



The City of New York
Office of Management and Budget
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Mark Page
Director

May 14, 2010

Hon. Michael Bloomberg
Mayor
City Hall
New York, NY 10007

Hon. David Paterson
Governor
The Executive Chamber, Capitol
Albany, NY 12224

Hon. Christine Quinn
Speaker of the Council
City Hall
New York, NY 10007

Hon. John C. Liu
Comptroller
Municipal Bldg., 1 Centre St.
New York, NY 10007

Hon. Carl Kruger
Chair, Senate Finance Comm.
The Capitol
Albany, NY 12247

Hon. Herman D. Farrell, Jr.
Chair, Assembly Ways and
Means Comm.
The Capitol
Albany, NY 12224

Hon. John DeFrancisco
Ranking Minority Member
Senate Finance Comm.
The Capitol
Albany, NY 12247

Hon. Jim Hayes
Ranking Minority Member
Assembly Ways and Means Comm.
The Capitol
Albany, NY 12224

Hon. Thomas P. DiNapoli
Comptroller
Gov. A.E. Smith Office Bldg.
Albany, NY 12236

Mr. Jeffrey Sommer
Acting Executive Director
State Financial Control Board
123 William St., 23rd Floor
New York, NY 10038

Re: Statement of Debt Affordability

Dear Sirs and Madam:

Pursuant to Chapter 16 of the Laws of 1997 of the State of New York, which includes the New York City Transitional Finance Authority Act (the "Act"), I am providing the annual statement of debt affordability. This statement does not constitute the annual declaration of need provided for pursuant to Section 2799-ff of the Act, which will be prepared following adoption of the City of New York's (the "City's") fiscal year 2011 Budget by the City Council.

The City currently has a capital financing need, as defined in Section 2799-bb of the Act, of \$3.4 billion, \$3.0 billion, \$2.7 billion, \$2.5 billion and \$2.4 billion, in fiscal years 2010 through 2014, respectively, for projects within the City's Capital Budget. In addition to these amounts, the City has a capital financing need of \$282 million, \$698 million, \$833 million, \$836 million and \$637 million in fiscal years 2010 through 2014, respectively, for those projects within the City's Five Year Educational Facilities Capital Plan.

There is no reserve or surplus fund held by the TFA as of the date of this statement and there was none as of the end of the most recently completed fiscal year.

Schedule A shows the City's and TFA's debt-incurring power. Schedule B presents the sources of financing for the City's four-year capital program. Schedule C specifies amounts of debt service payable on City General Obligation bonds and TFA bonds, amounts expected to be outstanding in each of the Financial Plan years for General Obligation and TFA bonds, and various debt service and debt ratios as required by the Act. Schedule C provides a framework for assessing the affordability to the City of the debt to be issued as described on Schedule B.

In my opinion, debt affordability is a judgment made by balancing the City's need for essential capital improvements and the costs of delaying or not implementing such improvements against the impact of debt service costs arising from the financing of those capital needs on the other competing City priorities funded through the City's operating budget. The judgment is reflected in the City's Financial Plan and in its operating budget and Capital Plan as proposed by the Mayor, which has the result, in fiscal year 2014, of debt service (including the TFA and lease debt service) requiring 10.0 percent of total revenues and 15.6 percent of total tax revenues.

Yours truly,

A handwritten signature in black ink, appearing to read 'Mark Page', with a long horizontal flourish extending to the right.

Mark Page

Attachments

Schedule A: Debt Incurring Power (\$ in Millions)

NYC Debt and Contract Liabilities

	FY	2010	2011	2012	2013	2014
<u>I. Beginning Fiscal Year Condition</u>						
(1) Net G.O. Bonds Outstanding	\$	38,422	\$ 41,242	\$ 41,937	\$ 42,505	\$ 42,820
(2) Excluded G.O. Debt for Water Purposes		(310)	(247)	(208)	(178)	(151)
(3) Appropriations for G.O. Debt to be Redeemed		(312)	(1,985)	(2,080)	(2,106)	(2,114)
(4) Net Contracts and Other Liabilities to be Financed		<u>23,979</u>	<u>25,267</u>	<u>26,265</u>	<u>25,655</u>	<u>25,365</u>
(5) Total Debt and Contract Liabilities at the Beginning of FY		61,780	64,278	65,915	65,876	65,920
<u>II. Activities During FY</u>						
(6) New Capital Commitments		7,856	6,934	4,727	4,576	3,949
(7) Redemptions of Debt and Other Adjustments		<u>3</u>	<u>(193)</u>	<u>60</u>	<u>62</u>	<u>72</u>
<u>III. Year-End Condition</u>						
(8) Total Debt and Contract Liabilities at the End of FY		<u>69,638</u>	<u>71,019</u>	<u>70,702</u>	<u>70,514</u>	<u>69,941</u>
(9) General Debt Limit		<u>74,904</u>	<u>76,170</u>	<u>75,152</u>	<u>74,343</u>	<u>73,402</u>
(10) Amount Supported by TSASC Proceeds		1,046	1,046	1,046	1,046	1,046
(11) Amount Supported by TFA Proceeds		13,500	13,500	13,500	13,500	13,500
Debt Margin	\$	19,813	\$ 19,697	\$ 18,996	\$ 18,375	\$ 18,008
TFA debt outstanding above \$13.5 billion	\$	<u>701</u>	\$ <u>3,342</u>	\$ <u>5,496</u>	\$ <u>7,333</u>	\$ <u>9,081</u>
Debt Margin net of TFA debt outstanding above \$13.5 billion		19,112	16,355	13,500	11,042	8,927

Schedule B: Sources of Funds (\$ in Millions)

	FY	2010	2011	2012	2013	2014
City General Obligation Bonds	\$	3,318	\$ 3,025	\$ 2,720	\$ 2,480	\$ 2,440
TFA (1)		3,657	3,736	3,603	3,496	3,587
TSASC		-	-	-	-	-
Water Authority Bonds (2)		2,481	2,156	1,930	1,637	1,490
Conduit Debt		-	-	-	-	-
Total	\$	<u>9,456</u>	<u>\$ 8,917</u>	<u>\$ 8,253</u>	<u>\$ 7,613</u>	<u>\$ 7,517</u>

(1) Includes Building Aid Revenue Bonds (BARBs)

(2) Includes commercial paper and revenue bonds issued for the water and sewer system's capital program, and includes reserve

Schedule C: New York City's Debt Outstanding & Debt Service Ratios

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
I. Debt Service of NYC GO, Conduit Debt & TFA (\$ in millions)					
[1.1] NYC General Obligation Debt Service*	\$3,726	\$4,010	\$4,401	\$4,483	\$4,555
[1.2] Conduit Debt Debt Service	\$183	\$271	\$270	\$268	\$263
[1.3] Transitional Finance Authority Debt Service**	<u>\$1,090</u>	<u>\$1,181</u>	<u>\$1,602</u>	<u>\$1,825</u>	<u>\$1,999</u>
[1.4] Total Debt Service (NYC GO, Conduit Debt & TFA)= [1.1] + [1.2] + [1.3]	\$4,999	\$5,462	\$6,273	\$6,576	\$6,817
Total Debt Service (NYC GO, Conduit Debt & TFA) [1.4] as % of:					
a. Total Revenue***	7.9%	8.7%	9.7%	9.9%	10.0%
b. Total Taxes***	13.4%	14.0%	15.4%	15.5%	15.6%
c. Total NYC Personal Income	1.2%	1.3%	1.4%	1.4%	1.4%
NYC General Obligation Bonds Debt Service [1.1] as % of:					
d. Real Property Tax Revenue	23.1%	23.9%	25.3%	25.3%	25.5%
e. Full Value of Taxable Real Estate	0.5%	0.5%	0.6%	0.6%	0.6%
II. Debt Outstanding: NYC GO, Conduit debt & TFA (\$ in millions) as of 6/30					
[1.5] NYC General Obligation Debt Outstanding	\$41,660	\$42,855	\$43,408	\$43,697	\$43,935
[1.6] Conduit Debt Debt Outstanding	\$1,679	\$1,614	\$1,544	\$1,473	\$1,393
[1.7] Transitional Finance Authority Debt Outstanding	<u>\$15,704</u>	<u>\$18,330</u>	<u>\$20,460</u>	<u>\$22,195</u>	<u>\$23,826</u>
[1.8] Total Debt Outstanding (NYC GO, Conduit Debt & TFA) [1.6]+[1.7]+[1.8]	\$59,043	\$62,799	\$65,413	\$67,364	\$69,154
Total Debt Outstanding (NYC GO, Conduit Debt & TFA) [1.9] as % of:					
f. Total NYC Personal Income	14.1%	14.5%	14.6%	14.4%	14.1%
NYC General Obligation Debt Outstanding [1.5] as % of:					
g. Real Property Tax Revenue	258.6%	255.7%	249.1%	247.0%	246.4%
h. Five Year Average Full Value of Taxable Real Estate	5.6%	5.6%	5.8%	5.9%	6.0%
III. Debt Service & Debt Outstanding Per Capita (\$ in thousands)					
i. Debt Service Per Capita (NYC GO+Conduit Debt+TFA DS)	\$0.624	\$0.682	\$0.783	\$0.821	\$0.851
j. Debt Outstanding Per Capita (NYC GO+Conduit Debt+TFA)	\$7.373	\$7.842	\$8.168	\$8.412	\$8.635
a. Total Revenue	\$63,547	\$62,938	\$64,549	\$66,248	\$68,027
b. Total Taxes	\$37,209	\$38,892	\$40,817	\$42,330	\$43,659
b. PIT Required to Support TFA DS	\$162	\$1,181	\$1,602	\$1,825	\$1,999
c. Total NYC Personal Income	\$419,250	\$433,780	\$447,620	\$467,570	\$489,270
d. Real Property Tax Revenue	\$16,109	\$16,760	\$17,423	\$17,692	\$17,829
e. Full Value of Taxable Real Estate	\$749,042	\$761,701	\$751,516	\$743,429	\$734,021
Population	\$8,008,278	\$8,008,278	\$8,008,278	\$8,008,278	\$8,008,278

* Includes RANs interest costs and excludes prepayments.

** In fiscal year 2007, the City granted TFA \$718 million to legally defease TFA debt coming due in fiscal years 2009 and 2010, conferring a budget benefit in fiscal years 2008 through 2010 of approximately \$33 million, \$363 million, and \$382 million respectively. Also reflects \$530 million being applied in 2009 to defease debt due in 2011 conferring equivalent benefit in that year as well as \$35 million being applied in 2008 to redeem debt due in 2011.

*** Includes amount required to support TFA debt service.