



The City of New York
Office of Management and Budget
75 Park Place • New York, New York 10007-2146
Telephone: (212) 788-5900 • Fax: (212) 788-6300

Mark Page
Director

April 26, 2007

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

Hon. Elliot Spitzer
Governor
The Executive Chamber, Capitol
Albany, NY 12224

Hon. Christine Quinn
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. William Stachowski
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. 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 2008 Budget by the City Council.

The City currently has a capital financing need, as defined in Section 2799-bb of the Act, of \$1.4 billion, \$1.4 billion and \$698 million in fiscal years 2008 through 2010, respectively. The projects to be financed will be limited to those projects within the City's Five Year Educational Facilities Capital Plan (the "Educational Facilities Plan"). Additionally, because the New York City Transitional Finance Authority (the "TFA") has reached its statutory limit on bond issuances for City capital purposes other than those projects described in the preceding sentence, the City is seeking legislation to increase the debt-incurring capacity of the TFA. If such capacity were increased, the capital financing need listed above would be increased up to an estimated total amount of \$3.5 billion, \$3.83 billion, \$3.85 billion and \$3.02 billion in fiscal years 2008 through 2011, respectively. The projects to be financed with such increased TFA capacity would be projects within the City's Capital Budget. The figures included herein represent the amount of TFA bonds that would be issued in such years.

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, 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. These schedules do not reflect the increased TFA debt incurring capacity that the City is seeking.

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 2011, of debt service (excluding the TFA) requiring 9.5 percent of total revenues and 14.9 percent of total tax revenues. Schedule C shows that debt service (including the TFA) accounts for 9.6 percent of total revenues and 15.1 percent of total tax revenues in fiscal year 2011.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark Page", written in a cursive style.

Mark Page

Attachments

Schedule A: Debt Incurring Power

NYC Debt and Contract Liabilities	(\$ in Millions)				
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
<u>I. Beginning Fiscal Year Condition</u>					
(1) Net G.O. Bonds Outstanding	\$35,487	\$34,653	\$37,012	\$39,926	\$44,126
(2) Excluded G.O. Debt for Water Purposes	(433)	(384)	(320)	(289)	(226)
(3) Appropriations for G.O. Debt to be Redeemed	(1,584)	(1,733)	(1,800)	(1,894)	(2,006)
(4) Net Contracts and Other Liabilities to be Financed	<u>18,791</u>	<u>23,933</u>	<u>27,313</u>	<u>30,399</u>	<u>29,823</u>
(5) Total Debt and Contract Liabilities at the Beginning of FY	52,261	56,470	62,204	68,141	71,717
<u>II. Activities During FY</u>					
(6) New Capital Commitments	5,918	7,505	7,848	5,606	5,250
(7) Redemptions of Debt and Other Adjustments	<u>23</u>	<u>30</u>	<u>(16)</u>	<u>(24)</u>	<u>(26)</u>
<u>III. Year-End Condition</u>					
(8) Total Debt and Contract Liabilities at the End of FY	<u>58,202</u>	<u>64,004</u>	<u>70,036</u>	<u>73,723</u>	<u>76,940</u>
(9) General Debt Limit	<u>53,336</u>	<u>60,034</u>	<u>65,740</u>	<u>71,011</u>	<u>76,059</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	11,501
Additional Debt Margin	<u>7,680</u>	<u>8,575</u>	<u>8,251</u>	<u>9,834</u>	<u>11,666</u>

Schedule B: Sources of Funds

	(\$ in Millions)					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
City General Obligation Bonds (1)	820	4,200	4,850	6,300	6,030	22,200
TFA (1) (2)	3,300	1,394	1,394	698	-	6,785
TSASC	-	-	-	-	-	-
Water Authority Bonds (3)	2,111	1,871	2,428	2,385	2,394	11,189
Conduit Debt	-	-	-	-	-	-
Total	<u>6,231</u>	<u>7,465</u>	<u>8,672</u>	<u>9,383</u>	<u>8,424</u>	<u>40,174</u>

(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 funds for recently authorized Education Financing.

(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

	(\$ in Millions)				
I. Debt Service of NYC GO, MAC & TFA (\$ in millions)	2007	2008	2009	2010	2011
[1.1] NYC General Obligation Debt Service*	\$4,252	\$3,685	\$3,840	\$4,167	\$4,975
[1.2] Municipal Assistance Corporation Debt Service	\$10	\$10	\$0	\$0	\$0
[1.3] Transitional Finance Authority Debt Service**	\$727	\$189	\$843	\$879	\$1,154
[1.4] Total Debt Service (NYC GO, MAC & TFA)= [1.1] + [1.2] + [1.3]	\$4,989	\$3,884	\$4,683	\$5,045	\$6,129
[1.5] GO Water Debt Service	\$65	\$78	\$56	\$77	\$78
Total Debt Service (NYC GO, MAC & TFA) [1.4] as % of:					
a. Total Revenue***	8.3%	6.6%	7.9%	8.1%	9.5%
b. Total Taxes***	13.1%	10.5%	12.5%	12.9%	14.9%
c. Total NYC Personal Income	1.3%	1.0%	1.1%	1.2%	1.3%
Total Debt Service (NYC GO, MAC & TFA) [1.4] + [1.5] as % of:					
a. Total Revenue***	8.4%	6.7%	7.9%	8.2%	9.6%
b. Total Taxes***	13.2%	10.8%	12.7%	13.1%	15.1%
c. Total NYC Personal Income	1.3%	1.0%	1.2%	1.2%	1.4%
NYC General Obligation Bonds Debt Service [1.1] as % of:					
d. Real Property Tax Revenue	32.8%	27.9%	26.9%	27.1%	30.6%
e. Full Value of Taxable Real Estate	0.8%	0.6%	0.6%	0.6%	0.7%
NYC General Obligation Bonds Debt Service [1.1] + [1.5] as % of:					
d. Real Property Tax Revenue	33.3%	28.5%	27.3%	27.6%	31.1%
e. Full Value of Taxable Real Estate	0.8%	0.6%	0.6%	0.6%	0.7%
II. Debt Outstanding: NYC GO, MAC & TFA (\$ in millions) as of 6/30					
[1.6] NYC General Obligation Debt Outstanding	\$35,018	\$37,454	\$40,455	\$44,770	\$48,727
[1.7] Municipal Assistance Corporation Debt Outstanding	\$0	\$0	\$0	\$0	\$0
[1.8] Transitional Finance Authority Debt Outstanding	\$13,634	\$13,560	\$13,068	\$13,068	\$13,068
[1.9] Total Debt Outstanding (NYC GO, MAC & TFA) [1.6]+[1.7]+[1.8]	\$48,652	\$51,014	\$53,524	\$57,838	\$61,795
Total Debt Outstanding (NYC GO, MAC & TFA) [1.8] as % of:					
f. Total NYC Personal Income	12.8%	12.9%	13.1%	13.4%	13.6%
NYC General Obligation Debt Outstanding [1.5] as % of:					
g. Real Property Tax Revenue	269.9%	283.5%	283.0%	291.5%	299.8%
h. Five Year Average Full Value of Taxable Real Estate	6.6%	6.2%	6.2%	6.3%	6.4%
III. Debt Service & Debt Outstanding Per Capita (\$ in thousands)					
i. Debt Service Per Capita (NYC GO+MAC+TFA DS, Net of GO Water)	\$0.623	\$0.485	\$0.585	\$0.630	\$0.765
j. Debt Service Per Capita (NYC GO+MAC+TFA DS)	\$0.631	\$0.495	\$0.592	\$0.640	\$0.775
k. Debt Outstanding Per Capita (NYC GO+MAC+TFA)	\$6.075	\$6.370	\$6.684	\$7.222	\$7.716
a. Total Revenue	\$59,263	\$59,038	\$58,777	\$61,446	\$63,590
b. Total Taxes	\$37,433	\$36,648	\$36,546	\$38,350	\$40,027
b. PIT Required to Support TFA DS	\$727	\$189	\$843	\$879	\$1,154
c. Total NYC Personal Income	\$379,860	\$394,760	\$409,980	\$431,380	\$454,600
d. Real Property Tax Revenue	\$12,976	\$13,213	\$14,295	\$15,358	\$16,254
e. Full Value of Taxable Real Estate	\$533,355	\$600,336	\$657,404	\$710,108	\$760,588
Population	8,008,278	8,008,278	8,008,278	8,008,278	8,008,278

* Includes RANs interest costs, lease debt payments and excludes prepayments & GO Water Debt Service.

** TFA Debt Service is reduced by debt retirements & defeasances in 2007 & 2008 of approximately 200 and 350 million respectively

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