



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

April 26, 2004

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

Hon. George E. Pataki
Governor
The Executive Chamber, Capitol
Albany, NY 12224

Hon. A. Gifford Miller
Speaker of the Council
City Hall
New York, NY 10007

Hon. William C. Thompson
Comptroller
Municipal Bldg., 1 Centre St.
New York, NY 10007

Hon. Owen Johnson
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. Neil D. Breslin
Ranking Minority Member
Senate Finance Comm.
The Capitol
Albany, NY 12247

Hon. Thomas F. Barraga
Ranking Minority Member
Assembly Ways and Means Comm.
The Capitol
Albany, NY 12224

Hon. Alan G. Hevesi
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

Gentlemen:

Pursuant to Section 7 of Chapter 16 of the Laws of 1997 of the State of New York ("Chapter 16"), 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 2005 Budget by the City Council.

The City currently has no capital financing need, as defined in Section 2799-bb of the New York City Transitional Finance Authority Act (the "Act"), which was enacted as Section 2 of Chapter 16, because the New York City Transitional Finance Authority (the "TFA") has reached its statutory limit on bond issuances for City capital purposes. The City is, however, seeking legislation to increase the debt-incurring capacity of the TFA. If such capacity were increased, the capital financing need would increase to an amount permitted by such increased capacity up to an estimated \$2.04 billion, \$2.28 billion, \$2.49 billion and \$2.412 billion in fiscal years 2005 through 2008, respectively, which represent the amount of TFA bonds that would be issued in such years. If the TFA's debt-incurring capacity were increased, the figures listed on Schedules A, B and C would change to reflect such increased capacity. The projects to be financed with such increased TFA capacity would be projects within the City's Capital Budget.

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 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, debt 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 Section 7 of Chapter 16. New York City General Obligation bond debt service is shown both gross and net of certain offsetting non-tax third party payments (water and sewer rental payments). 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 2008, of debt service (excluding the TFA and including the Municipal Assistance Corporation for the City of New York ("MAC")) requiring 8.3 percent of total revenues and 13.3 percent of total tax revenues. Schedule C shows that debt service (including the TFA and MAC) accounts for 10.3 percent of total revenues and 16.5 percent of total tax revenues in 2008.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Mark Page', written over a light blue horizontal line.

Mark Page

Attachments

Schedule A: Debt Incurring Power

NYC Debt and Contract Liabilities	(\$ in millions)				
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<u>I. Beginning Fiscal Year Condition</u>					
(1) Net G.O. Bonds Outstanding	\$29,216	\$30,784	\$32,609	\$34,837	\$37,211
(2) Excluded G.O. Debt for Water Purposes	(561)	(489)	(440)	(400)	(346)
(3) Appropriations for G.O. Debt to be Redeemed	(1,390)	(1,508)	(1,485)	(1,566)	(1,617)
(4) Net Contracts and Other Liabilities to be Financed	<u>16,534</u>	<u>16,742</u>	<u>18,881</u>	<u>20,003</u>	<u>20,243</u>
(5) Total Debt and Contract Liabilities at the Beginning of FY	43,798	45,529	49,565	52,874	55,491
<u>II. Activities During FY</u>					
(6) New Capital Commitments	3,073	5,482	4,856	4,317	4,019
(7) Redemptions of Debt and Other Adjustments	<u>166</u>	<u>38</u>	<u>19</u>	<u>(83)</u>	<u>(86)</u>
<u>III. Year-End Condition</u>					
(8) Total Debt and Contract Liabilities at the End of FY	<u>47,038</u>	<u>51,050</u>	<u>54,440</u>	<u>57,108</u>	<u>59,425</u>
(9) General Debt Limit	<u>39,990</u>	<u>43,145</u>	<u>45,546</u>	<u>47,849</u>	<u>49,998</u>
(10) Amount Supported by TSASC Proceeds	1,046	1,046	1,046	1,046	1,046
(11) Amount Supported by TFA Proceeds	11,500	11,500	11,500	11,500	11,500
Additional Debt Margin	<u>5,499</u>	<u>4,642</u>	<u>3,653</u>	<u>3,287</u>	<u>3,119</u>

Schedule B: Sources of Funds

(\$ in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
City General Obligation Bonds (1)	2,910	3,400	3,800	4,150	4,020	18,280
TFA (1)	145	-	-	-	-	145
TSASC (2)	39	49	-	-	-	88
Water Authority Bonds (3)	1,212	1,652	1,926	1,812	1,786	8,388
Conduit Debt	271	86	-	86	-	443
Total	4,577	5,187	5,726	6,048	5,806	27,344

(1) TFA Bonds would be increased and GO Bonds would be decreased by an amount up to the Capital Financing Need if the TFA's statutory bonding cap were increased.

(2) Amount includes projected loan drawdown from the US Department of Transportation pursuant to the Transportation Infrastructure Financing and Innovation Act.

(3) Includes commercial paper and revenue bonds issued for the water and sewer system's capital program, and includes reserve amounts. Figures do not include bonds that defease commercial paper or refunding bonds.

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

<u>I. Debt Service of NYC GO, MAC & TFA (\$ in millions)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
[I.1] NYC General Obligation Debt Service*	\$2,843	\$3,298	\$3,512	\$3,857	\$4,108
[I.2] Municipal Assistance Corporation Debt Service	\$502	\$0	\$0	\$0	\$0
[I.3] Transitional Finance Authority Debt Service**	\$755	\$960	\$955	\$976	\$982
[I.4] Total Debt Service (NYC GO, MAC & TFA)= [I.1] + [I.2] + [I.3]	\$4,100	\$4,258	\$4,466	\$4,834	\$5,090
[I.5] Water Rental Payment	\$115	\$116	\$138	\$156	\$177
<u>Total Debt Service (NYC GO, MAC & TFA) [I.4] as % of:</u>					
a. Total Revenue***	8.7%	8.9%	9.5%	10.0%	10.3%
b. Total Taxes***	14.9%	15.4%	15.7%	16.4%	16.5%
c. Total NYC Personal Income	1.3%	1.3%	1.3%	1.3%	1.3%
<u>Total Debt Service (NYC GO, MAC & TFA) [I.4]+[I.5] as % of:</u>					
a. Total Revenue***	8.8%	9.1%	9.8%	10.4%	10.6%
b. Total Taxes***	15.0%	15.8%	16.2%	16.9%	17.0%
c. Total NYC Personal Income	1.3%	1.3%	1.3%	1.3%	1.3%
<u>NYC General Obligation Bonds Debt Service [I.1] as % of:</u>					
d. Real Property Tax Revenue	25.0%	27.9%	28.5%	29.8%	30.3%
e. Full Value of Taxable Real Estate	0.7%	0.8%	0.8%	0.8%	0.8%
<u>NYC General Obligation Bonds Debt Service [I.1]+[I.5] as % of:</u>					
d. Real Property Tax Revenue	26.1%	28.9%	29.6%	31.0%	31.6%
e. Full Value of Taxable Real Estate	0.7%	0.8%	0.8%	0.8%	0.9%
<u>II. Debt Outstanding: NYC GO, MAC & TFA (\$ in millions) as of 6/30</u>					
[I.6] NYC General Obligation Debt Outstanding***	\$31,297	\$33,182	\$35,475	\$37,921	\$40,171
[I.7] Municipal Assistance Corporation Debt Outstanding	\$2,151	\$1,758	\$1,354	\$924	\$0
[I.8] Transitional Finance Authority Debt Outstanding	\$13,064	\$12,682	\$12,335	\$11,948	\$11,537
[I.9] Total Debt Outstanding (NYC GO, MAC & TFA) [I.6]+[I.7]+[I.8]	\$46,512	\$47,623	\$49,164	\$50,794	\$51,708
<u>Total Debt Outstanding (NYC GO, MAC & TFA) [I.9] as % of:</u>					
f. Total NYC Personal Income	14.3%	14.0%	13.8%	13.5%	13.0%
<u>NYC General Obligation Debt Outstanding [I.6] as % of:</u>					
g. Real Property Tax Revenue	275.7%	280.4%	287.5%	293.3%	296.5%
h. Five Year Average Full Value of Taxable Real Estate	7.8%	7.7%	7.8%	7.9%	8.0%
<u>III. Debt Service & Debt Outstanding Per Capita (\$ in thousands)</u>					
i. Debt Service Per Capita (NYC GO+MAC+TFA DS, Net of Water Rental)	\$0.512	\$0.532	\$0.558	\$0.604	\$0.636
j. Debt Service Per Capita (NYC GO+MAC+TFA DS)	\$0.526	\$0.546	\$0.575	\$0.623	\$0.658
k. Debt Outstanding Per Capita (NYC GO+MAC+TFA)	\$5.808	\$5.947	\$6.139	\$6.343	\$6.457

* Includes RANs interest costs, lease debt payments and excludes prepayments, Water & Sewer rental payment.

** Exclude the impact of debt service prepayments.

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

**** Includes debt for New York City Health and Hospitals Corporation, education purposes and water & sewer purposes and excludes debt issued by business improvement districts.

(\$ in Millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
a. Total Revenue	\$47,146	\$46,900	\$46,088	\$47,135	\$48,666
b. Total Taxes (as of Exe04)	\$27,383	\$26,727	\$27,491	\$28,513	\$29,952
b. PIT Required to Support TFA DS	\$131	\$960	\$955	\$976	\$982
c. Total NYC Personal Income (As of Exe04)	\$324,330	\$340,220	\$356,360	\$376,780	\$396,900
d. Real Property Tax Revenue	\$11,353	\$11,832	\$12,340	\$12,931	\$13,549
e. Full Value of Taxable Real Estate	\$399,900	\$431,452	\$455,460	\$478,485	\$499,975
Population	8,008,278	8,008,278	8,008,278	8,008,278	8,008,278