a total of $2.92 billion was issued to refund certain outstanding bonds at a lower interest rate and a total of $1.63 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 savings of $25.87 million, $249.68 million and $100.25 million in fiscal year 2013, 2014 and 2015, respectively. The refundings will generate approximately $374.80 million in net present value savings throughout the life of the bonds.

In fiscal year 2013, the City issued $100 million of traditional taxable fixed rate bonds. The traditional taxable bonds were sold on a competitive basis.

In addition, the City converted $520.27 million of bonds between different interest rate modes.

During fiscal year 2013, GO variable rate debt traded at the following average interest rates:

	Tax-Exempt	Taxable
Dailies	0.16%	—
2-Day Mode	0.19%	—
Weeklies	0.17%	0.59%
Auction Rate Securities — 7 Day	0.63%	—
Index Floaters	3.02%	1.08%

During fiscal year 2013, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) maintained the GO rating at AA. Moody's Investors Service (Moody's) continued to rate GO bonds at Aa2.

Short term Financing

In fiscal year 2013, 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 GO 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 had 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.

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, 2013, the TFA Future Tax Secured Bond total debt outstanding, including Recovery Bonds and Subordinate Lien Bonds, totaled approximately $23.05 billion.

TFA issued $4.68 billion TFA bonds in fiscal year 2013, a total of $2.93 billion was issued for new money capital purposes and $1.75 billion was issued to refund certain outstanding bonds at lower interest rates. In fiscal year 2013 TFA also converted $270.30 million outstanding bonds between interest rate modes.

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 savings of $21.11 million in fiscal year 2013, and budgetary savings of $213.60 million fiscal year 2014. The refundings will generate approximately $240.01 million in net present value savings throughout the life of the bonds. Of the $2.93 billion new money issued in fiscal year 2013, $350 million were Qualified School Construction Bonds (QSCBs).

As of June 30, 2013, the TFA's outstanding variable rate debt, which included $986.40 million of TFA Recovery Bonds, totaled $3.54 billion. During fiscal year 2013, TFA's variable rate debt traded at the following average interest rates:

	Tax-Exempt	Taxable
Dailies	0.16%	—
Weeklies	0.18%	—
Auction Rate Securities — 7 Day	0.39%	—
Index Floaters	0.99%	—
2-Day Mode	0.13%	—

In fiscal year 2013, S&P and Fitch maintained their respective ratings on both Senior Lien and Subordinate Lien TFA Bonds at AAA. Moody's maintained its rating on Senior Lien Bonds at Aaa and Subordinate Lien Bonds at Aa1.

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 BARBs) credit was created. The City assigned all the State Building Aid to the TFA.

In fiscal year 2013, the TFA issued $850 million in new money TFA BARBs to finance a portion of the City's educational facilities capital plan. As of June 30, 2013, the TFA BARBs outstanding totaled $6.15 billion.

During fiscal year 2013, S&P and Fitch maintained the TFA BARBs rating at AA- and Moody's maintained the TFA BARBs rating at Aa3.

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 2013. As of June 30, 2013, TSASC had approximately $1.25 billion of bonds outstanding.

TSASC bond ratings vary by maturity. As of June 30, 2013, S&P rated TSASC bonds maturing June 1, 2022, 2026, 2034 and 2042 BB+, B+, B and B- respectively. Fitch rated TSASC bonds maturing on June 1, 2022 and 2026 BBB and BB- respectively. Fitch rated bonds maturing on June 1, 2034 and 2042 B+.

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, 2013, STAR had $1.99 billion bonds outstanding. It had no financing activity in fiscal year 2013.

The bonds are rated AAA by S&P, Aa2 by Moody's, 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, 2013, FSC had $259.85 million bonds outstanding. It had no financing activity in fiscal year 2013.

As of June 30, 2013, the bonds were rated AA+ by S&P, Aaa by Moody's and AAA by 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, 2013, HYIC had $3 billion bonds outstanding. HYIC had no financing activity in fiscal year 2013.

The bonds are rated A by S&P, A2 by Moody's, and A by Fitch.

New York City Educational Construction Fund

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

The ECF had no financing activity in fiscal year 2013.

As of June 30, 2013, ECF had $268.05 million bonds outstanding.

The bonds are rated AA- by S&P and Aa3 by Moody's.

New York City Tax Lien Trusts

The New York City Tax Lien Trusts (NYCTLTs) are Delaware statutory trusts which were created to acquire certain liens securing unpaid real estate taxes, water rents, sewer surcharges, and other payables to the City and the New York City Water Board in exchange for the proceeds from bonds issued by the NYCTLTs, net of reserves funded by the bond proceeds and bond issued cost. The City is the sole beneficiary to the NYCTLTs and is entitled to receive distributions from the NYCTLTs after payments to the bondholders and certain reserve requirements have been satisfied.

Interest Rate Exchange Agreements

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. No new swaps were initiated in fiscal year 2013, however: on November 19, 2012 the City partially terminated a notional amount of $178.69 million of basis swap number seven with Morgan Stanley Capital Services LLC (MSCS) resulting in a payment to the City of $123 thousand. On November 20, 2012 the City novated the remaining $364.10 million as well as the entire notional amount of a LIBOR fixed payer swap (swap number three) from MSCS to Bank of New York Mellon totaling $66.67 million. As of June 30, 2013, the outstanding notional amount on the City's various swap agreements was $1.97 billion.

The Water Authority has also entered into interest rate exchange agreements from time to time in order to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio. In fiscal year 2013, the Authority did not initiate any new swaps. As of June 30, 2013, the outstanding notional amount on the Water Authority's various swap agreements was $601 million.

Additional information on the City's long-term debt can be found in Note D.4. of the Basic Financial Statements.

Subsequent Events

Subsequent to June 30, 2013, the City and TFA completed the following long-term financings:

Long term Financing

City Debt:

On August 15, 2013, The City of New York sold its Fiscal 2014 Series A General Obligation bonds of $500 million for capital purposes.

On August 15, 2013, The City of New York sold its Fiscal 2014 Series B and C General Obligation bonds of $372.52 million for refunding purposes.

On August 15, 2013, The City of New York converted its Fiscal 1994 Series A8, A9, A10, B3, H3 and Fiscal 2006 Series E2, E3, E4 General Obligation bonds of $134.84 million from Daily Mode to Fixed Rate Mode.

On October 16, 2013, The City of New York sold its Fiscal 2014 Series D General Obligation bonds of $825 million for capital purposes.

On October 16, 2013, The City of New York sold its Fiscal 2014 Series E and F General Obligation bonds of $416.92 million for refunding purposes.

On October 16, 2013, The City of New York converted its Fiscal 2003 Series C4 and C5 General Obligation bonds of $175.675 million from Weekly Mode to Fixed Rate Mode.

NYCTLT:

On July 31, 2013, NYCTLT 2013-A issued Tax Lien Collateralized Bonds, Series 2013-A of $91.37 million to fund the purchase of certain liens from the City.

Bond Ratings:

On August 14, 2013, Fitch downgraded TSASC bonds maturing June 1, 2022 to BBB- from BBB, and bonds maturing June 1, 2034 and June 1, 2042 to B from B+.

Commitments

At June 30, 2013, the outstanding commitments relating to projects of the Capital Projects Fund amounted to approximately $14.3 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates the Capital Projects Fund expenditures of $53.7 billion over fiscal years 2014 through 2023. To help meet its capital spending program, the City and TFA borrowed $5.41 billion in the public credit market in fiscal year 2013. The City and TFA plan to borrow $5.60 billion in the public credit market in fiscal year 2014.

Superstorm Sandy

On October 29, 2012, Superstorm Sandy (Sandy) made landfall in the City. The storm surge and high winds caused significant damage in the City as well as other states and cities along the U.S. eastern seaboard. The City incurred costs for emergency response and storm related damages to, and destruction of, City buildings and other assets. As of June 30, 2013, approximately $1.7 billion, including $305 million for capital needs and $1.4 billion for cleanup, relief and repair following the storm had been spent, and The City continues to incur costs associated with the recovery.

In response to the damages caused by Sandy, President Obama signed a major disaster declaration on October 30, 2012, authorizing the Federal Emergency Management Agency (FEMA) to provide Public Assistance grants (PA) to government entities for response and recovery efforts. The emergency declaration supports the reimbursement of eligible emergency work (categorized as Emergency Protective Measures and Debris Removal) and permanent work (categorized as restoration of Roads and Bridges, Water Control Facilities, Buildings and Equipment, Utilities and Parks and Recreational facilities). On June 26, 2013 the President authorized reimbursement of eligible costs at a 90% rate.

In addition to the FEMA PA, the City has been awarded more than $1.77 billion of Community Development Block Grant Disaster Recovery (CDBG-DR) funding through the U.S. Department of Housing and Urban Development. The major portion of these funds is being used in a variety of home restoration and replacement programs, small business assistance programs, and resiliency/hazard mitigation programs. The remainder is being used to pay certain Sandy-related costs that are not reimbursable by FEMA as well as the 10% non-FEMA share of eligible costs, to the extent that those are eligible for CDBG-DR funding.

Approximately $637 million in emergency and recovery spending had been obligated for reimbursement by FEMA as of June 30, 2013, the remainder of eligible reimbursement will be obligated going forward. To the extent that eligible Sandy related costs were incurred as of June 30, 2013, the FEMA reimbursement has been received or accrued as receivable in fiscal year 2013.

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 200 South, New York, New York 10007-2341.

THE CITY OF NEW YORK

STATEMENT OF NET POSITION

JUNE 30, 2013
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 5,822,829	$ 2,781,953
Investments, including accrued interest	3,353,231	767,541
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $234,364)	370,123	—
Federal, State and other aid	8,791,454	—
Taxes other than real estate	4,803,376	—
Leases	—	1,760,040
Other receivables, net	1,855,033	3,894,313
Mortgage loans and interest receivable, net	—	8,606,630
Inventories	296,335	51,693
Due from Primary Government	—	152,879
Due from Component Units	2,161,477	—
Restricted cash, cash equivalents and investments	7,552,155	5,309,868
Other	498,490	287,717
Capital assets:		
Land and construction work-in-progress	6,405,345	11,862,101
Other capital assets (net of depreciation/amortization):		
Building and equipment (including software)	31,886,362	25,320,902
Infrastructure	12,218,357	—
Total assets	86,014,567	60,795,637
DEFERRED OUTFLOWS OF RESOURCES	635,161	108,530
LIABILITIES:		
Accounts payable and accrued liabilities	14,662,150	3,222,656
Accrued interest payable	945,619	142,578
Unearned revenue	3,245	207,080
Due to Primary Government	—	2,161,477
Due to Component Units	152,879	—
Estimated disallowance of Federal, State and other aid	1,010,614	—
Other	3,628,009	269,061
Derivative instruments—interest rate swaps	100,884	90,511
Noncurrent liabilities:		
Due within one year	4,849,417	2,071,467
Due in more than one year	185,169,967	49,159,644
Total liabilities	210,522,784	57,324,474
DEFERRED INFLOWS OF RESOURCES	6,443,149	—
NET POSITION:		
Net investment in capital assets	(9,343,601)	7,303,448
Restricted for:		
Capital projects	2,506,625	38,692
Debt service	4,759,292	1,889,254
Loans/security deposits	—	92,860
Donor/statutory restrictions	—	96,355
Operations	—	277,611
Unrestricted (deficit)	(128,238,521)	(6,118,527)
Total net position (deficit)	$ (130,316,205)	$ 3,579,693

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF NET POSITION

JUNE 30, 2012
(in thousands)

	Primary Government: Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 5,766,448	$ 2,868,144
Investments, including accrued interest	2,554,965	920,999
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $265,066)	419,920	—
Federal, State and other aid	7,697,707	—
Taxes other than real estate	5,166,792	—
Leases	—	1,700,410
Other receivables, net	1,395,737	3,464,574
Mortgage loans and interest receivable, net	—	8,217,900
Inventories	284,890	56,643
Due from Primary Government	—	62,371
Due from Component Units	1,839,653	—
Restricted cash, cash equivalents and investments	7,077,280	5,106,460
Deferred charges	—	—
Other	421,507	367,835
Capital assets:		
Land and construction work-in-progress	6,070,978	11,457,918
Other capital assets (net of depreciation/amortization):		
Buildings and equipment (including software)	30,792,957	24,293,722
Infrastructure	11,651,484	—
Total assets	81,140,318	58,516,976
DEFERRED OUTFLOWS OF RESOURCES	548,563	170,270
LIABILITIES:		
Accounts payable and accrued liabilities	12,468,496	2,974,058
Accrued interest payable	912,173	138,249
Unearned revenues	1,536	187,761
Due to Primary Government	—	1,839,653
Due to Component Units	62,371	—
Estimated disallowance of Federal, State and other aid	997,428	—
Other	3,920,458	255,244
Derivative instruments—interest rate swaps	153,632	137,820
Noncurrent liabilities:		
Due within one year	4,939,653	1,652,052
Due in more than one year	178,143,864	47,824,346
Total liabilities	201,599,611	55,009,183
DEFERRED INFLOWS OF RESOURCES	5,822,479	—
NET POSITION:		
Net investment in capital assets	(10,794,379)	6,905,186
Restricted for:		
Capital projects	2,720,782	40,766
Debt service	3,914,888	1,440,542
Loans/security deposits	—	85,597
Donor/statutory restrictions	—	75,953
Operations	—	313,073
Unrestricted (deficit)	(121,574,500)	(5,183,054)
Total net position (deficit)	$ (125,733,209)	$ 3,678,063

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013
(in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
General government	$ 4,272,676	$ 982,295	$ 1,495,166	$ 65,646	$ (1,729,569)	$
Public safety and judicial	17,325,500	284,274	844,526	786	(16,195,914)	
Education	25,005,635	69,497	9,927,315	31,681	(14,977,142)	
City University	972,275	336,975	211,178	239	(423,883)	
Social services	14,322,278	51,367	4,939,371	15,939	(9,315,601)	
Environmental protection	4,051,876	1,405,631	707,449	46,752	(1,892,044)	
Transportation services	2,512,251	860,047	285,241	390,038	(976,925)	
Parks, recreation and cultural activities	1,066,057	92,415	76,609	220,879	(676,154)	
Housing	1,325,460	325,669	514,733	75,676	(409,382)	
Health (including payments to HHC)	2,611,592	75,803	918,963		(1,616,826)	
Libraries	338,560		156	2,192	(336,212)	
Debt service interest	2,955,121		143,000		(2,812,121)	
Total primary government	$ 76,759,281	$ 4,483,973	$ 20,063,707	$ 849,828	(51,361,773)	
Component Units	$ 16,316,532	$ 11,619,403	$ 2,653,437	$ 1,425,998		(617,694)

	Governmental Activities	Component Units
General revenues:		
Taxes (Net of Refunds):		
Real estate taxes	19,070,857	
Sales and use taxes	7,065,331	
Personal income tax	9,506,798	
Income taxes, other	7,363,633	
Other taxes:		
Commercial Rent	721,213	
Conveyance of Real Property	1,096,431	
Hotel Room Occupancy	512,342	
Payment in Lieu of Taxes	265,164	
Other	67,870	
Investment income	102,612	93,090
Other Federal and State aid	452,122	15,012
Other	554,404	411,222
Total general revenues	46,778,777	519,324
Change in net position	(4,582,996)	(98,370)
Net position (deficit) beginning	(125,733,209)	3,678,063
Net position (deficit) ending	$ (130,316,205)	$ 3,579,693

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012
(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 Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Units
Primary government:						
General government	$ 4,144,136	$ 1,122,481	$ 936,994	$ 40,857	$ (2,043,804)	$
Public safety and judicial	17,077,117	279,128	676,840	228	(16,120,921)	
Education	24,957,704	68,102	9,953,121	28,810	(14,907,671)	
City University	954,590	313,901	188,195	693	(451,801)	
Social services	14,181,836	45,090	4,930,971	2,423	(9,203,352)	
Environmental protection	3,456,151	1,418,324	56,553	56,064	(1,925,210)	
Transportation services	2,536,846	923,112	256,411	311,493	(1,045,830)	
Parks, recreation and cultural activities	1,086,246	89,631	26,242	27,543	(942,830)	
Housing	1,327,674	276,014	557,515	111,174	(382,971)	
Health (including payments to HHC)	2,419,857	90,487	965,943	13,056	(1,350,371)	
Libraries	243,470			1,972	(241,498)	
Debt service interest	2,929,182		219,921		(2,709,261)	
Total primary government	$ 75,314,809	$ 4,626,270	$ 18,768,706	$ 594,313	(51,325,520)	
Component Units	$ 15,837,560	$ 11,495,045	$ 2,416,829	$ 1,191,648		(734,038)

	Governmental Activities	Component Units
General revenues:		
Taxes (Net of Refunds):		
Real estate taxes	18,177,170	
Sales and use taxes	6,618,107	
Personal income tax	8,722,002	
Income taxes, other	6,079,881	
Other taxes:		
Commercial Rent	671,722	
Conveyance of Real Property	917,653	
Hotel Room Occupancy	486,525	
Payment in Lieu of Taxes	261,128	
Other	48,309	
Investment income	117,608	70,947
Other Federal and State aid	730,310	5,550
Other	980,491	491,926
Total general revenues	43,810,906	568,423
Change in net position	(7,514,614)	(165,615)
Net position (deficit) beginning	(117,855,019)	4,212,714
Restatement of beginning net position	(363,576)	(369,036)
Net position (deficit) ending	$ (125,733,209)	$ 3,678,063

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2013
(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 5,618,894	$ 127,673	$	$ 76,262	$	$ 5,822,829
Investments, including accrued interest	3,404,300			640		3,404,940
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $234,364)	370,123					370,123
Federal, State and other aid	7,857,427	934,027				8,791,454
Taxes other than real estate	4,701,686			101,690		4,803,376
Other receivables, net	1,408,315			418,154		1,826,469
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $332,792)						
Due from other funds	3,146,959	158,486		349,429	(348,862)	3,306,012
Due from Component Units	1,470,629	690,848				2,161,477
Restricted cash and investments		659,651	2,771,341	4,121,163		7,552,155
Other assets		106,552		377,487		484,039
Total assets	$ 27,978,333	$ 2,677,237	$ 2,771,341	$ 5,444,825	$ (348,862)	$ 38,522,874
LIABILITIES:						
Accounts payable and accrued liabilities	$ 12,318,237	$ 1,756,453	$ 4,634	$ 583,174	$	$ 14,662,498
Accrued tax refunds:						
Real estate taxes	183,023					183,023
Personal income tax	80,207					80,207
Other	106,449					106,449
Accrued judgments and claims	334,332	67,399				401,731
Unearned revenue				3,245		3,245
Due to other funds		3,431,851		223,023	(348,862)	3,306,012
Due to Component Units	152,879					152,879
Estimated disallowance of Federal, State and other aid	1,010,614					1,010,614
Other liabilities	3,016,509	457,290				3,473,799
Total liabilities	17,202,250	5,712,993	4,634	809,442	(348,862)	23,380,457
DEFERRED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	5,739,809					5,739,809
Grant advances	507,674					507,674
Uncollected real estate taxes	296,107					296,107
Taxes other than real estate	3,558,134					3,558,134
Other deferred inflows of resources	216,892			376,137		593,029
Total deferred inflows of resources	10,318,616			376,137		10,694,753
FUND BALANCES:						
Nonspendable	457,467			620		458,087
Spendable:						
Restricted		378,865	586,908	4,120,146		5,085,919
Committed			2,179,799	199		2,179,998
Assigned				140,086		140,086
Unassigned		(3,414,621)		(1,805)		(3,416,426)
Total fund balances (deficit)	457,467	(3,035,756)	2,766,707	4,259,246		4,447,664
Total liabilities, deferred inflows of resources and fund balances	$ 27,978,333	$ 2,677,237	$ 2,771,341	$ 5,444,825	$ (348,862)	$ 38,522,874

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

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2012
(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 5,632,790	$ 28,309	$	$ 105,349	$	$ 5,766,448
Investments, including accrued interest	2,602,173			17,060		2,619,233
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $265,066)	419,920					419,920
Federal, State and other aid	6,913,665	784,042				7,697,707
Taxes other than real estate	4,761,961			404,831		5,166,792
Other receivables, net	1,007,640			359,059		1,366,699
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $327,305)						
Due from other funds	2,864,230	312,887		451,213	(450,973)	3,177,357
Due from Component Units	1,036,730	802,923				1,839,653
Restricted cash and investments		713,645	1,378,774	4,984,861		7,077,280
Other assets		84,297		321,988		406,285
Total assets	$ 25,239,109	$ 2,726,103	$ 1,378,774	$ 6,644,361	$ (450,973)	$ 35,537,374
LIABILITIES:						
Accounts payable and accrued liabilities	$ 10,303,799	$ 1,584,907	$ 5,166	$ 574,624	$	$ 12,468,496
Accrued tax refunds:						
Real estate taxes	25,310					25,310
Personal income tax	29,888					29,888
Other	83,501					83,501
Accrued judgments and claims	386,874	101,972				488,846
Unearned revenue				1,536		1,536
Due to other funds		3,252,797		375,533	(450,973)	3,177,357
Due to Component Units	62,371					62,371
Estimated disallowance of Federal, State and other aid	997,428					997,428
Other liabilities	2,932,893	532,985				3,465,878
Total liabilities	14,822,064	5,472,661	5,166	951,693	(450,973)	20,800,611
DEFERRED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	5,543,586					5,543,586
Grant advances	55,353					55,353
Uncollected real estate taxes	331,135					331,135
Taxes other than real estate	3,800,525					3,800,525
Other deferred inflows of resources	234,162			647,413		881,575
Total deferred inflows of resources	9,964,761			647,413		10,612,174
FUND BALANCES:						
Nonspendable	452,284			577		452,861
Spendable:						
Restricted		372,361	65,429	4,889,091		5,326,881
Committed			1,308,179	610		1,308,789
Assigned				154,977		154,977
Unassigned		(3,118,919)				(3,118,919)
Total fund balances (deficit)	452,284	(2,746,558)	1,373,608	5,045,255		4,124,589
Total liabilities, deferred inflows of resources and fund balances	$ 25,239,109	$ 2,726,103	$ 1,378,774	$ 6,644,361	$ (450,973)	$ 35,537,374

The reconciliation of the fund balances of governmental funds to the net position (deficit) of governmental activities in the Statement of Net Position 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 POSITION

JUNE 30, 2013
(in thousands)

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

Total fund balances—governmental funds	$	4,447,664
Inventories recorded in the Statement of Net Position are recorded as expenditures in the governmental funds		296,335
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		50,510,064
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		4,777,187
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:		
Bonds and notes payable		(80,601,832)
Tax Lien collateralized bonds		(33,656)
OPEB liability		(92,521,346)
Accrued interest payable		(945,619)
Capital lease obligations		(1,739,489)
Accrued vacation and sick leave		(4,150,269)
Pension liability		(568,100)
Landfill closure and post-closure care costs		(1,128,812)
Pollution Remediation		(216,754)
Other long-term liabilities		(8,441,578)
Net Position (deficit) of governmental activities	$	(130,316,205)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

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

JUNE 30, 2012
(in thousands)

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

Total fund balances—governmental funds	$ 4,124,589
Inventories recorded in the Statement of Net Position are recorded as expenditures in the governmental funds	284,890
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	48,515,419
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	5,164,618
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(77,504,221)
Tax Lien collateralized bonds	(36,086)
OPEB liability	(88,174,139)
Accrued interest payable	(912,173)
Capital lease obligations	(1,818,240)
Accrued vacation and sick leave	(4,177,582)
Pension liability	(592,000)
Landfill closure and post-closure care costs	(1,474,586)
Pollution Remediation	(212,432)
Other long-term liabilities	(8,921,266)
Net position (deficit) of governmental activities	$ (125,733,209)

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, 2013

(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$ 18,969,610	$	$	$	$	$ 18,969,610
Sales and use taxes	7,032,259					7,032,259
Personal income tax	9,814,898			1,006,451	(1,006,451)	9,814,898
Income taxes, other	7,248,633					7,248,633
Other taxes	2,656,383					2,656,383
Federal, State and other categorical aid	20,259,714	813,571	86,115			21,159,400
Unrestricted Federal and State aid				170,000		170,000
Charges for services	2,571,764					2,571,764
Tobacco settlement				187,051		187,051
Investment income	16,196		998	72,084		89,278
Interest on mortgages, net				775		775
Other revenues	1,952,570	1,748,523	22,725	2,175,861	(1,840,161)	4,059,518
Total revenues	70,522,027	2,562,094	109,838	3,612,222	(2,846,612)	73,959,569
EXPENDITURES:						
General government	2,151,528	1,018,474		344,955		3,514,957
Public safety and judicial	8,384,598	588,327				8,972,925
Education	19,128,734	1,803,435		1,954,796	(1,840,161)	21,046,804
City University	801,891	57,644				859,535
Social services	13,433,304	56,914				13,490,218
Environmental protection	3,003,294	2,196,582				5,199,876
Transportation services	1,484,364	1,154,225				2,638,589
Parks, recreation and cultural activities	480,519	723,372				1,203,891
Housing	756,149	413,969				1,170,118
Health (including payments to HHC)	1,856,131	329,104				2,185,235
Libraries	298,626	43,286				341,912
Pensions	8,054,284					8,054,284
Judgments and claims	524,483					524,483
Fringe benefits and other benefit payments	3,829,655					3,829,655
Administrative and other	159,741		102,286	251,279		513,306
Debt Service:						
Interest			1,653,031	1,458,633		3,111,664
Redemptions			2,024,376	1,084,480		3,108,856
Lease payments	151,420					151,420
Total expenditures	64,498,721	8,385,332	3,779,693	5,094,143	(1,840,161)	79,917,728
Excess (deficiency) of revenues over expenditures	6,023,306	(5,823,238)	(3,669,855)	(1,481,921)	(1,006,451)	(5,958,159)
OTHER FINANCING SOURCES (USES):						
Transfers from (to) General Fund			5,055,535	147,684		5,203,219
Transfers from (to) Nonmajor Capital Projects Funds		3,895,842		5,645		3,901,487
Transfers from Nonmajor Special Revenue Funds				103,343		103,343
Principal amount of bonds issued	191,547	1,438,453		3,844,749		5,474,749
Bond premium		171,483	540,692	686,386		1,398,561
Capitalized leases		28,262				28,262
Issuance of refunding debt			2,921,360	1,976,435		4,897,795
Transfers from (to) Capital Projects Fund				(3,895,842)		(3,895,842)
Transfers from (to) General Debt Service Fund	(5,055,535)			5,751		(5,049,784)
Transfers from (to) Nonmajor Debt Service Funds	(1,154,135)		(5,751)	(108,988)	1,006,451	(262,423)
Payments to refunded bond escrow holder			(3,448,882)	(2,069,251)		(5,518,133)
Total other financing sources (uses)	(6,018,123)	5,534,040	5,062,954	695,912	1,006,451	6,281,234
Net change in fund balances	5,183	(289,198)	1,393,099	(786,009)		323,075
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	452,284	(2,746,558)	1,373,608	5,045,255		4,124,589
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 457,467	$ (3,035,756)	$ 2,766,707	$ 4,259,246	$	$ 4,447,664

The reconciliation of the net change in fund balances of governmental funds to the change in net position (deficit) of governmental activities in the Statement of Net Position 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, 2012
(in thousands)

	General	Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$ 18,157,722	$	$	$	$	$ 18,157,722
Sales and use taxes	6,512,107					6,512,107
Personal income tax	8,557,002			616,864	(616,864)	8,557,002
Income taxes, other	6,498,881					6,498,881
Other taxes	2,385,674					2,385,674
Federal, State and other categorical aid	19,216,336	564,131	88,133			19,868,600
Unrestricted Federal and State aid	25,000			169,547		194,547
Charges for services	2,538,469					2,538,469
Tobacco settlement				187,168		187,168
Investment income	16,221		624	100,968		117,813
Interest on mortgages, net				976		976
Other revenues	2,574,845	2,241,782	32,401	2,412,490	(2,109,236)	5,152,282
Total revenues	66,482,257	2,805,913	121,158	3,488,013	(2,726,100)	70,171,241
EXPENDITURES:						
General government	1,977,838	902,673		336,198		3,216,709
Public safety and judicial	8,239,603	373,445				8,613,048
Education	19,129,084	1,877,005		2,192,855	(2,109,236)	21,089,708
City University	750,476	87,377				837,853
Social services	13,259,093	52,023				13,311,116
Environmental protection	2,246,210	2,728,031				4,974,241
Transportation services	1,443,700	1,175,198				2,618,898
Parks, recreation and cultural activities	431,940	634,888				1,066,828
Housing	811,045	348,760				1,159,805
Health (including payments to HHC)	1,608,034	210,464				1,818,498
Libraries	199,365	41,132				240,497
Pensions	7,830,440					7,830,440
Judgments and claims	582,869					582,869
Fringe benefits and other benefit payments	3,879,655					3,879,655
Administrative and other	122,069		96,072	276,206		494,347
Debt Service:						
Interest			1,739,487	1,312,875		3,052,362
Redemptions			2,005,570	2,614,881		4,620,451
Lease payments	137,659					137,659
Total expenditures	62,649,080	8,430,996	3,841,129	6,733,015	(2,109,236)	79,544,984
Excess (deficiency) of revenues over expenditures	3,833,177	(5,625,083)	(3,719,971)	(3,245,002)	(616,864)	(9,373,743)
OTHER FINANCING SOURCES (USES):						
Transfers from (to) General Fund			2,272,372	1,140,758		3,413,130
Transfers from (to) Nonmajor Capital Projects Funds		3,176,386		8,950		3,185,336
Transfers from (to) Nonmajor Special Revenue Funds				72,619		72,619
Principal amount of bonds issued	201,829	2,523,476		4,519,748		7,245,053
Bond premium		164,642	364,538	592,729		1,121,909
Capitalized leases		28,746				28,746
Issuance of refunding debt			2,227,470	2,178,810		4,406,280
Transfers from (to) Capital Projects Fund				(3,176,386)		(3,176,386)
Transfers from (to) General Debt Service Fund	(2,272,372)			6,608		(2,265,764)
Transfers from (to) Nonmajor Debt Service Funds	(1,757,622)		(6,608)	(81,569)	616,864	(1,228,935)
Payments to refunded bond escrow holder			(2,581,583)	(799,918)		(3,381,501)
Total other financing sources (uses)	(3,828,165)	5,893,250	2,276,189	4,462,349	616,864	9,420,487
Net change in fund balances	5,012	268,167	(1,443,782)	1,217,347		46,744
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	447,272	(3,014,725)	2,817,390	3,827,908		4,077,845
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 452,284	$ (2,746,558)	$ 1,373,608	$ 5,045,255	$	$ 4,124,589

The reconciliation of the net change in fund balances of governmental funds to the change in net position (deficit) of governmental activities in the Statement of Net Position 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, 2013
(in thousands)

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

Net change in fund balances—governmental funds		$ 323,075
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 in the current period.		
Purchases of capital assets	$ 5,559,669	
Depreciation/amortization expense	(3,001,867)	2,557,802
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.,* sales, trade-ins, and donations) is to decrease net position		(474,461)
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 position. Also, governmental funds report the effect of 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	(10,372,544)	
Principal payments of bonds	7,228,428	
Other	182,803	(2,961,313)
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		350,682
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(27,252)
OPEB obligation		(4,347,207)
Pollution Remediation		(4,322)
Change in net position—governmental activities		$ (4,582,996)

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, 2012
(in thousands)

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

Net change in fund balances—governmental funds		$ 46,744
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 in the current period.		
Purchases of capital assets	$ 5,005,942	
Depreciation/amortization expense	(2,689,486)	2,316,456
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net position		(513,826)
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 position. Also, governmental funds report the effect of 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	(11,651,333)	
Principal payments of bonds	6,880,043	
Other	190,303	(4,580,987)
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		(380,708)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(148,898)
OPEB obligation		(4,267,186)
Pollution Remediation		13,791
Change in net position—governmental activities		$ (7,514,614)

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, 2013
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$ 18,631,000	$ 18,929,770	$ 18,969,610	$ 39,840
Sales and use taxes	6,809,000	7,025,250	7,032,259	7,009
Personal income tax	9,086,000	9,789,850	9,814,898	25,048
Income taxes, other	6,012,000	7,328,454	7,248,633	(79,821)
Other taxes	3,105,770	2,620,051	2,656,383	36,332
Federal, State and other categorical aid	18,811,103	20,988,529	20,259,714	(728,815)
Charges for services	2,681,448	2,584,963	2,571,764	(13,199)
Investment income	19,210	16,250	16,196	(54)
Other revenues	2,493,403	2,408,792	1,952,570	(456,222)
Total revenues	67,648,934	71,691,909	70,522,027	(1,169,882)
EXPENDITURES:				
General government	2,134,504	2,302,667	2,151,528	151,139
Public safety and judicial	8,084,357	8,451,708	8,384,598	67,110
Education	19,706,569	19,204,776	19,128,734	76,042
City University	832,062	830,920	801,891	29,029
Social services	13,163,339	13,552,193	13,433,304	118,889
Environmental protection	2,412,421	3,117,957	3,003,294	114,663
Transportation services	1,363,469	1,564,280	1,484,364	79,916
Parks, recreation and cultural activities	413,819	490,481	480,519	9,962
Housing	652,170	846,644	756,149	90,495
Health (including payments to HHC)	1,648,967	2,013,370	1,856,131	157,239
Libraries	234,972	299,219	298,626	593
Pensions	7,937,405	8,061,170	8,054,284	6,886
Judgments and claims	735,159	544,289	524,483	19,806
Fringe benefits and other benefit payments	3,796,787	3,857,763	3,829,655	28,108
Lease payments for debt service	156,569	151,509	151,420	89
Other	614,857	368,401	159,741	208,660
Total expenditures	63,887,426	65,657,347	64,498,721	1,158,626
Excess of revenues over expenditures	3,761,508	6,034,562	6,023,306	(11,256)
OTHER FINANCING SOURCES (USES):				
Principal amount of bonds issued		191,547	191,547	
Transfer to Nonmajor Debt Service Fund	(1,285,851)	(1,389,420)	(1,383,673)	(5,747)
Transfer from Nonmajor Debt Service Fund	225,048	229,464	229,538	(74)
Transfers and other payments for debt service	(2,700,705)	(5,066,153)	(5,055,535)	(10,618)
Total other financing uses	(3,761,508)	(6,034,562)	(6,018,123)	(16,439)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	$	$	5,183	$ 5,183
FUND BALANCE AT BEGINNING OF YEAR			452,284	
FUND BALANCE AT END OF YEAR			$ 457,467	

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, 2012
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$ 17,838,213	$ 18,129,402	$ 18,157,722	$ 28,320
Sales and use taxes	6,443,700	6,539,360	6,512,107	(27,253)
Personal income tax	8,748,500	8,593,600	8,557,002	(36,598)
Income taxes, other	6,284,900	6,419,550	6,498,881	79,331
Other taxes	2,721,855	2,370,816	2,385,674	14,858
Federal, State and other categorical aid	18,704,581	19,694,090	19,216,336	(477,754)
Unrestricted Federal and State aid	37,407	25,000	25,000	
Charges for services	2,491,141	2,521,151	2,538,469	17,318
Investment income	33,510	17,330	16,221	(1,109)
Other revenues	1,756,886	3,049,604	2,574,845	(474,759)
Total revenues	65,060,693	67,359,903	66,482,257	(877,646)
EXPENDITURES:				
General government	2,068,670	2,118,108	1,977,838	140,270
Public safety and judicial	7,763,300	8,275,367	8,239,603	35,764
Education	19,407,122	19,248,806	19,129,084	119,722
City University	757,137	788,343	750,476	37,867
Social services	13,139,776	13,371,497	13,259,093	112,404
Environmental protection	2,266,587	2,282,490	2,246,210	36,280
Transportation services	1,295,628	1,509,501	1,443,700	65,801
Parks, recreation and cultural activities	389,168	435,545	431,940	3,605
Housing	656,468	893,559	811,045	82,514
Health (including payments to HHC)	1,660,438	1,691,677	1,608,034	83,643
Libraries	139,020	199,533	199,365	168
Pensions	8,299,854	7,837,854	7,830,440	7,414
Judgments and claims	654,959	664,959	582,869	82,090
Fringe benefits and other benefit payments	3,819,176	3,878,406	3,879,655	(1,249)
Lease payments for debt service	155,700	137,659	137,659	
Other	569,559	215,339	122,069	93,270
Total expenditures	63,042,562	63,548,643	62,649,080	899,563
Excess of revenues over expenditures	2,018,131	3,811,260	3,833,177	21,917
OTHER FINANCING SOURCES (USES):				
Principal amount of bonds issued		201,829	201,829	
Transfer to Nonmajor Debt Service Fund	(1,134,965)	(1,948,242)	(1,967,068)	(18,826)
Transfer from Nonmajor Debt Service Fund	212,869	209,446	209,446	
Transfers and other payments for debt service	(1,096,035)	(2,274,293)	(2,272,372)	1,921
Total other financing uses	(2,018,131)	(3,811,260)	(3,828,165)	(16,905)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	$	$	5,012	$ 5,012
FUND BALANCE AT BEGINNING OF YEAR			447,272	
FUND BALANCE AT END OF YEAR			$ 452,284	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

(in thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 938,373	$ 890,787
Receivables:		
Member loans	1,769,674	—
Investment securities sold	5,303,640	—
Accrued interest and dividends	484,093	—
Other receivables	253	—
Investments:		
Debt securities	29,051,650	1,099,416
Equity securities	69,255,160	—
Guaranteed investment contracts	4,812,630	—
Mutual funds	34,822,552	—
Collateral from securities lending transactions	12,787,447	—
Short-term investments	4,351,937	—
Due from Pension Funds	6,056	—
Other assets	581,001	—
Total assets	164,164,466	1,990,203
LIABILITIES:		
Accounts payable and accrued liabilities	1,810,682	642,576
Payable for investment securities purchased	9,710,943	—
Accrued benefits payable	526,447	—
Due to Variable Supplements Funds	6,056	—
Securities lending transactions	12,814,260	—
Other	448	1,347,627
Total liabilities	24,868,836	1,990,203
NET POSITION:		
Held in Trust for Benefit Payments	$139,295,630	$ —

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2012

(in thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 843,058	$ 1,172,719
Receivables:		
Member loans	1,693,143	—
Investment securities sold	2,414,668	—
Accrued interest and dividends	497,807	—
Other receivables	593	—
Investments:		
Debt securities	30,927,274	923,274
Equity securities	57,760,434	—
Guaranteed investment contracts	4,335,925	—
Mutual funds	28,662,333	—
Collateral from securities lending transactions	9,980,976	—
Short-term investments	5,928,991	—
Due from Pension Funds	6,032	—
Other assets	804,682	—
Total assets	143,855,916	2,095,993
LIABILITIES:		
Accounts payable and accrued liabilities	1,698,216	627,576
Payable for investment securities purchased	6,148,819	—
Accrued benefits payable	494,490	—
Due to Variable Supplements Funds	6,032	—
Securities lending transactions	10,007,790	—
Other	568	1,468,417
Total liabilities	18,355,915	2,095,993
NET POSITION:		
Held in Trust for Benefit Payments	$ 125,500,001	$ —

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

(in thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Member contributions	$ 1,694,849
Employer contributions	10,680,819
Other employer contributions	57,204
Total contributions	12,432,872
Investment income:	
Interest income	1,980,864
Dividend income	2,087,911
Net appreciation in fair value of investments	12,739,867
Investment expenses	(499,378)
Investment income, net	16,309,264
Securities lending transactions:	
Securities lending income	99,497
Securities lending fees	(13,730)
Net securities lending income	85,767
Payments from Pension Funds	20,443
Other	50,155
Total additions	28,898,501
DEDUCTIONS:	
Benefit payments and withdrawals	14,772,322
Payments to Variable Supplements Funds	20,443
Administrative expenses	128,512
Other	181,595
Total deductions	15,102,872
Increase in plan net position	13,795,629
NET POSITION:	
Held in Trust for Benefit Payments:	
Beginning of Year	125,500,001
End of Year	$ 139,295,630

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2012

(in thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Member contributions	$ 1,650,293
Employer contributions	10,705,781
Other employer contributions	59,185
Total contributions	12,415,259
Investment income:	
Interest income	1,769,680
Dividend income	1,853,917
Net depreciation in fair value of investments	(1,386,341)
Investment expenses	(394,602)
Investment income, net	1,842,654
Securities lending transactions:	
Securities lending income	83,531
Securities lending fees	(5,353)
Net securities lending income	78,178
Payments from Pension Funds	12,441
Other	48,890
Total additions	14,397,422
DEDUCTIONS:	
Benefit payments and withdrawals	14,310,606
Payments to Variable Supplements Funds	12,441
Administrative expenses	129,304
Other	146,672
Total deductions	14,599,023
Decrease in plan net position	(201,601)
NET POSITION:	
Held in Trust for Benefit Payments:	
Beginning of Year	125,701,602
End of Year	$ 125,500,001

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS

STATEMENT OF NET POSITION

JUNE 30, 2013

(in thousands)

	Water and Sewer System	Housing Authority December 31, 2012	Housing Development Corporation October 31, 2012	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 8,018	$ 939,573	$ 604,649	$ 1,063,885	$ 132,312	$ 33,516	$ 2,781,953
Investments, including accrued interest	21	439	208,850	114,043	48,281	395,907	767,541
Lease receivables	—	—	—	—	—	1,760,040	1,760,040
Other receivables	732,480	210,390	1,107,543	1,529,392	285,246	29,262	3,894,313
Mortgage loans and interest receivable, net	—	8	8,577,356	—	29,266	—	8,606,630
Inventories	—	32,577	—	19,116	—	—	51,693
Due from Primary Government	152,879	—	—	—	—	—	152,879
Restricted cash and investments	2,127,161	416,672	1,853,433	280,491	316,810	315,301	5,309,868
Other	59,531	96,411	10,056	7,608	113,235	876	287,717
Capital assets:							
Land and construction work-in-progress	9,063,048	1,815,838	—	672,639	108,693	201,883	11,862,101
Buildings and equipment	28,873,840	11,288,505	5,576	7,005,306	20,259	478,502	47,671,988
Accumulated depreciation	(10,476,406)	(7,442,062)	(3,929)	(4,304,004)	(5,643)	(119,042)	(22,351,086)
Total assets	30,540,572	7,358,351	12,363,534	6,388,476	1,048,459	3,096,245	60,795,637
DEFERRED OUTFLOWS OF RESOURCES	91,036	—	1,586	—	—	15,908	108,530
LIABILITIES:							
Accounts payable and accrued liabilities	6,406	640,662	752,474	1,552,943	229,164	41,007	3,222,656
Accrued interest payable	51,079	6,552	71,220	13,727	—	—	142,578
Unearned revenues	61,560	34,282	37,928		32,947	40,363	207,080
Due to Primary Government	572,700	—	1,034,038	436,591	118,148	—	2,161,477
Other	75,842	42,826	—	21,874	23,873	104,646	269,061
Derivative instruments—interest rate swaps	74,603	—	—	—	—	15,908	90,511
Noncurrent Liabilities:							
Due within one year	1,287,654	221,908	392,369	145,814	—	23,722	2,071,467
Due in more than one year	28,984,688	3,584,660	8,412,956	5,599,567	320,324	2,257,449	49,159,644
Total liabilities	31,114,532	4,530,890	10,700,985	7,770,516	724,456	2,483,095	57,324,474
NET POSITION:							
Net investment in capital assets	(945,890)	5,336,914	1,647	2,401,452	14,615	494,710	7,303,448
Restricted for:							
Capital projects	—	—	—	—	38,634	58	38,692
Debt service	918,230	—	836,248	134,776	—	—	1,889,254
Loans/security deposits	—	—	—	—	55,641	37,219	92,860
Statutory reserve	—	—	—	84,345	—	—	84,345
Donor restrictions	—	—	—	12,010	—	—	12,010
Operations	212,233	16,340	49,038	—	—	—	277,611
Unrestricted (deficit)	(667,497)	(2,525,793)	777,202	(4,014,623)	215,113	97,071	(6,118,527)
Total net position (deficit)	$ (482,924)	$ 2,827,461	$ 1,664,135	$ (1,382,040)	$ 324,003	$ 629,058	$ 3,579,693

See accompanying notes to financial statements

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET POSITION
JUNE 30, 2012
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2011	Housing Development Corporation October 31, 2011	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 5,460	$ 989,226	$ 627,952	$ 988,607	$ 177,665	$ 79,234	$ 2,868,144
Investments, including accrued interest	27	687	360,922	113,950	32,399	413,014	920,999
Lease receivables	—	—	—	—	—	1,700,410	1,700,410
Other receivables	665,498	157,370	1,009,594	1,411,320	195,028	25,764	3,464,574
Mortgage loans and interest receivable, net	—	11	8,186,601	—	31,288	—	8,217,900
Inventories	—	32,403	—	24,240	—	—	56,643
Due from Primary Government	62,371	—	—	—	—	—	62,371
Restricted cash and investments	1,763,072	503,650	1,602,319	368,565	229,294	639,560	5,106,460
Other	51,778	94,546	13,112	9,764	122,133	76,502	367,835
Capital assets:							
Land and construction work-in-progress	8,422,470	2,127,100	—	724,678	108,693	74,977	11,457,918
Buildings and equipment	27,869,200	10,794,305	4,818	6,469,952	14,307	413,070	45,565,652
Accumulated depreciation	(9,816,894)	(7,160,053)	(3,497)	(4,184,666)	(3,784)	(103,036)	(21,271,930)
Total assets	29,022,982	7,539,245	11,801,821	5,926,410	907,023	3,319,495	58,516,976
DEFERRED OUTFLOWS OF RESOURCES	152,823	—	2,557	—	—	14,890	170,270
LIABILITIES:							
Accounts payable and accrued liabilities	51,361	328,884	825,822	1,206,260	157,955	403,776	2,974,058
Accrued interest payable	48,521	7,860	66,106	15,762	—	—	138,249
Unearned revenues	51,296	32,992	22,238	—	28,744	52,491	187,761
Due to Primary Government	677,880	—	865,077	171,653	125,043	—	1,839,653
Other	80,278	40,572	—	36,115	8,278	90,001	255,244
Derivative instruments—interest rate swaps	122,930	—	—	—	—	14,890	137,820
Noncurrent Liabilities:							
Due within one year	851,409	144,088	476,641	157,783	—	22,131	1,652,052
Due in more than one year	28,101,162	3,727,875	8,020,063	5,447,678	259,542	2,268,026	47,824,346
Total liabilities	29,984,837	4,282,271	10,275,947	7,035,251	579,562	2,851,315	55,009,183
NET POSITION:							
Net investment in capital assets	(840,201)	5,349,279	1,321	2,059,253	10,523	325,011	6,905,186
Restricted for:							
Capital projects	—	—	—	—	40,766	—	40,766
Debt service	687,656	—	593,172	159,714	—	—	1,440,542
Loans/security deposits	—	—	—	—	50,941	34,656	85,597
Statutory reserve	—	—	—	65,896	—	—	65,896
Donor restrictions	—	—	—	10,057	—	—	10,057
Operations	212,885	51,740	48,448	—	—	—	313,073
Unrestricted (deficit)	(869,372)	(2,144,045)	885,490	(3,403,761)	225,231	123,403	(5,183,054)
Total net position (deficit)	$ (809,032)	$ 3,256,974	$ 1,528,431	$ (1,108,841)	$ 327,461	$ 483,070	$ 3,678,063

See accompanying notes to financial statements

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2012	Housing Development Corporation October 31, 2012	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
EXPENSES	$ 3,399,222	$ 3,707,975	$ 203,051	$ 7,960,623	$ 863,486	$ 182,175	$ 16,316,532
PROGRAM REVENUES:							
Charges for services	3,483,976	905,457	265,238	6,676,359	242,501	45,872	11,619,403
Operating grants and contributions	—	1,987,986	—	568,091	84,904	12,456	2,653,437
Capital grants, contributions and other	7,699	336,814	—	395,182	516,001	170,302	1,425,998
Total program revenues	3,491,675	3,230,257	265,238	7,639,632	843,406	228,630	15,698,838
Net (expenses) program revenues	92,453	(477,718)	62,187	(320,991)	(20,080)	46,455	(617,694)
GENERAL REVENUES:							
Investment income	58,793	4,406	29,381	2,455	297	(2,242)	93,090
Other Federal and State aid	—	—	—	—	15,012	—	15,012
Other	174,862	43,799	44,136	45,337	1,313	101,775	411,222
Total general revenues	233,655	48,205	73,517	47,792	16,622	99,533	519,324
Change in net position	326,108	(429,513)	135,704	(273,199)	(3,458)	145,988	(98,370)
Net position (deficit)—beginning	(809,032)	3,256,974	1,528,431	(1,108,841)	327,461	483,070	3,678,063
Net position (deficit)—ending	$ (482,924)	$ 2,827,461	$ 1,664,135	$ (1,382,040)	$ 324,003	$ 629,058	$ 3,579,693

See accompanying notes to financial statements

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2011	Housing Development Corporation October 31, 2011	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
EXPENSES	$ 3,505,605	$ 3,683,663	$ 185,193	$ 7,559,662	$ 756,523	$ 146,914	$ 15,837,560
PROGRAM REVENUES:							
Charges for services	3,236,474	895,864	233,083	6,801,796	271,744	56,084	11,495,045
Operating grants and contributions	—	2,069,796	—	249,637	84,417	12,979	2,416,829
Capital grants, contributions and other	26,903	470,895	—	174,979	407,810	111,061	1,191,648
Total program revenues	3,263,377	3,436,555	233,083	7,226,412	763,971	180,124	15,103,522
Net (expenses) program revenues	(242,228)	(247,108)	47,890	(333,250)	7,448	33,210	(734,038)
GENERAL REVENUES:							
Investment income	48,936	6,360	30,751	11,930	667	(27,697)	70,947
Other Federal and State aid	—	—	—	—	5,550	—	5,550
Other	196,241	46,200	78,325	62,361	2,430	106,369	491,926
Total general revenues	245,177	52,560	109,076	74,291	8,647	78,672	568,423
Change in net position	2,949	(194,548)	156,966	(258,959)	16,095	111,882	(165,615)
Net position (deficit)—beginning	(352,888)	3,440,065	1,292,865	(849,882)	311,366	371,188	4,212,714
Restatement of beginning net position	(459,093)	11,457	78,600	—	—	—	(369,036)
Net position (deficit)—ending	$ (809,032)	$ 3,256,974	$ 1,528,431	$ (1,108,841)	$ 327,461	$ 483,070	$ 3,678,063

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 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 and its Component Units which are legally separate organizations for which the primary government is financially accountable, and other legally separate organizations for which the primary government has determined, through the exercise of management's professional judgment, that inclusion of those organizations do not meet the financial accountability criteria, but are necessary to be included to prevent the reporting entity's financial statements from being 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 organizations that are fiscally dependent on the primary government if there is a potential for the organizations to provide specific financial benefits to the primary government or impose specific financial burdens on the primary government regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government or jointly appointed boards. The City is financially accountable for all of its Component Units.

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, are reported as if they were part of the primary government because they all provide services exclusively to the City. They include the following:

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, 2013, the City's and TFA's combined debt-incurring capacity was approximately $24.83 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, 2013, $6.2 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 (Indenture), 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 those projects.

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 $11.89 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. 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 Municipal Assistance Corporation for The City of New York (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.

New York City Tax Lien Trusts (NYCTLTs). The NYCTLTs are Delaware statutory trusts which were created to acquire certain liens securing unpaid real estate taxes, water rents, sewer surcharges, and other charges payable to the City and the New York City Water Board in exchange for the proceeds from bonds issued by the NYCTLTs, net of reserves funded by the bond proceeds and bond issue costs. The City is the sole beneficiary to the NYCTLTs and is entitled to receive distributions from the NYCTLTs after payments to the bondholders and certain reserve requirements have been satisfied. The NYCTLTs do not have any employees. The NYCTLTs affairs are administered by the owner trustee, its program manager, tax lien servicer, paying agent and investment custodian.

The NYCTLTs are:

- NYCTLT 1998-2
- NYCTLT 2011-A
- NYCTLT 2012-A
- NYCTLT 2013-A

NYC Technology Development Corporation (TDC). TDC is a type C not-for-profit corporation organized under the not-for-profit law of the State of New York. TDC's contract with the City was registered on December 24, 2012 and began operations on January 1, 2013. TDC receives quarterly payments from the City that cover its projected expenses for the forthcoming quarter.

TDC was incorporated for the purpose of enhancing the City's ability to effectively manage and deploy information technology (IT) projects through (i) attracting, developing and retaining highly experienced and skilled IT professionals; (ii) successfully delivering large, critical and cross-agency IT projects in a timely and cost-effective manner; (iii) providing a common framework, resources, best practices and diagnostics for large IT projects; and (iv) providing and supporting citywide governance over IT programs, environments and services.

Under its contract with the City, TDC provides four broad categories of program services: (1) senior management services; (2) solution architect services; (3) multi-agency vendor management services; and (4) portfolio management and additional IT consulting services.

TDC is governed by a Board of Directors appointed by the Mayor. The Board may have up to seven members and is required to have a minimum of three members.

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, HHC Insurance Company, Inc., HHC Capital Corporation, HHC Physicians Purchasing Group, Inc., HHC Risk Services Corporation, HHC ACO Inc. and HHC Assistance Corporation. HHC's Financial Statements also include MetroPlus, a discretely presented Component Unit.

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.

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 Capital 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 to incentivize the acquisition and capital improvement of their facilities. 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 tax that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials, machinery and equipment. In addition to IDB financing, IDA also issued tax exempt payments in lieu of property taxes revenue bonds, taxable rental revenue bonds, taxable installment purchase bonds and taxable lease revenue bonds in connection with the construction of the new Yankee Stadium and Citi Field. 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). The New York City Economic Development Corporation was formed in 1991 (Predecessor EDC) as a result of the merger of two not-for-profit corporations that performed economic development services for the City. In furtherance of its business objectives, Predecessor EDC merged with and into the New York City Economic Growth Corporation (EGC), effective November 1, 2012 and ceased to exist at that date. Upon the merger, EGC changed its name to EDC. EDC is organized under the not-for-profit law of the State of New York and is exempt from federal taxation under Internal Revenue Code section 115. 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.

Conversion 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 position 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, 2013, the BRAC fund was valued at $.6 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, restated and the term extended by a lease commencing July 1, 2012. 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 New York City Department of Environmental Protection (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 was 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 was 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. The ability to issue tax-exempt Recovery Zone Facility Bonds expired December 31, 2010. Until January 2008, CRC issued tax-exempt bonds for not-for-profit organizations' capital projects through the Loan Enhanced Assistance Program (LEAP). LEAP's goal was 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. However, LEAP is not currently available due to the continued suspension of a portion of the State of New York law governing industrial development activities.

In order to improve operational effectiveness, CRC and Build NYC Resource Corporation (Build NYC) agreed to merge as of April 1, 2013. Build NYC is the surviving company after the merger. There was no effect on the City's net position or fund balance from the merger.

Brooklyn Bridge Park Corporation (BBPC). BBPC is a not-for-profit corporation incorporated in the State of New York in 2010. BBPC was formed for the purposes of lessening the burdens of government by further developing and enhancing the economic vitality of the Brooklyn waterfront through the development, operation and maintenance of a renovated waterfront area, including a public park, which serves the people of the New York City region. BBPC is responsible for the planning, construction, maintenance and operation of Brooklyn Bridge Park, an 85 acre sustainable water front park stretching 1.3 miles along Brooklyn's East River shoreline. The majority of BBPC's funding will come from a limited number of revenue-generating development sites within the projects footprint. BBPC is governed by a 17-member Board of Directors appointed by the Mayor.

Governors Island Corporation, doing business as **The Trust for Governors Island (TGI).** TGI is a not-for-profit corporation incorporated in the State of New York in 2010. TGI was formed for the purposes of lessening the burdens of government by providing the planning, preservation, redevelopment and ongoing operations and maintenance of approximately 150 acres of Governors Island plus surrounding lands underwater, and is located in the Borough of Manhattan. TGI's mission is to transform Governors Island into a destination with great public open space, as well as educational, not-for-profit, and commercial facilities. TGI broke ground on 30 acres of new park space scheduled to be complete in the fall of 2013 and is proceeding with an ambitious infrastructure program to ready the Island for expanded tenancy and activity. TGI receives funding from the City and State of New York. TGI is governed by a 13-member Board of Directors appointed by the Mayor, the Governor of the State of New York and local officials.

New York City Energy Efficiency Corporation (EEC). EEC is a not-for-profit corporation incorporated in the State of New York in 2010 whose purpose is to further the City's greenhouse gas reduction plans by facilitating energy efficient investments by private building owners in the five boroughs through the provisions of energy efficiency financing products.

To achieve its mission, EEC's strategic plan includes the following goals: (1) develop in-house capabilities that will permit EEC to play a critical role in catalyzing retrofit financing markets, (2) pilot various financing products that demonstrate that energy efficiency is a commercially viable investment that can be financed in various private building sectors that are significant from the perspective of the City's greenhouse gas emissions reduction goals and (3) develop a non-profit organization with a business model that can become financially self-sustaining over time without excessive reliance on grant funding.

EEC continues to develop core in-house capabilities to make construction and permanent loans, provide credit enhancement in the form of loan loss reserves, and to manage both energy efficient retrofit technical and real estate finance risk. EEC also partners with various lending organizations to finance energy efficiency and fuel conversion projects while encouraging best practices with respect to energy efficiency retrofit implementation and ongoing performance monitoring.

EEC's activities are funded through two Federal grants awarded to the City under the Energy Efficient and Conservation Block Grant provisions of the American Recovery and Reinvestment Act of 2009. EEC's activities are further funded through several philanthropic grants that EEC was awarded in fiscal year 2012 and 2013. EEC is governed by a 9-member Board of Directors and its membership includes public officials and private business leaders. Each Director was appointed by the Mayor.

Build NYC Resource Corporation (Build NYC). Build NYC is a local development corporation that commenced operation on November 4, 2011 and was organized to assist qualified not-for-profit institutions and other entities eligible under the Federal tax laws in obtaining tax-exempt bond and taxable bond financing under the New York Not-for-Profit Corporation Law. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for not-for-profit institutions to acquire, construct, renovate, and/or equip their facilities.

Build NYC is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership includes public officials and appointees of the Mayor.

In order to improve operational effectiveness, the New York City Capital Resource Corporation, presented as a discretely presented component unit of the City in prior years, was merged with and into Build NYC, as of April 1, 2013. Build NYC is the surviving company. The June 30, 2013 financial statements of Build NYC were presented as if the merger took place as of July 1, 2012. There was no effect on the City's net position or fund balance from the merger.

New York City Land Development Corporation (LDC). LDC was formed on May 8, 2012, as a local development corporation organized under the not-for-profit corporation law of New York State. LDC is engaged in economic development activities by means of assisting the City with leasing and selling certain properties. LDC is able to acquire or lease City property outside of the auction process. Prior to November 1, 2012 the ability to acquire property in this manner was a function of Predecessor EDC.

The mission of LDC is to encourage economic growth in each of the five boroughs of the City by acquiring City property and disposing of it to strengthen the City's competitive position and facilitate investments that build capacity, generate prosperity and catalyze the economic vibrancy of city life as a whole.

LDC is governed by a 5-member Board of Directors all appointed by the Mayor.

Note: These Component Units publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy Room 200 South, 1 Centre Street, New York, New York 10007 2341.

2. Basis of Presentation

Government-wide Statements: The government-wide financial statements (*i.e.,* the statement of net position 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. The fund balance in the General Fund is reported as nonspendable.

Capital Projects Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Resources of the 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 is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. 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.

Nonmajor Governmental Funds. The City reports the following blended Component Units within the nonmajor governmental funds: **TFA, TSASC, ECF, SCA, FSC, STAR, HYDC, HYIC, NYCTLTs and TDC**. If a Component Unit is blended, the governmental fund types of the Component Unit should be blended with those of the primary government by including them in the appropriate combining statements of the primary government. Although the primary government's General Fund is usually the main operating fund of the reporting entity, the General Fund of a blended component should be reported as a Special Revenue Fund. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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)

Note: These Fiduciary Funds publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy Room 200 South, 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 position 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 major Component Units consist of **HHC, HDC, HA, EDC** and **NYW.** The discretely presented nonmajor components units consist of **IDA, BRAC, BNYDC, WTC Captive, BBPC, TGI, EEC, LDC, CRC and Build NYC**. 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 2013, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

—Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

—Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

—Statement No. 65, *Items Previously Reported as Assets and Liabilities*

—Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*

Statement No. 60, establishes recognition, measurement and disclosure requirements for Service Concession Arrangements for both transferors and governmental operators. A Service Concession Arrangement is an arrangement between a transferor (government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties.

A transferor reports the facility subject to a Service Concession Arrangement as its Capital Asset. New Capital Assets constructed or acquired by the operator or improvements to existing Capital Assets made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred inflow of resources. Revenues are recognized by the transferor on a systematic and rational manner over the term of the arrangement. A governmental operator reports an intangible asset at cost for its right to access the facility and collect third-party fees and amortizes the intangible asset over the term of the arrangement. For revenue sharing arrangements, operators must report all revenues and expenses and transferors must report their portion of the shared revenues.

The City is the transferor in 74 Service Concession Arrangements contracted at the Parks Department. The agreements convey to the operators the right, either through licenses or permits, to construct capital assets and operate and maintain all service concessions. The City has the right to approve the type of services the operators may provide and the fees that may be charged by the operators to the public. As per the agreements, the operators provide high-quality amenities and facilities to park users, which generate General Fund revenues for the City and also create valuable business and employment opportunities for the public. The Parks Department operators help preserve some of the City's unique park facilities and provide public amenities while creating and developing new park destinations with fewer public funds.

At transition, the financial reporting impact from the implementation of Statement No. 60 was the restatement of the City's fiscal year 2012 financial statements to recognize $300.3 million in net Capital Assets associated with the Service Concession Arrangements and $223.5 million in deferred inflows related to the capital assets associated with the Service Concession Arrangements. As of June 30, 2013 the net Capital Assets associated with the Service Concession Arrangements were $287.4 million and the deferred inflows related to these assets were $195.7 million.

The Service Concession Agreements do not contain any upfront payments from the operators nor are there any guarantees or commitments by the City. By concession type, the value of the Capital Assets associated with the above Service Concession Arrangements and the deferred inflows resulting from such arrangements are as follows:

	2013			2012		
Concession Type	**Number of concessions**	**Deferred inflows**	**Capital Assets Value**	**Number of concessions**	**Deferred inflows**	**Capital Assets Value**
		(in thousands)			**(in thousands)**	
Restaurants	27	$ 64,185	$ 93,965	27	$ 70,908	$ 95,364
Sports Centers	15	30,399	54,078	17	35,218	56,899
Golf Courses	15	36,069	51,805	15	39,473	53,506
Gas Stations	7	609	872	7	672	900
Amusement Parks/Carousels	5	64,067	85,797	5	72,857	88,281
Stables	3	230	709	3	305	736
Other	2	107	126	3	4,107	4,657
Total	74	$ 195,666	$ 287,352	77	$ 223,540	$ 300,343

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The statement provides financial reporting guidance for deferred outflows of resources, which are consumptions of net position by the government that is applicable to a future reporting period and deferred inflows of resources which are acquisitions of net position by the government that is applicable to a future reporting period.

Statement No. 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The adoption of Statement No. 63 resulted in a change in the presentation of the *Statement of Net Assets* to what is now referred to as the *Statement of Net Position* and the term "net assets" is changed to "net position" throughout the financial statements. Statement No. 63 also amends the reporting of the "net investment in capital assets" component of net position. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are now required to be included in this component of net position.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Government Accounting Standards Board in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

At transition, the impact of Statement No. 65 was as follows:

Refunding of Debt—The difference between the reacquisition price and the net carrying amount of the old debt is now required to be presented as a deferred inflow or deferred outflow of resources. The City reclassified the fiscal year 2012 financial statements by $395 million as a deferred outflow of resources, which had previously been reported as a deduction to the new debt.

Imposed Nonexchange Revenue Transactions—Real estate tax collections received or reported as a receivable prior to the period for which the property tax was levied or before the period when the resources were required to be used or first permitted are now required to be presented as deferred inflows of resources. The City reclassified the fiscal year 2012 financial statements by $5.5 billion as a deferred inflow of resources. These real estate collections were previously reported as a deferred revenues.

Government-mandated nonexchange transaction (Grant Advances)—Resources received before the time requirements are met, but after all other eligibility requirements have been met, should be reported as a deferred inflow of resources by the recipient. The City reclassified the fiscal year 2012 financial statements by $55.4 million as a deferred inflow of resources. These resources were previously reported as deferred revenues.

Debt Issuance Costs—Required to be recognized as an expense in the period incurred. The City recognized debt issuance costs of $137 million which had previously been deferred.

The Components of the deferred outflows of resources and deferred inflows of resources are as follows:

	FY 2013		FY 2012	
	Primary Government	Component Units	Primary Government	Component Units
	(in thousands)			
Deferred Outflows of Resources:				
Accumulated decrease in fair value of hedging derivatives	$ 100,884	$ 97,016	$ 153,632	$ 149,642
Unamortized deferred bond refunding costs	534,277	11,514	394,931	20,628
Total Deferred Outflows of Resources	$ 635,161	$ 108,530	$ 548,563	$ 170,270
Deferred Inflows of Resources:				
Service concession arrangement	$ 195,666	$	$ 223,540	$
Real estate taxes	5,739,809		5,543,586	
Grant advances	507,674		55,353	
Total Deferred Inflows of Resources:	$ 6,443,149	$	$ 5,822,479	$

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements.*

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for: (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues Pand Intra Entity Transfers of Assets and Future Revenues,* respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 66.

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 expected to be 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 position, 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.

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.

The annual average collected bank balances maintained during fiscal years 2013 and 2012 were approximately $1.161 billion and $705 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 2013 and 2012 is included in Deposits and Investments (see Note D.1.).

6. Inventories

Inventories on hand at June 30, 2013 and 2012, estimated at $296 million and $285 million, respectively, based on average cost, have been reported on the government-wide statement of net position. 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 position is restricted by enabling legislation.

8. Capital Assets

Capital assets and improvements include all land, buildings, equipment (including software), water distribution and sewage collection system, and other elements of the City's infrastructure having an initial minimum useful life of five years, having a cost of more than $35 thousand, 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 generally 25 to 50 years for new construction, 10 to 25 for betterments and/or reconstruction, 5 to 15 years for equipment (including software) and 15 to 40 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 Nonmajor Governmental Funds is net of an allowance for uncollectible amounts of $333 million and $327 million for fiscal years 2013 and 2012, respectively. The allowance is composed of the balance of refinanced first lien mortgages one or more years in arrears. Payments to the City are expected to be completed between the years 2014 and 2023. Based on the allowance criteria, the receivable has been fully reserved.

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 position. 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, 2013, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended as reported in the 2013 financial statements are as follows:

Item		Changes in Fair Value from June 30, 2012		Fair Value at June 30, 2013		
		Classification	Amount	Classification	Amount	Notional
			(in thousands)			
Governmental activities						
Cash flow Hedges:						
A	Pay-Fixed interest rate swap	Deferred Outflow	$ 8,119	Debt	$ (24,206)	$ 193,250
B	Pay-Fixed interest rate swap	Deferred Outflow	2,706	Debt	(8,069)	64,417
C	Pay-Fixed interest rate swap	Deferred Outflow	2,706	Debt	(8,069)	64,417
D	Pay-Fixed interest rate swap	Deferred Outflow	2,706	Debt	(8,069)	64,417
H	Pay-Fixed interest rate swap	Deferred Outflow	34,440	Debt	(50,041)	350,000
J	Pay-Fixed interest rate swap	Deferred Outflow	870	Debt	(629)	50,000
L	Pay-Fixed interest rate swap	Deferred Outflow	352	Debt	(1,801)	44,145
Investment derivative instruments:						
A	Pay-Fixed interest rate swap	Investment Revenue	106	Investment	(318)	6,750
B	Pay-Fixed interest rate swap	Investment Revenue	35	Investment	(106)	2,250
C	Pay-Fixed interest rate swap	Investment Revenue	35	Investment	(106)	2,250
D	Pay-Fixed interest rate swap	Investment Revenue	35	Investment	(106)	2,250
E	Pay-Fixed interest rate swap	Investment Revenue	7,506	Investment	(17,111)	125,350
F	Pay-Fixed interest rate swap	Investment Revenue	391	Investment	(210)	9,080
G	Basis Swap	Investment Revenue	3,431	Investment	(5,690)	364,100
K	Basis Swap	Investment Revenue	1,867	Investment	(28,062)	500,000

On November 19, 2012 the City partially terminated investment derivative G. The total Notional Amount terminated was $178.690 million and the City received a $123 thousand termination payment from the swap counterparty.

Due to a partial refunding of the 2003 C-3A, C-3B, C-4 and C-5 bonds during fiscal year ending June 30, 2013, portions of swaps A, B, C, & D are no longer treated as cash flow hedges. Accordingly, the portion of the change in fair value of the swaps from June 30, 2012 to June 30, 2013 is reported within the investment revenue classification for the year ended June 30, 2013.

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, 2013, 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	$ 193,250	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD LIBOR BBA	A+/Aa3
B	Pay Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	66,417	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD LIBOR BBA	A /Baa2*
C	Pay Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	66,417	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD LIBOR BBA	AA / Aa3
D	Pay Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	66,417	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD LIBOR BBA	A/A2
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	2.964%; receive 61.85% of USD LIBOR BBA	AA /Aa3
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	A+/Baa1*
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 +1.60% for 2017 maturity	A+/Aa3

* Counterparty is unrated. Ratings are of counterparty's guarantor.

LIBOR: London Interbank Offered Rate Index

CPI: Consumer Price Index

On November 20, 2013 the City novated derivative investment C from Morgan Stanley Capital Services Inc. to U. S. Bank, National Association.

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 threshold requirements and netting arrangements) should the counterparty's credit rating fall below the following:

Each of the counterparties with respect to derivative instruments B and D (or its respective guarantor) is required to post collateral if its credit rating goes below A3/A-. The counterparty, with respect to derivative instrument C (or its respective guarantor), is required to post collateral if one of its credit ratings fall below Aa3/AA-. The counterparty with respect to derivative instrument J (or its respective guarantor) 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 A2 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. 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, 2013 was $(100.884) million.

Interest rate risk: The City is exposed to interest rate risk on its swaps. On its pay-fixed, receive-variable interest rate swaps, 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 the Securities Industry and Financial Markets Association (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). 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, if applicable.

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.

Contingencies

All of the City's derivative instruments 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, D, E, F, J, K, and L; below Aa3 (Moody's) or AA- (Standard & Poor's) for derivative instruments C and G; 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 than (in the form of securities) 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, 2013, the aggregate fair value of all derivative instruments with these collateral posting provisions is $(152.593) million. If the collateral posting requirements were triggered at June 30, 2013, based on ratings of Baa3 or BBB-, the City would be required to post $79.075 million in collateral to its counterparties based on posting cash. The collateral requirements would be $152.545 million for ratings below Baa3 or BBB- based on posting cash. The City's credit rating as of June 30, 2013 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)]

Swap/Counterparty	Fair Value[(2)] as of June 30, 2013	Collateral Threshold at Baa2/BBB to Baa3/BBB-[(3)]	Collateral Amount[(4)]	Collateral Threshold below Baa3/BBB-	Collateral Amount[(5)]
			(in thousands)		
Bank of New York Mellon	$ (5,690)	Infinity	$ —	—	$ 5,690
JP Morgan Chase Bank, N.A.	(54,387)	3,000	51,400	—	54,400
Merrill Lynch Capital Services, Inc.	(8,175)	3,000	5,175	—	8,175
Morgan Stanley Capital Services, Inc.	(629)	3,000	—	—	600
UBS AG	(25,496)	3,000	22,500	—	25,500
US Bank National Association	(8,175)	Infinity	—	—	8,180
Wells Fargo Bank, NA	(50,041)	Infinity	—	—	50,000
Total Fair Value	$ (152,593)		$ 79,075		$ 152,545

(1) All of the City's swap counterparties have agreements that collateral is to be posted by the City 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 threshold 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 value 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.

14. Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 2013 were due July 1, 2012 and January 1, 2013 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 2013 taxes was June 29, 2012. 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. Real estate tax revenues not available are reported as deferred inflows of resources. 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. Real estate taxes received or reported as receivables before the period for which the property taxes are levied, or the period when resources are required to be used, or when use is first permitted, are reported as deferred inflows of resources.

The City offered a 1% discount on the full amount of a taxpayer's yearly property tax if the entire amount shown on their bill is paid by the July due date (or grace period due date), a 0.66% discount on the last three quarters if the taxpayer waits until the October due date to pay the entire amount due, or a 0.33% discount on the last six months of taxes when the taxpayer pays the balance by the January due date for both fiscal years 2014 and 2013. Payment of real estate taxes before July 15, 2013, on properties with an assessed value of $250,000 or less and before July 1, 2013, on properties with an assessed value over $250,000 received the discount. Collections of these real estate taxes received on or before June 30, 2013 and 2012 were about $5.7 billion and $5.5 billion respectively. These amounts were recorded as deferred inflows of resources.

The City sold approximately $90.5 million of real property tax liens, fully attributable to fiscal year 2013, at various dates in fiscal year 2013. 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 $3.8 million worth of liens sold in fiscal year 2013 will require refunding. The estimated refund accrual amount of $5 million, including the surcharge and interest, resulted in fiscal year 2013 net sale proceeds of $85.5 million.

In fiscal year 2013, there was $3.8 million refunded for defective liens from the fiscal year 2012 sale. This resulted in an increase to fiscal year 2013 revenue of $1.2 million and consequently, the under-estimated fiscal year 2012 accrual of $5.0 million increased the net sale proceeds of the fiscal year 2012 sale to $83.6 million up from the original fiscal year 2012 net sale proceeds reported as $79.8 million.

The City sold approximately $83.8 million of real property tax liens, fully attributable to fiscal year 2012, at various dates in fiscal year 2012. 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 $2.2 million worth of liens sold in fiscal year 2012 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2012 net sale proceeds of $79.8 million.

In fiscal year 2012, there were $2.2 million refunded for defective liens from the fiscal year 2011 sale. This resulted in an increase to fiscal year 2012 revenue of $1.8 million and consequently, all of the fiscal year 2011 accrual of $4 million was used. This increased the net sale proceeds of the fiscal year 2011 sale to $14.8 million up from the original fiscal year 2011 net sale proceeds reported as $13 million.

In fiscal years 2013 and 2012, $234 million and $265 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 inflows of resources 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, 2013 and 2012, excess amounts of $587 million and $65.4 million, respectively, were transferred to the General Debt Service Fund.

15. Other Taxes and Other Revenues

Taxpayer-assessed taxes, such as sales and income taxes, net of refunds, are recognized in the accounting period in which they become susceptible to accrual for the fund financial statements. Assets recorded in the governmental fund financial statements but the revenue is not available is reported as deferred inflows of resources. 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. Resources received before the time requirements are met, but after all other eligibility requirements are met, are reported as deferred inflows of resources.

17. Bond Discounts, Premiums and Issuance Costs

In the funds financial statements, bond premiums, discounts and issuance costs are recognized as revenues/expenditures in the period incurred. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds payable using the straight-line method. Bond premiums and discounts are presented as additions/reductions to the face amount of the bonds payable. Bond issuance costs are recognized as an expense in the period incurred.

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. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the classification of Fund Balance is based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable–includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints requiring such amounts to remain intact. As required by the New York State Financial Emergency Act, the City must prepare its budget covering all expenditures, other than capital items, balanced so that the results do not show a deficit when reported in accordance with generally accepted accounting principles. Therefore, the General Fund's fund balance must legally remain intact and is classified as nonspendable.

Restricted–includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, laws or regulations of other governments, or constrained due to constitutional provisions or enabling legislation.

Committed–includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government's formal action at the highest level of decision making authority and does not lapse at year-end. In accordance with the New York City Charter, the City Council is the City's highest level of decision-making authority and can, by legal resolution prior to the end of the fiscal year, approve to establish, modify or rescind a fund balance commitment. For the Nonmajor Funds, the respective Boards of Directors of the Funds ("Boards") constitute the highest level of decision-making authority. When resolutions are adopted by the Boards that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose, unless and until a subsequent resolution altering the commitment is adopted by a Board.

Assigned–includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City does not have any assigned amounts in its major funds. For the Nonmajor Funds, the fund balances which are constrained for use for a specific purpose based on the direction of any officer of the respective Funds who is duly authorized under the Funds' bond indentures to direct the movement of such funds are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same, or another duly authorized officer, or by a Board, is taken which removes or changes the assignment.

Unassigned–The City's Capital Projects Fund and Nonmajor Governmental Funds deficits are classified as unassigned.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, unless required by law or agreement, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

Below is the detail included in the fund balance classifications for the governmental funds at June 30, 2013 and 2012:

	Fiscal Year 2013				
	General Fund	**Capital Projects Fund**	**Debt Service Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
			(in thousands)		
Nonspendable:					
General Fund balance	$ 457,467	$ —	$ —	$ —	$ 457,467
Prepaid expenditures	—	—	—	620	620
Spendable:					
Restricted					
Capital projects	—	378,865	—	2,127,760	2,506,625
Debt service	—	—	586,908	1,992,386	2,579,294
Committed			—		
Debt service	—	—	2,179,799	199	2,179,998
Assigned					
Nonmajor operating funds	—	—	—	140,086	140,086
Unassigned					
Capital Projects Fund	—	(3,414,621)	—	—	(3,414,621)
Nonmajor Special Revenue Fund	—	—	—	(1,805)	(1,805)
Total Fund Balance	$ 457,467	$ (3,035,756)	$ 2,766,707	$ 4,259,246	$ 4,447,664

	Fiscal Year 2012				
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
			(in thousands)		
Nonspendable:					
General Fund balance	$ 452,284	$ —	$ —	$ —	$ 452,284
Prepaid expenditures	—	—	—	577	577
Spendable:					
Restricted					
Capital projects	—	372,361	—	2,348,421	2,720,782
Debt service	—	—	65,429	2,540,670	2,606,099
Committed					
Debt service	—	—	1,308,179	610	1,308,789
Assigned					
Nonmajor operating funds	—	—	—	138,612	138,612
Arbitrage Rebate Program	—	—	—	16,365	16,365
Unassigned					
Capital Projects Fund	—	(3,118,919)	—	—	(3,118,919)
Total Fund Balance	$ 452,284	$ (2,746,558)	$ 1,373,608	$ 5,045,255	$ 4,124,589

21. Pensions

Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Notes E.5. and the Required Supplementary Information (RSI) section immediately following the Notes to Financial Statements), 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.

22. 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.4.), 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.

23. 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.

24. Pronouncements Issued But Not Yet Effective

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements in which:

a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered.

This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statement No. 25 and Statement No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

The provisions of Statement No. 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 67 on its financial statements.

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The requirements of this Statement apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statement No. 27 and Statement No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The provisions of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 68 on its financial statements.

In January of 2013, GASB issued Statement 69, *Government Combinations and Disposals of Government Operations.* This statement improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

The requirements of Statement No. 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 69 on its financial statements.

In April of 2013, GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

The provisions of Statement No. 70 are effective for reporting periods beginning after December 15, 2013. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 70 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 position (deficit) of governmental activities as shown on the government-wide statement of net position 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 position of governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgets and Financial Plans

Budgets

Annual expense budget appropriations, which are prepared on the modified accrual basis, are adopted for the General Fund, and unused appropriations lapse at fiscal year-end. The City uses appropriations in the capital budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

The City is required by State Law to adopt and adhere to a budget, on a basis consistent with GAAP, that would not have General Fund expenditures in excess of revenues.

Expenditures made against the expense budget are controlled through the use of quarterly spending allotments and units of appropriation. A unit of appropriation represents a subdivision of an agency's budget and is the level of control at which expenditures may not legally exceed the appropriation. The number of units of appropriation and the span of operating responsibility which each unit represents, differs from agency to agency depending on the size of the agency and the level of control required. Transfers between units of appropriation and supplementary appropriations may be made by the Mayor subject to the approval provisions set forth in the City Charter. Supplementary appropriations increased the expense budget by $4.237 billion and $2.497 billion subsequent to its original adoption in fiscal years 2013 and 2012, 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 Capital Projects Fund has cumulative deficits of $3.0 billion and $2.7 billion at June 30, 2013 and 2012, 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 New York City Banking Commission, which consists of representatives 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.

The Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee (TAG) program, with unlimited deposit insurance for noninterest bearing transaction accounts, expired on December 31, 2012. As a result, effective January 1, 2013, the FDIC bank balance coverage was reduced to $250,000 per depositor, per insured bank, for each account ownership category.

As a result, the City's bank account balances in excess of the prevailing FDIC insurance limits of $250,000 are now fully collateralized in accordance with the New York State General Municipal Law (GML) and the New York City Department of Finance Collateral Policy, dated December 5, 2012. Each of the City's Designated Banks are required to pledge Eligible Securities or Letters of Credit that satisfies the minimum GML requirements. The City's Designated Banks are also required to closely monitor City bank account balances and recommend adjustments to the amount of collateral when necessary to ensure that City deposits are always fully collateralized.

At June 30, 2013 and 2012, the carrying amount of the City's unrestricted cash and cash equivalents was $5.823 billion and $5.766 billion, respectively, and the bank balances were $1.202 billion and $2.597 billion, respectively. Of the unrestricted bank balances, at June 30, 2012, $44 thousand was exposed to custodial 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. At June 30, 2013 and 2012, the carrying amount of the restricted cash and cash equivalents was $5.469 billion and $4.157 billion, respectively, and the bank balances were $2.772 billion and $1.380 million, respectively. Of the restricted bank balances, $8 thousand and $281 thousand were exposed to custodial credit risk because the respective bank balances were uninsured and uncollateralized at June 30, 2013 and 2012, respectively.

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, 2013 and 2012:

Governmental activities:

Investment Type	2013 Less than 1	2013 1 to 5	2013 More than 5	2012 Less than 1	2012 1 to 5	2012 More than 5
	Investment Maturities (in years) (in thousands)					
Unrestricted						
U.S. Government securities	$ 1,348,903	$ —	$ —	$ 1,640,140	$ —	$ —
U.S. Government agency obligations	493	117,426	—	282,164	197,307	—
Commercial paper	1,788,275	149,843	—	474,703	—	—
Corporate Bonds	—	—	—	—	24,918	—
Investment derivative instruments	—	—	(51,709)(1)	—	—	(64,268)(2)
Total unrestricted	$ 3,137,671	$ 267,269	$ (51,709)	$ 2,397,007	$ 222,225	$ (64,268)
Restricted						
U.S. Government securities	$ 164,798	$ 303,608	$ —	$ 589,643	$ 294,175	$ —
U.S. Government agency obligations	1,051,992	78,804	—	1,446,449	171,508	—
Commercial paper	428,971	—	—	344,227	—	—
Municipal Bonds	2,851	—	31,618	3,480	—	33,322
Time Deposits	12,153	—	—	29,108	—	—
Repurchase agreements	8,701	—	—	8,099	—	—
Total restricted	$ 1,669,466	$ 382,412	$ 31,618	$ 2,421,006	$ 465,683	$ 33,322

(1) The City has two pay-fixed interest rate swaps (E and F) and two basis swaps (G and K) that are treated as investment derivative instruments. Additionally, the City has four pay-fixed swaps (A-D,) that are partially treated as investment derivative instruments (see Note A.13). At June 30, 2013, the swaps had fair values of $(17,111) thousand, $(210) thousand, $(5,690) thousand, $(28,062) thousand, $(318) thousand, $(106) thousand $(106) thousand and $(106) thousand, respectively.

(2) The City has two pay-fixed interest rate swaps (E and F) and two basis swaps (G and K) that are treated as investment derivative instruments (see Note A.13). At June 30, 2012, the swaps had fair values of $(24,617) thousand, $(601) thousand, $(9,121) thousand, and $(29,929) thousand, respectively.

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 192 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, 2013 and 2012, investments in Fannie Mae or Freddie Mac and Federal Home Loan Bank (FHLB), 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 AA+ and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively.

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.

Investment Derivative Instruments

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 collateralization of the fair value of investment derivative instruments (net of the effect of applicable threshold requirements and netting arrangements) should the counterparty's credit rating fall below the following:

The counterparty with respect to derivative instruments B, D, E and F (or its respective guarantor) is required to post collateral if one of its credit ratings goes below A3/A-. The counterparty with respect to derivative instruments A, C, G and K is required to post collateral if it has at least one rating below Aa3 or AA-. 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, 2013 was $(51,709) thousand. A negative aggregate fair value means the City would have owed payments to the counterparties. The City had no counterparty credit exposure to any of the investment derivative instrument counterparties as of that date.

Interest rate risk: The City is exposed to interest rate risk on its swaps. In derivative instruments A, B, C, D, E and F, pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, the City's net payment on the swap increases.

Basis risk: The City is exposed to basis risk on derivative instruments A, B, C, D, E and F 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. Under the terms of its derivative instruments A, B, C, D, E and F, the City pays a variable rate on the outstanding underlying bonds 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 instruments E and F 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.

Through negotiations with Morgan Stanley Capital Services, Inc. the City has waived its rights with respect to the Automatic Termination Event (ATE) as the affected party. The City has reserved all other rights going forward, including its ability to trigger an ATE upon an additional downgrade.

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 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 entities 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, 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.

    e. Other top-rate securities maturing in less than 4 years.

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 position; 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, within the short-term investment pools, 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 position 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 2011, $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 years 2012 and 2013, 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 *the Deferred Compensation Plans for Employees of The City of New York and Related Agencies and Instrumentalities* (DCP) statements of fiduciary net position 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. In October, 2010, DCP's Board had decided to terminate its securities lending program as soon as it was 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. DCP sold the issuer's securities in fiscal year 2011 at the prevailing market prices, recovering $5.3 million. From September 2008, through November 2010, DCP continued to lend securitiesand the investment income earned was set aside in a reserve to offset the collateral shortfall. The balance of the shortfall, approximately $10 million, was applied to participant accounts in November 2010 as a one-time assessment. In November 2010, cash collateral in the amount of $24.3 was returned to DCP's custodian and DCP's securities lending program was closed.

The City reports securities loaned as assets on the Statement of Fiduciary Net Position. 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 Position. 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, 2012 and 2013:

	Primary Government						
Primary Government	**Balance June 30, 2011**	**Additions**	**Deletions**	**Balance June 30, 2012**	**Additions**	**Deletions**	**Balance June 30, 2013**
				(in thousands)			
Governmental activities:							
Capital assets, not being depreciated/amortized:							
Land	$ 1,568,807	$ 64,764	$ 20	$ 1,633,551	$ 72,282	$ 5,379	$ 1,700,454
Construction work in progress	4,896,910	2,535,291	2,994,774	4,437,427	3,086,231	2,818,767	4,704,891
Total capital assets, not being depreciated/amortized	6,465,717	2,600,055	2,994,794	6,070,978	3,158,513	2,824,146	6,405,345
Capital assets, being depreciated/amortized:							
Buildings	44,154,056	2,994,774	409,287	46,739,543	2,818,767	269,499	49,288,811
Equipment (including software)	6,875,113	1,070,824	799,242	7,146,695	857,844	598,514	7,406,025
Infrastructure	17,232,175	1,353,262	293,501	18,291,936	1,544,812	740,544	19,096,204
Total capital assets, being depreciated/amortized	68,261,344	5,418,860	1,502,030	72,178,174	5,221,423	1,608,557	75,791,040
Less accumulated depreciation/amortization:							
Buildings	17,146,785	1,412,630	202,810	18,356,605	1,695,724	144,554	19,907,775
Equipment (including software)	4,722,113	441,667	427,104	4,736,676	456,080	292,057	4,900,699
Infrastructure	6,098,766	835,189	293,503	6,640,452	850,063	612,668	6,877,847
Total accumulated depreciation/amortization	27,967,664	2,689,486(1)	923,417	29,733,733	3,001,867(1)	1,049,279	31,686,321
Total capital assets, being depreciated/amortized, net	40,293,680	2,729,374	578,613	42,444,441	2,219,556	559,278	44,104,719
Governmental activities capital assets, net	$ 46,759,397	$ 5,329,429	$ 3,573,407	$ 48,515,419	$ 5,378,069	$ 3,383,424	$ 50,510,064

(1) Depreciation expense was charged to functions/programs of the City for the fiscal years ended June 30, 2013 and 2012 as follows:

	2013	2012
	(in thousands)	
Governmental activities:		
General government	$ 411,219	$ 356,504
Public safety and judicial	180,878	178,495
Education	1,235,342	1,016,167
City University	5,397	5,686
Social services	66,817	64,693
Environmental protection	153,744	142,541
Transportation services	568,944	551,175
Parks, recreation and cultural activities	312,547	316,667
Housing	7,931	2,338
Health	45,488	39,480
Libraries	13,560	15,740
Total depreciation/amortization expense governmental activities	$ 3,001,867	$ 2,689,486

The following are the sources of funding for the governmental activities capital assets for the fiscal years ended June 30, 2013 and 2012. Sources of funding for capital assets are not available prior to fiscal year 1987.

	2013	2012
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 6,661,847	$ 6,695,418
City bonds	71,630,886	67,654,793
Federal grants	644,220	621,186
State grants	139,003	130,985
Private grants	558,147	556,315
Capitalized leases	2,562,282	2,590,455
Total funding sources	$ 82,196,385	$ 78,249,152

At June 30, 2013 and 2012, the 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 governmental activities capital assets and are recorded in the respective component unit financial statements.

Included in buildings at June 30, 2013 and 2012 are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	2013	2012
	(in thousands)	
Capital asset:		
Buildings, gross	$ 2,562,282	$ 2,590,455
Less accumulated amortization	822,793	772,215
Buildings, net	$ 1,739,489	$ 1,818,240

Capital Commitments

At June 30, 2013, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $14.3 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates New York City Capital Projects Fund expenditures of $53.7 billion over fiscal years 2014 through 2023. To help meet its capital spending program, the City and TFA borrowed $5.41 billion in the public credit market in fiscal year 2013. The City and TFA plan to borrow $5.60 billion in the public credit market in fiscal year 2014.

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, 2013 and 2012 were approximately $842.0 million and $814.7 million, respectively.

As of June 30, 2013, the City (excluding discretely presented Component Units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases	Total
		(in thousands)	
Governmental activities:			
Fiscal year ending June 30:			
2014	$ 189,828	$ 513,231	$ 703,059
2015	184,859	469,652	654,511
2016	177,725	452,410	630,135
2017	171,581	439,955	611,536
2018	167,444	411,900	579,344
2019 2023	740,326	1,604,567	2,344,893
2024 2028	454,566	989,408	1,443,974
2029 2033	290,659	366,809	657,468
2034 2038	108,547	69,785	178,332
2039 2043	26,118	27,655	53,773
2044 2048	—	12,183	12,183
2049 2053	—	3,972	3,972
Future minimum payments	2,511,653	$ 5,361,527	$ 7,873,180
Less interest	772,164		
Present value of future minimum payments	$ 1,739,489		

The present value of future minimum lease payments includes approximately $1.243 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, 2013 and 2012 was approximately $297 million and $291 million, respectively. As of June 30, 2013, the following future minimum rentals are provided for by the leases:

	Capital Leases	Operating Leases	Total
		(in thousands)	
Governmental activities:			
Fiscal year ending June 30:			
2014	$ 1,083	$ 194,172	$ 195,255
2015	1,121	191,404	192,525
2016	1,177	183,168	184,345
2017	1,198	180,755	181,953
2018	1,198	165,118	166,316
2019 2023	5,790	788,697	794,487
2024 2028	5,187	730,975	736,162
2029 2033	5,296	707,612	712,908
2034 2038	3,604	704,519	708,123
2039 2043	2,035	702,994	705,029
2044 2048	1,947	702,013	703,960
2049 2053	1,799	376,087	377,886
2054 2058	1,800	54,482	56,282
2059 2063	1,800	54,482	56,282
2064 2068	1,800	54,482	56,282
2069 2073	1,799	52,994	54,793
2074 2078	1,799	49,351	51,150
2079 2083	540	37,502	38,042
2084 2088	—	25,957	25,957
Thereafter until 2106	—	2	2
Future minimum lease rentals	40,973	$ 5,956,766	$ 5,997,739
Less interest	26,522		
Present value of future minimum lease rentals	$ 14,451		

4. Long-Term Liabilities

Changes in Long term liabilities

In fiscal years 2012 and 2013, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable:								
General obligation bonds[1]	$ 41,784,784	$ 4,952,775	$ 4,451,065	$ 42,286,494	$ 4,551,360	$ 5,245,916	$ 41,591,938	$1,937,975
TFA Bonds	23,819,775	5,628,810	3,181,235	26,267,350	5,754,435	2,819,335	29,202,450	751,040
TSASC Bonds	1,260,290		7,540	1,252,750		7,310	1,245,440	
IDA bonds	97,900		2,600	95,300		2,710	92,590	2,835
STAR bonds	2,116,455		62,800	2,053,655		68,240	1,985,415	10,885
FSC bonds	282,385		12,150	270,235		10,385	259,850	29,060
HYIC bonds	2,000,000	1,000,000		3,000,000			3,000,000	
ECF bond	281,185		6,750	274,435		6,390	268,045	1,890
Total before premiums/discounts (net)	71,642,774	11,581,585	7,724,140	75,500,219	10,305,795	8,160,286	77,645,728	2,733,685
Less premiums/(discounts) (net)	1,223,527	1,121,909	341,434	2,004,002	1,398,561	446,459	2,956,104	
Total bonds and notes payable	72,866,301	12,703,494	8,065,574	77,504,221	11,704,356	8,606,745	80,601,832	2,733,685
Tax Lien collateralized bonds[2]	34,267	69,748	67,929	36,086	66,749	69,179	33,656	
Capital lease obligations	1,895,460	28,746	105,966	1,818,240	28,262	107,013	1,739,489	75,635
Other tax refunds	2,098,709	359,389	500,709	1,957,389	97,656	113,389	1,941,656	186,656
Judgments and claims	6,082,099	1,302,202	1,106,363	6,277,938	975,919	1,016,729	6,237,128	1,193,380
Real estate tax certiorari	937,927	147,707	226,730	858,904	192,558	171,120	880,342	177,462
Vacation and sick leave	3,929,073	508,897	260,388	4,177,582	215,823	243,136	4,150,269	243,136
Pension liability	592,200	41,400	41,600	592,000	41,400	65,300	568,100	
OPEB liability	83,906,953	5,707,001	1,439,815	88,174,139	5,542,845	1,195,638	92,521,346	
Landfill closure and postclosure care costs	1,569,122	40,287	134,823	1,474,586	7,976	353,750	1,128,812	72,068
Pollution remediation obligations	226,223	175,765	189,556	212,432	149,555	145,233	216,754	167,395
Total changes in governmental activities long term liabilities	$174,138,334	$21,084,636	$12,139,453	$183,083,517	$19,023,099	$12,087,232	$190,019,384	$4,849,417

(1) General obligation bonds are generally liquidated with resources of the General Debt Service Fund. Other long term liabilities are generally liquidated with resources of the General Fund.

(2) Tax lien collaterized Bonds are secured by trust assets.

The bonds and notes payable at June 30, 2013 and 2012, summarized by type of issue are as follows:

Primary Government	2013 General Obligations*	2013 Revenue*	2013 Total	2012 General Obligations*	2012 Revenue*	2012 Total
			(in thousands)			
Governmental activities:						
Bonds and notes payable:						
General obligation bonds	$ 41,591,938	$ —	$ 41,591,938	$ 42,286,494	$ —	$ 42,286,494
TFA bonds	23,048,335	6,154,115	29,202,450	20,958,690	5,308,660	26,267,350
TSASC bonds	1,245,440	—	1,245,440	1,252,750	—	1,252,750
IDA bonds	92,590	—	92,590	95,300	—	95,300
STAR bonds	1,985,415	—	1,985,415	2,053,655	—	2,053,655
FSC bonds	259,850	—	259,850	270,235	—	270,235
HYIC bonds	—	3,000,000	3,000,000	—	3,000,000	3,000,000
ECF bonds	—	268,045	268,045	—	274,435	274,435
Total bonds and notes payable	$ 68,223,568	$ 9,422,160	$ 77,645,728	$ 66,917,124	$ 8,583,095	$ 75,500,219

* 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 are 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, 2013:

	Governmental Activities			
	General Obligation Bonds		Revenue Bonds	
Primary Government	Principal	Interest[(1)]	Principal	Interest
	(in thousands)			
Fiscal year ending June 30:				
2014	$ 2,623,120	$ 2,843,447	$ 110,565	$ 476,094
2015	3,159,501	2,762,222	133,605	471,567
2016	3,357,140	2,629,529	140,040	466,239
2017	3,395,796	2,486,051	153,025	460,242
2018	3,402,410	2,339,533	162,780	453,261
2019-2023	17,024,118	9,523,023	923,330	2,148,184
2024-2028	14,987,324	6,060,171	1,172,615	1,892,088
2029-2033	10,611,497	3,264,058	1,489,515	1,549,552
2034-2038	7,058,812	1,276,326	1,745,050	1,115,559
2039-2043	2,603,803	240,668	391,635	795,099
2044-2048	3	16	3,000,000	459,375
Thereafter until 2147	44	150	—	—
	68,223,568	33,425,194	9,422,160	10,287,260
Less interest component	—	33,425,194	—	10,287,260
Total future debt service requirements	$ 68,223,568	$ —	$ 9,422,160	$ —

(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, 2013 and 2012, were 4.33% and 4.3%, respectively, and both ranged from 0% to 8.6%. 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 2013 and 2012, the City issued $2.92 billion and $2.23 billion, respectively, of general obligation bonds to advance refund general obligation bonds of $3.22 billion and $2.44 billion, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $16.29 million and $31.43 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 2013, the refunding transactions will decrease the City’s aggregate debt service payments by $406.49 million and provide an economic gain of $374.8 million. In fiscal year 2012, the refunding transactions decreased the City’s aggregate debt service payments by $305.98 million and provided an economic gain of $277.06 million. At June 30, 2013 and 2012, $19.75 billion and $17.69 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. In July 2009, the New York State Assembly passed legislation stipulating that certain TFA debt would be included in the calculation of debt-incurring margin within the debt limit of the City.

As of July 1, 2013 and 2012, the 10% general limitation was approximately $79.10 billion and $76.85 billion, respectively. Also, as of July 1, 2013, the City's remaining GO debt-incurring power totaled $24.83 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 2013, discretionary transfers of $2.73 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2014 debt service. In fiscal year 2012, discretionary and other transfers of $1.34 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2013 debt service. In addition, in fiscal year 2012, discretionary transfers of $1.034 billion were made to Component Unit 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, 2013. 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, 2013 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:				
2014	$ 25,000	$ 1,788	$ 24,392	$ 51,180
2015	30,885	1,484	23,585	55,954
2016	11,980	1,213	22,973	36,166
2017	82,535	945	21,542	105,022
2018	90,090	589	18,892	109,571
2019-2023	240,155	1,402	61,364	302,921
2024-2028	174,115	955	40,881	215,951
2029-2032	175,885	206	8,819	184,910
Total	$ 830,645	$ 8,582	$ 222,448	$ 1,061,675

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, 2013 and 2012, claims were outstanding against the City for which the City estimates its potential future liability to be $6.2 billion and $6.3 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 position 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.

Complaints on behalf of approximately 11,900 plaintiffs 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 were 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. The actions were consolidated in 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. A not-for-profit "captive" insurance company, WTC Captive, was 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. WTC Captive was funded by a grant from the Federal Emergency Management Agency in the amount of $999.9 million. On June 10, 2010, WTC Captive announced that a settlement was reached with attorneys for the plaintiffs. On November 19, 2010 District Court Judge Hellerstein announced that more than the required 95% of plaintiffs agreed to the settlement, thus making it effective. Approximately $642.5 million has been paid under the settlement, leaving residual funds of approximately $335 million to insure and defend the City and its contractors against claims that are not settled as part of the settlement and any new claims. There is currently one case remaining against the City. Additionally, the City is threatened with third-party claims in more than 1,000 building clean-up cases to which it is currently not a party. Since the applicable statute of limitations runs from the time a person learns of his or her injury or should reasonably be aware of the injury, additional plaintiffs may bring lawsuits in the future, which could result in substantial damages. No assurance can be given that the insurance will be sufficient to cover all liability that might arise from such claims.

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 District Court dismissed the case following a bench trial. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the District Court's ruling, dismissed the claims against the State, and remanded for further proceedings. On remand, in December 2012 the District Court decertified the class with respect to plaintiffs' claims for monetary relief and individualized injunctive relief. The District Court, however, left open the possibility that plaintiffs' claims for monetary relief, in the form of back pay, and individualized injunctive relief could be certified as a class during a remedies phase. The District Court found that the class survived as to plaintiffs' claims for classwide declaratory and injunctive relief and decided that the Board of Education had not violated Title VII by reducing the plaintiffs' salaries, benefits, and seniority if they failed to pass the Core Battery exam, the earlier of the two exams at issue, which was last used by the State in 1996. The court, however, found that the City had violated Title VII by requiring plaintiffs to pass the Liberal Arts and Sciences Test (LAST). a version of which is currently used by the State. On August 29, 2013, the District Court certified an individual damages class. The number of class members is not ascertainable at this time, nor at this time, is it possible to estimate possible class-wide damages given the highly individualized nature of each individual plaintiff's damages claim and of DOE's defense mitigation. On January 28, 2013, the District Court granted the City's motion for leave to file interlocutory appeal of the controlling legal question of whether an employer's compliance with a facially neutral state licensing requirement that allegedly has a disparate impact on members of a protected class may subject it to liability under Title VII. On March 19, 2013, the Second Circuit granted the City's motion for an interlocutory appeal.

In 2006 a realtor (plaintiff) 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 realtor 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 tenant 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. In May 2011, the property owners were granted summary judgment on all of the federal government's claims and the federal government's motion for reconsideration was denied on June 28, 2011. The federal government has appealed this decision. The federal government has not sought any relief against the City. The realtor 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. Subsequently, the realtor filed an appeal which was dismissed as premature. In August 2011 the relator again filed an appeal which is stayed pending the resolution of the federal government's appeal.

The federal Department of Health and Human Services Office of Inspector General (HHS OlG) 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.

A lawsuit has been brought against the City in the United States District Court for the Southern District of New York by School Safety Agents alleging violation of the federal Equal Pay Act, Title VII of the Civil Rights Act of 1964 and provisions of State law. Plaintiffs claim that School Safety Agents (who are predominantly female) earn less pay than Special Officers (who are predominantly male) although both jobs require substantially equal skill, effort and responsibility. The case has been certified as a class action. Although the case was commenced by three named plaintiffs in 2010, 4,900 plaintiffs subsequently opted into the lawsuit. Plaintiffs seek injunctive relief and damages. If plaintiffs were to ultimately prevail, the City could be subject to substantial liability.

In May 2007, the United States filed an action under Title VII of the Civil Rights Act of 1964 in the United States District Court for the Eastern District of New York challenging the City's use of two written examinations for the entry-level position of firefighter on the ground that use of the tests on a pass/fail basis and to rank-order applicants for selection resulted in a disparate impact on black and Hispanic candidates and that the tests were not "job related and consistent with business necessity." In September 2007, the Vulcan Society, a fraternal organization of black firefighters, and three black applicants intervened as plaintiffs and also asserted intentional discrimination claims. In July 2009, the Court found the City liable on the disparate impact claims. In January 2010, the Court ruled that the City had engaged in intentional discrimination and found that absent the discriminatory tests, the City would have hired an additional 293 black and Hispanic candidates from the two civil service lists generated by the two challenged exams. The Court also determined that all black and Hispanic candidates who took the discriminatory tests who can show they were otherwise qualified to be firefighters are entitled to a portion of the backwages and benefits which would have been paid to the 293 candidates had they been hired. The finding of intentional discrimination was vacated on appeal in May 2013, and a new trial will be scheduled while the Court proceeds with the relief for the disparate impact claim. After further briefing and a hearing held in August 2011, the Court issued an order on March 8, 2012 finding that the gross amount of backpay that would have been earned by the 293 victims of discrimination is $128.7 million. The Court, however, further ruled that the City can reduce this amount significantly by each individual victim's interim earnings. Consequently, the City believes that the amount of the judgment will ultimately be substantially less than $128.7 million.

A lawsuit against the DOE and other school districts throughout the State alleging that claims by the districts seeking Medicaid reimbursement for their respective Targeted Case Management programs violated the federal False Claims Act was unsealed in July 2012 and served on the City in October 2012. The Targeted Case Management program is a program that coordinates services for children with disabilities. The relators (plaintiffs) allege that the districts submitted false and fraudulent claims for reimbursement. The federal government is not participating in this action. The relators seek treble damages as well as civil penalties. If the relators were to ultimately prevail, the City could be subject to substantial damages.

The City has received Civil Investigative Demands from the United States Department of Justice in connection with a False Claims Act investigation of claims relating to Medicaid reimbursement for the City's Early Intervention Program. If the City were to be a defendant in a False Claims Act lawsuit relating to the investigation it could be subject to substantial liability.

Con Edison has challenged the City's method of valuation for determining assessments of certain of its properties in two separate actions. Con Edison has challenged the City's tax assessments on the East River Generating Station located in Manhattan for fiscal years 1994 through 2012 and the City's special franchise assessment on its electric grid located in the public right of way. The challenges could result in substantial real property tax refunds in fiscal years 2014 and 2015.

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. 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 $880.3 million and $858.9 million at June 30, 2013 and 2012, 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 the Required Supplementary Information (RSI) section immediately following the Notes to Financial Statements.)

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, 2013 which equates to the total estimated current cost is $927 million 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 2013, expenditures for landfill closure and postclosure care costs totaled $65.9 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, 2013, by the City's Chief Financial Officer placing in the Fresh Kills landfill operating record representations in satisfaction of the Local Government Financial Test. As of June 30, 2013, the financial assurance cost estimate for the Fresh Kills Landfill is $827 million.

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 position:

	Amount (in thousands)
Landfill	$ 926,577
Hazardous waste sites	202,235
Total landfill and hazardous waste sites liability	$ 1,128,812

Pollution Remediation Obligations

The pollution remediation obligations (PROs) at June 30, 2013 and June 30, 2012 summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	Fiscal Year 2013		Fiscal Year 2012	
	Amount (in thousands)	Percentage	Amount (in thousands)	Percentage
Imminent endangerment	$ 30,190	14.0%	$ 822	.4%
Violation of pollution prevention-related permit or license	3,098	1.4	108	.1
Named by regulator as a potentially responsible party	50,996	23.5	50,977	24.0
Voluntary commencement	132,470	61.1	160,525	75.5
Total	$ 216,754[(1)]	100.0%	$ 212,432[(1)]	100.0%

Pollution Type	Amount (in thousands)	Percentage	Amount (in thousands)	Percentage
Asbestos removal	$ 118,688	54.8%	$ 91,988	43.3%
Lead paint removal	15,750	7.3	32,554	15.3
Soil remediation	30,067	13.9	34,421	16.2
Water remediation	50,433	23.2	52,698	24.8
Other	1,816	0.8	771	.4
Total	$ 216,754[(1)]	100.0%	$ 212,432[(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 Law Department relates that we have approximately 24 cases involving hazardous substances, including spills from above and underground storage tanks, and other condemnation on, or caused by facilities on City-owned property. There are also four cases involving environmental review and land use, and one case involving polychlorinated biphenyls caulk in the public schools. Due to the uncertainty of the legal proceedings we cannot estimate a future liability.

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 February 2, 2011, following an investigation of the location, concentrations, types, sources, and risks of contamination in the Gowanus Canal, EPA issued a Gowanus Canal Remedial Investigation Report. That report identified three former manufactured gas plants as the likely source of much of the contamination in the Gowanus Canal, but also identified combined sewer overflows as the likely source of some contamination. On December 30, 2011, EPA released its draft feasibility study for the Gowanus Canal, evaluating various alternatives to address the contamination identified in its report. DEP is currently undertaking a $160 million capital project which will modernize a flushing tunnel to directly improve water quality and circulation within the Gowanus Canal. This work also includes up-sizing a pump station at the head of the Gowanus Canal to reduce the discharge of combined sewer overflows and dredging of a portion of the Gowanus Canal. Based on prior communications between DEP and EPA, the pump project should not be impacted by the listing of the Gowanus Canal as a federal Superfund site, although the dredging project may be impacted. On December 27, 2012, EPA released its proposed plan for the Gowanus Canal Superfund remediation. The proposed plan includes dredging the contaminated sediment in the Gowanus Canal and covering it with a cap. The proposed plan also recommends additional combined sewer overflow controls for two outfalls in order to prevent recontamination of the Gowanus Canal following implementation of the Superfund remedy. Excluding operation and maintenance and land acquisition costs, EPA estimates that these Superfund-related combined sewer overflow controls will cost approximately $80 million. The overall projected remedial costs (including the dredging and capping) are approximately $500 million. The City continues to question the technical basis of Superfund related combined sewer overflow controls and on April 26, 2013 submitted comments on the proposed plan. The EPA finalized a $506 million clean up plan on September 30, 2013. The City is reviewing the EPA's Record of Decision and is continuing to make legal and technical arguments as to the City's liability and the best way forward.

On September 27, 2010, EPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, along with its five tributaries, as a Superfund site. 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 potential sources of hazardous substances in Newtown Creek. On July 7, 2011, EPA, the City of New York and five companies (Phelps Dodge Refining Co., Texaco, British Petroleum, National Grid and Exxon Mobil) that own or operate facilities adjacent to Newtown Creek jointly entered into an Administrative Settlement Agreement and Order on Consent (AOC) to complete a comprehensive study, including an investigation of the conditions in Newtown Creek and an evaluation of feasible remedies, of Newton Creek and its tributaries. The study, called a Remedial Investigation and Feasibility Study, will be completed according to CERCLA. Under the AOC, the City is required to establish and maintain financial security in the amount of $25 million for the benefit of EPA in order to secure the full and final completion of the work required to be performed under the AOC by the City and the Newton Creek Group, the group of five companies that are respondents to the AOC, in addition to the City. The City has made its demonstration of financial assurance pursuant to the Resource Conservation and Recovery Act, 40 C.F.R. §258.74(f). This assurance was most recently provided, on March 2012, to the EPA in satisfaction of the AOC. The AOC does not cover any remedy that may ultimately be chosen by EPA to address the contamination identified as a result of the investigation and evaluation.

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, the contribution, if any, of discharges from the City's water and sewer system of hazardous substances in 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 and could be material.

5. Interfund Receivables, Payables, and Transfers

At June 30, 2013 and 2012, Primary Government and Discretely Presented Component Units receivable and payable balances and interfund transfers were as follows:

Governmental activities:

Due from/to other funds:

Receivable Fund	Payable Fund	2013	2012
		(in thousands)	
General Fund	Capital Projects Fund	$ 3,082,989[(1)]	$ 2,801,825[(1)]
	HYIC—General Fund	8,989	12,574
	TDC—General Fund	291	—
	TFA—Debt Service	54,690	49,831
Capital Projects Fund	TFA—Capital Projects Fund	156,140	310,281
	HYIC—Capital Projects Fund	2,346	2,606
HYDC—Capital Projects Fund	HYIC—Capital Projects Fund	204	51
HYIC—Debt Service Fund	HYIC—Capital Projects Fund	363	189
Total due from/to other funds		$ 3,306,012	$ 3,177,357

Component Units:

Due from/to primary government and Component Units:

Receivable Entity	Payable Entity	2013	2012
Primary Government—General Fund	Component Units—HDC	$ 1,034,038	$ 865,077
	HHC	436,591	171,653
		1,470,629	1,036,730
Primary Government—Capital Projects Fund	Component Units—Water Authority	572,700	677,880
	EDC	118,148	125,043
		690,848	802,923
Total due from Component Units		$ 2,161,477	$ 1,839,653
Component Unit—Water Board	Primary Government—General Fund	$ 152,879	$ 62,371
Total due to Component Units		$ 152,879	$ 62,371

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

Note: During both fiscal years 2013 and 2012, the Capital Projects Fund reimbursed the General Fund for expenditures made on its behalf.

Governmental activities:
Interfund transfers[1]

	Fiscal Year 2013 (in thousands)					
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
Transfer from (to):						
General Fund	$ —	$ —	$ 5,055,535	$ 147,684	$ —	$ 5,203,219
General Debt Service Fund	(5,055,535)	—	—	5,751	—	(5,049,784)
Capital Projects	—	—	—	(3,895,842)	—	(3,895,842)
Nonmajor Debt Service Fund	(1,154,135)	—	(5,751)	(108,988)	1,006,451	(262,423)
Nonmajor Capital Projects Funds	—	3,895,842	—	5,645	—	3,901,487
Nonmajor Special Revenue Funds	—	—	—	103,343	—	103,343
Total	$ (6,209,670)	$ 3,895,842	$ 5,049,784	$ (3,742,407)	$ 1,006,451	$ —

	Fiscal Year 2012 (in thousands)					
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
Transfer from (to):						
General Fund	$ —	$ —	$ 2,272,372	$ 1,140,758	$ —	$ 3,413,130
General Debt Service	(2,272,372)	—	—	6,608	—	(2,265,764)
Capital Projects	—	—	—	(3,176,386)	—	(3,176,386)
Nonmajor Debt Service	(1,757,622)	—	(6,608)	(81,569)	616,864	(1,228,935)
Nonmajor Capital Projects	—	3,176,386	—	8,950	—	3,185,336
Nonmajor Special Revenue	—	—	—	72,619	—	72,619
Total	$ (4,029,994)	$ 3,176,386	$ 2,265,764	$ (2,029,020)	$ 616,864	$ —

[1] 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, 2012, the City made the following one-time transfer:
A transfer from the General Fund of an unrestricted grant of $879 million on June 29, 2012 to TFA These funds were used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2013 In the fiscal year ended June 30, 2013, there were no transfers

6. Superstorm Sandy

Government Assistance

On October 29, 2012, Superstorm Sandy (Sandy) made landfall in the City. The storm surge and high winds caused significant damage in the City as well as other states and cities along the U.S. eastern seaboard. The City incurred costs for emergency response and storm related damages to, and destruction of, City buildings and other assets. As of June 30, 2013, approximately $1.7 billion, including $305 million for capital needs and $1.4 billion for cleanup, relief and repair following the storm had been spent, and the City continues to incur costs associated with the recovery.

In response to the damages caused by Sandy, President Obama signed a major disaster declaration on October 30, 2012, authorizing the Federal Emergency Management Agency (FEMA) to provide Public Assistance grants (PA) to government entities for response and recovery efforts. The emergency declaration supports the reimbursement of eligible emergency work (categorized as Emergency Protective Measures and Debris Removal) and permanent work (categorized as restoration of Roads and Bridges, Water Control Facilities, Buildings and Equipment, Utilities and Parks and Recreational facilities). On June 26, 2013 the President authorized reimbursement of eligible costs at a 90% rate.

In addition to the FEMA PA, the City has been awarded more than $1.77 billion of Community Development Block Grant Disaster Recovery (CDBG-DR) funding through the US Department of Housing and Urban Development. The major portion of these funds is being used in a variety of home restoration and replacement programs, small business assistance programs, and resiliency/hazard mitigation programs. The remainder is being used to pay certain Sandy-related costs that are not reimbursable by FEMA as well as the 10% non-FEMA share of eligible costs, to the extent that those are eligible for CDBG-DR funding.

Approximately $637 million in emergency and recovery spending had been obligated for reimbursement by FEMA as of June 30, 2013, the remainder of eligible reimbursement will be obligated going forward. To the extent that eligible Sandy related costs were incurred as of June 30, 2013, the FEMA reimbursement has been received or accrued as receivable in fiscal year 2013.

Capital Asset Impairment

The damage caused by Sandy had a major impact on the City's Capital Assets including buildings, equipment and infrastructure. In accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* the City recognized a net impairment loss of $182 million in fiscal year 2013. This amount has been recorded as part of the disposals of capital assets during the fiscal year. The City is self-insured with respect to risk. The loss was recognized net of insurance recoveries of city assets used by other entities, of $3.2 million that were either realized or realizable. The City will continue to recognize insurance proceeds for Sandy-related losses in future periods as they become recognizable.

See details below:

Function	Buildings	Equipment	Infrastructure	Total Loss from Impairment by Function
		(in thousands)		
General government	$ 4,936	$ 1	$ 5,796	$ 10,733
Public safety and judicial	2,973	995	—	3,968
Education	30,777	—	—	30,777
Social services	384	—	—	384
Environmental protection	4,351	—	—	4,351
Transportation services	7,142	403	106,653	114,198
Parks, recreation and cultural activities	3,319	19	10,135	13,473
Libraries	3,507	698	—	4,205
Total Loss from Impairment by asset type	$ 57,389	$ 2,116	$ 122,584	$ 182,089

E. OTHER INFORMATION

1. Audit Responsibility

In fiscal years 2013 and 2012, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Deloitte & Touche LLP are 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, New York City Housing Authority, Hudson Yards Infrastructure Corporation, Hudson Yards Development Corporation, Brooklyn Bridge Park Corporation, The Trust for Governors Island, The New York City Energy Efficient Corporation, and Build NYC. In fiscal year 2013, auditors other than Deloitte & Touche LLP audited newly created Component Unit—New York City Land Development Corporation.

	Government-wide				Fund-based			
	Governmental Activities		Component Units		Nonmajor Governmental Funds		Fiduciary Funds	
	2013	2012	2013	2012	2013	2012	2013	2012
Total assets.......................................	3%	4%	50%	50%	50%	48%	7%	7%
Revenues, other financing sources and net position held in trust	3	4	77	78	69	80	9	9

2. Subsequent Events

The following events occurred subsequent to June 30, 2013:

Long term Financing

City Debt: On August 15, 2013, The City of New York sold its Fiscal 2014 Series A General Obligation bonds of $500 million for capital purposes.

On August 15, 2013, The City of New York sold its Fiscal 2014 Series B and C General Obligation bonds of $372.52 million for refunding purposes.

On August 15, 2013, The City of New York converted its Fiscal 1994 Series A8, A9, A10, B3, H3 and Fiscal 2006 Series E2, E3, E4 General Obligation bonds of $134.84 million from Daily Mode to Fixed Rate Mode.

On October 16, 2013, The City of New York sold its Fiscal 2014 Series D General Obligation bonds of $825 million for capital purposes.

On October 16, 2013, The City of New York sold its Fiscal 2014 Series E and F General Obligation bonds of $416.92 million for refunding purposes.

On October 16, 2013, The City of New York converted its Fiscal 2003 Series C4 and C5 General Obligation bonds of $175.675 million from Weekly Mode to Fixed Rate Mode.

NYCTLT: On July 31, 2013, NYCTLT 2013-A issued Tax Lien Collateralized Bonds, Series 2013-A of $91.37 million to fund the purchase of certain liens from the City.

Bond Ratings: On August 14, 2013, Fitch downgraded TSASC bonds maturing June 1, 2022 to BBB- from BBB, and bonds maturing June 1, 2034 and June 1, 2042 to B from B+.

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 and the Captains Endowment 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 200 South, 1 Centre Street, New York, New York 10007-2341.

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 position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the statement of fiduciary net position. 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 position at fair value based on quoted market prices.

The Schedule of Funding Progress of OPEB valuations appears in the RSI Section, immediately following the Notes to Financial Statements.

4. 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 Premium 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 200 South, 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 Premium Reimbursments; Welfare Fund Benefits stem from the City's various collective bargaining agreements. The City is not required by law or contractual agreement to provide funding for the Program 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, 2013, the City paid $1.2 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 Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB45).

The method was changed from the Frozen Entry Age Actuarial Cost Method used in all previous OPEB actuarial valuations.

Under this method, as used in the June 30, 2012 OPEB actuarial valuation, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The employer portion of this APVB allocated to a valuation year is the Employer Normal Cost. The portion of this APVB not provided for at a valuation date by the APV of Future Employer Normal Costs is the Actuarial Accrued Liability (AAL).

The excess, if any, of the AAL over the Actuarial Asset Value (AAV) is the Unfunded Actuarial Accrued Liability (UAAL).

Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized.

Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.

All changes in the Unfunded Actuarial Accrued Liability as of June 30, 2012 are being amortized over an open one-year period for purposes of calculating the ARC except for the amount of change in UAAL attributable to the change in the Actuarial Cost Method which is being amortized over a closed 10-year period using level-dollar amortization. This is the minimum period permitted in cases where there is a significant reduction in the UAAL in accordance with Paragraph 13.f(3) of GASB 45.

Note: For the June 30, 2012 OPEB actuarial valuation, all actuarial gains (losses) that have occurred prior to the adoption of the Entry Age Actuarial Cost Method are effectively included in the measurement of the change in Actuarial Cost Method.

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, 2013:

	Amount (in thousands)
Annual required contribution	$ 93,716,984
Interest on net OPEB obligation	3,526,966
Adjustment to annual required contribution	(91,701,105)
Annual OPEB cost (expense)	5,542,845
Payments made	1,195,638
Increase in net OPEB obligation	4,347,207
Net OPEB obligation-beginning of year	88,174,139
Net OPEB obligation-end of year	$ 92,521,346

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, 2013, 2012, 2011, 2010, 2009 and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	(in thousands)		
6/30/13	$ 5,542,845	21.6%	$ 92,521,346
6/30/12	5,707,001	25.2	88,174,139
6/30/11	10,494,993	15.0	83,906,953
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

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the funded status was 3.0%. The actuarial accrued liability for benefits was $71.4 billion, and the actuarial value of assets was $2.1 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $69.3 billion. The covered payroll (annual payroll of active employees covered) was $20.3 billion, and the ratio of the UAAL to the covered payroll was 342.0%. 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 incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status 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 in the RSI section immediately following the Notes to Financial Statements, disclosures required by GASB43 for OPEB Plan reporting, presents GASB No. 45 results of OPEB valuations as of June 30, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 and the schedule provides an eight 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, 2012 and 2011 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 (NYCERS); (ii) Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS); (iii) New York City Board of Education Retirement System Qualified Pension Plan (BERS); (iv) New York City Police Pension Fund (POLICE); and (v) New York Fire Department Pension Fund (FIRE). The OPEB actuarial valuations incorporate only the use of certain NYCRS demographic and salary increase assumptions. The NYCRS demographic and salary scale assumptions are unchanged from the prior OPEB actuarial valuation except for the BERS beneficiary mortality assumption. For purposes of determining pension obligations, the demographic and salary scale assumptions requiring NYCRS Board approval (available on the website of the Office of the Actuary at www.nyc.gov/actuary) were adopted by each respective Board of Trustees during fiscal year 2012. Chapter 3 of the Laws of 2013 enacted those actuarial assumptions and methods that require New York State Legislation.

The OPEB-specific actuarial assumptions used in the June 30, 2012 OPEB actuarial valuation of the Plan are as follows:

Valuation Date	June 30, 2012.
Discount Rate	4.0% per annum.(1)
Actuarial Cost Method	Entry Age (Previously Frozen Entry Age) calculated on an individual basis with the Actuarial Value of Projected Benefits allocated on a level basis over earnings from hire through age of exit.
Per Capita Claims Costs	HIP HMO and GHI/EBCBS benefit costs reflect age adjusted premiums. Age adjustments based on assumed age distribution of covered population used 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.

---

(1) 2.5% CPI, 1.5% real rate of return on short term investments.

Employer premium contribution schedules for the month of July 2012 and January 2013 were reported by OLR. 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 2013 premium rate was different than the July 2012 premium rate, the valuation assumed that the January 2013 rate was more representative of the long-range cost of the arrangement.

Initial monthly premium rates used in valuations are shown in the following tables:

	Monthly Rates	
Plan	**FY'13(1)**	**FY'12(2)**
HIP HMO		
Non-Medicare Single	$ 550.50	$ 507.60
Non-Medicare Family	1,348.75	1,243.59
Medicare	140.37	135.87
GHI/EBCBS		
Non-Medicare Single	459.68	442.70
Non-Medicare Family	1,194.29	1,149.28
Medicare	159.69	166.00
Others		
Non-Medicare Single	550.50	507.60
Non-Medicare Family	1,348.75	1,243.59
Medicare	159.69	166.00

---

(1) Used in June 30, 2012 OPEB actuarial valuation.
(2) Used in June 30, 2011 OPEB 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 2.33% for Fiscal Year 2012 and 2.30% for Fiscal Year 2011, approximating overall recent growth of Welfare Fund contributions.

For the June 30, 2012 and the June 30, 2011 OPEB actuarial valuations, certain lump-sum amounts have been included in calculating the three-year trended average. Furthermore, retroactive adjustments to Welfare Fund contribution rates were used in the trended average as of the dates they were effective (i.e., using the retroactive date).

Reported annual contribution amounts for the last three years shown in Appendix B, Tables 2a to 2e of the Report on the Eighth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 19, 2013, for Fiscal Year 2013 used for current retirees.

Weighted average annual contribution rates used for future retirees are shown in the following table. These averages were developed based on Welfare Fund enrollment of recent retirees (during the five years prior to the valuation).

	Annual Rate	
	FY'13	**FY'12**
NYCERS	$ 1,703	$ 1,775
TRS	1,762	1,876
BERS	1,690	1,767
POLICE	1,638	1,691
FIRE	1,720	1,783

Welfare Fund rates based on actual reported Union Welfare Fund code for current retirees. Where Union Welfare Fund code was missing, the most recently reported union code was reflected.

Contributions were assumed to increase by Medicare Plans trend rates.

For Welfare Fund contribution amounts reflected in the June 30, 2011 OPEB actuarial valuation for current retirees, see the Seventh Annual OPEB Report.

Medicare Part B Premiums ....

Calendar Year	**Monthly Premium**
2008	$ 96.40
2009	96.40
2010 *(announced)*	110.50
2010 *(used)*	100.21
2011 *(announced)*	115.40
2011 *(used)*	101.53
2012	99.90
2013	104.90*

* Reflected only in June 30, 2012 OPEB actuarial valuation.

2013 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 2013. The actual 2014 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 were no cost-of-living increases in Social Security benefits for Calendar Years 2010 and 2011, most Medicare Part B participants were not actually charged the Medicare Part B Premium announced for 2011.

For the June 30, 2011 OPEB actuarial valuation (i.e., Fiscal Year 2012), the annual premium used (i.e., $1,208.58) equaled 6 months of the estimated Calendar Year 2011 premium (i.e., 73% of $96.40 + 27% of $115.40) plus 6 months of the Calendar Year 2012 premium ($99.90).

For the June 30, 2012 OPEB actuarial valuation (i.e., Fiscal Year 2013), the annual premium used (i.e., $1,228.80) equals 6 months of the Calendar Year 2012 premium plus 6 months of the Calendar Year 2013 premium.

Future Calendar Year Medicare Part B premium rates are projected from the Calendar Year 2013 rate of $104.90 using the assumed Medicare Part B Premium trend.

Overall Medicare Part B Premium amounts are 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, 2012 Valuation**	**June 30, 2011 Valuation**
2012	N/A	3.5%
2013	3.6%	3.6
2014	3.7	3.7
2015	3.8	3.8
2016 and later	Increasing by .1% per year to a maximum of 5.0%	Increasing by .1% per year to a maximum of 5.0%

Medicare Part B Premium Reimbursement Assumption .... For the June 30, 2012 OPEB 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 (unchanged from the last valuation). For purposes of measuring entry age calculations, actual historic plan increases are reflected to the extent known, with further historic trend rates based on the trend assumed for Fiscal Year 2013 (initial trend).

HCCTR Assumptions

Year Ending[1]	Pre-Medicare Plans	Medicare Plans	Medicare Part B Premiums
2013[2]	9.5%	5.0%	7.0%
2014	9.5	5.0	6.5
2015	9.0	5.0	6.0
2016	8.5	5.0	5.5
2017	8.0	5.0	5.0
2018	7.5	5.0	5.0
2019	7.0	5.0	5.0
2020	6.5	5.0	5.0
2021	6.0	5.0	5.0
2022	5.5	5.0	5.0
2023 and Later	5.0	5.0	5.0

(1) Fiscal Year for Pre Medicare Plans and Medicare Plans and Calendar Year for Medicare Part B Premiums.

(2) For the June 30, 2012 OPEB actuarial valuation, rates shown for 2013 were not reflected since actual values for the Fiscal Year 2013 per capita costs, Fiscal Year 2013 Welfare Fund contributions and Calendar Year 2013 Medicare Part B Premium amounts were used.

Age- and Gender–Related Morbidity...........

The premiums are age adjusted for HIP HMO and GHI/EBCBS participants. Effective for the June 30, 2012 OPEB actuarial valuation, the premiums are also adjusted for gender.

For June 30, 2012 OPEB actuarial valuation, the assumed relative costs of coverage are consistent with information presented in Health Care Costs — From Birth to Death, prepared by Dale H. Yamamoto[2] (Yamamoto Study).

For non-Medicare costs, relative factors were based on graduated 2010 PPO/POS data as presented in Chart 28 of the Yamamoto Study. The resultant relative factors, normalized to the male age 65 rate, used for non-Medicare costs are as follows:

Age	Male	Female	Age	Male	Female
20	0.170	0.225	43	0 325	0.480
21	0.157	0.227	44	0 340	0.487
22	0.147	0.236	45	0 355	0.495
23	0.143	0.252	46	0 372	0.505
24	0.143	0.274	47	0 391	0.519
25	0.146	0.301	48	0.412	0.536
26	0.151	0.329	49	0.437	0.556
27	0.157	0.357	50	0.463	0.576
28	0.165	0.384	51	0.491	0.597
29	0.173	0.408	52	0 519	0.616
30	0.181	0.428	53	0 547	0.635
31	0.190	0.444	54	0 577	0.653
32	0.199	0.456	55	0.608	0.671
33	0.208	0.463	56	0.641	0.690
34	0.217	0.466	57	0.676	0.710
35	0.227	0.466	58	0.711	0.732
36	0.237	0.465	59	0.747	0.756
37	0.249	0.464	60	0.783	0.783
38	0.261	0.464	61	0.822	0.813
39	0.274	0.465	62	0.864	0.846
40	0.286	0.467	63	0.909	0.881
41	0.299	0.471	64	0.957	0.917
42	0.312	0.475			

Children costs were assumed to represent a relative factor of .229.

(2) http://www.healthcostinstitute.org/files /Age Curve Study 0.pdf. Retrieved July 15, 2013. The Study was sponsored by the Society of Actuaries and is part of the Health Care Cost Institute's Independent Report Series.

For Medicare costs, relative factors based on the Yamamoto Study for net Medicare costs for 2010 for inpatient, outpatient and professional costs were blended. Prescription drug costs were not reflected as NYCHBP excludes most drugs from coverage. Professional costs were weighted at 64%, based on the GHI portion of the combined GHI/EBCBS premiums reported historically. Inpatient costs were weighted as twice as prevalent as outpatient costs based on the relative allocation suggested in the Yamamoto Study. Costs prior to age 65 were approximated using the non-Medicare data, but assuming that individuals under age 65 on Medicare had an additional disability-related morbidity factor. The resultant Medicare relative factors are as follows:

Age	Males	Females	Age	Males	Females
20	0.323	0.422	60	1.493	1.470
21	0.297	0.426	61	1 567	1.526
22	0.280	0.443	62	1.646	1.588
23	0.272	0.474	63	1.731	1.653
24	0.272	0.516	64	1.822	1.721
25	0.278	0.565	65	0.919	0.867
26	0.288	0.618	66	0.917	0.864
27	0.300	0.671	67	0.918	0.864
28	0.314	0.721	68	0.924	0.867
29	0.329	0.766	69	0.933	0.875
30	0.346	0.804	70	0.946	0.885
31	0.363	0.834	71	0.961	0.898
32	0.380	0.856	72	0.978	0.911
33	0.397	0.869	73	0.996	0.925
34	0.414	0.875	74	1.013	0.939
35	0.432	0.876	75	1.032	0.953
36	0.452	0.874	76	1.049	0.967
37	0.474	0.872	77	1.067	0.982
38	0.497	0.871	78	1.085	0.996
39	0.521	0.873	79	1.103	1.012
40	0.545	0.878	80	1.122	1.029
41	0.569	0.885	81	1.141	1.047
42	0.594	0.893	82	1.161	1.065
43	0.620	0.902	83	1.180	1.083
44	0.647	0.914	84	1.199	1.100
45	0.676	0.929	85	1 217	1.116
46	0.708	0.949	86	1 234	1.130
47	0.744	0.975	87	1 250	1.143
48	0.785	1.007	88	1 264	1.155
49	0.832	1.043	89	1 277	1.164
50	0.883	1.082	90	1 287	1.169
51	0.935	1.120	91	1 295	1.171
52	0.988	1.156	92	1 301	1.167
53	1.042	1.191	93	1 305	1.156
54	1.099	1.225	94	1 306	1.139
55	1.159	1.260	95	1 304	1.113
56	1.222	1.295	96	1 299	1.077
57	1.288	1.333	97	1 292	1.033
58	1.355	1.374	98	1 281	0.978
59	1.423	1.419	99 +	1 281	0.978

Previously, the assumed increases in premiums per year of age consistent with those set forth in a July 2005 article in 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

Covered children were assumed to cost 50% of the average age premium for the June 30, 2011 valuation.

For the June 30, 2011 valuation, the age adjustments were based on assumed age 40 for non-Medicare-eligible retirees and assumed age 73 for HIP HMO Medicare-eligible retirees.

For the June 30, 2012 OPEB actuarial valuation, the age and gender distribution of non-Medicare eligible participants in the plans were based on the following assumed distribution table, assuming a total of 2,354 single contracts and 2,492 family contracts.

	Members Used	
Age Range	Male	Female
00-00	64	64
01-01	67	67
02-04	210	210
05-09	373	373
10-14	403	403
15-19	388	371
20-24	310	323
25-29	338	357
30-34	431	447
35-39	481	499
40-44	495	530
45-49	446	486
50-54	392	422
55-59	271	272
60-64	173	166
65+	89	76

For the June 30, 2012 OPEB actuarial valuation, an actual age and gender distribution based on reported census information was used for Medicare-eligible GHI/EBCBS retirees and dependents. Previously, an actual age distribution was reflected for GHI/EBCBS retirees and dependents. For the June 30, 2012 OPEB actuarial valuation, the Medicare participants in the HIP Medicare Advantage arrangement were assumed to have the same age and gender distribution as the data underlying the Yamamoto Study.

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 5% (unchanged) reduction in the GHI portion of the premium for the estimated margin anticipated to be returned. For the June 30, 2012 OPEB actuarial valuation, the age adjustment for the non-Medicare GHI/EBCBS premium also reflects a 3% reduction in the EBCBS portion of the premium for the estimated margin anticipated to be returned. GHI represented $216.19 of the $442.70 single non-Medicare GHI/EBCBS monthly rate for the June 30, 2011 OPEB actuarial valuation. For the June 30, 2012 OPEB actuarial valuation, separate GHI and EBCBS components to the rate were not provided. The GHI component was estimated to represent 48% of the combined premium based on historic information.

Medicare Advantage Adjustment Factors.. The age adjusted premiums for HIP HMO Medicare-eligible retirees were multiplied by the following factors to reflect actual Calendar Year 2013 premiums and future anticipated changes in Medicare Advantage reimbursement rates. As of June 30, 2009, the factors had 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 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, 2012 and the June 30, 2011 OPEB actuarial valuations, 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, 2011 are shown for comparative purposes.

	Factor*	
Fiscal Year	**6/30/12 Valuation**	**6/30/11 Valuation**
2013	1.00%	1.02%
2014	1.03	1.08
2015	1.08	1.14
2016	1.11	1.18
Thereafter	1.11	1.20

* Includes anticipated impact of National Health Care Reform

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 OPEB actuarial valuations for the following portion of retirees:

	Valuation as of June 30	
	2012	**2011**
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

	June 30, 2012 and June 30, 2011 Valuations				
Benefits	**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

Waivers are assumed to include participants who do not qualify for coverage because they were working less than 20 hours a week at termination.

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 based on legislative mandates under National Health Care Reform) 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.

III. Effective August 31, 2010 surviving spouses of retired uniformed members of theDepartments of Correction and Sanitation may elect to continue coverage for life by paying 102% of stated premium.

For survivors of POLICE and FIRE who die other than in the Line of Duty (assumed to be all who terminate with Accidental Death Benefits), and for all survivors of uniformed members of the Departments of Correction and Sanitation, 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.

Beginning with the June 30, 2010 OPEB actuarial valuation, the valuation includes an estimate of the value of benefits provided to existing survivors of POLICE and FIRE retirees who died other than in the Line of Duty, who qualified for lifetime continuation coverage prior to the valuation date, based on the assumptions outlined above. Beginning with the June 30, 2012 OPEB actuarial valuation, the valuation includes an estimate of the value of benefits provided to existing survivors of retired uniformed members of the Departments of Correction and Sanitation who qualified for lifetime continuation coverage prior to the valuation date, based on the assumptions outlined above.

The valuation includes the entire cost of additional surviving spouse benefits for basic coverage and Medicare Part B Premium reimbursement for Line of Duty survivors, although the OA understands that some of this amount may be reimbursed through Welfare Funds.

Dependents.. Dependent assumptions based on distribution of coverage of recent retirees are shown in the following table. Actual spouse data for current retirees. Child dependents of current retirees are assumed to receive coverage until age 26.

For the June 30, 2011 OPEB actuarial valuation where dependent information was not available, the calculations assumed that husbands were three (3) years older than their wives, and that any children would be covered for eight (8) years after retirement. For the June 30, 2012 valuation, based on experience under the Plan, for NYCERS, TRS and BERS employees, male retirees were assumed to be four (4) years older than their wives, and female retirees were assumed to be two (2) years younger than their husbands; for POLICE and FIRE employees, husbands are assumed to be two (2) years older than their wives. For employees eligible to retire based only on service, any children were assumed to be covered for an additional five (5) years.

Dependent Coverage Assumptions

	June 30, 2012 and June 30, 2011 Valuations				
Group	**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%

Note: 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 the NYCRS for determining employer contributions for fiscal years beginning 2012 adopted by the Boards of Trustees (see the Silver Books).

For assumptions used in the June 30, 2011 OPEB actuarial valuation, see the Seventh Annual OPEB Report.

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 who enroll in community-rated HMO’s, 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, 2012 OPEB actuarial valuation of a lump-sum COBRA cost of $800 for terminations during Fiscal Year 2013 ($725 lump-sum cost during Fiscal Year 2012 was assumed in the June 30, 2011 OPEB actuarial valuation). The $800 ($725) lump-sum amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Cadillac Tax .... Effective June 30, 2012, the OPEB actuarial valuation includes an explicit calculation of the high cost plan excise tax (Cadillac Tax) that will be imposed beginning in 2018 under NHCR.

The tax is 40% of the excess of (a) over (b) where (a) is the cost of medical coverage, and (b) is the statutory limits ($10,200 for single coverage and $27,500 for family coverage), adjusted for the following:

- The limit will first be increased by the excess of accumulated trend for the period from 2010 through 2018 over 55% (reflecting the adjustment for excess trend on the standard Federal Blue Cross/Blue Shield option). The calculation reflects actual trend on the standard Federal Blue Cross/Blue Shield option for 2010 through 2013. Trend was estimated using the Pre-Medicare trend for the period from 2013 through 2018 and actual Federal Blue Cross/Blue Shield trend for the period 2010-2012.

- For Pre-Medicare retirees above the age of 55, the limit will be further increased by $1,650 for single coverage; $3,450 for family coverage.

- For 2019, the 2018 limit was increased by CPI + 1% (e.g. 3.5%). For each year after 2019, the limit is further increased by CPI (2.5%).

The impact of the Cadillac Tax for the NYCHBP benefits is calculated based on the following assumptions about the cost of medical coverage:

- Benefit costs were based on pre-Medicare and Medicare plan premiums as stated, without adjustment for age.

- For Medicare participants, the cost of reimbursing the Medicare Part B premium was reflected based on average cost assumed in the valuation, including IRMAA.

- The cost for each benefit option (GHI, HIP, or other HMO, combined with Medicare Part B premium reimbursement, if applicable) was separately compared to the applicable limit.

- The additional Cadillac Tax due to the riders or optional benefit arrangements is assumed to be reflected in the contribution required for the rider or optional benefit.

- 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.

In cases where the City provides only a portion of the OPEB benefits which give rise to the Cadillac Tax, the calculated Cadillac Tax is allocated to the appropriate paying entity in proportion to the OPEB liabilities for relevant OPEB benefits.

For the June 30, 2011 OPEB actuarial valuation, a load of 1.0% was applied to all Pre-Medicare, Medicare and Medicare Part B Premium liabilities to estimate the impact of the Cadillac Tax.

Active/Inactives Liabilities .... Beginning with the June 30, 2010 OPEB actuarial valuation, it was assumed that the liability for the Active/Inactive members should be 40% of the measured liability of the Active/Inactive population. This is roughly equivalent to assuming that 60% of the Active/Inactive members will terminate membership prior to vesting and not receive OPEB. Beginning with the June 30, 2012 OPEB actuarial valuation, the Entry Age Actuarial Accrued Liability is assumed to include the 40% of the measured present value of projected benefits. In previous valuations, the Entry Age Actuarial Accrued Liability (used in developing new bases for the Frozen Entry Age Actuarial Accrued Liability) included 40% of the measured Entry Age Actuarial Accrued Liability for Active/Inactive members.

Stabilization Fund .... A .7% load is applied on all City GASB45 obligations (unchanged). 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 GASB45 obligations for ECF are shown in Appendix E of the Report on the Eighth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 19, 2012. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (http://www.nyc.gov/html/actuary).

CUNY TIAA.. The actuarial assumptions used for determining obligations for CUNY TIAA are shown in Appendix F of the Report on the Eighth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 19, 2012. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (http://www.nyc.gov/html/actuary).

5. 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 certain 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 certain 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 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 Fire Department, Subchapter Two Pension Fund is generally referred to herein as the New York 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 several Tiers, referred to as Tier I, Tier II, Tier III, Tier IV and Tier VI. 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 the New York City Police Department and the New York City Fire Department (new members of POLICE and FIRE) and Detective Investigators who become new members of NYCERS between July 1, 2009 and March 31, 2012.

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.

Chapter 18 of the Laws of 2012 (Chapter 18/12) amended the retirement benefits of public employees who establish membership in a public employee retirement system on or after April 1, 2012. Chapter 18/12 is commonly referred to as Tier VI. Tier VI is expected to reduce future employer pension contributions.

Plan Membership

As of June 30, 2012, June 30, 2011 and June 30, 2010, the membership of NYCRS consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2012 (Preliminary):						
Retirees and Beneficiaries Receiving Benefits	137,987	76,539	14,874	46,638	16,917	292,955
Terminated Vested Members Not Yet Receiving Benefits	8,880	9,868	184	746	30	19,708
Other Inactives[(1)]	16,353	9,689	3,305	1,358	12	30,717
Active Members	187,114	112,460	27,840	34,240	10,267	371,921
Total Plan Membership	350,334	208,556	46,203	82,982	27,226	715,301

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2011:						
Retirees and Beneficiaries Receiving Benefits	135,468	74,064	14,399	45,755	17,017	286,703
Terminated Vested Members Not Yet Receiving Benefits	8,914	8,932	189	780	30	18,845
Other Inactives[(1)]	18,969	10,938	3,445	1,643	16	35,011
Active Members	182,021	109,636	23,131	33,705	10,650	359,143
Total Plan Membership	345,372	203,570	41,164	81,883	27,713	669,702

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2010:						
Retirees and Beneficiaries Receiving Benefits	132,487	72,356	13,969	44,634	17,140	280,586
Terminated Vested Members Not Yet Receiving Benefits	8,941	8,170	199	848	33	18,191
Other Inactives[(1)]	19,332	10,803	3,661	1,836	23	35,655
Active Members	184,982	111,647	23,324	34,597	11,080	365,630
Total Plan Membership	345,742	202,976	41,153	81,915	28,276	700,062

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

Effective with Fiscal Year 2006, Employer Contributions are determined under the One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the June 30, 2011 (Lag) valuation date was used for determining the Fiscal Year 2013 Employer Contributions.

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 basic 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. Tier VI members who join between April 1, 2012 and March 31, 2013 contribute 3% of salary until a new contribution structure takes effect on April 1, 2013. Beginning April 1, 2013, Tier VI members contribute between 3.0% and 6.0% of salary, depending on salary level.

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).

Chapter 3 of the Laws of 2013 (Chapter 3/13) implemented changes in the actuarial procedures for determining Employer Contributions beginning Fiscal Year 2012. In particular, Chapter 3/13 continues the OYLM, employs the Entry Age Actuarial Cost Method (EAACM), an Actuarial Interest Rate (AIR) assumption of 7.0% per annum, net of expenses, defines the amortization of Unfunded Actuarial Accrued Liabilities (UAAL), restarts the Actuarial Asset Valuation Method (AAVM) as of June 30, 2011 and sets the Actuarial Asset Values as of June 30, 2010 to recognize investment performance during Fiscal Year 2011.

Annual Pension Costs

From Fiscal Year 2006 to 2011, the NYCRS annual pension costs and the City's Statutory Contributions were determined under OYLM, on the basis of revised actuarial assumptions, the Frozen Initial Liability Actuarial Cost Method and a revised Actuarial Asset Valuation Method (AAVM). These assumptions and methods are referred to as the 2006 A&M.

Beginning Fiscal Year 2012, the NYCRS annual pension costs and the City's Statutory Contributions are determined under OYLM, on the basis of revised actuarial assumptions including an Actuarial Interest Rate (AIR) assumption of 7.0% per annum, net of expenses, the Entry Age Actuarial Cost Method, a Market Value Restart as of June 30, 2011, an Actuarial Asset Value as of June 30, 2010 set to recognize investment performance during Fiscal Year 2011 and an amortization method for payment of Unfunded Actuarial Accrued Liabilities (UAAL). These assumptions and methods are referred to as the 2012 A&M.

The annual pension costs for the NYCRS, for the Fiscal Years ended June 30, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
		(in millions)	
NYCERS	$ 3,046.8	$ 3,017.0	$ 2,387.2
TRS	2,855.6	2,673.1	2,469.0
BERS	196.2	213.7	180.2
POLICE	2,408.3	2,385.6	2,057.6
FIRE	954.7	976.8	883.6
Total annual pension costs	$ 9,461.6	$ 9,266.2	$ 7,977.6

For Fiscal Year 2013, the City's Statutory Contributions to the NYCRS, based on the actuarial valuations performed as of June 30, 2011 under OYLM, plus other pension expenditures, were approximately $8,188.0 million.

For Fiscal Year 2012, the City's Statutory Contributions for the NYCRS, based on the actuarial valuations performed as of June 30, 2010 under OYLM, plus other pension expenditures, were approximately $7,962.3 million.

For Fiscal Years 2013, 2012 and 2011, the annual pension costs for NYCERS, TRS and BERS, computed in accordance with GASB 27 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 2013, 2012 and 2011, the annual pension costs for POLICE and FIRE, computed in accordance with GASB 27 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, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
		(in millions)	
NYCERS[1]	$ 1,708.3	$ 1,668.0	$ 1,320.4
TRS[1]	2,789.9	2,613.3	2,427.7
BERS[1]	187.0	203.8	170.5
POLICE	2,424.7	2,385.7	2,083.6
FIRE	962.2	976.9	890.7
OTHER[2]	115.9	114.6	116.0
Total Statutory Contributions	$ 8,188.0	$ 7,962.3	$ 7,008.9

(1) 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, 2013, 2012 and 2011 were:

	2013	2012	2011
NYCERS	56.07%	55.29%	55.31%
TRS	97.70	97.76	98.33
BERS	95.28	95.37	94.62

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.

(2) 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 2013 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 2013 are as follows:

	POLICE	FIRE	TOTAL
		(in millions)	
(1) Annual Required Contribution	$ 2,424.7	$ 962.2	$ 3,386.9
(2) Interest on Net Pension Obligation	28.4	13.0	41.4
(3) Adjustment to Annual Required Contribution	44.8	20.5	65.3
(4) Annual Pension Cost=(1)+(2)-(3)	2,408.3	954.7	3,363.0
(5) Statutory Contribution	2,424.7	962.2	3,386.9
(6) Change in Net Pension Obligation=(4)-(5)	(16.4)	(7.5)	(23.9)
(7) Net Pension Obligation Beginning of Year	406.2	185.8	592.0
(8) Net Pension Obligation End of Year=(6)+(7)	$ 389.8	$ 178.3	$ 568.1

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

	Fiscal Year Ending	Annual Pensi on Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
		(in millions)		
POLICE	6/30/13	$ 2,408.3	101%	$ 389.8
	6/30/12	2,385.6	100	406.2
	6/30/11	2,057.5	101	406.3
FIRE	6/30/13	$ 954.7	101%	$ 178.3
	6/30/12	976.8	100	185.8
	6/30/11	883.6	101	185.9

Additional information as of the latest actuarial valuation follows:

	NYCERS	TRS	BERS	POLICE	FIRE
Valuation Date[(1)]	June 30, 2011 (Lag)	June 30, 2011 (Lag)	June 30, 2011 (Lag)	June 30, 2011 (Lag)	June 30, 2011 (Lag)
Actuarial Cost Method[(2)]	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method					
Initial Unfunded	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar
Post-2010 Unfunded	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining Amortization Period					
Initial Unfunded	21 years	21 years	21 years	21 years	21 years
2011 Unfunded	15 years	15 years	15 years	15 years	15 years
Asset Valuation Method	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]

N/A: Not Applicable.

[#] With a Market Value Restart as of June 30, 2011 and the June 30, 2010 Actuarial Asset Value defined to recognize Fiscal Year 2011 investment performance.

[(1)] *Under One Year Lag Methodology, the actuarial valuation determines the Employer Contributions for the second following Fiscal Year.*

[(2)] *Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the Entry Age Actuarial Cost Method (EAACM) of funding is utilized by the Actuary to calculate the contributions required of the Employer. Under this method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit age(s). The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Actuarial Accrued Liability (AAL). The excess, if any, of the AAL over the Actuarial Asset Value (AAV) is the Unfunded Actuarial Accrued Liability (UAAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.*

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 ended June 30, 2013 and 2012 are as follows:

	2013	**2012**
Valuation Date	*June 30, 2011 (Lag).*[(1)]	*June 30, 2010 (Lag).*[(1)]
Actuarial Cost Method	*Entry Age.*[(2)]	*Entry Age.*[(2)]
Amortization Method for Unfunded Actuarial Accrued Liabilities (UAAL)		
Initial UAAL	*Increasing Dollar Payments.*	*Increasing Dollar Payments.*
Post 2010 UAALs	*Level Dollar Payments.*	*Level Dollar Payments.*
Remaining Amortization Period		
Initial UAAL	*21 Years (Closed).*	*22 Years (Closed).*
2010 ERI	*5 Years (Closed).*	*NA.*
2011 UAAL	*15 Years (Closed).*	*NA.*
Actuarial Asset Valuation Method	*Modified 6 year moving average of Market Value with Market Value Restart as of June 30, 2011.*[(3)]	*Modified 6 year moving average of Market Value with Market Value Restart as of June 30, 2011.*[(3)]
Investment Rate of Return	*7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*	*7.0% per annum, net of expenses (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 2012.*	*Tables adopted by Boards of Trustees during Fiscal Year 2012.*
Active Service: Withdrawal, Death, Disability, Retirement	*Tables adopted by Boards of Trustees during Fiscal Year 2012.*	*Tables adopted by Boards of Trustees during Fiscal Year 2012.*
Salary Increases[(4)]	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*
Cost of Living Adjustments[(4)]	*1.5% per annum for Tiers I and II.* *2.5% per annum for Tier III.*	*1.5% per annum for Tiers I and II.* *2.5% per annum for Tier III.*

---

(1) *Under One Year Lag Methodology, the actuarial valuation determines the Employer Contributions for the second following Fiscal Year.*

(2) *Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the Entry Age Actuarial Cost Method (EAACM) of funding is utilized by the Actuary to calculate the contributions required of the Employer. Under this method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit age(s). The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Actuarial Accrued Liability (AAL). The excess, if any, of the AAL over the Actuarial Asset Value (AAV) is the Unfunded Actuarial Accrued Liability (UAAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.*

(3) *Market Value Restart as of June 30, 2011. Actuarial Asset Value (AAV) as of June 30, 2010 defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for cash flow) to June 30, 2010.*

(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 through 2009. In a report dated December 2011 the independent actuarial auditor made recommendations to the actuarial assumptions and methods. The Actuary reviewed these recommendations.

In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt certain actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions.

Based, in part, upon a review of the two most recent experience studies, 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, 2011 (February 2012 Reports). Where required, the Boards of Trustees of the NYCRS adopted those changes to actuarial assumptions that required Board approval. The State Legislature and the Governor enacted Chapter 3/13 to provide for those changes to the actuarial assumptions and methods that require legislation, including the Actuarial Interest Rate (AIR) assumption of 7.0% per annum, net of expenses.

Chapter 152/06 provided, effective for Fiscal Years 2006 and after, for the changes in actuarial assumptions and methods that required legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the Frozen Initial Liability (FIL) Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability (UAAL). In addition, Chapter 152/06 provided 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 (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 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.

The Actuary reset the Actuarial Asset Value (AAV) to Market Value (i.e., Market Value Restart) as of June 30, 2011. As of June 30, 2010, the AAV is defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV was derived as equal to the June 30, 2011 Market Value of Assets, discounted by the AIR assumption (adjusted for cash flow) to June 30, 2010. The AAVM for reflecting Fiscal Year 2012 and later UIR remains unchanged.

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 provided 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.

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. With the passage of Chapter 3/13, POLICE is required to transfer assets to POVSF whenever the assets of POVSF are insufficient to pay benefits.

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. With the passage of Chapter 3/13, POLICE is required to transfer assets to PSOVSF whenever the assets of PSOVSF are insufficient to pay benefits. As a result of insufficient PSOVSF assets to pay benefits as of June 30, 2012, POLICE was required to transfer assets so that PSOVSF could meet a portion of its December 2012 benefit obligations.

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 is required to transfer assets to TPOVSF whenever the assets of TPOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2011, NYCERS is required to transfer assets so that TPOVSF can meet its benefit obligations when due.

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 is 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 is 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 is 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 2013 and 2012, 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, 2013 and June 30, 2012, respectively.

For Fiscal Years 2013 and 2012, required transfers from NYCERS of approximately $2.3 million and $2.3 million, respectively, were made to HPOVSF.

For Fiscal Years 2013 and 2012, required transfers from NYCERS of approximately $2.7 million and $3.0 million, respectively, were made to HPSOVSF.

For Fiscal Year 2013, and Fiscal Year 2012, required transfers from NYCERS of approximately $4.2 million and $4.2 million respectively, were made to TPOVSF.

For Fiscal Years 2013 and 2012, required transfers from NYCERS of approximately $3.1 million and $3.2 million, respectively, were made to TPSOVSF.

For Fiscal Year 2013, required transfers from POLICE of approximately $7.9 million were made to PSOVSF.

As of June 30, 2013, NYCERS has accrued approximately $1.1 million, $1.4 million, $2.1 million and $1.5 million toward the amounts expected to be transferred to HPOVSF, HPSOVSF, TPOVSF and TPSOVSF, respectively, to meet the December 2013 benefit obligations of those funds. As of June 30, 2013, POLICE has accrued approximately $102.7 million toward the amount expected to be transferred to PSOVSF.

The funded status of each NYCRS as of June 30, 2011, the date of the most recently completed 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 (a)	Actuarial Accrued Liability (AAL) —Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			(in millions)			
NYCERS	$ 42,409.1	$ 65,269.3*	$ 22,860.2	65.0%	$ 12,233.6	186.9%
TRS	33,601.5	57,702.7	24,101.2	58.2	7,888.2	305.5
BERS	2,323.6	3,681.7	1,358.1	63.1	920.4	147.6
POLICE	24,748.9	40,524.6*	15,775.7	61.1	3,480.1	453.3
FIRE	7,955.7	15,808.9*	7,853.3	50.3	1,125.5	697.8

* Includes the net accrued obligations to the Variable Supplements Funds.

The schedule of funding progress in the RSI section, immediately following the Notes to Financial Statements, provides information about whether the Actuarial Asset Values are increasing or decreasing over time relative to the Actuarial Accrued Liabilities (determined in a manner consistent with the Plan's funding method).

A. Schedule of Pension Funding Progress

The schedule of funding progress presents the following information for each of the past fourteen 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)	(2) Actuarial Accrued Liability (AAL)*	(3) Unfunded Actuarial Accrued Liability (UAAL)	(4) Funded Ratio	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
		(a)	(a) & (b)	(2) - (1)	(1) ÷ (2)		(3) ÷ (5)
				(in millions)			
NYCERS	6/30/11(Lag)	$42,409.1	$65,269.3	$22,860.2	65.0%	$12,233.6	186.9%
	6/30/10(Lag)	40,433.3	62,935.3	22,502.0	64.2	12,101.4	185.9
	6/30/09(Lag)	41,710.2	41,710.2	0.0	100.0	11,881.0	0.0
	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	6/30/11(Lag)	33,601.5	57,702.7	24,101.2	58.2	7,888.2	305.5
	6/30/10(Lag)	32,477.5	55,138.4	22,660.9	58.9	7,979.7	284.0
	6/30/09(Lag)	30,775.0	30,775.0	0.0	100.0	8,016.6	0.0
	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)	32,405.6	32,410.6	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	6/30/11(Lag)	2,323.6	3,681.7	1,358.1	63.1	920.4	147.6
	6/30/10(Lag)	2,056.5	3,558.3	1,501.8	57.8	912.3	164.6
	6/30/09(Lag)	1,963.7	1,963.7	0.0	100.0	910.6	0.0
	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	6/30/11(Lag)	24,748.9	40,524.6	15,775.7	61.1	3,480.1	453.3
	6/30/10(Lag)	22,908.7	38,134.4	15,225.7	60.1	3,464.1	439.5
	6/30/09(Lag)	22,676.2	22,676.2	0.0	100.0	3,261.1	0.0
	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

	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)			
	6/30/04	18,510.6	18,510.6	0.0	100.0	2,460.8	0.0
	6/30/03	18,781.4	18,781.4	0.0	100.0	2,433.9	0.0
	6/30/02	18,913.6	18,913.6	0.0	100.0	2,496.2	0.0
	6/30/01	18,141.7	18,141.7	0.0	100.0	2,500.1	0.0
	6/30/00	17,601.9	17,601.9	0.0	100.0	2,465.7	0.0
	6/30/99	16,877.8	16,877.8	0.0	100.0	2,332.0	0.0
FIRE	6/30/11(Lag)	$7,955.7	$15,808.9	$7,853.3	50.3%	$1,125.5	697.8%
	6/30/10(Lag)	7,392.7	15,349.6	7,956.9	48.2	1,138.2	699.1
	6/30/09(Lag)	7,304.8	7,327.6	22.8	99.7	1,079.7	2.1
	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	98.8	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

---

* Beginning with the June 30, 2010 (Lag) actuarial valuation, the Fiscal Year 2012 Employer Contributions are based on revised actuarial assumptions and methods proposed by the Actuary (the "2012 A&M"). Where required, the Boards of Trustees of the NYCRS adopted those changes to the actuarial assumptions and methods that required Board approval during FY 2012. The State Legislature and the Governor enacted Chapter 3 of the Laws of 2013 ("Chapter 3/13") to provide for those changes in actuarial assumptions and methods that require legislation, including the Actuarial Interest Rate ("AIR") assumption of 7.0% per annum, net of expenses, the Entry Age Actuarial Cost Method ("EAACM") and the amortization of Unfunded Actuarial Accrued Liabilities ("UAAL").

Actuarial valuations used to determine Employer Contributions in fiscal years prior to Fiscal Years 2012 were based on the Frozen Initial Liability ("FIL") Actuarial Cost Method and on actuarial assumptions and methods adopted by the Boards of Trustees of the NYCRS and on enabling legislation during Fiscal Years 2006 ("2006 A&M") and 1999 ("1999 A&M").

** 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 those as of June 30, 2004 used 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 Contributions 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).

The Actuary reset the Actuarial Asset Value to the Market Value of Assets ("MVA") as of June 30, 2011 (i.e., "Market Value Restart").

For the June 30, 2010 (Lag) actuarial valuation, the AAV is defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 MVA, discounted by the AIR assumption (adjusted for cash flow) to June 30, 2010.

(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. The UAAL is the excess of AAL over AAV.

Under the EAACM, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.

Under the FIL Actuarial Cost Method, the initial UAAL is frozen at date of establishment and amortized over time. That UAAL was not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

B. Schedule of Employer Contributions

Total Employer Contributions to the NYCRS

	NYCERS		TRS		BERS		POLICE		FIRE	
Fiscal Year Ended June 30	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution**	**Percentage Contributed**
					(in millions)					
2013	$3,046.8	100.0%	$2,855.6	100.0%	$196.2	100.0%	$2,424.7	100.0%	$962.2	100.0%
2012	3,017.0	100.0	2,673.1	100.0	213.7	100.0	2,385.7	100.0	976.9	100.0
2011	2,387.2	100.0	2,469.0	100.0	180.2	100.0	2,083.6	100.0	890.7	100.0
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

C. Schedule of Funding Progress for the New York City Other Postemployment Benefits Plan

The schedule of funding progress presents GASB45 results of OPEB valuations as of fiscal years ended June 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, and 2006. The schedule provides an eight 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)			
6/30/12	$2,115,846	$71,417,253	$69,301,406	3.0%	$20,262,853	342.0%
6/30/11	2,631,584	85,971,494	83,339,910	3.1	19,912,761	418.5
6/30/10	3,022,624	82,063,852	79,041,228	3.7	19,731,127	400.6
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

---

*Beginning 6/30/12, based on the Entry Age Actuarial Cost Method. Based on the Frozen Entry Age Actuarial Cost Method in prior years.

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013
(in thousands)

		Other Employee Benefit Trust Funds						
			Deferred Compensation Plan December 31, 2012					
	Pension Trust Funds	Variable Supplements Funds	457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	The New York City Other Postemployment Benefits Plan	Total
ASSETS:								
Cash and cash equivalents	$ 60,599	$ 10,922	$ 13,598	$ 2,062	$ 6	$ —	$ 851,186	$ 938,373
Receivables:								
Member loans	1,575,894	—	176,558	17,222	—	—	—	1,769,674
Investment securities sold	5,238,618	65,022	—	—	—	—	—	5,303,640
Accrued interest and dividends	479,800	2,869	—	—	—	—	1,424	484,093
Other	—	13	—	—	—	—	240	253
Investments:								
Short-term investments	4,267,317	84,620	—	—	—	—	—	4,351,937
Debt securities	27,770,140	262,932	—	—	—	—	1,018,578	29,051,650
Equity securities	68,544,570	710,590	—	—	—	—	—	69,255,160
Guaranteed investment contracts	—	—	4,143,340	569,270	97,861	2,159	—	4,812,630
Mutual funds	27,522,136	175,591	6,293,002	769,999	50,520	11,304	—	34,822,552
Collateral from securities lending transactions	12,665,386	122,061	—	—	—	—	—	12,787,447
Due from Pension Funds	—	6,056	—	—	—	—	—	6,056
Other	578,358	—	613	1,827	—	—	203	581,001
Total assets	148,702,818	1,440,676	10,627,111	1,360,380	148,387	13,463	1,871,631	164,164,466
LIABILITIES:								
Accounts payable and accrued liabilities	1,332,061	538	5,138	1,882	80	—	470,983	1,810,682
Payable for investment securities purchased	9,557,384	115,983	—	—	—	—	37,576	9,710,943
Accrued benefits payable	313,789	212,658	—	—	—	—	—	526,447
Payments to VSFs	6,056	—	—	—	—	—	—	6,056
Securities lending transactions	12,692,199	122,061	—	—	—	—	—	12,814,260
Other	448	—	—	—	—	—	—	448
Total liabilities	23,901,937	451,240	5,138	1,882	80	—	508,559	24,868,836
NET POSITION:								
Held in Trust for Benefit Payments	$ 124,800,881	$ 989,436	$ 10,621,973	$ 1,358,498	$ 148,307	$ 13,463	$ 1,363,072	$ 139,295,630

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2012
(in thousands)

			Other Employee Benefit Trust Funds					
			Deferred Compensation Plan December 31, 2011					
	Pension Trust Funds	Variable Supplements Funds	457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	The New York City Other Postemployment Benefits Plan	Total
ASSETS:								
Cash and cash equivalents	$ 98,871	$ 12,178	$ 12,738	$ 2,357	$ 7	$ —	$ 716,907	$ 843,058
Receivables:								
Member loans	1,513,290	—	164,230	15,623	—	—	—	1,693,143
Investment securities sold	2,359,568	55,100	—	—	—	—	—	2,414,668
Accrued interest and dividends	491,293	4,285	—	—	—	—	2,229	497,807
Other	—	314	—	—	—	—	279	593
Investments:								
Short-term investments	5,794,375	134,616	—	—	—	—	—	5,928,991
Debt securities	28,747,846	342,942	—	—	—	—	1,836,486	30,927,274
Equity securities	56,961,825	798,609	—	—	—	—	—	57,760,434
Guaranteed investment contracts	—	—	3,774,133	485,599	74,428	1,765	—	4,335,925
Mutual funds	22,198,385	225,208	5,561,401	627,323	40,457	9,559	—	28,662,333
Collateral from securities lending transactions	9,855,842	125,134	—	—	—	—	—	9,980,976
Due from Pension Funds	—	6,032	—	—	—	—	—	6,032
Other	803,563	—	907	11	—	—	201	804,682
Total assets	128,824,858	1,704,418	9,513,409	1,130,913	114,892	11,324	2,556,102	143,855,916
LIABILITIES:								
Accounts payable and accrued liabilities	1,253,196	400	3,998	326	40	—	440,256	1,698,216
Payable for investment securities purchased	6,049,737	99,082	—	—	—	—	—	6,148,819
Accrued benefits payable	287,422	207,068	—	—	—	—	—	494,490
Payments to VSFs	6,032	—	—	—	—	—	—	6,032
Securities lending transactions	9,882,656	125,134	—	—	—	—	—	10,007,790
Other	568	—	—	—	—	—	—	568
Total liabilities	17,479,611	431,684	3,998	326	40	—	440,256	18,355,915
NET POSITION:								
Held in Trust for Benefit Payments	$111,345,247	$1,272,734	$9,509,411	$1,130,587	$114,852	$ 11,324	$ 2,115,846	$125,500,001

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013
(in thousands)

	Pension Trust Funds	Other Employee Benefit Trust Funds						
		Variable Supplements Funds	Deferred Compensation Plan December 31, 2012				The New York City Other Postemployment Benefits Plan	Total
			457 Plan	401(k) Plan	NYCE IRA	401(a) Plan		
ADDITIONS:								
Contributions:								
Member contributions	$ 966,020	$ —	$ 540,289	$ 156,556	$ 31,222	$ 762	$ —	$ 1,694,849
Employer contributions	9,485,595	—	—	—	—	—	1,195,224	10,680,819
Other employer contributions	57,204	—	—	—	—	—	—	57,204
Total contributions	10,508,819	—	540,289	156,556	31,222	762	1,195,224	12,432,872
Investment income:								
Interest income	1,801,262	12,737	138,646	17,713	2,872	60	7,574	1,980,864
Dividend income	2,068,626	19,285	—	—	—	—	—	2,087,911
Net appreciation in fair value of investments	11,676,056	119,968	843,109	93,207	6,003	1,524	—	12,739,867
Investment expenses	(472,466)	—	(23,317)	(3,199)	(368)	(28)	—	(499,378)
Investment income, net	15,073,478	151,990	958,438	107,721	8,507	1,556	7,574	16,309,264
Securities lending transactions:								
Securities lending income	98,472	1,025	—	—	—	—	—	99,497
Securities lending fees	(13,555)	(175)	—	—	—	—	—	(13,730)
Net securities lending income	84,917	850	—	—	—	—	—	85,767
Payments from other funds	—	20,443	—	—	—	—	—	20,443
Other	50,002	153	—	—	—	—	—	50,155
Total additions	25,717,216	173,436	1,498,727	264,277	39,729	2,318	1,202,798	28,898,501
DEDUCTIONS:								
Benefit payments and withdrawals	11,944,721	456,734	374,310	35,047	6,166	178	1,955,166	14,772,322
Payments to VSFs	20,443	—	—	—	—	—	—	20,443
Other	181,595	—	—	—	—	—	—	181,595
Administrative expenses	114,823	—	11,855	1,319	108	1	406	128,512
Total deductions	12,261,582	456,734	386,165	36,366	6,274	179	1,955,572	15,102,872
Increase (decrease) in plan net position	13,455,634	(283,298)	1,112,562	227,911	33,455	2,139	(752,774)	13,795,629
NET POSITION:								
Held in Trust for Benefit Payments:								
Beginning of Year	111,345,247	1,272,734	9,509,411	1,130,587	114,852	11,324	2,115,846	125,500,001
End of Year	$124,800,881	$ 989,436	$10,621,973	$ 1,358,498	$ 148,307	$ 13,463	$ 1,363,072	$139,295,630

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2012
(in thousands)

	Pension Trust Funds	Other Employee Benefit Trust Funds: Variable Supplements Funds	Deferred Compensation Plan December 31, 2011: 457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	The New York City Other Postemployment Benefits Plan	Total
ADDITIONS:								
Contributions:								
Member contributions	$ 915,534	$ —	$ 548,341	$ 151,979	$ 30,820	$ 3,619	$ —	$ 1,650,293
Employer contributions	9,266,359	—	—	—	—	—	1,439,422	10,705,781
Other employer contributions	59,185	—	—	—	—	—	—	59,185
Total contributions	10,241,078	—	548,341	151,979	30,820	3,619	1,439,422	12,415,259
Investment income:								
Interest income	1,575,153	18,465	144,811	16,969	2,488	45	11,749	1,769,680
Dividend income	1,830,316	23,601	—	—	—	—	—	1,853,917
Net depreciation in fair value of investments	(1,327,458)	(18,824)	(33,713)	(5,925)	(400)	(21)	—	(1,386,341)
Investment expenses	(370,288)	(126)	(21,173)	(2,711)	(281)	(23)	—	(394,602)
Investment income, net	1,707,723	23,116	89,925	8,333	1,807	1	11,749	1,842,654
Securities lending transactions:								
Securities lending income	82,356	1,175	—	—	—	—	—	83,531
Securities lending fees	(5,246)	(107)	—	—	—	—	—	(5,353)
Net securities lending income	77,110	1,068	—	—	—	—	—	78,178
Payments from other funds	—	12,441	—	—	—	—	—	12,441
Other	48,838	—	46	5	1	—	—	48,890
Total additions	12,074,749	36,625	638,312	160,317	32,628	3,620	1,451,171	14,397,422
DEDUCTIONS:								
Benefit payments and withdrawals	11,492,780	445,053	371,806	29,255	5,041	58	1,966,613	14,310,606
Payments to VSFs	12,441	—	—	—	—	—	—	12,441
Other	146,672	—	—	—	—	—	—	146,672
Administrative expenses	116,362	—	11,372	1,185	88	1	296	129,304
Total deductions	11,768,255	445,053	383,178	30,440	5,129	59	1,966,909	14,599,023
Increase (decrease) in plan net position	306,494	(408,428)	255,134	129,877	27,499	3,561	(515,738)	(201,601)
NET POSITION:								
Held in Trust for Benefit Payments:								
Beginning of Year	111,038,753	1,681,162	9,254,277	1,000,710	87,353	7,763	2,631,584	125,701,602
End of Year	$111,345,247	$1,272,734	$9,509,411	$1,130,587	$114,852	$ 11,324	$ 2,115,846	$125,500,001

THE CITY OF NEW YORK
PENSION TRUST FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2013
(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System	Board of Education Retirement System	New York City Police Pension Fund	New York City Fire Pension Fund	Total
ASSETS:						
Cash and cash equivalents	$ 39,355	$ 76	$ 903	$ 18,110	$ 2,155	$ 60,599
Receivables:						
Member loans	1,026,187	218,813	39,281	261,906	29,707	1,575,894
Investment securities sold	1,799,366	1,909,897	92,452	1,101,260	335,643	5,238,618
Accrued interest and dividends	259,296	128,162	55	72,010	20,277	479,800
Investments:						
Short-term investments	1,771,860	1,039,102	48,394	1,015,106	392,855	4,267,317
Debt securities	10,672,605	7,809,083	632,321	6,753,637	1,902,494	27,770,140
Equity securities	25,559,205	20,876,076	1,294,577	15,936,429	4,878,283	68,544,570
Mutual funds:						
Debt securities	2,351,978	1,902,437	171,127	1,571,283	620,187	6,617,012
Domestic—equity	223,316	—	—	—	—	223,316
International—equity	7,082,656	6,656,640	573,414	4,670,297	1,698,801	20,681,808
Collateral from securities lending transactions	4,680,419	3,577,442	296,382	3,174,158	936,985	12,665,386
Other	88,638	451,827	13,038	18,260	6,595	578,358
Total assets	55,554,881	44,569,555	3,161,944	34,592,456	10,823,982	148,702,818
LIABILITIES:						
Accounts payable and accrued liabilities	359,862	576,760	11,190	269,071	115,178	1,332,061
Payable for investment securities purchased	3,073,640	3,533,790	192,937	2,113,320	643,697	9,557,384
Accrued benefits payable	229,814	16,684	7,784	44,008	15,499	313,789
Due to VSFs	6,056	—	—	—	—	6,056
Securities lending transactions	4,690,422	3,585,865	296,382	3,179,116	940,414	12,692,199
Other	448	—	—	—	—	448
Total liabilities	8,360,242	7,713,099	508,293	5,605,515	1,714,788	23,901,937
NET POSITION:						
Held in Trust for Pension Benefits	$ 47,194,639	$ 36,856,456	$ 2,653,651	$ 28,986,941	$ 9,109,194	$124,800,881

THE CITY OF NEW YORK

PENSION TRUST FUNDS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2012

(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System	Board of Education Retirement System	New York City Police Pension Fund	New York City Fire Pension Fund	Total
ASSETS:						
Cash and cash equivalents	$ 65,452	$ 117	$ 231	$ 23,142	$ 9,929	$ 98,871
Receivables:						
Member loans	988,072	198,699	37,092	257,077	32,350	1,513,290
Investment securities sold	682,472	792,459	57,468	642,412	184,757	2,359,568
Accrued interest and dividends	254,522	133,275	52	76,767	26,677	491,293
Investments:						
Short-term investments	2,437,110	1,431,021	131,000	1,316,039	479,205	5,794,375
Debt securities	10,686,000	8,000,310	624,554	7,281,955	2,155,027	28,747,846
Equity securities	21,418,873	17,794,629	977,324	12,813,599	3,957,400	56,961,825
Mutual funds:						
Debt securities	1,214,839	1,222,520	65,057	745,519	242,127	3,490,062
Domestic—equity	469,813	—	—	143	93	470,049
International—equity	6,445,808	5,782,171	515,629	3,939,397	1,555,269	18,238,274
Collateral from securities lending transactions	3,694,102	3,009,895	198,990	2,222,853	730,002	9,855,842
Other	426,539	47,282	64,500	203,993	61,249	803,563
Total assets	48,783,602	38,412,378	2,671,897	29,522,896	9,434,085	128,824,858
LIABILITIES:						
Accounts payable and accrued liabilities	333,058	554,129	8,582	249,190	108,237	1,253,196
Payable for investment securities purchased	1,864,323	2,052,665	148,387	1,531,924	452,438	6,049,737
Accrued benefits payable	220,180	12,505	5,339	34,096	15,302	287,422
Due to VSFs	6,032	—	—	—	—	6,032
Securities lending transactions	3,704,105	3,018,318	198,990	2,227,812	733,431	9,882,656
Other	568	—	—	—	—	568
Total liabilities	6,128,266	5,637,617	361,298	4,043,022	1,309,408	17,479,611
NET POSITION:						
Held in Trust for Pension Benefits	$ 42,655,336	$ 32,774,761	$ 2,310,599	$ 25,479,874	$ 8,124,677	$111,345,247

THE CITY OF NEW YORK
VARIABLE SUPPLEMENTS FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2013
(in thousands)

	Police Officers' Variable Supplements Fund	Police Superior Officers' Variable Supplements Fund	Fire Fighters' Variable Supplements Fund	Fire Officers' Variable Supplements Fund	Transit Police Officers' Variable Supplements Fund	Transit Police Superior Officers' Variable Supplements Fund	Housing Police Officers' Variable Supplements Fund	Housing Police Superior Officers' Variable Supplements Fund	Correction Officers' Variable Supplements Fund	Total
ASSETS:										
Cash	$ 46	$ 1	$ 10,490	$ 79	$ 7	$ 25	$ 32	$ 17	$ 225	$ 10,922
Receivables:										
Investment securities sold	26,182	—	12,867	25,973	—	—	—	—	—	65,022
Accrued interest and dividends	1,238	—	977	650	—	—	—	—	4	2,869
Other	—	—	—	—	—	—	—	3	10	13
Investments:										
Short-term investments	30,048	251	13,324	5,273	—	—	—	—	35,724	84,620
Debt securities	127,510	—	81,701	53,721	—	—	—	—	—	262,932
Equity securities	334,411	—	225,196	150,983	—	—	—	—	—	710,590
Mutual funds:										
Debt securities	—	—	33,417	21,640	—	—	—	—	—	55,057
International equity	26	5	69,283	51,220	—	—	—	—	—	120,534
Collateral from securities lending transactions	47,982	—	44,784	29,295	—	—	—	—	—	122,061
Due from Pension funds	—	—	—	—	2,063	1,545	1,057	1,391	—	6,056
Total assets	567,443	257	492,039	338,834	2,070	1,570	1,089	1,411	35,963	1,440,676
LIABILITIES:										
Accounts payable and accrued liabilities	138	317	—	83	—	—	—	—	—	538
Payable for investment securities purchased	54,436	—	29,455	32,092	—	—	—	—	—	115,983
Accrued benefits payable	71,459	102,687	22,431	9,941	2,070	1,570	1,089	1,411	—	212,658
Securities lending transactions	47,982	—	44,784	29,295	—	—	—	—	—	122,061
Total liabilities	174,015	103,004	96,670	71,411	2,070	1,570	1,089	1,411	—	451,240
NET POSITION (DEFICIT):										
Held in Trust for Supplemental Benefit Payments	$ 393,428	$ (102,747)	$ 395,369	$ 267,423	$ —	$ —	$ —	$ —	$ 35,963	$ 989,436

THE CITY OF NEW YORK
VARIABLE SUPPLEMENTS FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2012
(in thousands)

	Police Officers' Variable Supplements Fund	Police Superior Officers' Variable Supplements Fund	Fire Fighters' Variable Supplements Fund	Fire Officers' Variable Supplements Fund	Transit Police Officers' Variable Supplements Fund	Transit Police Superior Officers' Variable Supplements Fund	Housing Police Officers' Variable Supplements Fund	Housing Police Superior Officers' Variable Supplements Fund	Correction Officers' Variable Supplements Fund	Total
ASSETS:										
Cash	$ 295	$ 263	$ 10,674	$ 512	$ 15	$ 23	$ 30	$ 141	$ 225	$ 12,178
Receivables:										
Investment securities sold	29,979	226	17,623	7,272	—	—	—	—	—	55,100
Accrued interest and dividends	1,279	586	1,498	918	—	—	—	—	4	4,285
Other	—	—	301	—	—	—	—	3	10	314
Investments:										
Short-term investments	44,270	28,989	15,766	9,905	—	—	—	—	35,686	134,616
Debt securities	133,599	29,567	113,187	66,589	—	—	—	—	—	342,942
Equity securities	307,050	148,925	207,059	135,575	—	—	—	—	—	798,609
Mutual funds:										
Debt securities	—	—	10,086	6,398	—	—	—	—	—	16,484
International equity	81,131	20	75,636	51,937	—	—	—	—	—	208,724
Collateral from securities lending transactions	41,372	14,838	41,521	27,403	—	—	—	—	—	125,134
Due from Pension funds	—	—	—	—	2,072	1,554	1,119	1,287	—	6,032
Total assets	638,975	223,414	493,351	306,509	2,087	1,577	1,149	1,431	35,925	1,704,418
LIABILITIES:										
Accounts payable and accrued liabilities	8	9	—	383	—	—	—	—	—	400
Payable for investment securities purchased	52,807	485	32,526	13,264	—	—	—	—	—	99,082
Accrued benefits payable	69,552	99,435	21,953	9,884	2,087	1,577	1,149	1,431	—	207,068
Securities lending transactions	41,372	14,838	41,521	27,403	—	—	—	—	—	125,134
Total liabilities	163,739	114,767	96,000	50,934	2,087	1,577	1,149	1,431	—	431,684
NET POSITION:										
Held in Trust for Supplemental Benefit Payments	$ 475,236	$ 108,647	$ 397,351	$ 255,575	$ —	$ —	$ —	$ —	$ 35,925	$ 1,272,734

THE CITY OF NEW YORK
PENSION TRUST FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System	Board of Education Retirement System	New York City Police Pension Fund	New York City Fire Pension Fund	Total
ADDITIONS:						
Contributions:						
Member contributions	$ 437,775	$ 154,698	$ 39,056	$ 229,675	$ 104,816	$ 966,020
Employer contributions	3,046,845	2,855,640	196,246	2,424,691	962,173	9,485,595
Other employer contributions	—	57,204	—	—	—	57,204
Total contributions	3,484,620	3,067,542	235,302	2,654,366	1,066,989	10,508,819
Investment income:						
Interest income	624,694	660,118	31,014	376,436	109,000	1,801,262
Dividend income	696,700	811,982	38,273	393,640	128,031	2,068,626
Net appreciation in fair value of investments	3,801,091	4,355,828	432,847	2,348,307	737,983	11,676,056
Investment expenses	(183,252)	(139,154)	(6,773)	(105,960)	(37,327)	(472,466)
Investment income, net	4,939,233	5,688,774	495,361	3,012,423	937,687	15,073,478
Securities lending transactions:						
Securities lending income	31,981	37,705	1,895	20,593	6,298	98,472
Securities lending fees	(4,196)	(5,367)	(185)	(3,016)	(791)	(13,555)
Net securities lending income	27,785	32,338	1,710	17,577	5,507	84,917
Other	5,072	—	—	5,965	38,965	50,002
Total additions	8,456,710	8,788,654	732,373	5,690,331	2,049,148	25,717,216
DEDUCTIONS:						
Benefit payments and withdrawals	3,851,217	4,667,233	204,093	2,157,547	1,064,631	11,944,721
Payments to VSFs	12,274	—	—	8,169	—	20,443
Other	5,250	44	176,301	—	—	181,595
Administrative expenses	48,666	39,682	8,927	17,548	—	114,823
Total deductions	3,917,407	4,706,959	389,321	2,183,264	1,064,631	12,261,582
Increase in plan net position	4,539,303	4,081,695	343,052	3,507,067	984,517	13,455,634
NET POSITION:						
Held in Trust for Pension Benefits:						
Beginning of Year	42,655,336	32,774,761	2,310,599	25,479,874	8,124,677	111,345,247
End of Year	$ 47,194,639	$ 36,856,456	$ 2,653,651	$ 28,986,941	$ 9,109,194	$ 124,800,881

THE CITY OF NEW YORK
PENSION TRUST FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System	Board of Education Retirement System	New York City Police Pension Fund	New York City Fire Pension Fund	Total
ADDITIONS:						
Contributions:						
Member contributions	$ 403,641	$ 164,361	$ 32,866	$ 216,172	$ 98,494	$ 915,534
Employer contributions	3,017,004	2,673,078	213,651	2,385,731	976,895	9,266,359
Other employer contributions	—	59,185	—	—	—	59,185
Total contributions	3,420,645	2,896,624	246,517	2,601,903	1,075,389	10,241,078
Investment income:						
Interest income	527,999	561,666	25,990	361,931	97,567	1,575,153
Dividend income	637,074	706,921	30,182	333,333	122,806	1,830,316
Net (depreciation) appreciation in fair value of investments	(481,678)	(385,387)	33,513	(394,986)	(98,920)	(1,327,458)
Investment expenses	(129,482)	(110,382)	(5,812)	(91,684)	(32,928)	(370,288)
Investment income, net	553,913	772,818	83,873	208,594	88,525	1,707,723
Securities lending transactions:						
Securities lending income	26,304	32,664	1,497	16,551	5,340	82,356
Securities lending fees	(1,324)	(2,475)	(28)	(1,102)	(317)	(5,246)
Net securities lending income	24,980	30,189	1,469	15,449	5,023	77,110
Other	4,772	853	—	5,552	37,661	48,838
Total additions	4,004,310	3,700,484	331,859	2,831,498	1,206,598	12,074,749
DEDUCTIONS:						
Benefit payments and withdrawals	3,689,230	4,487,547	194,507	2,083,907	1,037,589	11,492,780
Payments to VSFs	12,441	—	—	—	—	12,441
Other	4,977	—	141,695	—	—	146,672
Administrative expenses	51,385	39,713	8,687	16,577	—	116,362
Total deductions	3,758,033	4,527,260	344,889	2,100,484	1,037,589	11,768,255
Increase (decrease) in plan net position	246,277	(826,776)	(13,030)	731,014	169,009	306,494
NET POSITION:						
Held in Trust for Pension Benefits:						
Beginning of Year	42,409,059	33,601,537	2,323,629	24,748,860	7,955,668	111,038,753
End of Year	$ 42,655,336	$ 32,774,761	$ 2,310,599	$ 25,479,874	$ 8,124,677	$ 111,345,247

THE CITY OF NEW YORK
VARIABLE SUPPLEMENTS FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(in thousands)

	Police Officers' Variable Supplements Fund	Police Superior Officers' Variable Supplements Fund	Fire Fighters' Variable Supplements Fund	Fire Officers' Variable Supplements Fund	Transit Police Officers' Variable Supplements Fund	Transit Police Superior Officers' Variable Supplements Fund	Housing Police Officers' Variable Supplements Fund	Housing Police Superior Officers' Variable Supplements Fund	Correction Officers' Variable Supplements Fund	Total
ADDITIONS:										
Investment income:										
Interest income	$ 4,365	$ 466	$ 4,690	$ 3,178	$ —	$ —	$ —	$ —	$ 38	$ 12,737
Dividend income	7,777	602	6,397	4,509	—	—	—	—	—	19,285
Net appreciation in fair value of investments	52,779	5,203	35,181	26,805	—	—	—	—	—	119,968
Investment income, net	64,921	6,271	46,268	34,492	—	—	—	—	38	151,990
Securities lending transactions:										
Securities lending income	424	31	345	225	—	—	—	—	—	1,025
Securities lending fees	(78)	(6)	(56)	(35)	—	—	—	—	—	(175)
Net securities lending income	346	25	289	190	—	—	—	—	—	850
Payments from Pension Funds	—	8,169	—	—	4,142	3,121	2,188	2,823	—	20,443
Other	90	63	—	—	—	—	—	—	—	153
Total additions	65,357	14,528	46,557	34,682	4,142	3,121	2,188	2,823	38	173,436
DEDUCTIONS:										
Benefit payments and withdrawals	147,165	225,922	48,539	22,834	4,142	3,121	2,188	2,823	—	456,734
Total deductions	147,165	225,922	48,539	22,834	4,142	3,121	2,188	2,823	—	456,734
Increase (decrease) in plan net position	(81,808)	(211,394)	(1,982)	11,848	—	—	—	—	38	(283,298)
NET POSITION:										
Held in Trust for Supplemental Benefit Payments:										
Beginning of Year	475,236	108,647	397,351	255,575	—	—	—	—	35,925	1,272,734
End of Year	$ 393,428	$ (102,747)	$ 395,369	$ 267,423	$ —	$ —	$ —	$ —	$ 35,963	$ 989,436

THE CITY OF NEW YORK
VARIABLE SUPPLEMENTS FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(in thousands)

	Police Officers' Variable Supplements Fund	Police Superior Officers' Variable Supplements Fund	FireFighters' Variable Supplements Fund	Fire Officers' Variable Supplements Fund	Transit Police Officers' Variable Supplements Fund	Transit Police Superior Officers' Variable Supplements Fund	Housing Police Officers' Variable Supplements Fund	Housing Police Superior Officers' Variable Supplements Fund	Correction Officers' Variable Supplements Fund	Total
ADDITIONS:										
Investment income:										
Interest income	$ 5,770	$ 3,901	$ 5,429	$ 3,335	$ —	$ —	$ —	$ —	$ 30	$ 18,465
Dividend income	9,284	3,926	6,102	4,289	—	—	—	—	—	23,601
Net depreciation in fair value of investments	(8,446)	(2,911)	(4,566)	(2,901)	—	—	—	—	—	(18,824)
Investment expenses	(11)	(115)	—	—	—	—	—	—	—	(126)
Investment income, net	6,597	4,801	6,965	4,723	—	—	—	—	30	23,116
Securities lending transactions:										
Securities lending income	410	216	340	209	—	—	—	—	—	1,175
Securities lending fees	(27)	(34)	(31)	(15)	—	—	—	—	—	(107)
Net securities lending income	383	182	309	194	—	—	—	—	—	1,068
Payments from Pension Funds	—	—	—	—	4,160	3,157	2,257	2,867	—	12,441
Total additions	6,980	4,983	7,274	4,917	4,160	3,157	2,257	2,867	30	36,625
DEDUCTIONS:										
Benefit payments and withdrawals	142,804	219,209	48,613	21,986	4,160	3,157	2,257	2,867	—	445,053
Total deductions	142,804	219,209	48,613	21,986	4,160	3,157	2,257	2,867	—	445,053
Increase (decrease) in plan net position	(135,824)	(214,226)	(41,339)	(17,069)	—	—	—	—	30	(408,428)
NET POSITION:										
Held in Trust for Supplemental Benefit Payments:										
Beginning of Year	611,060	322,873	438,690	272,644	—	—	—	—	35,895	1,681,162
End of Year	$ 475,236	$ 108,647	$ 397,351	$ 255,575	$ —	$ —	$ —	$ —	$ 35,925	$1,272,734

THE CITY OF NEW YORK

AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2013

(in thousands)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS:				
Cash and investments	$ 2,095,993	$ 752,809	$ 858,599	$ 1,990,203
LIABILITIES:				
Other	$ 2,095,993	$ 752,809	$ 858,599	$ 1,990,203

THE CITY OF NEW YORK

AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2012
(in thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS:				
Cash and investments	$ 1,991,565	$ 1,083,242	$ 978,814	$ 2,095,993
LIABILITIES:				
Other.......................................	$ 1,991,565	$ 1,083,242	$ 978,814	$ 2,095,993

APPENDIX C

DEFINITIONS

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

"Authorized Denominations" means 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. Each reference to Bonds includes portions thereof in Authorized Denominations.

"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.

"Authorizing Document" means the Certificate of the Deputy Comptroller for Public Finance of the City of New York With Respect to the Bonds, dated April 11, 2006, as supplemented June 30, 2014.

"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.

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

"Bonds" means the City's General Obligation Bonds, Fiscal 2006 Series I, Subseries I-8.

"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 the Authorizing Document with all Exhibits, Schedules, appendices and related proceedings, including the Bonds and all 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 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 a change in the Rate Mode.

"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.

"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 Electronic Means.

"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 caused by the City (excluding a Termination Date).

"Favorable Opinion of Bond Counsel" shall mean an opinion or opinions 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 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 Conversion Date.

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

"Interest Payment Date" means with respect to (a) any Daily Rate Period, any Two-Day Rate Period, any Weekly Rate Period, or any case not specified, the first Business Day of each month; (b) any Commercial Paper Rate Period, the first Business Day of each month and the Business Day following the last day of the Rate Period; or (c) any Rate Period, as may be specified by the City. With respect to all Multi-Modal Bonds, interest shall be payable on each Mandatory Tender Date, redemption date or maturity date.

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

"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 Multi-Modal Bonds, and, accordingly, such Bonds are not subject to tender for purchase.

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

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

"Mandatory Redemption Date" means, unless otherwise specified by the City, in each year so specified in the Bonds in the Daily Rate Mode, the Two-Day Mode, the Weekly Rate Mode or the Commercial Paper Mode, or in any case not specified, 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
April	October

"Maximum Rate" means, with respect to the Bonds, 9%, or such Maximum Rate not exceeding 25% as may be specified by the City.

"Moody's" means Moody's Investors Service, 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: (i) for Bonds in the Daily Rate Mode, Weekly Rate Mode or Two-Day Mode, any Business Day and (ii) for Bonds in the Commercial Paper Mode, each Mandatory Tender Date.

"Optional Tender Date" means any Business Day during a Daily Rate Period, Two-Day Rate Period or Weekly Rate Period.

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

*"Purchase Account" m*eans the account so designated in each Purchase and Remarketing Fund.

"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, Daily Rate, Two-Day Rate, Commercial Paper Rate, Weekly Rate, or Bank Rate.

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

"Rate Period" means any Initial Period, Daily Rate Period, Two-Day Rate Period, Commercial Paper 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 Fitch or 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), for each Initial Period, Daily Rate Period, Two-Day Rate Period, Commercial Paper Rate Period or Weekly Rate Period the close of business on the Business Day preceding such Interest Payment Date.

"Remarketing Agent" means each remarketing agent for Multi-Modal 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 a Multi-Model 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.

"Standby Agreement" means an agreement providing, to the extent required by the LFL, for the purchase of any Multi-Modal 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.

"Subseries" shall mean the Subseries I-8 Bonds.

"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 bear interest during a Weekly Rate Period.

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

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

[This page intentionally left blank]

APPENDIX D

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 the Reoffering Circular are defined in "APPENDIX C—DEFINITIONS."

General

The Multi-Modal Bonds are subject to mandatory tender for purchase as described under "Mandatory Tender for Purchase" and, if such Bonds are in a Daily Rate Mode, Two-Day Mode or Weekly Rate Mode, are subject to optional tender for purchase as described under "Optional Tender for Purchase." The Multi-Modal Bonds of a Subseries 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 Daily Rate Period, a Two-Day 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, each holder of Bonds to be Converted, the Remarketing Agent, the applicable Standby Purchaser, DTC, the Fiscal Agent and the Tender Agent specifying the Subseries of 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 the 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 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 Multi-Modal Bonds so converted, such Bonds not delivered to the Tender Agent on the Conversion Date 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 Multi-Modal 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 to which such Bonds are duly converted.

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 of a Subseries will extend beyond the scheduled Expiration Date of the Standby Agreement then in effect.

Maximum Rate. The 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, then the Daily Rate for such Daily Rate Period shall continue in effect for two weeks, and thereafter such Bonds shall bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Two-Day Rate. When interest on a Subseries of Adjustable Rate 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 such Bonds bear interest at a Two-Day Rate and on each Monday, Wednesday and Friday thereafter so long as interest on such 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.

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, then the Two-Day Rate for such Two-Day Rate Period shall continue in effect for two weeks, and thereafter such Bonds shall bear interest at the Maximum 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 not later than 10:00 a.m., New York City time, of 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, then the Weekly Rate for such Weekly Rate Period shall continue in effect for two weeks, and thereafter, such Bonds will bear interest at the Maximum 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 continue in effect on such Bonds for two weeks, and thereafter, such Bonds will bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Optional Tender for Purchase

If a Subseries of Adjustable Rate Bonds is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, an Adjustable Rate Bond of such Subseries 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 on any Business Day during a Daily Rate Mode, Two-Day Mode or Weekly Rate Mode 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 Direct 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.

A Direct 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 with a copy to the Remarketing Agent at their respective principal offices, in the case of Adjustable Rate Bonds bearing interest in a Daily Rate Mode, by no later than 10:30 a.m. on the Optional Tender Date, in the case of Adjustable Rate Bonds bearing interest in a Two-Day Mode, not later than 3:00 p.m. on a Business Day at least two Business Days prior to 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, on a Business Day 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 Bonds of a Subseries are supported by a Liquidity Facility and there is no existing Liquidity Condition), the 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;

(b) on the Business Day following each Rate Period for the Adjustable Rate Bonds of such Subseries in the Commercial Paper 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 (including assignments) 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 a substitution is occurring and Rating Confirmation has been received from each Rating Agency;

(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 for a Subseries of Bonds, 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 Subseries of Bonds, the Tender Agent shall cause a draw to be made upon such 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 of a Subseries are also subject to mandatory tender for purchase on any Optional Redemption Date, upon 10 days' notice to Holders of such Bonds, subject to the City's providing a source of payment therefor in accordance with the Certificate and State law; under such circumstances, the Purchase Price is not payable by the 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 such 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 such 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 Termination Date. The failure of any Holder of any portion of such 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 Bank 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.

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 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

Adjustable Rate 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 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 affected 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 such 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 such Liquidity Facility).

Upon the occurrence of an event of immediate termination, as specified in a Liquidity Facility, a Standby Purchaser's obligation under such 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 affected 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 Tendered Bonds 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 affected Holders shall not have the right to require the City or other persons to repurchase such Bonds and the Tender Agent shall give written notice to all affected Bondholders. However, such Holders may submit their Bonds for remarketing pursuant to the procedures described herein and the Certificate and 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 a Liquidity Facility 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, together with the proceeds of remarketing, 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 related Liquidity Provider, the Fiscal Agent, the Tender Agent and the City specifying the principal amount of Tendered Bonds for which it has arranged a remarketing, along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing, and shall transfer to the Tender Agent the proceeds of the remarketing of the Tendered Bonds. 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 in trust money in an amount sufficient for the timely payment of the maximum Purchase Price that could become payable to the Bondholders upon the exercise of any applicable optional or mandatory tender for purchase.

Liquidity or Credit Facility

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 Standby Agreements 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.

Each owner of an Adjustable Rate Bond bearing interest at a Daily, Two-Day or Weekly Rate will be entitled to the benefits and subject to the terms of the Standby Agreement for such Bond. Under such Credit Facility or Liquidity Facility, the Standby Purchaser agrees to make available to the Tender Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Adjustable Rate Bonds. Mandatory purchase by a Standby Purchaser of Adjustable Rate Bonds shall occur under the circumstances provided therefor, including, so long as a Credit Facility is provided or no Liquidity Condition exists, failure to extend or replace the Standby Agreement relating to such Adjustable Rate Bonds, and (at the option of the Standby Purchaser) other events, including without limitation breaches of covenants, defaults on other bonds of the City or other entities, and events of insolvency. 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.

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 any extension or substitution.

The obligation of the Standby Purchaser to purchase Adjustable Rate Bonds pursuant and subject to the terms and conditions of the Credit Facility or Liquidity Facility for such Bonds is effective so long as a Credit Facility is provided or there exists no Liquidity Condition. The obligation of the City to repay amounts advanced by the Standby Purchaser in respect of such Standby Purchaser's purchase of Adjustable Rate Bonds shall be evidenced by the Bonds so purchased by such Standby Purchaser.

The preceding is a summary of certain provisions expected to be included in the Liquidity Facility and proceedings under which the Multi-Modal Bonds are to be offered, 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 Bank is included herein as "APPENDIX I—THE BANK." Neither the City nor the Remarketing Agent makes any representation with respect to the information in "APPENDIX I—THE BANK."

[This page intentionally left blank]

SIDLEY AUSTIN LLP
SIDLEY

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

BEIJING GENEVA SAN FRANCISCO
BRUSSELS HONG KONG SHANGHAI
CHICAGO LONDON SINGAPORE
DALLAS LOS ANGELES TOKYO
FRANKFURT NEW YORK WASHINGTON, DC

FOUNDED 1866

April 11, 2006

HONORABLE WILLIAM C. THOMPSON, JR.
COMPTROLLER
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Thompson:

We have acted as counsel to The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), in the issuance of its General Obligation Bonds, Fiscal 2006 Series I (the "Bonds").

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate of the Deputy Comptroller for Public Finance and related proceedings (the "Certificate").

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

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

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

3. Except as provided in the following sentence, interest on the Subseries I-1, I-3, I-4, I-5, I-6, I-7 and I-8 Bonds (the "Tax-Exempt Bonds") is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes on or after the date on which any action is taken under the Certificate upon the approval of counsel other than ourselves.

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

5. The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds over the initial offering price of such Bonds to the public at which price a substantial amount of such maturity is sold represents original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of Tax-Exempt Bonds with original issue discount will be increased by the amount of such accrued interest.

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

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

Very truly yours,

Sidley Austin LLP

APPENDIX F

SIDLEY AUSTIN LLP
SIDLEY

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

BEIJING
BOSTON
BRUSSELS
CHICAGO
DALLAS
FRANKFURT
GENEVA
HONG KONG
HOUSTON
LONDON
LOS ANGELES
NEW YORK
PALO ALTO
SAN FRANCISCO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO
WASHINGTON, D.C.

FOUNDED 1866

July 10, 2014

The City of New York

Fulbright & Jaworski LLP
As Bond Counsel to the City for Tax Matters

We have acted as Bond Counsel to The City of New York (the "City") in connection with the modification of the terms of the City's General Obligation Bonds, Fiscal 2006 Series I, Subseries I-8 (the "Bonds"), through the adoption of the Supplemental Certificate of the Deputy Comptroller for Public Finance, dated June 30, 2014 (the "Supplemental Certificate"). This letter is delivered pursuant to the Supplemental Certificate and to the Certificate of the Deputy Comptroller for Public Finance, dated April 11, 2006, with respect to the original issuance of the Bonds (the "Certificate").

As Bond Counsel, we have examined a transcript of proceedings relating to the Supplemental Certificate and have reviewed such questions of law and made such other inquiries as we have considered appropriate for the purpose of this opinion. 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.

In our opinion, based upon the foregoing, the Supplemental Certificate and the actions ordered thereby are authorized by law and the Certificate.

In addition, the last clause of opining paragraph 3 of our opinion dated April 11, 2006, is amended to read as follows:

> "and we render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of this opinion without our approval."

The City has received the opinion of Fulbright & Jaworski LLP regarding the effect of the Supplemental Certificate on the exclusion from gross income for federal income tax purposes of interest on the Bonds and we express no opinion thereon.

SIDLEY AUSTIN LLP
SIDLEY

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 G

NORTON ROSE FULBRIGHT

Fulbright & Jaworski LLP
666 Fifth Avenue, 31st Floor
New York, New York 10103-3198
United States

Tel +1 212 318 3000
Fax +1 212 318 3400
nortonrosefulbright.com

July 10, 2014

The City of New York

We have acted as bond counsel for tax matters to The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), in connection with the adoption of a Supplemental Certificate of the Deputy Comptroller for Public Finance, dated June 30, 2014 (the "Supplemental Certificate"), relating to the City's General Obligation Bonds, Fiscal 2006 Series I, Subseries I-8 (the "Bonds").

We have examined, and in expressing the opinions hereinafter described we rely upon, certificates of the City and such other agreements, documents and matters as we deem 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 authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as certified copies, the genuineness of all signatures, and the accuracy of the statements contained in such documents.

In rendering the opinions below, we have assumed the correctness of the approving opinion delivered by Sidley Austin LLP in connection with the issuance of the Bonds, which concluded that the Bonds are duly authorized 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, and that under then-existing law interest on the Bonds would not be includable in the gross income of the owners thereof for purposes of federal income taxation, and are relying on the opinion of Sidley Austin LLP dated the date hereof to the effect that the Supplemental Certificate and the actions ordered thereby are authorized by law and the Certificate (as identified in the Supplemental Certificate).

Based upon the foregoing, we are of the opinion that the Supplemental Certificate will not in and of itself adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

At the time of issuance of the Bonds, the City covenanted to comply with applicable provisions of the Internal Revenue Code of 1986 relating to the exclusion from gross income of the interest on the Bonds for purposes of federal income taxation. Noncompliance with such requirements could 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. We have not been engaged to assess the adequacy of such covenants or to determine whether the City has complied with such requirements.

In addition, we have not been engaged, nor have we undertaken, to advise any party or to opine as to any matter not specifically covered hereinabove, including, but not limited to, any existing exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Accordingly, we express no opinion with respect to the current status of the interest on the Bonds for federal income tax purposes.

We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above. Finally, we express no opinion herein as to the accuracy, completeness or sufficiency of, or any other matter related to, the Reoffering Circular dated July 8, 2014, relating to the Bonds or any other offering material relating to the Bonds.

Very truly yours,

APPENDIX H

VARIABLE RATE BONDS

Variable Rate Demand Bonds

Series	Outstanding Principal Amount	Provider	Facility Type	Expiration or Optional Termination by Provider
1994A-4	$ 36,750,000	BayernLB	LOC[1]	November 30, 2015
1994A-6	30,000,000	Landesbank Hessen-Thüringen Girozentrale	LOC	December 15, 2015
1994A-7	50,000,000	JPMorgan Chase Bank, N.A.	LOC	September 15, 2015
1994C	25,300,000	JPMorgan Chase Bank, N.A.	LOC	September 16, 2016
1994E-2	40,700,000	JPMorgan Chase Bank, N.A.	LOC	September 16, 2016
1994E-4	50,000,000	BNP Paribas	LOC	November 1, 2014
1994H-3	75,700,000	State Street Bank and Trust Company	SBPA[2]	October 12, 2018
1995B-4	50,000,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 15, 2015
1995B-8	50,000,000	BayernLB	LOC	November 30, 2015
1995B-9	50,000,000	JPMorgan Chase Bank, N.A.	LOC	September 15, 2015
1995F-4	50,000,000	Landesbank Hessen-Thüringen Girozentrale	LOC	December 15, 2015
1995F-5	35,100,000	BayernLB	LOC	November 30, 2015
1996J-3	17,400,000	JPMorgan Chase Bank, N.A.	LOC	September 15, 2015
2002A-6	70,000,000	Dexia Crédit Local	SBPA	November 1, 2017
2002A-10	60,000,000	Dexia Crédit Local	SBPA	November 1, 2017
2003C-2	95,150,000	BayernLB	LOC	November 30, 2015
2004A-2	75,000,000	Bank of America, N.A.	LOC	June 30, 2015
2004A-3	100,000,000	Morgan Stanley Bank, N.A.	LOC	September 27, 2014
2004A-4	25,000,000	Bank of Montreal	LOC	August 29, 2016
2004A-5	50,000,000	Bank of Montreal	LOC	August 29, 2016
2004H-1	40,300,000	The Bank of New York Mellon	LOC	October 31, 2014
2004H-2	60,455,000	The Bank of New York Mellon	LOC	October 31, 2014
2004H-3	60,455,000	The Bank of New York Mellon	LOC	October 31, 2014
2004H-4	40,300,000	The Bank of New York Mellon	LOC	October 31, 2014
2004H-5	31,045,000	Dexia Crédit Local	LOC	February 2, 2022
2004H-6	31,305,000	Bank of America, N.A.	LOC	March 1, 2016
2004H-7	33,230,000	KBC Bank, N.V.	LOC	December 31, 2014
2004H-8	31,335,000	Bank of America, N.A.	LOC	March 1, 2016
2006E-2	87,530,000	Bank of America, N.A.	LOC	August 1, 2016
2006E-3	87,530,000	Bank of America, N.A.	LOC	August 1, 2016
2006E-4	87,525,000	Bank of America, N.A.	LOC	August 1, 2016
2006F-3	75,000,000	Sumitomo Mitsui Banking Corporation	LOC	September 20, 2016
2006F-4A	40,000,000	Sumitomo Mitsui Banking Corporation	LOC	September 20, 2016
2006F-4B	35,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD	LOC	November 18, 2016
2006H-1	50,535,000	JPMorgan Chase Bank, N.A.	SBPA	October 14, 2016
2006H-2	50,530,000	JPMorgan Chase Bank, N.A.	SBPA	October 14, 2016
2006I-3	50,000,000	Bank of America, N.A.	LOC	May 12, 2017
2006I-4	125,000,000	California Public Employees' Retirement System	LOC	May 31, 2016
2006I-5	75,000,000	The Bank of New York Mellon	LOC	May 31, 2016
2006I-6	75,000,000	The Bank of New York Mellon	LOC	May 31, 2016
2006I-7	50,000,000	Bank of America, N.A.	LOC	May 12, 2017
2006I-8	50,000,000	State Street Bank and Trust Company	LOC	July 11, 2014[3]
2008D-3	50,000,000	Crédit Agricole CIB	SBPA	December 4, 2014
2008D-4	50,000,000	Crédit Agricole CIB	SBPA	December 4, 2014
2008J-3	75,000,000	Barclays Bank, PLC	SBPA	January 29, 2016
2008J-5	101,405,000	Dexia Crédit Local	SBPA	April 1, 2015
2008J-6	111,225,000	Landesbank Hessen-Thüringen Girozentrale	LOC	December 15, 2015

See footnotes on page H-2

Series	Outstanding Principal Amount	Provider	Facility Type	Expiration or Optional Termination by Provider
2008J-10	$ 100,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD.	LOC	April 28, 2017
2008J-12	103,160,000	Dexia Crédit Local	SBPA	April 1, 2015
2008L-3	80,000,000	Bank of America, N.A.	SBPA	April 21, 2017
2008L-4	100,000,000	US Bank, N.A.	LOC	December 20, 2014
2008L-5	145,400,000	Dexia Crédit Local	SBPA	April 23, 2015
2009B-3	100,000,000	TD Bank, N.A.	LOC	January 1, 2015
2010G-4	150,000,000	Barclays Bank, PLC	SBPA	March 29, 2016
2012A-3	25,000,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 15, 2015
2012A-4	100,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD.	LOC	June 29, 2017
2012A-5	50,000,000	Royal Bank of Canada	LOC	June 29, 2017
2012D-3	126,665,000	The Bank of New York Mellon	LOC	October 31, 2014
2012G-3	300,000,000	Citibank, N.A.	LOC	April 3, 2015
2012G-4	100,000,000	PNC Bank, National Association	LOC	April 3, 2015
2012G-5	75,000,000	Wells Fargo Bank, N.A.	SBPA	April 3, 2015
2012G-6	200,000,000	Mizuho Bank, Ltd.	LOC	April 3, 2015
2012G-7	85,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD	LOC	April 3, 2015
2013A-2	100,000,000	Mizuho Bank, Ltd.	LOC	October 23, 2015
2013A-3	100,000,000	Mizuho Bank, Ltd.	LOC	October 23, 2015
2013A-4	75,000,000	Sumitomo Mitsui Banking Corporation	LOC	October 23, 2015
2013A-5	50,000,000	Sumitomo Mitsui Banking Corporation	LOC	October 23, 2015
2013F-3	180,000,000	Bank of America, N.A.	LOC	March 18, 2016
2014D-3	225,000,000	JPMorgan Chase Bank, N.A.	SBPA	October 14, 2016
2014D-4	100,000,000	TD Bank, N.A.	LOC	October 16, 2018
2014D-5	75,000,000	PNC Bank, National Association	LOC	October 14, 2016
2014I-2	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	March 24, 2017
	$5,536,030,000			

Index Rate Bonds(4)

Series	Outstanding Principal Amount	Step up Date
2003F	$ 46,015,000	none
2004A-6	50,250,000	April 2, 2018
2008J-4	100,000,000	April 2, 2018
2008J-7	74,060,000	April 3, 2017
2008J-8	74,060,000	April 1, 2016
2008J-9	100,000,000	April 3, 2017
2008J-11	100,000,000	April 1, 2019
2008L-6	150,000,000	June 23, 2019
2011F-3	75,000,000	December 1, 2020
2014I-3	200,000,000	April 1, 2019
	$ 969,385,000	

Auction Rate Bonds

Series	Outstanding Principal Amount
Various	$ 634,900,000

(1) Letter of Credit
(2) Standby Bond Purchase Agreement
(3) As described in this Reoffering Circular, the existing facility for the Series 2006I-8 Bonds will be replaced on July 10, 2014 by an SBPA from State Street Bank and Trust Company expiring on July 10, 2019.
(4) The City's index rate bonds pay interest based on a specified index. Such bonds, other than the Series 2003F Bonds, also provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or refunded.

APPENDIX I

THE BANK

STATE STREET BANK AND TRUST COMPANY

State Street Bank and Trust Company (the "Bank") is a wholly-owned subsidiary of State Street Corporation (the "Corporation"). The Corporation (NYSE: STT) provides financial services to institutional investors, including investment servicing, investment management and investment research and trading. With $27.43 trillion in assets under custody and administration and $2.35 trillion in assets under management as of December 31, 2013, the Corporation operates in more than 100 geographic markets worldwide. The consolidated total assets of the Bank as of December 31, 2013 accounted for approximately 98% of the consolidated total assets of the Corporation as of the same date. As of December 31, 2013, the Corporation had consolidated total assets of $243.29 billion, total deposits (including deposits in non-U.S. offices) of $182.27 billion, total investment securities of $116.91 billion, total loans and leases, net of unearned income and allowance for loan losses, of $13.46 billion and total shareholders' equity of $20.38 billion.

The Bank's *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only—FFIEC 031* (the "Call Reports") through December 31, 2013 have been submitted through the Federal Financial Institutions Examination Council and provided to the Board of Governors of the Federal Reserve System, the primary U.S. federal banking agency responsible for regulating the Corporation and the Bank. Publicly available portions of those Call Reports, and future Call Reports so submitted by the Bank, are available on the Federal Deposit Insurance Corporation's website at *www.fdic.gov*. The Call Reports are prepared in conformity with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles.

Additional financial and other information related to the Corporation and the Bank, including the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 and additional annual, quarterly and current reports subsequently filed or furnished by the Corporation with the U.S. Securities and Exchange Commission (the "SEC"), can be accessed free of charge on the SEC's website at *www.sec.gov*.

Any statement contained in any document referred to above shall be deemed to be modified or superseded for purposes of this Reoffering Circular to the extent that a statement contained herein or in any subsequently submitted, filed or furnished document that also is referred to above modifies or supersedes such statement. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank or the Corporation since the date hereof, or that information contained or referred to in this Appendix is correct as of any time subsequent to this date. The information contained in this Appendix has been obtained from the Bank.

A copy of any or all of the publicly available portions of the documents referred to above, other than exhibits to such documents, may be obtained without charge to each person to whom a copy of this Reoffering Circular has been delivered, on the written request of any such person. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

The Liquidity Facility is an obligation solely of the Bank and is not an obligation of, or otherwise guaranteed by, the Corporation or any of its affiliates (other than the Bank). Neither the Corporation nor any of its affiliates (other than the Bank) is required to make payments under the Liquidity Facility. None of the Bank, the Corporation or any of their respective affiliates makes any representation as to, or is responsible for the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations. The Bonds are not direct obligations of, or guaranteed by, the Bank, the Corporation or any of their respective affiliates, except to the extent provided by in the Liquidity Facility.

[This page intentionally left blank]