NEW ISSUE

In the opinion of Bond Counsel, interest on the Bonds will 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, with respect to the Bonds, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION III: MISCELLANEOUS—Tax Exemption" for further information.

$150,000,000

The City of New York

General Obligation Bonds, Fiscal 2010 Series G
Subseries G-4

ADJUSTABLE RATE BONDS

Dated: Date of Delivery — Due: March 1, as shown on the inside cover page

The Bonds will be issued as registered bonds. The Bonds will be registered in the nominee name of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

The Bonds will be issued initially 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.

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

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriter, subject to the approval of the legality of the Bonds by Sidley Austin LLP, New York, New York, Bond Counsel to the City, and to certain other conditions. Certain legal matters in connection with the preparation of this Official Statement 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 Underwriter by Hawkins Delafield & Wood LLP, New York, New York, counsel to the Underwriter. It is expected that the Bonds will be available for delivery in New York, New York, on or about March 30, 2010.

Barclays Capital

March 22, 2010

$150,000,000 General Obligation Bonds, Fiscal 2010 Series G
Subseries G-4

Adjustable Rate Bonds

Subseries G-4[1][2] Due March 1, 2039		
Principal Amount	Price	CUSIP[3]
$150,000,000	100%	64966HXT2

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(1) Term Bond.

(2) Barclays Capital Inc. is the Remarketing Agent for the Subseries G-4 Bonds, which will be in the Weekly Rate Mode with Weekly Rate Periods commencing Thursday following the Initial Period ending March 31, 2010, and will be supported by a Liquidity Facility provided by Barclays Bank PLC, which is scheduled to terminate on March 29, 2013.

(3) 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 numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

RATE PERIOD TABLE
FOR ADJUSTABLE RATE BONDS

	Daily Rate	**Weekly Rate**	**Commercial Paper Rate**
Interest Payment Date	1st Business Day of each calendar month	1st Business Day of each calendar month	The first Business Day of each month and the Business Day next succeeding the last day of each Commercial Paper 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
Reset Date	Not later than 10:00 a.m. on each Business Day	Not later than 10:00 a.m. the first day of the Rate Period	Not 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	The Rate Period will be a period of seven days beginning on the day of the week specified therefor	A period of 1 to 365 days
Optional Tender Date and Time	On any Business Day not later than 1:00 p.m.	On any Business Day not later than 1:00 p.m.	Not subject to optional tender
Notice Period for Optional Tenders	Written notice not later than 11:00 a.m. on the Optional Tender Date	Written notice by 5:00 p.m. not less than seven days prior to the Optional Tender Date	Not subject to optional tender
Payment Date for Bonds subject to optional tender	Not later than 3:00 p.m. on the Optional Tender Date	Not later than 3:00 p.m. on the Optional Tender Date	Not 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

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 B—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 OR STEPPED COUPON BONDS, THIS OFFICIAL STATEMENT DOES NOT DESCRIBE TERMS SPECIFICALLY APPLICABLE TO BONDS BEARING INTEREST AT RATES OTHER THAN DAILY RATE, WEEKLY RATE OR COMMERCIAL PAPER RATE, NOR DOES IT DESCRIBE ADJUSTABLE RATE BONDS HELD BY THE BANK OR BY ANY REGISTERED OWNER OTHER THAN DTC.

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

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

This Official Statement includes by specific reference 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 by specific reference in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City, its independent auditors or the Underwriter 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 by specific reference in this Official Statement, 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 included herein by specific reference 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 Official Statement. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2009 and 2008, which is a matter of public record, is included in this Official Statement. 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 Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

OFFICIAL STATEMENT OF THE CITY OF NEW YORK
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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of the City's General Obligation Bonds, Fiscal 2010 Series G, Subseries G-4, consisting of $150,000,000 adjustable rate bonds (the "Adjustable Rate Bonds" or the "Bonds"). In addition to the Adjustable Rate Bonds, $644,070,000 of the City's taxable General Obligation Bonds, Fiscal 2010 Series G, Subseries G-1 (Build America Bonds), $75,000,000 of the City's taxable General Obligation Bonds, Fiscal 2010 Series G, Subseries G-2 and $30,930,000 of the City's tax-exempt General Obligation Bonds, Fiscal 2010 Series G, Subseries G-3 (collectively, the "Fixed Rate Bonds") will be issued as fixed rate bonds, which are described in a separate official statement and are not offered hereby. The delivery of the Adjustable Rate Bonds is contingent upon the delivery of all of the Fixed Rate Bonds.

The Bonds will be general obligations of the City for the payment of which the City will pledge its faith and credit. All real property subject to taxation by the City will be 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.

The factors affecting the City's financial condition described throughout this Official Statement are complex and are not intended to be summarized in this Introductory Statement. The economic and financial condition of the City may be affected by various financial, social, economic, geo-political and other factors which could have a material effect on the City. This Official Statement (including the information referred to in "SECTION I: INCLUSION BY SPECIFIC REFERENCE") should be read in its entirety.

Neither this Official Statement 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.

SECTION I: INCLUSION BY SPECIFIC REFERENCE

Portions of the City's Official Statement dated March 18, 2010, as supplemented March 22, 2010 (the "Fixed Rate Official Statement"), delivered herewith and relating to the Fixed Rate Bonds, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

INTRODUCTORY STATEMENT (excluding the first and last paragraphs thereof)
SECTION I: RECENT FINANCIAL DEVELOPMENTS
SECTION III: GOVERNMENT AND FINANCIAL CONTROLS
SECTION IV: SOURCES OF CITY REVENUES
SECTION V: CITY SERVICES AND EXPENDITURES
SECTION VI: FINANCIAL OPERATIONS
SECTION VII: FINANCIAL PLAN
SECTION VIII: INDEBTEDNESS
SECTION IX: OTHER INFORMATION
  Pension Systems
  Litigation
  Financial Statements
  Further Information (excluding the last paragraph thereof)
APPENDIX A—ECONOMIC AND DEMOGRAPHIC INFORMATION
APPENDIX B—FINANCIAL STATEMENTS
APPENDIX C—FORM OF LEGAL OPINION OF BOND COUNSEL

The Fixed Rate Bonds described in the Fixed Rate Official Statement are not offered by this Official Statement.

SECTION II: THE BONDS

General

The Bonds will be 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 (the "Certificate"). The Bonds will mature and bear interest as described on the inside cover page of this Official Statement and will 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 will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of and interest on the Bonds.

Adjustable Rate Bonds

For the terms of the Adjustable Rate Bonds, including optional and mandatory tender provisions, see the inside cover page, "APPENDIX A—DEFINITIONS" and "APPENDIX B—MULTI-MODAL BONDS." The Adjustable Rate Bonds may be converted to other Rate Modes as described in "APPENDIX B—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 Official Statement only describes the Adjustable Rate Bonds bearing interest at a Weekly Rate, Daily Rate or Commercial Paper Rate. It is currently anticipated that, should any Adjustable Rate Bonds be converted to a Term Rate, Fixed Rate, Stepped Coupon Rate or Auction Rate, a remarketing circular will be distributed describing such Term Rate, Fixed Rate, Stepped Coupon 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*" included by specific reference 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" included herein by specific reference.

Certain Covenants and Agreements

The City will covenant that: (i) a separate fund or funds for the purpose of paying principal of and interest on bonds and interest on notes of the City (including required payments into, but not from, City sinking funds) shall be maintained by an officer or agency of the State or by a bank or trust company; and (ii) not later than the last day of each month, there shall be on deposit in a separate fund or funds an amount sufficient to pay principal of and interest on bonds and interest on notes of the City due and payable in the next succeeding month. The City currently uses the debt service payment mechanism described above to perform these covenants. The City will further covenant in the Bonds to provide a general reserve for each fiscal year to cover potential reductions in its projected revenues or increases in its projected expenditures during each such fiscal year, to comply with the financial reporting requirements of the Act, as in effect from time to time, to limit its issuance of bond anticipation notes as required by the Act, as in effect from time to time, to include as terms of the Adjustable Rate Bonds the applicable variable rate provisions and to comply with such provisions and with the statutory restrictions on variable rate bonds in effect from time to time.

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). In the opinion of Bond Counsel, the enforceability of the City Covenants and the State Pledge and Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases. The City Covenants and the State Pledge and Agreement shall be of no force and effect with respect to any Bond if there is a deposit in trust with a bank or trust company of sufficient cash or cash equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

Use of Proceeds

The proceeds of the Bonds will be used for capital purposes, including payment of the expenses of the City incurred in connection with the issuance and sale of the Bonds.

Liquidity Facility

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

The Liquidity Facility secures only payment of the purchase price of the Bonds bearing interest at an Eligible Rate (as defined in the Liquidity Facility which initially includes only the Weekly Rate) tendered for

purchase as described below (other than in connection with a mandatory tender of the Bonds on an optional redemption date as described under "APPENDIX B—MULTI-MODAL BONDS—Mandatory Tender for Purchase"), and does not otherwise secure payment of the principal of or interest on the Bonds. The Liquidity Facility is subject to termination at the option of the Liquidity Provider as described below.

General. The Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Capitalized terms used in the following summary are defined in this Official Statement (except those definitions included herein by specific reference, as described under "SECTION I: INCLUSION BY SPECIFIC REFERENCE") or the Liquidity Facility and reference thereto is made for full understanding of their import.

On the date of issuance 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 extend credit to the City by advancing funds to the Tender Agent to purchase tendered Bonds on behalf of and for the account of the Liquidity Provider from time to time during the Purchase Period at the Purchase Price (as defined in the Liquidity Facility). Tendered Bonds which are purchased and held by the Liquidity Provider will bear interest at the Purchased Bond Rate commencing on and including the date on which the Liquidity Provider has purchased such Purchased Bonds, in accordance with the Liquidity Facility.

The Purchase Period is the period from the effective date of the Liquidity Facility to and including the earliest of (i) March 29, 2013 (or such later date to which the Liquidity Facility is extended at the discretion of the Liquidity Provider) (or if such date is not a Business Day (as defined in the Liquidity Facility), the Business Day immediately preceding such date), (ii) the date of delivery of a substitute Standby Agreement in accordance with the provisions of the Liquidity Facility and the Certificate, (iii) the date on which all Bonds have been paid in full (not including a defeasance in which such Bonds continue to be subject to optional or mandatory tender for purchase), redeemed, or converted to a rate other than an Eligible Rate in accordance with the terms of such Bonds (the Purchase Period to include the date of conversion to a rate other than an Eligible Rate) and (iv) the date on which the Available Allocated Commitment is terminated pursuant to the terms of the Liquidity Facility; provided that the Liquidity Provider shall, on the date of any such termination of the Purchase Period resulting from the event described in clause (ii) or in connection with any conversion of the Bonds to a rate other than an Eligible Rate, have transferred funds to the Tender Agent pursuant to a Notice of Purchase, if any, properly delivered in accordance with the terms of the Liquidity Facility and subject to the conditions to such transfer set forth therein, in respect of Bonds tendered prior to the effectiveness of the conversion or the substitute Standby Agreement, as applicable.

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

Events of Default. Upon the occurrence of any event (each, an "Event of Default") set forth under the subheadings "Events of Default Resulting in Immediate Termination", "Events of Default Resulting in Immediate Suspension" and "Other Events of Default" the Liquidity Provider may exercise those rights and remedies provided under the subheading "Remedies" below.

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

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

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

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

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

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

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

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

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

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

> (a) *Termination.* In the case of the occurrence of an Event of Default described under the subheading "Events of Default Resulting in Immediate Termination" (each an "Immediate Termination Event"), the Available Allocated Commitment and the obligation of the Liquidity Provider under the Liquidity Facility to purchase Bonds immediately terminates without notice or demand to any Person, and thereafter the Liquidity Provider is under no obligation to purchase Bonds. Promptly upon the occurrence of such Immediate Termination Event, the Liquidity Provider will give written notice of the same to the City, the Tender Agent and the Remarketing Agent, but the Liquidity Provider will incur no liability or responsibility by reason of its failure to give such notice and such failure will in no way affect the termination of the Available Allocated Commitment and its obligation to purchase such Bonds pursuant to the Liquidity Facility.
>
> (b) *Suspension of Liquidity Provider Obligation to Purchase.* In the case of the occurrence of an Event of Default described under the subheading "Events of Default Resulting in Immediate Suspension" (each a "Suspension Event"), the Available Allocated Commitment and the obligation of the Liquidity Provider under the Liquidity Facility to purchase Bonds each will be suspended without notice or demand to any Person, and thereafter the Liquidity Provider will be under no obligation to purchase Bonds, until such obligation is reinstated as specified below. The Available Allocated Commitment and the obligation of the Liquidity Provider under the Liquidity Facility immediately will be reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility has otherwise terminated by its terms) as if there had been no such suspension if the Suspension Event is cured prior to becoming an Immediate Termination Event.

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

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

Liquidity Provider

For information concerning the Liquidity Provider, see "APPENDIX C—LIQUIDITY PROVIDER."

Optional Redemption

The Bonds are subject to redemption (or purchase in lieu thereof if permitted by the Certificate) prior to maturity, without premium, at the option of the City, in whole or in part, on any Optional Redemption Date, which, for Bonds in the Daily Rate Mode or the Weekly Rate Mode, or in any case not specified, is any Business Day, upon 30 days' written notice to Bondholders.

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

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

Mandatory Redemption

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

Subseries G-4

March 1,	Amount
2036	$ 9,280,000
2037	57,270,000
2038	59,060,000
2039[(1)]	24,390,000

(1) Stated maturity.

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

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

Mandatory and Optional Tender

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

Special Considerations Relating to the Bonds

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

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

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

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

Bond Certificates

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 the caption "Bond Certificates" shall mean all Bonds that are deposited with DTC from time to time. 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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation, and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to both U.S. and non-U.S. securities brokers and dealers, bank, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices will be sent to DTC.

Payment of redemption proceeds and principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

No assurance can be given by the City that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The City is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in this subsection *"Book-Entry Only System"* has been extracted from information furnished by DTC. Neither the City nor the underwriter 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: MISCELLANEOUS

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 Exemption

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

The City has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Bonds for purposes of federal income taxation. In the opinion of Bond Counsel, assuming compliance by the City with such provisions of the Code, interest on the Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the City to comply with such applicable requirements may cause interest on the Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds. Further, Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

In the opinion of Bond Counsel, interest on the Bonds will not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax and is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability. The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of ownership of such Bonds or the inclusion in certain computations of interest that is excluded from gross income.

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

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

Future Tax Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or interest on the Bonds to be subject to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

Legal Opinions

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Sidley Austin LLP, New York, New York, Bond Counsel to the City. Reference should be made to the form of such opinion set forth in Appendix D hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of 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 Official Statement. 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 Hawkins Delafield & Wood LLP, New York, New York, counsel for the Underwriter.

Underwriting

The Bonds are being purchased for reoffering by Barclays Capital Inc. ("Barclays") who has agreed, subject to certain conditions, to purchase such Bonds from the City at an aggregate underwriter's discount of $20,313 and to make an initial public offering of such Bonds at prices that are not in excess of the initial public offering price set forth on the inside cover page of this Official Statement. Barclays will be obligated to purchase all such Bonds if any such Bonds are purchased.

Financial Advisors

The City has retained Public Resources Advisory Group and A.C. Advisory, Inc. to act as financial advisors with respect to the City's financing program and the issuance of the Bonds.

THE CITY OF NEW YORK

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APPENDIX A

DEFINITIONS

"Bonds" or *"Subseries G-4 Bonds"* means the City's General Obligation Bonds, Fiscal 2010 Series G, Subseries G-4.

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

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

"Authorizing Document" means the Certificate of the Deputy Comptroller for Public Finance of the City of New York With Respect to General Obligation Bonds, Fiscal 2010 Series G dated March 30, 2010.

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

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

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

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

"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 Agents or banks and trust companies in New York, New York, are authorized or required to remain closed.

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

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

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

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

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

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

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

"Conversion Notice" means a notice of 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.

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

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

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

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

"Favorable Opinion of Bond Counsel" shall mean an opinion of nationally recognized bond counsel, to the effect that the action proposed to be taken is authorized or permitted by the Certificate and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

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

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

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

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

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

"Interest Payment Date" means with respect to (a) any Daily 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 each 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.

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

"Issue Date" means March 30, 2010.

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

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

"Liquidity Condition" means an event of immediate termination or suspension as specified in a Liquidity Facility, upon the occurrence of which the Standby Purchaser is not obligated to purchase 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, Weekly Rate Mode, Commercial Paper Mode or Term Rate Mode.

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

"Mandatory Redemption Date" means, in each year so specified in the Bonds, (a) for Stepped Coupon Bonds or Bonds in the Term Rate Mode or the Fixed Rate Mode, the first day of the Maturity Month, (b) for Bonds in the Daily Rate 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), and (c) for Bonds an Auction Period, the first regularly scheduled Interest Payment Date on or after the first day of the Maturity Month.

"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
March	September

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

"Moody's" means Moody's Investors Service, 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: (1) for Bonds in the Daily Rate Mode or the Weekly Rate Mode any Business Day and (2) for Bonds in the Commercial Paper Mode or the Term Rate Mode, each Mandatory Tender Date.

"Optional Tender Date" means any Business Day during a Daily Rate Period or a Weekly Rate Period.

"Parity Debt" means any and all payments of the City (i) in respect of principal of, interest on and redemption premium, if any, on any bonds, notes, certificates, debentures, loans or other evidence of similar indebtedness issued by or on behalf of the City or assumed or guaranteed by the City that constitutes general obligation debt of the City or is on a parity with the Bonds, (ii) under any Derivative Agreement which is an Interest Rate Swap Agreement

(provided that Parity Debt shall include only such payments thereunder which are regularly scheduled payments and that constitutes general obligation debt of the City or is on a parity with the Bonds), (iii) as lessee under a capital lease that constitutes general obligation debt of the City or is on a parity with the Bonds, (x) which payment obligation is not subject to appropriation or abatement or (y) which payment obligation is rated by each Rating Agency then rating the Bonds at a level equal to or higher than the long-term unenhanced debt rating assigned by each such Rating Agency to the Bonds, and (iv) on a guarantee that constitutes general obligation debt of the City or is on a parity with the Bonds; provided, however, that the failure to pay any guarantee described in clause (i) or clause (iv) of this definition as a result of any set-off, recoupment, counterclaim or other legally available defense by the City will not constitute a failure to pay a Parity Debt for purposes of the initial Liquidity Facility.

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

*"Purchase 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, Commercial Paper Rate, Weekly Rate, or Bank Rate.

"Rate Mode" or *"Mode"* means the Daily Rate Mode, Commercial Paper Rate Mode or Weekly Rate Mode.

"Rate Period" means any Initial Period, Daily 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 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, 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 Liquidity Enhanced Bonds appointed and serving in such capacity.

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

"Remarketing Proceeds Account" means the account so designated in the Purchase and Remarketing Fund which may consist of one or more accounts established for the deposit of remarketing proceeds from the remarketing of one or more subseries of the City's bonds into which such remarketing proceeds may be deposited prior to the withdrawal of such proceeds to pay the purchase price of tendered bonds of that subseries.

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

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

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

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

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

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

"Subseries" shall mean the Subseries G-4 Bonds.

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

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

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

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

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

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

"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 the Issue Date, 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.

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MULTI-MODAL BONDS

The Multi-Modal Bonds are subject to the provisions summarized below. Capitalized terms used in this "APPENDIX B—MULTI-MODAL BONDS" which are not otherwise defined in the Official Statement are defined in "APPENDIX A—DEFINITIONS."

General

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

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

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

Conversion to an Alternate Rate Mode

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

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

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

If a Favorable Opinion of Bond Counsel cannot be obtained, or if the election to convert was withdrawn by the City, or if the Remarketing Agent has notified the Fiscal Agent, the City and the applicable Standby Purchaser that it has been unable to remarket the Multi-Modal Bonds on the Conversion Date, the affected Multi-Modal Bonds will bear interest in the Rate Mode previously in effect or, with a favorable opinion of Bond Counsel, any other Rate Mode selected by the City.

Interest Rates and Reset Dates

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

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

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

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

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

If (i) a Weekly Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Weekly Rate Period, or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Weekly Rate, the Weekly Rate for such Weekly Rate Period will continue in effect on such Bonds for two weeks, and thereafter, such Bonds will bear interest at the Bank Rate until a Rate has been duly established by the Remarketing Agent.

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

If (i) a Commercial Paper Rate for a Commercial Paper Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Commercial Paper Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Commercial Paper Rate Period, or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Commercial Paper Rate, the Commercial Paper Rate such Commercial Paper Rate Period will continue in effect on such Bonds for two weeks, and thereafter, such Bonds will bear interest at the Bank Rate until a Rate has been duly established by the Remarketing Agent.

Optional Tender for Purchase

General. If a Subseries of Bonds is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, an Adjustable Rate Bond or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner on any Business Day during a Daily Rate Mode or a 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 DTC Participant on behalf of the Beneficial Owner of the Adjustable Rate Bond and will not be given by DTC. Notice of the election to tender for purchase of an Adjustable Rate Bond registered in any other name is to be given by the registered owner of such Adjustable Rate Bond or its attorney-in-fact.

A DTC Participant or the registered owner of an Adjustable Rate Bond must give written notice of its irrevocable election to tender such Adjustable Rate Bond or a portion thereof for purchase at its option to the Tender Agent and the Remarketing Agent at their respective principal offices, in the case of Adjustable Rate Bonds bearing interest in a Daily Rate Mode, by no later than 11:00 a.m. on any Business Day which such Adjustable Rate Bond or portion thereof is to be purchased 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 the seventh day prior to the Business Day when such Adjustable Rate Bond or portion thereof is to be purchased. In addition, the registered owner of an Adjustable Rate Bond is required to deliver such Bond to the Tender Agent at its principal corporate trust office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date.

Mandatory Tender for Purchase

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

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

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

(c) (i) no later than the Business Day prior to the Expiration Date of any Standby Agreement; or (ii) on a Business Day specified by the Tender Agent, at the direction of the City, as the effective date of an Alternate Standby Agreement delivered in substitution for the Standby Agreement then in effect with respect to a Subseries of Bonds, which shall be not less than one Business Day prior to the Expiration Date of the existing Standby Agreement (which existing Standby Agreement will be drawn upon to pay the Purchase Price of unremarketed Tendered Bonds), unless in either case such Standby Agreement has been extended, or a substitute delivered with Rating Confirmation at least 15 days prior to such Expiration Date;

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

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

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

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

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

Bonds Deemed Purchased

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

Purchase Price and Payment

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

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

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

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

No Extinguishment

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

Liquidity Conditions

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

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

Inadequate Funds for Tender

If the funds available for purchase of Bonds backed by a Standby Purchaser are inadequate for the purchase of all such Bonds tendered on any Tender Date, or a Liquidity Condition shall exist under a Liquidity Facility, then the Holders shall not have the right to require the City or other persons to repurchase the Bonds and the Tender Agent shall give written notice to all Bondholders of the Subseries. However, the Holders may submit their Bonds for remarketing pursuant to the procedures described herein and the applicable 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 to purchase all such Bonds that were required to be purchased on such Tender Date, together with any interest which has accrued to the subsequent purchase date.

Remarketing of Bonds Upon Tender

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

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

Defeasance

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

Standby Agreements

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

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

To the extent described in the Adjustable Rate Bonds and each Standby Agreement, the City shall have the right to terminate each Standby Agreement upon due notice to the Standby Purchaser and may seek a substitute provider or providers to assume the rights and obligations of the Standby Purchaser. If a Standby Agreement is to be extended or replaced, the City shall give Written Notice to each affected Bondholder at least 15 days prior to the extension or replacement.

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

APPENDIX C

LIQUIDITY PROVIDER

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

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

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

Based on the Group's audited financial information for the year ended 31 December 2008, the Group had total assets of £2,053,029 million (2007: £1,227,583 million), total net loans and advances(1) of £509,522 million (2007: £385,518 million), total deposits(2) of £450,443 million (2007: £386,395 million), and total shareholders' equity of £43,574 million (2007: £31,821 million) (including minority interests of £2,372 million (2007: £1,949 million)). The profit before tax of the Group for the year ended 31 December 2008 was £6,035 million (2007: £7,107 million) after impairment charges on loans and advances and other credit provisions of £5,419 million (2007: £2,795 million). The financial information in this paragraph is extracted from the audited Annual Report of the Group for the year ended 31 December 2008.

Based on the Group's unaudited financial information for the year ended 31 December 2009, the Group had total assets of £1,379,148 million, total net loans and advances(1) of £461,359 million, total deposits(2) of £398,901 million, and total shareholders' equity of £58,699 million (including non-controlling interests of £2,774 million). The profit before tax of the Group for the year ended 31 December 2009 was £11,616 million (£4,559 million excluding the sale of Barclays Global Investors) after impairment charges and other credit provisions of £8,071 million. The financial information in this paragraph is extracted from the unaudited Preliminary Results Announcement of the Group for the year ended 31 December 2009.

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(1) Total net loans and advances include balances relating to both bank and customer accounts.

(2) Total deposits include deposits from bank and customer accounts.

Supplement dated March 22, 2010
to the Official Statement Dated March 18, 2010

Relating to

$750,000,000

The City of New York

General Obligation Bonds, Fiscal 2010 Series G
$644,070,000 Taxable Bonds, Subseries G-1 (Build America Bonds)
$75,000,000 Taxable Bonds, Subseries G-2
$30,930,000 Tax-Exempt Bonds, Subseries G-3

The Official Statement referred to above is hereby supplemented by deleting the last five sentences of the first paragraph under "SECTION IX: OTHER INFORMATION—Litigation—*Miscellaneous*" and inserting the following in place thereof:

On March 11, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. Under the proposed settlement, the WTC Insurance Company would pay up to $657 million, leaving residual funds to insure and defend the City and its contractors against any new claims. In order for the proposed settlement to take effect, at least 95 percent of the plaintiffs must accept its terms. The City, its contractors, and the plaintiffs moved for a stay of the cases currently proceeding to trial. At a hearing on March 19, 2010, the federal judge criticized the proposed settlement as providing inadequate compensation for the plaintiffs and insufficient information for the plaintiffs to accept or reject the proposed settlement and directed the parties to renegotiate a settlement under his supervision in light of his statements. A fairness hearing has been scheduled for April 12, 2010.

NEW ISSUE

In the opinion of Bond Counsel, interest on the Bonds will 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, with respect to the Tax-Exempt Bonds, as described herein, interest on the Tax-Exempt Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Taxable Bonds will be includable in gross income for federal income tax purposes. See "SECTION IX: OTHER INFORMATION" herein for further information.

$750,000,000

The City of New York

General Obligation Bonds, Fiscal 2010 Series G
$644,070,000 Taxable Bonds, Subseries G-1 (Build America Bonds)
$75,000,000 Taxable Bonds, Subseries G-2
$30,930,000 Tax-Exempt Bonds, Subseries G-3

Dated: Date of Delivery — Due: As shown on the inside cover page

The Bonds will be issued as registered bonds. The Bonds will be registered in the nominee name of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2010. The Bonds can be purchased in principal amounts of $5,000 or any integral multiple thereof. Other terms of the Bonds including redemption provisions are described herein. *A detailed schedule of the Bonds is set forth on the inside cover page.*

The Subseries G-1 and G-3 Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters. The Subseries G-2 Bonds are being sold by public letting on the basis of electronic competitive bids in accordance with the Notice of Sale dated March 11, 2010, as supplemented. The issuance of the Bonds is subject to the approval of the legality of the Bonds by Sidley Austin LLP, New York, New York, Bond Counsel to the City, and to certain other conditions. Certain legal matters in connection with the preparation of this Official Statement 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 Underwriters and the Original Purchaser of the Subseries G-2 Bonds by Hawkins Delafield & Wood LLP, New York, New York, counsel to the Underwriters and the Original Purchaser. It is expected that the Bonds will be available for delivery in New York, New York, on or about March 30, 2010.

Siebert Brandford Shank & Co., LLC

BofA Merrill Lynch — **Citi**
J.P. Morgan — **Morgan Stanley**

Barclays Capital		**M.R. Beal & Company**
Fidelity Capital Markets	**Goldman, Sachs & Co.**	**Jefferies & Company**
Loop Capital Markets, LLC	**Ramirez & Co., Inc.**	**Rice Financial Products Company**
Roosevelt & Cross Incorporated	**Southwest Securities, Inc.**	**Wachovia Bank, National Association**
Cabrera Capital Markets, LLC	**Jackson Securities**	**Janney Montgomery Scott LLC**
Lebenthal & Co., LLC	**MFR Securities, Inc.**	**Morgan Keegan & Company, Inc.**
Raymond James & Associates, Inc.	**RBC Capital Markets**	**TD Securities**

March 18, 2010

$750,000,000(1) General Obligation Bonds, Fiscal 2010 Series G

	Subseries G-1 $644,070,000 Taxable Bonds (Build America Bonds)				Subseries G-2 $75,000,000 Taxable Bonds				Subseries G-3 $30,930,000 Tax-Exempt Bonds			
March 1,	Principal Amount	Interest Rate	Price	CUSIP*	Principal Amount	Interest Rate	Price	CUSIP*	Principal Amount	Interest Rate	Yield	CUSIP*
2012					$15,655,000	1.65%	100%	64966HXV7				
2013					15,845,000	2¼	100	64966HXW5				
2014					16,140,000	2.60	100	64966HXX3				
2015					18,870,000	3.10	100	64966HXY1				
2016					8,490,000	3½	100	64966HXZ8	$10,795,000	5%	2.50%	64966HYP9
2017									20,135,000	5	2.74	64966HYQ7
2018	$ 21,145,000	4.524%	100%	64966HYA2								
2019	22,060,000	4.674	100	64966HYB0								
2020	23,045,000	4.774	100	64966HYC8								
2021	24,105,000	4.874	100	64966HYD6								
2022	25,235,000	5.024	100	64966HYE4								
2023	26,450,000	5.174	100	64966HYF1								
2024	27,770,000	5.324	100	64966HYG9								
2025	29,195,000	5.424	100	64966HYH7								
2026	30,720,000	5.598	100	64966HYJ3								
2027	32,385,000	5.698	100	64966HYK0								
2028	34,170,000	5.798	100	64966HYL8								
2031(2)	97,790,000	6.268	100	64966HYN4								
2036(2)	250,000,000	5.968	100	64966HYM6								

(1) In addition to the $750,000,000 aggregate principal amount of Subseries G-1, Subseries G-2 and Subseries G-3 Bonds, the City expects to issue $150,000,000 aggregate principal amount of its tax-exempt Subseries G-4 multi-modal bonds (the “Subseries G-4 Bonds”) simultaneously therewith. The Subseries G-4 Bonds will be offered by a separate official statement.

(2) Term Bond.

* 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 numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

OFFICIAL STATEMENT OF THE CITY OF NEW YORK

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

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

This Official Statement 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 Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City, its independent auditors, the Underwriters or the Original Purchaser 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 Official Statement, 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 Official Statement. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2009 and 2008, which is a matter of public record, is included in this Official Statement. 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 Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS AND THE ORIGINAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

In connection with offers and sales of the Bonds, no action has been taken by the City that would permit a public offering of the Bonds, or possession or distribution of any information relating to the pricing of the Bonds, this Official Statement or any other offering or publicity material relating to the Bonds, in any non-United States jurisdiction where action for that purpose is required. Accordingly, each Underwriter and the Original Purchaser is obligated to comply with all applicable laws and regulations in force in any non-United States jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any non-United States jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the City shall have no responsibility therefor.

OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of $750,000,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 2010 Series G (the "Bonds"). The Bonds consist of $644,070,000 taxable bonds, Subseries G-1 (Build America Bonds) (the "Subseries G-1 Bonds" or the "Build America Bonds"), $75,000,000 taxable bonds, Subseries G-2 (the "Subseries G-2 Bonds") and $30,930,000 tax-exempt bonds, Subseries G-3 (the "Subseries G-3 Bonds"). The Subseries G-2 Bonds are to be issued to the original purchaser thereof in accordance with the City's Notice of Sale, dated March 11, 2010, as supplemented. Reference is made to such Notice of Sale for the terms and conditions of sale and delivery of the Subseries G-2 Bonds to be issued to the original purchaser thereof (the "Original Purchaser"). Concurrently with the delivery of the Bonds, the City expects to deliver $150,000,000 aggregate principal amount of its tax-exempt Subseries G-4 multi-modal bonds (the "Subseries G-4 Bonds"), which will be described in a separate official statement and are not offered hereby.

INTRODUCTORY STATEMENT

The Bonds will be general obligations of the City for the payment of which the City will pledge its faith and credit. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, applicable redemption premium, if any, and interest on the Bonds.

The City, with a population of approximately 8,000,000, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is a leading tourist destination. Manufacturing activity in the City is conducted primarily in apparel and printing.

For each of the 1981 through 2009 fiscal years, the City's General Fund had an operating surplus, before discretionary and other transfers, and achieved balanced operating results as reported in accordance with then applicable generally accepted accounting principles ("GAAP"), after discretionary and other transfers and except for the application of Statement No. 49 of the Government Accounting Standards Board ("GASB 49"), as described below. See "SECTION VI: FINANCIAL OPERATIONS—2005-2009 Summary of Operations." City fiscal years end on June 30 and are referred to by the calendar year in which they end. The City has been required to close substantial gaps between forecast revenues and forecast expenditures in order to maintain balanced operating results. There can be no assurance that the City will continue to maintain balanced operating results as required by New York State (the "State") law without proposed tax or other revenue increases or reductions in City services or entitlement programs, which could adversely affect the City's economic base.

As required by the New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act") and the New York City Charter (the "City Charter"), the City prepares a four-year annual financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections and outlines proposed gap-closing programs for years with projected budget gaps. The City's current financial plan projects budget balance in the 2010 and 2011 fiscal years in accordance with GAAP except for the application of GASB 49. The City's current financial plan projects budget gaps for each of the 2012 through 2014 fiscal years. A pattern of current year balance and projected subsequent year budget gaps has been consistent through the entire period since 1982, during which the City has achieved an excess of revenues over expenditures, before discretionary transfers, for each fiscal year. For information regarding the current financial plan and recent actions by the New York State Financial Control Board (the "Control Board") with respect to the application of GASB 49 to the City budget, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: FINANCIAL PLAN." The City is required to submit its financial plans to 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 fiscal years 2010-2011 and thereafter 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—2010-2014 Financial Plan." In addition, the City has made various assumptions with respect to federal aid. Future federal actions could have adverse effects on the City's cash flow or revenues.

The Mayor is responsible for preparing the City's financial plan which relates to the City and certain entities that receive funds from the City, including the financial plan for the 2010 through 2013 fiscal years submitted to the Control Board on June 23, 2009 (the "June Financial Plan") and Modification No. 10-2 to the June Financial Plan which, among other things, contains the Mayor's preliminary budget for the 2011 fiscal year and extends the financial plan to include the 2014 fiscal year (as so modified, the "2010-2014 Financial Plan" or "Financial Plan"). The City's projections set forth in the Financial Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Such assumptions and contingencies are described throughout this Official Statement and include the condition of the regional and local economies, the provision of State and federal aid, the impact on City revenues and expenditures of any future federal or State legislation and policies affecting the City and the cost of future labor settlements. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

Implementation of the Financial Plan is dependent on the City's ability to market successfully its bonds and notes, including revenue and tax anticipation notes that it may issue under certain circumstances to finance seasonal working capital requirements. Implementation of the Financial Plan is also dependent upon the ability to market the securities of other financing entities including the New York City Municipal Water Finance Authority (the "Water Authority") and the New York City Transitional Finance Authority ("TFA"). See "SECTION VII: FINANCIAL PLAN—Financing Program." The success of projected public sales of City, Water Authority, TFA and other bonds and notes will be subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the City, and public discussion of such developments, may affect the market for outstanding City general obligation bonds and notes.

The City Comptroller and other agencies and public officials, from time to time, issue reports and make public statements which, among other things, state that projected revenues and expenditures may be different from those forecast in the City's financial plans. See "SECTION VII: FINANCIAL PLAN—Certain Reports."

The factors affecting the City's financial condition described throughout this Official Statement are complex and are not intended to be summarized in this Introductory Statement. The economic and financial condition of the City may be affected by various financial, social, economic, geo-political and other factors which could have a material effect on the City. This Official Statement should be read in its entirety.

SECTION I: RECENT FINANCIAL DEVELOPMENTS

For the 2009 fiscal year, the City's General Fund had a total surplus of $2.919 billion, before discretionary and other transfers, and achieved balanced operating results in accordance with GAAP, except for the application of GASB 49 as described below, after discretionary and other transfers. The 2009 fiscal year is the twenty-ninth consecutive year that the City has achieved balanced operating results when reported in accordance with GAAP, except for the application of GASB 49.

2010-2014 Financial Plan

The City's expense and capital budgets for the 2010 fiscal year were adopted on June 19, 2009. The June Financial Plan, which was consistent with the City's expense and capital budgets as adopted for the 2010 fiscal year, projected revenues and expenses for the 2010 fiscal year balanced in accordance with GAAP, except for the application of GASB 49, as described below. The June Financial Plan projected gaps of $4.9 billion, $5.0 billion and $5.6 billion in fiscal years 2011 through 2013, respectively.

On January 28, 2010, the Mayor released his preliminary budget for the 2011 fiscal year and the City submitted to the Control Board the Financial Plan for the 2010 through 2014 fiscal years, which relates to the City and certain entities that receive funds from the City and which was consistent with the Mayor's preliminary budget. The Financial Plan is a modification to the June Financial Plan, as subsequently modified by the financial plan submitted to the Control Board on November 16, 2009 (the "November Financial Plan"). The Financial Plan projects revenues and expenses for the 2010 and 2011 fiscal years balanced in accordance with GAAP, except for the application of GASB 49, and projects gaps of $3.2 billion, $3.7 billion and $3.8 billion in fiscal years 2012 through 2014, respectively, after the implementation of a gap-closing program described below.

The Financial Plan reflects, since the June Financial Plan, increases in projected net revenues of $1.8 billion, $990 million, $956 million and $882 million in fiscal years 2010 through 2013, respectively. Changes in projected revenues include: (i) increases in personal income tax revenues of $830 million, $434 million, $507 million and $566 million in fiscal years 2010 through 2013, respectively; (ii) net increases in business tax revenues of $486 million, $372 million, $218 million and $273 million in fiscal years 2010 through 2013, respectively; (iii) decreases in real property transfer and mortgage recording tax revenues of $118 million, $95 million, $81 million and $72 million in fiscal years 2010 through 2013, respectively, (iv) decreases in real property tax revenues of $38 million, $234 million, $205 million and $383 million in fiscal years 2010 through 2013, respectively; (v) increases in sales tax revenues of $92 million, $172 million, $102 million and $62 million in fiscal years 2010 through 2013, respectively; (vi) an increase of $285 million in tax audit revenues in fiscal year 2010; (vii) net increases in all other taxes of $130 million, $79 million, $96 million and $97 million in fiscal years 2010 through 2013, respectively; (viii) increases of $219 million, $241 million and $262 million in fiscal years 2011 through 2013, respectively, reflecting proposed State tax law changes in the aviation fuel sales tax and the mortgage recording tax as it applies to cooperative apartments, both of which proposals require enactment of State legislation; and (ix) net increases in miscellaneous revenues of $110 million, $44 million, $78 million and $78 million in fiscal years 2010 through 2013, respectively.

The Financial Plan also reflects, since the June Financial Plan, a decrease in projected net expenditures of $622 million in fiscal year 2010 and increases in projected net expenditures of $64 million, $277 million and $105 million in fiscal years 2011 through 2013, respectively. Changes in projected expenditures include: (i) increases resulting from the elimination of savings from employee and retiree health insurance cost containment of $357 million, $386 million and $418 million in fiscal years 2011 through 2013, respectively; (ii) increases resulting from the elimination of savings from pension reform of $200 million in each of fiscal years 2011 through 2013; (iii) decreases of $35 million, $190 million, $469 million and $730 million in fiscal years 2010 though 2013, respectively, associated with the elimination of assumed 1.25% annual wage increases for the next round of collective bargaining; (iv) decreases in debt service of $124 million, $286 million and $12 million in fiscal years 2010 through 2012, respectively, primarily due to projected lower interest rates and refunding savings, and an increase in debt service of $3 million in fiscal year 2013; (v) increases in other expenses of $137 million, $172 million and $214 million in fiscal years 2010, 2012 and 2013, respectively, and a decrease in other expenses of $17 million in fiscal year 2011; and (vi) a reduction in prior year payables of $500 million and a reduction in the general reserve of $100 million in fiscal year 2010.

In addition, the Financial Plan sets forth a gap-closing program to maintain budget balance in fiscal years 2010 and 2011, to increase the forecast transfer of financial resources from fiscal year 2010 to fiscal year 2011 and to reduce previously-projected gaps for each of fiscal years 2012 and 2013. The gap-closing actions include agency programs reflecting reduced agency expenditures or increased revenues totaling $484 million, $1.1 billion, $1.2 billion and $1.2 billion in fiscal years 2010 through 2013, respectively.

The Financial Plan also reflects, since the June Financial Plan, an increase in the provision for prepayments of future expenses of $2.9 billion in fiscal year 2010 resulting in net expenditure reductions of $2.9 billion in fiscal year 2011.

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 such bonds issued for costs relating to the terrorist attack on the World Trade Center ("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, and the trends in personal income tax revenues, the Financial Plan reflects, since the June Financial Plan, the funding requirements associated with TFA Future Tax Secured Bonds as a debt service expense, and the personal income tax revenues retained by the TFA as revenues to the City.

The Financial Plan does not reflect the impact of potential State budget proposals contained within the 2010-2011 Executive Budget, which are under consideration by the State Legislature and which would have an aggregate negative impact of $1.3 billion on the City's budget in fiscal years 2010 and 2011. The Executive Budget proposal cuts education funding for the City by $493 million by reducing state aid by $442 million and shifting costs of $51 million to the City for mandated summer special education. These reductions could cause the City to decrease teaching positions and increase class sizes. The Executive Budget proposes the elimination of the City from the revenue sharing program resulting in decreased revenue to the City of $656 million. Additional cuts to other programs, including social services, criminal justice, health, transportation and other programs result in an impact to the City of $147 million. The reduction in funding for such programs and the decreased revenue sharing would require reductions of 3.6% in City uniform agencies and 7.2% in all other agencies, in addition to reductions currently contained in agency budgets for fiscal year 2011. The nature and extent of the impact on the City of the State budget, when adopted, is uncertain and no assurance can be given that State actions included in the State's adopted budget may not have an adverse impact on the City's budget and its Financial Plan.

On January 28, 2010, the City published a contingency plan to reflect the potential impact of $1.3 billion of proposed reductions in State funding in the 2010-2011 Executive Budget. The contingency plan reflects reductions in City services and headcount reductions in fiscal year 2011 of 6,061 in uniformed forces, 8,519 in pedagogical employees and 4,420 of all other employees as a means to achieve the majority of the $1.3 billion savings. The Director of Management and Budget expects to work with City agencies to identify how best to implement such savings if the proposed reductions in State funding are enacted.

The Financial Plan does not reflect the additional expense budget costs that may be incurred, commencing in fiscal year 2011, unless there is a change in applicable law or action by the Control Board, as a result of GASB 49 relating to the accounting treatment of pollution remediation costs. Currently, many of these costs are included in the City's capital budget and financed through the issuance of bonds. The Control Board, pursuant to the Financial Emergency Act, has approved a phase-in of the budgetary impact of GASB 49, enabling the City to continue to finance with the issuance of bonds certain remediation costs for projects authorized prior to fiscal year 2011 and, consequently, to achieve balance in fiscal years 2009 and 2010 in accordance with GAAP, except in the application of GASB 49. In fiscal year 2009, the City reported approximately $236 million of such remediation costs. In addition, for fiscal year 2009 the City reported a pollution remediation obligation liability of $176 million, the costs of known pollution which the City is obligated to remediate, estimated as of June 30, 2009. The City is seeking to amend the Financial Emergency Act to permanently waive the budgetary impact of GASB 49. If such legislation is not enacted or the Control Board does not further delay the implementation of GASB 49 for budgetary purposes, there would be significant increased costs to the City's expense budget starting in fiscal year 2011 as a result of GASB 49.

For information on reports issued and to be issued by the City Comptroller and others reviewing and commenting on the November Financial Plan and the Financial Plan and identifying various risks see "Section VII: Financial Plan — Certain Reports."

The State

The Governor's Executive Budget for the 2009-2010 fiscal year projected ending the 2009-2010 fiscal year in balance on a cash basis. The State Legislature completed action on the $131.8 billion budget for the 2009-2010 fiscal year on April 3, 2009 (the "Enacted Budget"). The Enacted Budget enabled the State to end its 2008-2009 fiscal year in balance on a cash basis.

The State Annual Information Statement dated May 15, 2009 (the "Annual Information Statement") reflects the Enacted Budget and revisions to the spending estimates therein through May 1, 2009, the date of the State financial plan. The State updates the Annual Information Statement quarterly and released quarterly updates on July 30, 2009, November 2, 2009 (the "November AIS Update") and February 15, 2010 (the "February AIS Update").

The February AIS Update describes, among other things, gap-closing resources and actions to eliminate the State's general fund gap for fiscal year 2009-2010 and the Governor's Executive Budget for fiscal year 2010-2011 as presented to the Legislature on January 19, 2010 and modified by amendments submitted on February 9, 2010. Since the November AIS Update, the State has reduced its estimate for current fiscal year tax collections by $1.1 billion based on collections to date, and increased its estimate for current fiscal year Medicaid expenditures by $580 million based on an increase in weekly payment to providers and increased enrollment. These increases, when combined with certain increased revenue estimates and decreased spending estimates, result in an estimated $1.4 billion shortfall in the State's general fund for the current fiscal year. The State expects to carry the budget shortfall forward into fiscal year 2010-2011 by delaying certain payments previously scheduled for fiscal year 2009-2010 but not required by law to be made until fiscal year 2010-2011 and address the gap in the Governor's Executive Budget as part of a multi-year plan emphasizing recurring savings. Such action is expected to result in the State ending its current fiscal year with a cash balance of $1.4 billion in its general fund, including $1.2 billion in rainy day reserves.

The projected gap for fiscal year 2010-2011 has increased by $1.4 billion from the estimate of $6.8 billion contained in the November AIS Update to $8.2 billion, due primarily to the carry forward of the fiscal year 2009-2010 shortfall. The February AIS Update describes certain additional reduced revenue estimates and increased expenditure estimates for fiscal year 2010-2011, however, such estimates are offset in part by reduced spending estimates for school aid and other programs.

The State financial plan projects gaps of $14.5 billion, $18.5 billion and $20.9 billion in fiscal years 2011-2012, 2012-2013 and 2013-2014, respectively. Assuming that the Governor's Executive Budget is enacted in its entirety and the recommendations contained in his proposed deficit reduction plan are fully and successfully implemented, the State financial plan projects ending fiscal year 2010-2011 in balance and gaps of $5.4 billion, $10.7 billion and $12.4 billion in fiscal years 2011-2012, 2012-2013 and 2013-2014, respectively.

On March 2, 2010, the State released a supplement to the February AIS Update (the "March AIS Supplement"). The March AIS Supplement contains the State's revised revenue forecast for fiscal years 2009-2010 and 2010-2011, reflecting an additional decrease in projected tax revenues of $850 million resulting in a budget gap of $9 billion for fiscal year 2010-2011. Additionally, the State expects the receipt of planned revenues of $500 million for fiscal year 2009-2010 to be delayed. This increases the fiscal 2009-2010 shortfall to be carried forward to fiscal year 2010-2011 from $1.4 billion to $1.9 billion. The State's cash position is identified in the March AIS Supplement as a serious concern. The State believes it has sufficient cash management options available to manage the shortfall in fiscal year 2009-2010 and is evaluating options to enhance liquidity in the first quarter of fiscal year 2010-2011.

The Annual Information Statement, as supplemented and updated, identifies a number of risks inherent in the implementation of the Enacted Budget and the State financial plan. Such risks include, but are not limited to, the performance of the national and State economies; the impact of behavioral changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; the impact of an anticipated shift in monetary policy actions on interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; the impact of consumer spending on State tax collections; increased demand in entitlement-based and claims-based programs such as Medicaid, public assistance and general public health; access to the capital markets in light of disruptions in the municipal bond market; litigation against the State; and actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules.

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State, including the Local Finance Law (the "LFL"), and the City Charter and in accordance with bond resolutions of the Mayor and a certificate of the Deputy Comptroller for Public Finance (with related proceedings, the "Certificate"). The Bonds will mature and bear interest as described on the cover and inside cover page of this Official Statement and will 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 will be 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. Interest on the Bonds, calculated on a 30/360 day basis, will be payable to the registered owners thereof as shown on the registration books of the City on the Record Date (the fifteenth day of the calendar month immediately preceding the applicable interest payment date).

Designation of the Subseries G-1 Bonds as "Build America Bonds"

The City intends to make an irrevocable election to treat the Subseries G-1 Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the City on the Build America Bonds. It is expected that any cash subsidy payments received will be deposited, upon receipt, to the credit of the City.

Payment Mechanism

Pursuant to the Financial Emergency Act, a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings, that is set aside under other procedures). The statutory formula has in recent years resulted in retention of sufficient real estate taxes to comply with the City Covenants (as defined in "—Certain Covenants and Agreements"). If the statutory formula does not result in retention of sufficient real estate taxes to comply with the City Covenants, the City will comply with the City Covenants either by providing for early retention of real estate taxes or by making cash payments into the Fund. The principal of and interest on the Bonds will be paid from the Fund until the Act expires, and thereafter from a separate fund maintained in accordance with the City Covenants. Since its inception in 1978, the Fund has been fully funded at the beginning of each payment period.

If the Control Board determines that retentions in the Fund are likely to be insufficient to provide for the debt service payable therefrom, it must require that additional real estate tax revenues be retained or other cash resources of the City be paid into the Fund. In addition, the Control Board is required to take such action as it determines to be necessary so that the money in the Fund is adequate to meet debt service requirements. For information regarding the termination date of the Act, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act and City Charter.*"

Enforceability of City Obligations

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

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

Certain Covenants and Agreements

The City will covenant that: (i) a separate fund or funds for the purpose of paying principal of and interest on bonds and interest on notes of the City (including required payments into, but not from, City sinking funds) shall be maintained by an officer or agency of the State or by a bank or trust company; and (ii) not later than the last day of each month, there shall be on deposit in a separate fund or funds an amount sufficient to pay principal of and interest on bonds and interest on notes of the City due and payable in the next succeeding month. The City currently uses the debt service payment mechanism described above to perform these covenants. The City will further covenant in the Bonds to provide a general reserve for each fiscal year to cover potential reductions in its projected revenues or increases in its projected expenditures during each such fiscal year, to comply with the financial reporting requirements of the Act, as in effect from time to time, to limit its issuance of bond anticipation notes as required by the Act, as in effect from time to time, to include as terms of the Subseries G-4 Bonds the applicable variable rate provisions and to comply with such provisions and 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"). The City will covenant to make continuing disclosure with respect to the Bonds (the "Undertaking") to the extent summarized in "SECTION IX: OTHER INFORMATION—Continuing Disclosure Undertaking." In the opinion of Bond Counsel, the enforceability of the City Covenants, the Undertaking 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, the Undertaking and the State Pledge and Agreement shall be of no force and effect with respect to any Bond if there is a deposit in trust with a bank or trust company of sufficient cash or equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

Use of Proceeds

The proceeds of the Subseries G-1 and G-3 Bonds will be used for capital purposes, and the proceeds of the Subseries G-2 Bonds will be used for other discrete capital purposes. The proceeds of the Bonds will also be used for the payment of certain costs of issuance.

Mandatory Redemption

The Bonds maturing on March 1, 2031 are Term Bonds subject to mandatory redemption, pro rata, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below:

March 1,	Principal Amount to be Redeemed
2029	$36,090,000
2030	38,295,000
2031[(1)]	23,405,000

(1) Stated Maturity

The Bonds maturing on March 1, 2036 are Term Bonds subject to mandatory redemption, pro rata, at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below:

March 1,	Principal Amount to be Redeemed
2031	$17,230,000
2032	43,065,000
2033	45,560,000
2034	48,195,000
2035	50,985,000
2036[(1)]	44,965,000

(1) Stated Maturity

Optional Redemption

Optional Redemption of Subseries G-1 and G-2 Bonds Other Than Subseries G-1 Bonds Maturing March 1, 2031

The Subseries G-1 Bonds (except for the Subseries G-1 Bonds maturing on March 1, 2031, which are subject to redemption as set forth below) are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part on any date, at a redemption price (the "Make-Whole Redemption Price") equal to the greater of:

(1) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Subseries G-1 Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries G-1 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries G-1 Bonds are to be redeemed, discounted to the date on which such Subseries G-1 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 30 basis points;

plus, in each case, accrued interest on such Subseries G-1 Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Subseries G-2 Bonds are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part on any date, at a redemption price (the "Make-Whole Redemption Price") equal to the greater of:

(1) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Subseries G-2 Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries G-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries G-2 Bonds are to be redeemed, discounted to the date on which such Subseries G-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 15 basis points;

plus, in each case, accrued interest on such Subseries G-2 Bonds to be redeemed to the redemption date.

Optional Redemption of Subseries G-1 Bonds Maturing March 1, 2031

The Subseries G-1 Bonds maturing on March 1, 2031 are subject to redemption prior to their maturity at the option of the City in whole or in part at any time:

(i) if prior to March 1, 2020, at a redemption price equal to the greater of:

(a) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Subseries G-1 Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries G-1 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries G-1 Bonds are to be redeemed, discounted to the date on which such Subseries G-1 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 30 basis points; and

(ii) if on and after March 1, 2020, at a redemption price of 100% of the principal amount thereof plus, in each case, accrued interest to the redemption date.

Extraordinary Optional Redemption

The Subseries G-1 Bonds are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price (the "Extraordinary Redemption Price") equal to the greater of:

(1) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points;

plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to the "Build America Bonds") pursuant to which the City's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Subseries G-3 Bonds

The Subseries G-3 Bonds are not subject to optional redemption.

Selection of Bonds to Be Redeemed

The particular maturities of Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If the Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Bonds shall be allocated among the registered owners of such Bonds as nearly as practicable in proportion to the principal amounts of the Bonds owned by each registered owner, subject to the authorized denominations applicable to the Bonds. This will be calculated based on the following formula.

$$\frac{\text{(principal to be redeemed) x (principal amount owned by owner)}}{\text{(principal amount outstanding)}}$$

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, partial redemptions will be done in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made in accordance with these same proportional provisions. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

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.

Defeasance

As a condition to legal defeasance of any of the Bonds, the City must obtain an opinion of counsel to the effect that the owners thereof will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred. Any Bonds that are escrowed to maturity in the future will remain subject to optional redemption by the City.

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 the 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 maturity of the Bonds of a Subseries, each in the aggregate principal amount of such maturity. Purchasers may own beneficial ownership interests in the Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme ("Clearstream"), or the Euroclear System ("Euroclear").

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies, DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to both U.S. and non-U.S. securities brokers and dealers, bank, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices will be sent to DTC.

Payment of redemption proceeds and principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its Fiscal Agent, The Bank of New York Mellon, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

No assurance can be given by the City that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The City is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained under this caption "Book-Entry Only System" has been extracted from information furnished by DTC. The City does not make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Global Clearance Procedures

The Bonds initially will be registered in the name of Code & Co. as registered owner and nominee for DTC, which will act as securities depository for the Bonds. Purchases of the Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg") is successor in name to Cedel Bank, S.A. Clearstream, Luxembourg is a wholly-owned subsidiary of Clearstream International S.A. On 1 January 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51% owned by Clearstream Holding AG and 49% owned by Deutsche Börse AG ("DBAG").

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG.

DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("CSSF"), which supervises Luxembourg banks. Since 12 February 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of 12 January 2001, following the official notification to the regulators of the Clearstream, Luxembourg's role as a payment system provider operating a securities settlement system. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear as amended from time to time (the "Terms and Conditions"), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and

Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE CITY AND FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM,

CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY AND FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE CERTIFICATE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

The City of New York is divided into five counties, which correspond to its five boroughs. The City, however, is the only unit of local government within its territorial jurisdiction with authority to levy and collect taxes, and is the unit of local government primarily responsible for service delivery. Responsibility for governing the City is currently vested by the City Charter in the Mayor, the City Comptroller, the City Council, the Public Advocate and the Borough Presidents.

— *The Mayor.* Michael R. Bloomberg, the Mayor of the City, took office on January 1, 2002, was elected to a second term which commenced on January 1, 2006 and was elected for a third term which commenced on January 1, 2010. The Mayor is elected in a general election for a four-year term and is the chief executive officer of the City. The Mayor has the power to appoint the commissioners of the City's various departments. The Mayor is responsible for preparing and administering the City's annual Expense and Capital Budgets (as defined below) and financial plan. The Mayor has the power to veto local laws enacted by the City Council, but such a veto may be overridden by a two-thirds vote of the City Council. The Mayor has powers and responsibilities relating to land use and City contracts and all residual powers of the City government not otherwise delegated by law to some other public official or body. The Mayor is also a member of the Control Board.

— *The City Comptroller.* John C. Liu, the Comptroller of the City, took office on January 1, 2010. The City Comptroller is elected in a general election for a four-year term and is the chief fiscal officer of the City. The City Comptroller has extensive investigative and audit powers and responsibilities which include keeping the financial books and records of the City. The City Comptroller's audit responsibilities include a program of performance audits of City agencies in connection with the City's management, planning and control of operations. In addition, the City Comptroller is required to evaluate the Mayor's budget, including the assumptions and methodology used in the budget. The Office of the City Comptroller is responsible under the City Charter and pursuant to State law and City investment guidelines for managing and investing City funds for operating and capital purposes. The City Comptroller is also a member of the Control Board and is a trustee, the custodian and the delegated investment manager of the City's five pension systems. The investments of those pension system assets, aggregating approximately $98.7 billion as of January 31, 2010, are made pursuant to the directions of the respective boards of trustees.

— *The City Council.* The City Council is the legislative body of the City and consists of the Public Advocate and 51 members elected for four-year terms who represent various geographic districts of the City. Under the City Charter, the City Council must annually adopt a resolution fixing the amount of the real estate tax and adopt the City's annual Expense Budget and Capital Budget (as defined below). The City Council does not, however, have the power to enact local laws imposing other taxes, unless such taxes have been authorized by State legislation. The City Council has powers and responsibilities relating to franchises and land use and as provided by State law.

— *The Public Advocate.* Bill de Blasio, the Public Advocate, took office on January 1, 2010. The Public Advocate is elected in a general election for a four-year term. The Public Advocate is first in the line of succession to the Mayor in the event of the disability of the Mayor or a vacancy in the office, pending an election to fill the vacancy. The Public Advocate appoints a member of the City Planning Commission and has various responsibilities relating to, among other things, monitoring the activities of City agencies, the investigation and resolution of certain complaints made by members of the public concerning City agencies and ensuring appropriate public access to government information and meetings.

— *The Borough Presidents.* Each of the City's five boroughs elects a Borough President who serves for a four-year term concurrent with other City elected officials. The Borough Presidents consult with the Mayor in the preparation of the City's annual Expense Budget and Capital Budget. Five percent of discretionary increases proposed by the Mayor in the Expense Budget and, with certain exceptions, five percent of the appropriations supported by funds over which the City has substantial discretion proposed by the Mayor in the Capital Budget, must be based on appropriations proposed by the Borough Presidents. Each Borough President also appoints one member to the Panel for Educational Policy (as defined below) and has various responsibilities relating to, among other things, reviewing and making recommendations regarding applications for the use, development or improvement of land located within the borough, monitoring and making recommendations regarding the performance of contracts providing for the delivery of services in the borough and overseeing the coordination of a borough-wide public service complaint program.

On November 3, 2008, 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 three or more full consecutive terms, unless one full term or more has elapsed since that person last held such office.

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. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS—2010-2014 Financial Plan." 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 2009 fiscal year, which includes, among other things, the City's financial statements for the 2009 fiscal year, was issued on October 23, 2009. The CAFR for the 2008 fiscal year received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the twenty-ninth consecutive year the CAFR has won such award.

All contracts for goods and services requiring the expenditure of City moneys must be registered with the City Comptroller. No contract can be registered unless funds for its payment have been appropriated by the City Council or otherwise authorized. The City Comptroller also prepares vouchers for payments for such goods and services and cannot prepare a voucher unless funds are available in the Budgets for its payment.

The City Comptroller is also required by the City Charter to audit all City agencies and has the power to audit all City contracts. The Office of the Comptroller conducts both financial and management audits and has the power to investigate corruption in connection with City contracts or contractors.

The Mayor and City Comptroller are responsible for the issuance of City indebtedness. The City Comptroller oversees the payment of such indebtedness and is responsible for the custody of certain sinking funds.

Financial Reporting and Control Systems

Since 1978, the City's financial statements have been required to be audited by independent certified public accountants and to be presented in accordance with GAAP. The City has completed twenty-nine consecutive fiscal years with a General Fund surplus when reported in accordance with then applicable GAAP, except with regard to the application of GASB 49 in fiscal year 2009.

In June 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). GASB 45 establishes standards for the measurement, recognition, and display of other post-employment benefits ("OPEB") expense and related liabilities. OPEB includes post-employment health-care, as well as other forms of post-employment benefits such as life insurance, when provided separately from a pension plan. The approach followed in GASB 45 generally is consistent with the approach adopted with regard to accounting for pension expense and liabilities, with modifications to reflect differences between pension benefits and OPEB. For fiscal year 2009, the City reported an OPEB liability of $65.5 billion in its government-wide financial statements, based upon an actuarial valuation in accordance with GASB 45. See "Appendix B—Financial Statements—Note E-5." There is no requirement to fund the future OPEB obligation. For information on the trust established to fund a portion of the future OPEB liability, see "Section VI: Financial Operations—2005-2009 Summary of Operations."

In November 2006, GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB 49 sets standards for the accounting and financial reporting for pollution remediation obligations ("PRO"), which are obligations to address the current or potential detrimental effects of existing pollution through activities such as site assessments and cleanups. The City implemented GASB 49 in fiscal year 2009 for financial reporting purposes. For fiscal year 2009, the City reported a PRO liability of $175.5 million, the costs of known pollution which the City is obligated to remediate, estimated as of June 30, 2009. See "Appendix B — Financial Statements — Note D.4." In addition to requiring recognition of PRO, under GASB 49 costs incurred for pollution remediation are generally reported as operating expenses rather than as capital expenditures. The City reported pollution remediation expenditures of approximately $236.1 million in fiscal year 2009.

On April 30, 2008, pursuant to the Financial Emergency Act, the Control Board approved a phase-in of the budgetary impact of GASB 49, enabling the City to continue to finance with the issuance of bonds certain pollution remediation costs for projects authorized prior to fiscal year 2011 and, consequently, to achieve budget balance in fiscal years 2009 and 2010 in accordance with GAAP except for the application of GASB 49. The City is seeking to amend the Financial Emergency Act to permanently waive the budgetary impact of GASB 49. For further information on GASB 49, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

Both OMB and the Office of the Comptroller utilize a financial management system which provides comprehensive current and historical information regarding the City's financial condition. This information, which is independently evaluated by each office, provides a basis for City action required to maintain a balanced budget and continued financial stability.

The City's operating results and forecasts are analyzed, reviewed and reported on by each of OMB and the Office of the Comptroller as part of the City's overall system of internal control. Internal control systems are reviewed regularly, and the City Comptroller requires an annual report on internal control and accountability from each agency. Comprehensive service level and productivity targets are formulated and monitored for each agency by the Mayor's Office of Operations and reported publicly in a semiannual management report.

The City has developed and utilizes a cash forecasting system which forecasts its daily cash balances. This enables the City to predict more accurately its short-term borrowing needs and maximize its return on the investment of available cash balances. Monthly statements of operating revenues and expenditures, capital revenues and expenditures and cash flow are reported after each month's end, and major variances from the financial plan are identified and explained.

City funds held for operating and capital purposes are managed by the Office of the City Comptroller, with specific guidelines as to investment vehicles. The City does not invest such funds in leveraged products or use reverse repurchase agreements. 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 93% 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 January 31, 2010, aggregate pension assets were allocated approximately as follows: 42.2% U.S. equities; 29.5% U.S. fixed income; 15.7% international equities; 8.3% private equity and real estate; 2.1% cash; 1.7% opportunistic equity; and 0.5% opportunistic fixed income.

Financial Emergency Act and City Charter

The Financial Emergency Act requires that the City submit to the Control Board, at least 50 days prior to the beginning of each fiscal year (or on such other date as the Control Board may approve), a financial plan for the City and certain State governmental agencies, public authorities or public benefit corporations ("PBCs") which receive or may receive monies from the City directly, indirectly or contingently (the "Covered Organizations") covering the four-year period beginning with such fiscal year. The New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, "New York City Transit" or "NYCT" or "Transit Authority"), Health and Hospitals Corporation ("HHC") and the New York City Housing Authority (the "Housing Authority" or "HA") are examples of Covered Organizations. The Act requires that the City's four-year financial plans conform to a number of standards. Subject to certain conditions, the Financial Emergency Act and the City Charter require the City to prepare and balance its budget covering all expenditures other than capital items so that the results of such budget will not show a deficit when reported in accordance with GAAP. Provision must be made, among other things, for the payment in full of the debt service on all City securities. The budget and operations of the City and the Covered Organizations must be in conformance with the financial plan then in effect.

From 1975 to June 30, 1986, the City was subject to a Control Period, as defined in the Act, which was terminated upon the satisfaction of the statutory conditions for termination, including the termination of all federal guarantees of obligations of the City, a determination by the Control Board that the City had maintained a balanced budget in accordance with GAAP for each of the three immediately preceding fiscal years and a certification by the State and City Comptrollers that sales of securities by or for the benefit of the City satisfied its capital and seasonal financing requirements in the public credit markets and were expected to satisfy such requirements in the 1987 fiscal year. With the termination of the Control Period, certain Control Board powers were suspended including, among others, its power to approve or disapprove certain contracts (including collective bargaining agreements), long-term and short-term borrowings, and the four-year financial plan and modifications thereto of the City and the Covered Organizations. Pursuant to the Act and the City Charter, the City is required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. Under current law, prior to July 1, 2008 the Control Board was required to reimpose a Control Period upon the occurrence or substantial likelihood and imminence of the occurrence of any one of certain events specified in the Act. These events were (i) failure by the City to pay principal of or interest on any of its notes or bonds when due or payable, (ii) the existence of a City operating deficit of more than $100 million, (iii) issuance by the City of notes in violation of certain restrictions on short-term borrowing imposed by the Act, (iv) any violation by the City of any provision of the Act which substantially impaired the ability of the City to pay principal of or interest on its bonds or notes when due and payable or its ability to adopt or adhere to an operating budget balanced in accordance with the Act, or (v) joint certification by the State and City Comptrollers that they could not at that time make a joint certification that sales of securities in the public credit market by or for the benefit of the City during the immediately preceding fiscal year and the current fiscal year satisfied its capital and seasonal financing requirements during such period and that there was a substantial likelihood that such securities could be sold in the general public market from the date of the joint certification through the end of the next succeeding fiscal year in amounts that would satisfy substantially all of the capital and seasonal financing requirements of the City during such period in accordance with the financial plan then in effect.

In 2003, the State Legislature amended the Act to change its termination date from the *earlier* of July 1, 2008 or the date on which certain bonds are discharged to the *later* of July 1, 2008 or the date on which such bonds are discharged. The bonds referred to in the amended section of the Act are all bonds containing the State pledge and agreement authorized under section 5415 of the Act (the "State Covenant").

The State Covenant is authorized to be included in bonds of the City. Since enactment of this amendment to the Act, the City has not issued bonds containing the State Covenant. However, many City bonds issued prior to the amendment do contain the State Covenant. Because the City has issued such bonds with maturities as long as 30 years, the effect of the amendment was to postpone termination of the Act from July 1, 2008 to 2033 (or earlier if all City bonds containing the State Covenant are discharged). The State Legislature could, without violation of the State Covenant contained in the City's outstanding bonds, enact legislation that would terminate the Control Board and the Act after July 1, 2008 because, at the time of issuance of those bonds, the termination date of the Act was July 1, 2008 (or the date of the earlier discharge of such bonds).

While the State Legislature amended the Act to extend the termination date of the Control Board, the power to impose or continue a Control Period terminated July 1, 2008. The power to impose or continue a Control Period is covered by a section of the Act that provides that no Control Period shall continue beyond the earlier of July 1, 2008 or the date on which all bonds containing the State Covenant are discharged. The State Legislature did not amend this provision. Therefore, under current law, although the Act continues in effect beyond July 1, 2008, no Control Period may be imposed after July 1, 2008. The City is proposing legislation amending the section of the Financial Emergency Act governing the Control Board's authority to impose a Control Period as part of its proposed legislation authorizing the Control Board to permit the City's budget to exclude the impact of certain GAAP changes (see "SECTION I: RECENT FINANCIAL DEVELOPMENTS"). The legislation would, if approved by the State legislature in its current form, extend the ability of the Control Board to impose a Control Period until 2033 or earlier if all City bonds containing the State Covenant are discharged.

Financial Review and Oversight

The Control Board, with the Office of the State Deputy Comptroller ("OSDC"), reviews and monitors revenues and expenditures of the City and the Covered Organizations. In addition, the Independent Budget Office (the "IBO") has been established pursuant to the City Charter to provide analysis to elected officials and the public on relevant fiscal and budgetary issues affecting the City.

The Control Board is required to: (i) review the four-year financial plan of the City and of the Covered Organizations and modifications thereto; (ii) review the operations of the City and the Covered Organizations, including their compliance with the financial plan; and (iii) review certain contracts, including collective bargaining agreements, of the City and the Covered Organizations. The requirement to submit four-year financial plans and budgets for review was in response to the severe financial difficulties and loss of access to the credit markets encountered by the City in 1975. The Control Board must reexamine the financial plan on at least a quarterly basis to determine its conformance to statutory standards.

The *ex officio* members of the Control Board are the Governor of the State of New York (Chairman); the Comptroller of the State of New York; the Mayor of The City of New York; and the Comptroller of The City of New York. In addition, there are three private members appointed by the Governor. The Executive Director of the Control Board is appointed jointly by the Governor and the Mayor. The Control Board is assisted in the exercise of its responsibilities and powers under the Financial Emergency Act by the State Deputy Comptroller.

SECTION IV: SOURCES OF CITY REVENUES

The City derives its revenues from a variety of local taxes, user charges and miscellaneous revenues, as well as from federal and State unrestricted and categorical grants. State aid as a percentage of the City's revenues has remained relatively constant over the period from 1980 to 2009, while federal aid has been sharply reduced. The City projects that local revenues will provide approximately 68.7% of total revenues in the 2010 fiscal year while federal aid, including categorical grants, will provide 12.6%, and State aid, including unrestricted aid and categorical grants, will provide 18.7%. Adjusting the data for comparability, local revenues provided approximately 60.6% of total revenues in 1980, while federal and State aid each provided approximately 19.7%. A discussion of the City's principal revenue sources follows. For additional information regarding assumptions on which the City's revenue projections are based, see "SECTION VII: FINANCIAL PLAN—Assumptions." For information regarding the City's tax base, see "APPENDIX A—ECONOMIC AND DEMOGRAPHIC INFORMATION."

Real Estate Tax

The real estate tax, the single largest source of the City's revenues, is the primary source of funds for the City's General Debt Service Fund. The City expects to derive approximately 43.4% of its total tax revenues and 25.4% of its total revenues for the 2010 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—2005-2009 Summary of Operations."

The State Constitution authorizes the City to levy a real estate tax without limit as to rate or amount (the "debt service levy") to cover scheduled payments of the principal of and interest on indebtedness of the City. However, the State Constitution limits the amount of revenue which the City can raise from the real estate tax for operating purposes (the "operating limit") to 2.5% of the average full value of taxable real estate in the City for the current and the last four fiscal years less interest on temporary debt and the aggregate amount of business improvement district charges subject to the 2.5% tax limitation. The table below sets forth the percentage the debt service levy represents of the total levy. The City Council has adopted a distinct tax rate for each of the four categories of real property established by State legislation.

Comparison of Real Estate Tax Levies, Tax Limits and Tax Rates

Fiscal Year	Total Levy(1)	Levy Within Operating Limit	Debt Service Levy(2)	Debt Service Levy as a Percentage of Total Levy	Operating Limit	Levy Within Operating Limit as a Percentage of Operating Limit	Rate Per $100 of Full Valuation(3)	Average Tax Rate Per $100 of Assessed Valuation(4)
	(Dollars in Millions, except for Tax Rates)							
2005	$12,720.0	$ 9,615.0	$2,485.6	19.5%	$10,675.8	90.1%	$2.46	$12.28
2006	13,668.1	11,633.5	1,141.0	8.3	11,666.2	99.7	2.49	12.28
2007	14,291.2	13,094.4	221.0	1.5	13,224.4	99.0	2.30	12.28
2008	14,356.2	10,462.4	2,952.1	20.6	14,949.0	70.0	2.02	11.42
2009(5)	15,903.5	13,213.6	1,168.9	7.6	17,525.7	75.4	1.87	12.28
2010	17,588.1	16,472.3	295.8	1.7	18,641.4	88.4	2.01	12.28

(1) As approved by the City Council.

(2) The debt service levy includes a portion of the total reserve for uncollected real estate taxes.

(3) Full valuation is based on the special equalization ratios (discussed below) and the billable assessed valuation. Special equalization ratios and full valuations are revised periodically as a result of surveys by the State Board of Real Property Services (as defined below).

(4) The decrease in the average tax rate between fiscal years 2007 and 2008 reflects the 7% decrease effective July 1, 2007. The increase in the average tax rate between fiscal years 2008 and 2009 reflects the recission of the 7% property tax decrease effective January 1, 2009.

(5) Includes the mid-year property tax increase of $576 million, effective January 1, 2009, rescinding the 7% property tax decrease enacted in June 2007.

Assessment

The City has traditionally assessed real property at less than market value. The State Board of Real Property Services (the "State Board") is required by law to determine annually the relationship between taxable assessed value and market value which is expressed as the "special equalization ratio." The special equalization ratio is used to compute full value for the purpose of measuring the City's compliance with the operating limit and general debt limit. For a discussion of the City's debt limit, see "Section VIII: Indebtedness—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness*." The ratios are calculated by using the most recent market value surveys available and a projection of market value based on recent survey trends, in accordance with methodologies established by the State Board from time to time. Ratios, and therefore full values, may be revised when new surveys are completed. The ratios and full values shown in the table below, which were used to compute the 2010 fiscal year operating limit and general debt limit, have been established by the State Board and include the results of the calendar year 2007 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)
2006	$111,397,956,330		0.1808		$616,139,138,993
2007	116,477,764,261		0.1600		727,986,026,631
2008	125,777,268,853		0.1705		737,696,591,513
2009	134,294,731,881		0.1707		786,729,536,503
2010	143,334,172,616		0.1635		876,661,606,214
				Average:	$749,042,579,971

(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 2009 fiscal year, the billable assessed value of all real estate (taxable and exempt) was

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$228.3 billion comprised of $80.9 billion of fully exempt real estate, $53.0 billion of partially taxable real estate and $94.3 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 2010 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 2010, 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 2010 tax rates were originally set on June 19, 2009 and reflect a 5% limitation on the market value adjustment for 2009. The class tax rates were amended and restated on November 16, 2009 to limit the market value adjustment to 0%. The average tax rate for the first half of fiscal year 2009 was maintained at $11.42 per $100 of assessed value. In January 2009, the tax rate was increased to $12.28 per $100 of assessed value.

City real estate tax revenues may be reduced in future fiscal years as a result of tax refund claims asserting overvaluation, inequality of assessment and illegality. The State Board annually certifies various class ratios and class equalization rates relating to the four classes of real property in the City. "Class ratios" are determined for each class by the State Board by calculating the ratio of assessed value to market value. Various proceedings challenging assessments of real property for real estate tax purposes are pending. For further information regarding the City's potential exposure in certain of these proceedings, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

Trend in Taxable Assessed Value

During the decade prior to fiscal year 1993, real estate tax revenues grew substantially. Because State law provides for increases in assessed values of most properties to be phased into property tax bills over five-year periods, billable assessed values continued to grow and real estate tax revenue increased through fiscal year 1993 even as market values declined during the local recession. From fiscal year 1994 through fiscal year 1997 billable assessed values declined, reflecting the impact of the protracted local recession on office vacancy rates and on office building valuations. Billable assessed value resumed slow growth in fiscal year 1998, growing 0.7%, 2.2%, 3.1%, 4.0% and 6.0% in fiscal years 1998 through 2002, respectively.

For fiscal year 2003, billable assessed valuation rose by $5.0 billion to $93.3 billion. The billable assessed valuation as determined by the City Department of Finance rose to $98.6 billion, $102.4 billion, $110.0 billion, $115.1 billion, $124.5 billion, $133.0 billion and $141.8 billion for fiscal years 2004 through 2010, respectively. The Department of Finance released the tentative assessment roll for fiscal year 2011 on January 15, 2010. The billable assessed value rose by $6.7 billion over the 2010 assessment roll to $148.5 billion, a growth of 4.7%. However, the final roll for fiscal year 2011 to be released in May 2010 is expected to show a growth of 4.1% over fiscal year 2010. With a forecast decline in the class two and class four market values combined with a deflated level of existing pipeline of deferred assessment increases yet to be phased in, the billable assessed valuations are forecast to grow by 3.9%, 1.0% and 0.8% in fiscal years 2012 through 2014, respectively.

Collection of the Real Estate Tax

Real estate tax payments are due each July 1 and January 1. Prior to January 1, 2009, owners of class one and class two properties assessed at $80,000 or less and cooperatives whose individual units on average are valued at $80,000 or less were eligible to make tax payments in quarterly installments on July 1, October 1, January 1 and April 1. Effective January 1, 2009, owners of all properties assessed at $250,000 or less are eligible to make tax payments in quarterly installments. Prior to January 1, 2009, an annual interest rate of 9% compounded daily was imposed upon late payments on properties with an assessed value of $80,000 or less except in the case of (i) any parcel with respect to which the real estate taxes are held in escrow and paid by a mortgage escrow agent and (ii) parcels consisting of vacant or unimproved land. As of January 1, 2009, the assessed value threshold subject to the late payment interest rate of 9% was raised from $80,000 to $250,000. An interest rate of 18% compounded daily is imposed upon late payments on all other properties. These interest rates are set annually.

The City primarily uses two methods to enforce the collection of real estate taxes. The City has been authorized to sell real estate tax liens on class one properties which are delinquent for at least three years and class two, three and four properties which are delinquent for at least one year. The authorization to sell real estate tax liens is effective through December 31, 2010. 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 2005 through 2009, the City's tax lien program resulted in net proceeds of approximately $37.7 million, $93.8 million, $40.2 million, $35.5 million and $33.9 million, respectively. The Financial Plan reflects receipt of $18 million in fiscal year 2010 from tax lien sales.

Real Estate Tax Collections and Delinquencies

Fiscal Year	Tax Levy(1)	Tax Collections on Current Year Levy(2)	Tax Collections as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds(3)	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of End of Fiscal Year(4)	Delinquency as a Percentage of Tax Levy	Lien Sale(5)
				(Dollars In Millions)					
2005	$12,720.0	$11,521.7	90.6%	$136.2	$(231.4)	$ (898.0)	$(300.3)	2.36%	$37.7
2006	13,668.1	12,459.0	91.2	140.3	(222.1)	(929.9)	(279.2)	2.04	93.8
2007	14,291.2	12,986.7	90.9	159.5	(228.8)	(1,067.4)	(306.4)	2.14	40.2
2008	14,356.2	13,070.7	91.0	194.8	(239.3)	(1,023.6)	(261.9)	1.82	35.5
2009	15,903.5	14,423.4	90.7	162.6	(290.4)	(1,187.3)	(283.9)	1.79	33.9
2010(6)	17,588.1	16,267.2	92.5	185.0	(436.0)	(985.7)	(335.2)	1.91	18.0

(1) As approved by the City Council through fiscal year 2010.

(2) Quarterly collections on current year levy.

(3) Includes repurchases of defective tax liens amounting to $2.9 million, $0.2 million and $3.0 million in the 2005, 2006 and 2007 fiscal years, respectively.

(4) These figures include taxes due on certain publicly owned property and exclude delinquency on shelter rent and exempt property.

(5) Net of reserve for defective liens.

(6) Forecast.

Other Taxes

The City expects to derive 56.6% of its total tax revenues for the 2010 fiscal year from a variety of taxes other than the real estate tax, such as: (i) the 4½% sales and compensating use tax, commencing August 1, 2009, in addition to the 4% sales and use tax imposed by the State upon receipts from retail sales of tangible personal property and certain services in the City and the .375% metropolitan transportation district surcharge imposed by the State for the Metropolitan Transit Authority (“MTA”); (ii) the personal income tax on City residents; (iii) a general corporation tax levied on the income of corporations doing business in the City; and (iv) a banking corporation tax imposed on the income of banking corporations doing business in the City.

For local taxes other than the real estate tax, the City may adopt and amend local laws for the levy of local taxes to the extent authorized by the State. This authority can be withdrawn, amended or expanded by State legislation. Without State authorization, the City may impose real estate taxes to fund general operations in an amount not to exceed 2.5% of property values in the City as determined under a State mandated formula. In addition, the State cannot restrict the City’s authority to levy and collect real estate taxes in excess of the 2.5% limitation in the amount necessary to pay principal of and interest on City indebtedness. For further information concerning the City’s authority to impose real estate taxes, see “Real Estate Tax” above. Payments by the State to the City of sales tax and stock transfer tax revenues are subject to appropriation by the State. Until the defeasance of all outstanding bonds of the Municipal Assistance Corporation For The City of New York (“MAC”) with the proceeds of Sales Tax Asset Receivable Corporation (“STAR Corp.”) bonds and MAC funds in fiscal year 2005, such sales tax and stock transfer tax revenues, less State administrative costs, were made available first to MAC for payment of MAC debt service, reserve fund requirements, operating expenses, and administrative expenses of the Control Board and OSDC with the balance payable to the City. Currently, sales tax and stock transfer tax revenues are payable to the City. Administrative expenses of the Control Board and OSDC, which are projected to be approximately $7 million in fiscal year 2010, and State administrative costs are deducted from sales tax revenues payable to the City. A portion of sales tax revenues payable to the City would be paid to the TFA if personal income tax revenues did not satisfy specified debt service ratios.

Revenues from taxes other than the real estate tax in the 2009 fiscal year decreased by $4.012 billion, a decrease of approximately 15.8% from the 2008 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real estate tax, for each of the City's 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009
			(In Millions)		
Personal Income(1)	$ 6,638	$ 7,657	$ 7,933	$ 9,697	$ 7,489
General Corporation	1,994	2,379	3,124	2,932	2,320
Banking Corporation	601	656	1,219	628	1,099
Unincorporated Business Income	1,117	1,308	1,670	1,852	1,785
Sales	4,355	4,418	4,619	4,868	4,594
Commercial Rent	445	477	512	545	583
Real Property Transfer	1,055	1,295	1,723	1,408	742
Mortgage Recording	1,250	1,353	1,570	1,138	515
Utility	340	391	360	392	398
Cigarette	125	123	122	123	96
Hotel	257	296	326	379	342
All Other(2)	475	448	457	419	475
Audits	600	775	1,085	1,016	948
Total	$19,250	$21,575	$24,719	$25,397	$21,386

Note: Totals may not add due to rounding.

(1) Personal Income excludes $497 million, $350 million, $685 million, $164 million and $138 million retained by the TFA in fiscal years 2005 through 2009, respectively. In fiscal years 2005 through 2009, Personal Income includes $632 million, $692 million, $928 million, $1.113 billion and $1.039 billion, respectively, which was provided to the City by the State as a reimbursement for the reduced personal income tax revenues resulting from the School Tax Relief Program ("STAR Program"). Personal Income taxes flow directly from the State to the TFA, and from the TFA to the City only to the extent not required by the TFA for debt service, reserves, operating expenses and contractual and other obligations incurred pursuant to the TFA indenture. Personal Income also reflects the impact of the early provision for TFA debt service payments in each of fiscal years 2004 through 2007, thereby increasing tax revenue by $400 million, $947 million, $229 million, $391 million and $362 million in fiscal years 2005 through 2009, respectively. Personal Income reflects the impact of $546 million grants to the TFA in each of fiscal years 2007 and 2008 which were used by the TFA to pay debt service in fiscal years 2008 and 2009 thereby increasing personal income tax revenues in those fiscal years.

(2) All Other includes, among others, surtax revenues from New York City Off-Track Betting Corporation ("OTB"), beer and liquor taxes, and the automobile use tax, but excludes the State's STAR Program aid of $784 million, $857 million, $1.093 billion, $1.255 billion and $1.188 billion in fiscal years 2005 through 2009, 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 2005 through 2009 fiscal years.

	2005	2006	2007 (In Millions)	2008	2009
Licenses, Permits and Franchises	$ 395	$ 418	$ 470	$ 502	$ 493
Interest Income	149	362	473	377	124
Charges for Services	614	611	613	638	687
Water and Sewer Payments	899	990	1,064	1,202	1,284
Rental Income	944	209	211	257	255
Fines and Forfeitures	745	723	741	830	802
Other	1,327	548	671	1,238	981
Total	$5,073	$3,862	$4,243	$5,044	$4,626

Note: Totals may not add due to rounding.

Rental income in fiscal year 2005 includes approximately $781.9 million in Port Authority payments for back rent and renegotiated lease payments for the City's airports. Rental income in fiscal years 2006, 2007, 2008 and 2009 includes approximately $93.5 million, $98 million, $102.7 million and $102.7 million, respectively, in Port Authority lease payments for the City airports.

Fees and charges collected from the users of the water and sewer system of the City are revenues of the Water Board, a body corporate and politic, constituting a public benefit corporation, all of the members of which are appointed by the Mayor. The Water Board currently holds a long-term leasehold interest in the water and sewer system pursuant to a lease between the Water Board and the City.

Other miscellaneous revenues for fiscal years 2005, 2006, 2008 and 2009 include $68 million, $5 million, $552 million and $145.6 million, respectively, of tobacco settlement receivables ("TSRs") from the settlement of litigation with certain cigarette manufacturers, that were not retained by TSASC for debt service, trapping requirements and operating expenses or for later release to the City. Other miscellaneous revenues for fiscal years 2005 through 2009 do not include TSRs retained by TSASC for debt service, trapping requirements and operating expenses, or for later release to the City totaling $149 million, $194 million, $208 million, $79 million and $87 million, respectively. In June 2003, the downgrade of a major tobacco company below investment grade resulted in a trapping event for TSASC under its indenture pursuant to which it was required to retain a portion of the TSRs it received in a reserve account for the benefit of its bondholders. In February 2006, TSASC restructured all of its outstanding debt through the issuance of refunding bonds under an amended indenture. Pursuant to the TSASC debt restructuring, less than 40% of the TSRs are pledged to the TSASC bondholders and the remainder will flow to the City. The pledged TSRs will fund regularly scheduled TSASC debt service and operating expenses. Any pledged TSRs received in excess of those requirements will be used to pay the newly issued TSASC bonds. No TSRs are required to be retained or trapped for the benefit of bondholders beyond the pledged TSRs. The unpledged TSRs received in fiscal years 2006, 2007 and 2008 and funds in the trapping account were released to the City in fiscal year 2008. For further information see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—4. Miscellaneous Revenues" and "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

Other miscellaneous revenues for fiscal year 2005 include $631 million from the refinancing of MAC debt by STAR Corp. which reimbursed the City for revenues retained by MAC in fiscal years 2004 and 2005,

$97.9 million from the sale of 273 taxi medallions, $44.5 million from the sale of the former headquarters of the BOE (as defined below) and $39.6 million from the refund of prior year expenditures. Other miscellaneous revenues for fiscal year 2006 include a $49 million payment from the Fiscal Year 2005 Securitization Corp., $45 million from the release of remediation funds in a trust and agency account, $11 million from the refund of prior year expenditures, $9 million from the reimbursement for landfill closure costs and $7.9 million from HHC for City administrative support. Other miscellaneous revenues for fiscal year 2007 include $170 million from HHC reimbursement, $141 million from the sale of 308 taxi medallions and $39 million from the refund of prior year expenditures. Other miscellaneous revenues for fiscal year 2008 include $180 million from HHC reimbursement, $25 million from asset sales and $48 million from the sale of 109 taxi medallions. Other miscellaneous revenues for fiscal year 2009 include $71 million from HHC reimbursement, $175 million from restitution agreements, $125 million in the refund of FICA overpayments from the period 1989 through 2005 and $106 million from the refund of prior year expenditures.

Unrestricted Intergovernmental Aid

Unrestricted federal and State aid has consisted primarily of per capita aid from the State government. These funds, which are not subject to any substantial restriction as to their use, are used by the City as general support for its Expense Budget. State general revenue sharing (State per capita aid) is allocated among the units of local government by statutory formulas which take into account the distribution of the State's population and the full valuation of taxable real property. In recent years, however, such allocation has been based on prior year levels in lieu of the statutory formula. For a further discussion of unrestricted State aid, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—5. Unrestricted Intergovernmental Aid."

The following table sets forth amounts of unrestricted federal and State aid received by the City in each of its 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009
			(In Millions)		
State Per Capita Aid	$327	$327	$20	$242	$327
Other(1)	277	167	15	0	0
Total	$604	$494	$35	$242	$327

(1) Included in the 2005 and 2006 fiscal years are $264 million and $142 million, respectively, of aid associated with the partial State takeover of long-term care Medicaid costs.

Federal and State Categorical Grants

The City makes certain expenditures for services required by federal and State mandates which are then wholly or partially reimbursed through federal and State categorical grants. State categorical grants are received by the City primarily in connection with City welfare, education, higher education, health and mental health expenditures. The City also receives substantial federal categorical grants in connection with the federal Community Development Block Grant Program ("Community Development"). The federal government also provides the City with substantial public assistance, social service and education grants as well as reimbursement for all or a portion of certain costs incurred by the City in maintaining programs in a number of areas, including housing, criminal justice and health. All City claims for federal and State grants are subject to subsequent audit by federal and State authorities. Certain claims submitted to the State Medicaid program by the City are the subject of investigation by the Office of the Inspector General of the United States Department of Health and Human Services ("OIG"). For a discussion of claims for which a final audit report has been issued by OIG, see "SECTION IX: OTHER INFORMATION—Litigation—*Miscellaneous.*" The City provides a reserve for disallowances resulting from these audits which could be asserted in subsequent years. Federal grants are also subject to audit under the Single Audit Act Amendments of 1996. For a further discussion of federal and State categorical grants, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants."

The following table sets forth amounts of federal and State categorical grants received by the City for each of the City's 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009
			(In Millions)		
Federal					
Community Development(1)	$ 268	$ 261	$ 241	$ 260	$ 251
Social Services	2,405	2,181	2,429	2,619	2,758
Education	1,909	1,693	1,745	1,739	1,717
Other(2)	2,072	1,108	1,056	1,074	1,215
Total	$6,654	$5,243	$ 5,471	$ 5,692	$ 5,941
State					
Social Services	$1,741	$1,906	$ 1,889	$ 2,060	$ 2,041
Education	6,177	6,702	7,145	8,011	8,648
Higher Education	140	153	165	174	178
Health and Mental Health	393	415	428	487	468
Other	372	410	559	689	789
Total	$8,823	$9,586	$10,186	$11,421	$12,124

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

(2) A total of approximately $1 billion reimbursement from FEMA for insurance covering claims relating to work at the World Trade Center site following the September 11 attack is included in Other in fiscal year 2005.

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

Three types of governmental agencies provide public services within the City's borders and receive financial support from the City. One category is the mayoral agencies established by the City Charter which include, among others, the Police, Fire and Sanitation Departments. Another is the independent agencies which are funded in whole or in part through the City Budget by the City but which have greater independence in the use of appropriated funds than the mayoral agencies. Included in this category are certain Covered Organizations such as HHC and the Transit Authority. A third category consists of certain PBCs which were created to finance the construction of housing, hospitals, dormitories and other facilities and to provide other governmental services in the City. The legislation establishing this type of agency contemplates that annual payments from the City, appropriated through its Expense Budget, may or will constitute a substantial part of the revenues of the agency. Included in this category is, among others, the City University Construction Fund ("CUCF"). For information regarding expenditures for City services, see "SECTION VI: FINANCIAL OPERATIONS—2005-2009 Summary of Operations."

Federal and State laws require the City to provide certain social services for needy individuals and families who qualify for such assistance. The City receives the federal Temporary Assistance for Needy Families ("TANF") block grant funds through the State which, supplemented by City and State contributions, fund the Family Assistance Program. The Family Assistance Program provides benefits for households with minor children subject, in most cases, to a five-year time limit. The Safety Net Assistance Program provides benefits for adults without minor children, families who have reached the Family Assistance Program time limit, and others, including certain immigrants, who are ineligible for the Family Assistance Program but are eligible for public assistance. The cost of the Safety Net Assistance Program is borne equally by the City and the State.

The City also provides funding for many other social services such as day care, foster care, family planning, services for the elderly and special employment services for welfare recipients some of which are mandated, and may be wholly or partially subsidized, by either the federal or State government. See "Section VII: Financial Plan—Assumptions—*Revenue Assumptions*—6. Federal and State Categorical Grants."

As of July 2002, the Mayor assumed responsibility for the City's public schools. The Board of Education ("BOE") has been replaced by the Department of Education ("DOE") which is overseen by a Chancellor, appointed by the Mayor, and the 13-member Panel for Educational Policy where the Mayor appoints 8 members including the Chancellor, and the Borough Presidents each appoint one member. The number of pupils in the school system is estimated to be approximately 1 million in each of the 2010 through 2013 fiscal years. Actual enrollment in fiscal years 2005 through 2009 has been 1,048,662, 1,033,366, 1,015,586, 1,011,240 and 1,009,968 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 40.2% of the costs of the Community Colleges in the 2010 fiscal year. The State has full responsibility for the costs of operating the Senior Colleges, although the City is required initially to fund these costs.

The City administers health services programs for the care of the physically and mentally ill and the aged. HHC maintains and operates the City's eleven municipal acute care hospitals, four long-term care facilities, six free standing diagnostic and treatment centers, a certified home health-care program, many hospital-based and neighborhood clinics and a health maintenance organization. HHC is funded primarily by third party reimbursement collections from Medicare and Medicaid and by payments from Bad Debt/ Charity Care Pools.

Medicaid provides basic medical assistance to needy persons. The City is required by State law to furnish medical assistance through Medicaid to all City residents meeting eligibility requirements established by the State. Prior to State legislation in fiscal year 2006 capping City Medicaid payments, the State had assumed 81.2% of the non-federal share of long-term care costs, all of the costs of providing medical assistance to the mentally disabled, and 50% of the non-federal share of Medicaid costs for all other clients. As a result of the State legislation capping City Medicaid payments, the State percentage of the non-federal share may vary. The federal government pays 50% of Medicaid costs for federally eligible recipients.

The City's Expense Budget increased during the five-year period ended June 30, 2009, 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 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009
Education	135,771	137,067	137,678	140,268	139,208
Police	50,141	51,223	51,957	51,977	52,304
Social Services, Homeless and Children's Services	23,060	23,178	23,034	23,454	22,841
City University Community Colleges and Hunter Campus Schools	6,582	6,444	6,608	6,936	7,286
Environmental Protection and Sanitation	15,570	15,800	16,092	16,106	15,777
Fire	15,902	16,140	16,216	16,390	16,230
All Other	52,645	53,186	54,697	55,887	55,565
Total	299,671	303,038	306,282	311,018	309,211

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 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009
Transit Authority	46,706	47,114	47,746	49,055	48,139
Housing Authority	13,128	12,751	12,398	11,800	11,281
HHC	36,227	36,727	37,799	38,439	38,626
Total(1)	96,061	96,592	97,943	99,294	98,046

(1) The definition of "full-time employees" varies among the Covered Organizations and the City.

The foregoing tables include persons whose salaries or wages are paid by certain public employment programs, including programs funded under the Workforce Investment Act, which support employees in non-profit and State agencies as well as in the mayoral agencies and the Covered Organizations.

Labor Relations

Substantially all of the City's full-time employees are members of labor unions. For those employees, wages, hours or working conditions may be changed only as provided for under collective bargaining agreements. Although State law prohibits strikes by municipal employees, strikes and work stoppages by employees of the City and the Covered Organizations have occurred.

Collective bargaining for City employees is under the jurisdiction of either the New York City Office of Collective Bargaining, which was created under the New York City Collective Bargaining Law, or the New York State Public Employment Relations Board ("PERB"), which was created under the State Employees Fair Employment Act. Collective bargaining matters relating to police, firefighters and pedagogical employees are under the jurisdiction of PERB. Under applicable law, the terms of future wage settlements could be determined through an impasse procedure which, except in the case of pedagogical employees, can result in the imposition of a binding settlement. Pedagogical employees do not have access to binding arbitration but are covered by a fact-finding impasse procedure under which a binding settlement may not be imposed.

For information regarding the City's assumptions with respect to the current status of the City's agreements with its labor unions, the cost of future labor settlements and related effects on the Financial

Plan, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. PERSONAL SERVICES COSTS."

Pensions

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). For further information regarding the City's pension systems and the City's obligations thereto, see "SECTION IX: OTHER INFORMATION—Pension Systems."

Capital Expenditures

The City makes substantial capital expenditures to reconstruct, rehabilitate and expand the City's infrastructure and physical assets, including City mass transit facilities, water and sewer facilities, streets, bridges and tunnels, and to make capital investments that will improve productivity in City operations. For additional information regarding the City's infrastructure, physical assets and capital program, see "SECTION VII: FINANCIAL PLAN—Long-Term Capital Program" and "—Financing Program."

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy (previously, the Ten-Year Capital Plan), the Four-Year Capital Plan and the current-year Capital Budget. The Ten-Year Capital Strategy, which is published once every two years in conjunction with the Executive Budget, is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Plan translates mid-range policy goals into specific projects. The Capital Budget defines for each fiscal year specific projects and the timing of their initiation, design, construction and completion.

On May 1, 2009, the City published the Ten-Year Capital Strategy for fiscal years 2010 through 2019. The Ten-Year Capital Strategy totals $61.7 billion, of which approximately 76% would be financed with City funds. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness*."

The Ten-Year Capital Strategy includes, among other items: (i) $21.9 billion to construct new schools and improve existing educational facilities; (ii) $12.9 billion for improvements to the water and sewer system; (iii) $3.5 billion for expanding and upgrading the City's housing stock; (iv) $3.2 billion for reconstruction or resurfacing of City streets; (v) $601.2 million for continued City-funded investment in mass transit; (vi) $4.6 billion for the continued reconstruction and rehabilitation of all four East River bridges and 132 other bridge structures; (vii) $1.4 billion to expand current jail capacity; and (viii) $302.5 million for construction and improvement of court facilities.

Those programs in the Ten-Year Capital Strategy financed with City funds are currently expected to be funded primarily from the issuance of bonds by the City, the Water Authority and the TFA. From time to time in the past, during recessionary periods when operating revenues have come under increasing pressure, capital funding levels have been reduced from those previously contemplated in order to reduce debt service costs. For information concerning the City's long-term financing program for capital expenditures, see "SECTION VII: FINANCIAL PLAN—Financing Program."

The City's capital expenditures, including expenditures funded by State and federal grants, totaled $39.8 billion during the 2005 through 2009 fiscal years. City-funded expenditures, which totaled $29.8 billion during the 2005 through 2009 fiscal years, have been financed through the issuance of bonds by the City, the TFA, the Water Authority, TSASC, HHC and the Dormitory Authority of the State of New York ("DASNY"). The following table summarizes the major categories of capital expenditures in the City's 2005 through 2009 fiscal years.

	2005	2006	2007	2008	2009	Total
			(In Millions)			
Education	$ 975	$1,782	$2,132	$2,358	$ 2,750	$ 9,997
Environmental Protection	1,679	1,841	1,949	2,313	2,700	10,482
Transportation	786	657	757	767	925	3,893
Transit Authority(1)	160	126	70	47	77	480
Housing	343	459	436	503	413	2,154
Hospitals	346	232	187	143	189	1,096
Sanitation	159	94	131	188	230	802
All Other(2)	2,207	1,404	1,834	2,687	2,759	10,892
Total Expenditures(3)	$6,655	$6,595	$7,496	$9,005	$10,044	$39,795
City-funded Expenditures(4)	$5,274	$6,211	$4,799	$6,310	$ 7,248	$29,842

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

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

(3) Total Expenditures for the 2005 through 2009 fiscal years include City, State and federal funding and represent amounts which include an accrual for work-in-progress. These figures for the 2005 through 2009 fiscal years are derived from the CAFR.

(4) City-funded Expenditures do not include accruals, but represent actual cash disbursements occurring during the fiscal year.

The City annually issues a condition assessment and a proposed maintenance schedule for the major portion of its assets and asset systems which have a replacement cost of $10 million or more and a useful life of at least ten years, as required by the City Charter. For information concerning a report which sets forth the recommended capital investment to bring certain identified assets of the City to a state of good repair, see "Section VII: Financial Plan—Long-Term Capital Program."

SECTION VI: FINANCIAL OPERATIONS

The City's Basic Financial Statements and the independent auditors' opinion thereon are presented in "Appendix B—Financial Statements." Further details are set forth in the CAFR for the fiscal year ended June 30, 2009, which is available for inspection at the Office of the Comptroller. For a summary of the City's significant accounting policies, see "Appendix B—Financial Statements—Notes to Financial Statements—Note A." For a summary of the City's operating results for the previous five fiscal years, see "2005-2009 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 Official Statement 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.

2005-2009 Summary of Operations

The following table sets forth the City's results of operations for its 2005 through 2009 fiscal years in accordance with GAAP.

The information regarding the 2005 through 2009 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 2008 and 2009 financial statements included in "Appendix B—Financial Statements." The 2005 through 2007 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				
	2005	2006	2007	2008	2009
			(In Millions)		
Revenues and Transfers					
Real Estate Tax(2)	$11,616	$12,636	$13,123	$13,204	$14,487
Other Taxes(3)(4)	19,250	21,575	24,719	25,397	21,386
Miscellaneous Revenues(3)	5,073	3,862	4,243	5,044	4,626
Other Categorical Grants	862	1,150	1,037	1,090	1,280
Unrestricted Federal and State Aid(3)	604	494	35	242	327
Federal Categorical Grants	6,654	5,243	5,471	5,692	5,941
State Categorical Grants	8,823	9,586	10,186	11,421	12,124
Less: Disallowances Against Categorical Grants	(87)	(542)	(103)	(114)	—
Total Revenues and Transfers(5)	$52,795	$54,004	$58,711	$61,976	$60,171
Expenditures and Transfers					
Social Services	$10,329	$10,148	$11,078	$12,511	$12,151
Board of Education	13,776	14,794	15,748	16,855	17,774
City University	567	550	577	621	658
Public Safety and Judicial	6,507	6,694	6,842	7,259	7,683
Health Services	2,424	2,758	2,272	1,588	1,843
Pensions(6)	3,234	3,879	4,846	5,616	6,265
Debt Service(3)(7)	4,023	4,510	4,334	5,371	1,603
MAC Debt Service and Administrative Expenses(3)(7)	111	10	10	3	—
All Other(7)(8)	11,819	10,656	12,999	12,147	12,189
Total Expenditures and Transfers(5)	$52,790	$53,999	$58,706	$61,971	$60,166
Surplus(7)(8)	$ 5	$ 5	$ 5	$ 5	$ 5

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(1) The City's results of operations refer to the City's General Fund revenues and transfers reduced by expenditures and transfers. The revenues and assets of PBCs included in the City's audited financial statements do not constitute revenues and assets of the City's General Fund, and, accordingly, the revenues of such PBCs are not included in the City's results of operations. Expenditures required to be made and revenues earned by the City with respect to such PBCs are included in the City's results of operations. For further information regarding the particular PBCs included in the City's financial statements, see "Appendix B—Financial Statements—Notes to Financial Statements—Note A."

(2) In fiscal years 2005 through 2009, Real Estate Tax includes $151.7 million, $165.4 million, $165.1 million, $142.2 million and $148.7 million, respectively, which was provided to the City by the State as a reimbursement for the reduced property tax revenues resulting from the State's STAR Program.

(3) Other Taxes and MAC Debt Service and Administrative Expenses include amounts paid to MAC by the State for debt service, operating expenses and State oversight costs from sales tax receipts, stock transfer tax receipts and State per capita aid otherwise payable by the State to the City. For more information see "Section IV: Sources of City Revenues—Other Taxes." MAC Debt Service and Administrative Expenses was reduced by payments by the City of debt service on City obligations held by MAC through fiscal year 2005. Other Taxes excludes $497 million, $350 million, $685 million, $164 million and $138 million of personal income taxes in fiscal years 2005 through 2009, respectively, retained by the TFA. Debt Service does not include debt service on TFA bonds or TSASC 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, $4.640 billion, $4.670 billion, $3.756 billion, and $3.534 billion before discretionary and other transfers and expenditures for the 2009, 2008, 2007, 2006 and 2005 fiscal years, respectively. Discretionary and other transfers are included in Debt Service, MAC Debt Service and Administrative Expenses and for transit and other subsidies, including grants and payments to the TFA, in All Other.

(8) All Other includes grants to the TFA of $947 million in fiscal year 2005 and $546 million in each of fiscal years 2007 and 2008, which were used by the TFA to pay debt service in fiscal years 2006, 2008 and 2009, and resulted in increased personal income tax revenues of $947 million, $546 million and $546 million in fiscal years 2006, 2008 and 2009, respectively. All Other includes a payment in fiscal year 2009 of $546 million of TFA funding requirements otherwise due in fiscal year 2010 and will result in lower fiscal year 2010 TFA funding requirements in the Financial Plan. For additional information on the inclusion of TFA funding requirements in the Financial Plan, see "Section I: Recent Financial Developments — 2010-2014 Financial Plan." All Other includes a payment to the TFA of $718 million in fiscal year 2007 for the early retirement of TFA debt due in fiscal years 2009 and 2010 which resulted in increased personal income tax revenues of $33 million and $362 million in fiscal years 2008 and 2009, respectively, and resulted in decreased TFA funding requirements of $382 million in fiscal year 2010. All Other includes deposits into a trust of $1 billion and $1.5 billion in fiscal years 2006 and 2007, respectively, to fund a portion of the future costs of OPEB for current and future retirees. All Other includes prepayments into the OPEB trust of $460 million and $225 million in fiscal years 2008 and 2009, respectively, resulting in lowered OPEB expense of $235 million in fiscal year 2009 and will result in lowered OPEB expense of $225 million in fiscal year 2010.

Forecast of 2010 Results

The following table compares the forecast for the 2010 fiscal year contained in the June Financial Plan, which was submitted to the Control Board in June 2009 (the "June 2009 Forecast") with the forecast contained in the Financial Plan, which was submitted to the Control Board on January 28, 2010 (the "January 2010 Forecast"). Each forecast was prepared on a basis consistent with GAAP except for the application of GASB 49. The January 2010 Forecast reflects as revenues to the City personal income tax revenues retained by the TFA and as expenditures the funding requirements associated with TFA Future Tax Secured Bonds. For information regarding recent developments, including actions by the Control Board with respect to the application of GASB 49 to the City budget, and the inclusion of the TFA in the Financial Plan, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	June 2009 Forecast	January 2010 Forecast	Increase/(Decrease) from June 2009 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$16,072	$16,035	(37)
Other Taxes	16,725	20,063	3,338 (1)(2)
FY 2009 Discretionary Transfer	546	—	(546)(2)
Debt Defeasance	382	—	(382)(2)
Tax Audit Revenue	596	890	294 (3)
Tax Program	879	—	(879)(1)(4)
Subtotal — Taxes	$35,200	$36,988	$1,788
Miscellaneous Revenues	5,973	6,283	310 (5)
Unrestricted Intergovernmental Aid	340	340	—
Less: Intra-City Revenues	(1,669)	(1,804)	(135)
Disallowances Against Categorical Grants	(15)	(15)	—
Subtotal – City Funds	$39,829	$41,792	$1,963
Other Categorical Grants	1,053	1,372	319 (6)
Inter-Fund Revenues	486	497	11
Total City Funds, Other Categorical Grants & Inter-Fund Revenues	$41,368	$43,661	$2,293
Federal Categorical Grants	6,600	7,943	1,343 (7)
State Categorical Grants	11,512	11,476	(36)
Total Revenues	$59,480	$63,080	$3,600
EXPENDITURES			
Personal Services			
Salaries and Wages	$22,563	$22,310	$ (253)(8)
Pensions	6,700	6,760	60
Fringe Benefits	6,911	7,307	396 (9)
Retiree Health Benefits Trust	—	(82)	(82)(10)
Total – Personal Services	$36,174	$36,295	$ 121
Other Than Personal Services			
Medical Assistance	4,907	4,951	44
Public Assistance	1,299	1,580	281
All Other	18,859	19,397	538 (11)
Total – Other Than Personal Services	$25,065	$25,928	$ 863
General Obligation, Lease and TFA Debt Service	4,187	5,117	930 (12)
General Obligation, Lease and TFA Debt Defeasance	(2,313)	(2,726)	(413)(13)
FY 2009 Budget Stabilization & Discretionary Transfers	(2,264)	(2,813)	(549)(14)
FY 2010 Budget Stabilization	—	2,883	2,883 (15)
General Reserve	300	200	(100)
Total Expenditures	$61,149	$64,884	$3,735
Less: Intra-City Expenses	(1,669)	(1,804)	(135)
Net Total Expenditures	$59,480	$63,080	$3,600

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(1) The increase in Other Taxes is due in part to an increase of $1.038 billion as a result of including in the Financial Plan, as revenues to the City, personal income tax revenues to be retained by the TFA. In addition, the increase is due to increases of $650 million in sales tax and $159 million in various business taxes as a result of the enactment of tax proposals, reflected under Anticipated Tax Program in the June 2009 Forecast, effective August 1, 2009, increases in personal income tax of $830 million, sales tax of $162 million, general corporation tax of $132 million, banking corporation tax of $170 million, unincorporated business tax of $184 million, commercial rent tax of $35 million, hotel tax of $20 million, all other taxes of $68 million and State STAR Program aid of $8 million offset by decreases in real property transfer tax of $24 million and mortgage recording tax of $94 million.

(2) FY 2009 Discretionary Transfers is reflected as a reduction in expenditures in FY 2009 Budget Stabilization & Discretionary Transfers as a result of the inclusion of TFA funding requirements in the Financial Plan in General Obligation, Lease and TFA Debt Service in the January 2010 Forecast. Debt Defeasance is reflected as a reduction in expenditures in General Obligation, Lease and TFA Debt Defeasance as a result of the inclusion of TFA funding requirements in the Financial Plan in General Obligation, Lease and TFA Debt Service in the January 2010 Forecast.

(3) The increase in Tax Audit Revenue reflects an increase of $185 million in general corporation tax and $100 million in banking corporation tax.

(4) The tax proposals under Anticipated Tax Program were enacted by the State effective August 1, 2009 and $809 million is now reflected under Other Taxes.

(5) The increase in Miscellaneous Revenues is due to increases of $1 million in interest income, $64 million in charges for services, $10 million in water and sewer payments, $6 million in rental income, $110 million in other miscellaneous revenues and $135 million in intra-city revenues offset by a decrease of $16 million in fines and forfeitures.

(6) The increase in Other Categorical Grants is due to increases of $254.6 million in miscellaneous agency funding, $31.1 million in police department funding, $22.5 million in education funding, $19.9 million in housing preservation and development funding, $10.8 million in parks and recreation funding, $7.9 million in health and mental hygiene funding, $6.1 million in information technology funding, $5.4 million in mayoral agency funding and $8.4 million in other agencies funding, offset by a decrease of $47.7 million in debt service funding.

(7) The increase in Federal Categorical Grants is due to increases of $308.2 million in social services funding, $172.9 million in police department funding, $59.8 million in health and mental hygiene funding, $78.1 million in transportation funding, $153.9 million in housing development and preservation funding, $127.1 million in fire department funding, $60.9 million for emergency management, $36.7 million in youth and community development funding, $54.1 million in homeless services funding, $161.5 million in education funding, $34.7 million in children services funding, $19.9 million in environmental protection funding and $75.2 million in other grants.

(8) The decrease in Personal Services — Salaries and Wages is due to an increase of $166 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, and decreases of $312 million from the transfer of labor reserve to pension expense, $35 million from the elimination of the 1.25% wage increase in the labor reserve, and $72 million in net agency expenditures.

(9) The increase in Personal Services — Fringe Benefits is due to an increase of $149 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, an increase of $165 million in health benefits spending reflecting the elimination of additional health cost containment savings, and an increase of $82 million for retiree health benefits as a result of reflecting an $82 million offset in Retiree Health Benefits Trust in the January 2010 Forecast.

(10) Retiree Health Benefits Trust reflects an $82 million reduction in contributions to the Trust which was reflected as a lowered expense of $82 million in Fringe Benefits in the June 2009 Forecast.

(11) The increase in Other Than Personal Services — All Other is due to an increase of $984 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants and an increase of $54 million in net agency expenditures, offset by a decrease of $500 million in prior year payables.

(12) General Obligation, Lease and TFA Debt Service reflected only general obligation and lease debt service in the June 2009 Forecast. In the January 2010 Forecast, General Obligation, Lease and TFA Debt Service reflects the addition of $1.054 billion in TFA funding requirements offset by decreases totaling $124 million in other debt service.

(13) General Obligation, Lease and TFA Debt Defeasance reflected only general obligation debt defeasance in the June 2009 Forecast. The use in fiscal year 2007 of $536 million for general obligation debt redemption reduced debt service by $27 million, $279 million and $277 million in fiscal years 2008 through 2010, respectively. The use in fiscal year 2008 of $1.986 billion for general obligation debt defeasance reduced debt service by $2.036 billion in fiscal year 2010. The use in fiscal year 2007 of $718 million for TFA debt defeasance reduced TFA debt service by $33 million, $362 million and $382 million in fiscal years 2008 through 2010, respectively. The use in fiscal year 2007 of $65 million in lease debt defeasance reduced debt service by $34 million and $31 million in fiscal years 2009 and 2010, respectively. The change in General Obligation, Lease and TFA Debt Defeasance is due to the inclusion of the impact in fiscal year 2010 of lease and TFA debt defeasance.

(14) FY 2009 Budget Stabilization & Discretionary Transfers reflects the discretionary transfer of $1.286 billion into the General Debt Service Fund in fiscal year 2009 for debt service due in fiscal year 2010, the payment in fiscal year 2009 of $110 million in lease debt service, $225 million in retiree health benefits, $643 million in other subsidies, $3 million equity contribution to a bond refunding and $546 million in TFA funding requirements, respectively, otherwise due in fiscal year 2010.

(15) FY 2010 Budget Stabilization reflects the discretionary transfer of $2.883 billion into the General Debt Service Fund in fiscal year 2010 for debt service due in fiscal year 2011.

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 2010 through 2014 fiscal years as contained in the Financial Plan. This table should be read in conjunction with the accompanying notes, "Actions to Close the Remaining Gaps" and "Assumptions" below. For information regarding recent developments, including recent actions by the Control Board with respect to the application of GASB 49 to the City budget, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	Fiscal Years(1)(2)				
	2010	2011	2012	2013	2014
			(In Millions)		
REVENUES					
Taxes					
General Property Tax(3)	$16,035	$16,917	$17,536	$17,746	$17,882
Other Taxes(4)(5)(6)	20,063	21,268	22,625	24,008	25,258
Tax Audit Revenue	890	612	611	610	610
Tax Fairness Program(7)	—	219	241	262	284
Subtotal – Taxes	$36,988	$39,016	$41,013	$42,626	$44,034
Miscellaneous Revenues(8)	6,283	5,793	5,853	5,897	5,918
Unrestricted Intergovernmental Aid	340	340	340	340	340
Less: Intra-City Revenues	(1,804)	(1,545)	(1,547)	(1,552)	(1,552)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal – City Funds	$41,792	$43,589	$45,644	$47,296	$48,725
Other Categorical Grants	1,372	1,200	1,155	1,152	1,151
Inter-Fund Revenues(9)	497	471	450	450	450
Total City Funds, Other Categorical Grants and Inter-Fund Revenues	$43,661	$45,260	$47,249	$48,898	$50,326
Federal Categorical Grants	7,943	6,614	5,720	5,680	5,679
State Categorical Grants	11,476	11,766	12,407	13,057	13,195
Total Revenues	$63,080	$63,640	$65,376	$67,635	$69,200
EXPENDITURES					
Personal Services					
Salaries and Wages	$22,310	$21,695	$21,353	$21,993	$22,168
Pension	6,760	7,268	7,694	7,841	7,949
Fringe Benefits	7,307	7,622	7,921	8,214	8,715
Retiree Health Benefits Trust(10)	(82)	(395)	(672)	—	—
Total-Personal Services	$36,295	$36,190	$36,296	$38,048	$38,832
Other Than Personal Services					
Medical Assistance	$ 4,951	$ 5,644	$ 6,113	$ 6,293	$ 6,478
Public Assistance	1,580	1,563	1,603	1,591	1,591
All Other(11)	19,397	18,835	19,485	20,041	20,585
Total-Other Than Personal Services	$25,928	$26,042	$27,201	$27,925	$28,654
General Obligation, Lease and TFA Debt Service(12)	5,117	5,536	6,286	6,579	6,815
General Obligation, Lease and TFA Debt Defeasance(13)	(2,726)	—	—	—	—
FY 2009 Budget Stabilization & Discretionary Transfers(14)	(2,813)	—	—	—	—
FY 2010 Budget Stabilization(15)	2,883	(2,883)	—	—	—
General Reserve	200	300	300	300	300
	$64,884	$65,185	$70,083	$72,852	$74,601
Less: Intra-City Expenses	(1,804)	(1,545)	(1,547)	(1,552)	(1,552)
Total Expenditures	$63,080	$63,640	$68,536	$71,300	$73,049
GAP TO BE CLOSED	$ —	$ —	$ (3,160)	$ (3,665)	$ (3,849)

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

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The four year financial plan for the 2009 through 2012 fiscal years, as submitted to the Control Board on June 30, 2008, contained the following projections for the 2009-2012 fiscal years: (i) for 2009, total revenues of $59.169 billion and total expenditures of $59.169 billion; (ii) for 2010, total revenues of $60.285 billion and total expenditures of $62.629 billion, with a gap to be closed of $2.344 billion; (iii) for 2011, total revenues of $63.240 billion and total expenditures of $68.398 billion, with a gap to be closed of $5.158 billion; and (iv) for 2012, total revenues of $65.818 billion and total expenditures of $70.926 billion, with a gap to be closed of $5.108 billion.

The four year financial plan for the 2008 through 2011 fiscal years, as submitted to the Control Board on June 20, 2007, contained the following projections for the 2008-2011 fiscal years: (i) for 2008, total revenues of $58.965 billion and total expenditures of $58.965 billion; (ii) for 2009, total revenues of $58.701 billion and total expenditures of $60.251 billion, with a gap to be closed of $1.550 billion; (iii) for 2010, total revenues of $61.433 billion and total expenditures of $64.830 billion, with a gap to be closed of $3.397 billion; and (iv) for 2011, total revenues of $63.551 billion and total expenditures of $67.920 billion, with a gap to be closed of $4.369 billion.

The four year financial plan for the 2007 through 2010 fiscal years, as submitted to the Control Board in July 2006, contained the following projections for the 2007-2010 fiscal years: (i) for 2007, total revenues of $52.940 billion and total expenditures of $52.940 billion; (ii) for 2008, total revenues of $53.589 billion and total expenditures of $57.399 billion, with a gap to be closed of $3.810 billion; (iii) for 2009, total revenues of $54.497 billion and total expenditures of $59.081 billion, with a gap to be closed of $4.584 billion; and (iv) for 2010, total revenues of $56.259 billion and total expenditures of $60.328 billion, with a gap to be closed of $4.069 billion.

(2) The Financial Plan combines the operating revenues and expenditures of the City, the DOE and CUNY. The Financial Plan does not include the total operations of HHC, but does include the City's subsidy to HHC and the City's share of HHC revenues and expenditures related to HHC's role as a Medicaid provider. Certain Covered Organizations and PBCs which provide governmental services to the City, such as the Transit Authority, are separately constituted and their revenues (other than net OTB revenues), are not included in the Financial Plan; however, City subsidies and certain other payments to these organizations are included. Revenues and expenditures are presented net of intra-City items, which are revenues and expenditures arising from transactions between City agencies.

(3) For a description of the effects of the increase in the average real estate tax rate effective January 1, 2009, the State's STAR Program, and other real estate tax assumptions, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—2. Real Estate Tax."

(4) Other Taxes includes OTB surtax revenues. 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) Other Taxes includes the impact of recently enacted tax program proposals effective August 1, 2009, including the repeal of the sales tax exemption on clothing above $110 with estimated increased revenues of $108 million, $124 million, $133 million, $141 million and $141 million in fiscal years 2010 through 2014, respectively, an increase of 0.50 percent in the sales tax rate with estimated increased revenues of $468 million, $537 million, $570 million, $606 million and $642 million in fiscal years 2010 through 2014, respectively, the imposition of a 4.5 percent sales tax on all electric and natural gas transmission and distribution with estimated increased revenues of $75 million, $84 million, $87 million, $89 million and $89 million in fiscal years 2010 through 2014, respectively, and increases to City business taxes with estimated increased revenues of $159 million, $132 million, $153 million, $140 million and $140 million in fiscal years 2010 through 2014, respectively.

(7) Tax Fairness Program includes a proposal to impose a sales tax on the aviation fuel sold to airlines with estimated increased sales tax revenues of $169 million, $183 million, $191 million and $206 million in fiscal years 2011 through 2014, respectively, and a proposal to extend the mortgage recording tax to cooperative apartments with estimated increased mortgage recording tax revenues of $50 million, $58 million, $71 million and $78 million in fiscal years 2011 through 2014, respectively. Both proposals require enactment of State legislation.

(8) 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."

(9) 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.

(10) Retiree Health Benefits Trust reflects the reduction in contributions to the Trust previously reflected as a lowered expense in Fringe Benefits of $82 million, $395 million and $672 million in fiscal years 2010 through 2012, respectively. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. Personal Services Costs."

(11) 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."

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(12) 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."

(13) The use in fiscal year 2007 of $536 million for general obligation debt redemption reduced debt service by $27 million, $279 million and $277 million in fiscal years 2008 through 2010, respectively. The use in fiscal year 2008 of $1.986 billion for general obligation debt defeasance reduced debt service by $2.036 billion in fiscal year 2010. The use in fiscal year 2007 of $718 million for TFA debt defeasance reduced TFA debt service by $33 million, $362 million and $382 million in fiscal years 2008 through 2010, respectively. The use in fiscal year 2007 of $65 million in lease debt defeasance reduced debt service by $34 million and $31 million in fiscal years 2009 and 2010, respectively.

(14) FY 2009 Budget Stabilization & Discretionary Transfers reflects the discretionary transfer of $1.286 billion into the General Debt Service Fund in fiscal year 2009 for debt service due in fiscal year 2010, the payment in fiscal year 2009 of $110 million in lease debt service, $225 million in retiree health benefits, $643 million in other subsidies, $3 million equity contribution to a bond refunding and $546 million in TFA funding requirements, respectively, otherwise due in fiscal year 2010.

(15) FY 2010 Budget Stabilization reflects the discretionary transfer of $2.883 billion into the General Debt Service Fund in fiscal year 2010 for debt service due in fiscal year 2011.

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 twenty-nine fiscal years, except for the application of GASB 49 with respect to fiscal year 2009, and is projected to achieve balanced operating results for the 2010 and 2011 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 for the 2010 through 2014 fiscal years; realization of projected earnings for pension fund assets and current assumptions with respect to wages for City employees affecting the City's required pension fund contributions; the willingness and ability of the State to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City; the ability of HHC and other such entities to maintain balanced budgets; the willingness of the federal government to provide the amount of federal aid contemplated in the Financial Plan; the impact on City revenues and expenditures of federal and State legislation affecting Medicare or other entitlement programs; adoption of the City's budgets by the City Council in substantially the forms submitted by the Mayor; the ability of the City to implement cost reduction initiatives, and the success with which the City controls expenditures; the impact of conditions in the real estate market on real estate tax revenues; and the ability of the City and other financing entities to market their securities successfully in the public credit markets. See "SECTION I: RECENT FINANCIAL DEVELOPMENTS." Certain of these assumptions are reviewed in reports issued by the City Comptroller and other public officials. See "SECTION VII: FINANCIAL PLAN—Certain Reports."

The projections and assumptions contained in the Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions which the City expects will be taken but which are not within the City's control, will be realized. For information regarding certain recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

Revenue Assumptions

1. General Economic Conditions

The Financial Plan assumes an increase in economic activity in calendar year 2010 compared to calendar year 2009. The following table presents a forecast of the key economic indicators for the calendar years 2009 through 2014. This forecast is based upon information available in January 2010.

Forecast of Key Economic Indicators

	Calendar Years					
	2009	2010	2011	2012	2013	2014
U.S. Economy						
Economic Activity and Income						
Real GDP (billions of 2000 dollars)	12,975	13,275	13,649	14,150	14,597	15,012
Percent Change	(2.5)	2.3	2.8	3.7	3.2	2.8
Non-Agricultural Employment (millions)	132.0	131.0	133.2	136.8	140.1	142.6
Change from Prior Year	(5.1)	(1.0)	2.2	3.6	3.3	2.5
CPI-All Urban (1982-84=100)	214.5	219.3	223.5	227.8	231.6	236.1
Percent Change	(0.3)	2.2	1.9	1.9	1.7	1.9
Wage Rate ($ per year)	47,938	49,541	50,808	51,901	53,357	55,017
Percent Change	0.4	3.3	2.6	2.2	2.8	3.1
Personal Income ($ billions)	12,069	12,485	13,025	13,709	14,480	15,301
Percent Change	(1.4)	3.4	4.3	5.2	5.6	5.7
Pre-Tax Corp Profits ($ billions)	1,393	1,569	1,719	1,773	1,811	1,771
Percent Change	(4.7)	12.6	9.5	3.2	2.2	(2.2)
Unemployment Rate (Percent)	9.3	10.2	9.6	8.6	7.7	7.2
10-Year Treasury Bond Rate	3.2	4.2	4.9	5.5	5.8	6.5
Federal Funds Rate	0.2	0.3	1.7	3.4	3.6	4.7
New York City Economy						
Real Gross City Product (billions of dollars)	544.0	555.9	556.2	571.7	585.9	598.2
Percent Change	(3.5)	2.2	0.1	2.8	2.5	2.1
Non-Agricultural Employment (thousands)	3,705	3,603	3,625	3,674	3,723	3,759
Change from Prior Year	(85)	(102)	22	50	49	36
CPI-All Urban NY-NJ Area (1982-84=100)	236.8	242.2	247.4	252.6	257.4	263.0
Percent Change	0.4	2.3	2.2	2.1	1.9	2.2
Wage Rate ($ per year)	73,720	77,457	80,461	80,971	83,772	86,886
Percent Change	(8.2)	5.1	3.9	0.6	3.5	3.7
Personal Income ($ billions)	410.7	422.8	438.5	455.1	476.1	499.3
Percent Change	(3.0)	2.9	3.7	3.8	4.6	4.9
New York Real Estate Market						
Manhattan Primary Office Market						
Asking Rental Rate ($ per square foot)	66.57	56.78	55.74	55.70	55.86	55.47
Percent Change	(19.6)	(14.7)	(1.8)	(0.1)	0.3	(0.7)
Vacancy Rate – Percent	11.7	13.5	12.4	11.0	10.3	10.8

Source: OMB.

2. Real Estate Tax

Projections of real estate tax revenues are based on a number of assumptions, including, among others, assumptions relating to the tax rate, the assessed valuation of the City's taxable real estate, the delinquency rate, debt service needs, a reserve for uncollectible taxes and the operating limit. See "Section IV: Sources of City Revenues—Real Estate Tax."

Projections of real estate tax revenues reflect the increase, effective January 1, 2009, in the average tax rate to $12.28 per $100 of assessed value resulting in increased revenues of $1.22 billion, $1.3 billion, $1.36 billion, $1.39 billion and $1.40 billion in fiscal years 2010 through 2014, respectively. The increase rescinded the 7% decrease enacted July 1, 2007.

Projections of real estate tax revenues include net revenues of $18 million, $70 million, $40 million, $40 million and $40 million in fiscal years 2010 through 2014, respectively, from the sale of real property tax liens. The authorization to sell such real estate tax liens is effective until December 31, 2010. The Financial Plan assumes the enactment of local legislation to extend such authorization. Projections of real estate tax revenues include the effects of the State's STAR Program which will reduce the real estate tax revenues by an estimated $187 million in fiscal year 2010. 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 $398 million, $411 million, $430 million, $439 million and $439 million in fiscal years 2010 through 2014, respectively. Projections of real estate tax revenues also reflect the elimination of the real estate tax rebate of $400 to owner-occupants of houses, co-ops and condominiums resulting in increased annual revenues of $256 million in fiscal years 2010 through 2014.

The delinquency rate was 2.4% for each of fiscal years 2004 and 2005, 2.0% in fiscal year 2006, 2.1% in fiscal year 2007, 1.8% in fiscal year 2008 and 1.8% in fiscal year 2009. The Financial Plan projects delinquency rates of 1.9%, 2.0%, 2.1%, 2.1% and 2.2% in fiscal years 2010 through 2014, respectively. For information concerning the delinquency rates for prior years, see "Section IV: Sources of City Revenues—Real Estate Tax—*Collection of the Real Estate Tax.*" For a description of proceedings seeking real estate tax refunds from the City, see "Section IX: Other Information—Litigation—*Taxes.*"

3. Other Taxes

The following table sets forth amounts of revenues (net of refunds) from taxes other than the real estate tax projected to be received by the City in the Financial Plan. The amounts set forth below exclude the Criminal Justice Fund and audit revenues.

	2010	2011	2012 (In Millions)	2013	2014
Personal Income(1)	$ 6,817	$ 7,320	$ 7,833	$ 8,251	$ 8,667
General Corporation	2,288	2,640	2,893	3,115	3,286
Banking Corporation	694	649	753	856	899
Unincorporated Business Income	1,618	1,660	1,734	1,827	1,918
Sales(2)	4,881	5,122	5,361	5,660	5,975
Commercial Rent	578	551	548	557	568
Real Property Transfer	589	640	691	775	849
Mortgage Recording	381	465	538	641	744
Utility	394	398	411	421	434
Cigarette	96	94	92	90	88
Hotel(3)	350	359	360	337	344
All Other(4)	1,377	1,370	1,411	1,478	1,486
Total	$20,063	$21,268	$22,625	$24,008	$25,258

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Note: Totals may not add due to rounding.

(1) Personal Income includes $127 million, $1.250 billion, $1.612 billion, $1.831 billion and $2.0 billion of personal income tax revenues projected to be retained by the TFA for debt service and other expenses in the 2010, 2011, 2012, 2013 and 2014 fiscal years, respectively. These projections reflect reductions in personal income tax revenues as a result of the State's STAR Program under law in effect at the date of the Financial Plan in the amount of $723 million, $734 million, $771 million, $846 million and $846 million in the 2010 through 2014 fiscal years, respectively. The State will reimburse the City for reduced revenues resulting from the STAR Program.

(2) Sales reflects recently enacted proposals effective August 1, 2009 including the repeal of the sales tax exemption on clothing above $110 with estimated increased revenues of $108 million, $124 million, $133 million, $141 million and $141 million in fiscal years 2010 through 2014, respectively, an increase of 0.50 percent in the sales tax rate with estimated increased revenues of $468 million, $537 million, $570 million, $606 million and $642 million in fiscal years 2010 through 2014, respectively, and the imposition of a 4.5 percent sales tax on all electric and natural gas transmissions and distribution with estimated increased revenues of $75 million, $84 million, $87 million, $89 million and $89 million in fiscal years 2010 through 2014, respectively.

(3) Hotel includes the impact of an additional temporary hotel occupancy tax of 0.875 percent resulting in additional revenues of $14 million, $46 million, $46 million and $25 million in fiscal years 2010 through 2013, respectively.

(4) All Other includes, among others, OTB surtax revenues, beer and liquor taxes, and the automobile use tax. All Other also includes $910 million, $943 million, $980 million, $1.055 billion and $1.055 billion in fiscal years 2010 through 2014, respectively, to be provided to the City by the State as reimbursement for the reduced property tax and personal income tax revenues resulting from the State's STAR Program.

The Financial Plan reflects the following assumptions regarding projected revenues from Other Taxes: (i) with respect to the personal income tax, moderate growth in fiscal year 2010 reflecting a moderate bonus payout on calendar year 2009 earnings, a rebound in non-wage income from sharply improved capital gains realizations, offset by continued employment losses in calendar year 2009, growth in fiscal year 2011 reflecting a continued strength in Wall Street bonus payouts and stabilization in forecast employment in calendar year 2010, and continued growth in fiscal years 2012 through 2014 reflecting the recovery of the national and local economies and local employment gains; (ii) with respect to the general corporation tax, a moderate decline in fiscal year 2010 reflecting the second year of lower tax payments from non-finance firms, as well as a decline in finance firm tax payments as the net operating loss carry-forwards reduce tax payments and tax payments lag current liability, and a rebound in fiscal years 2011 through 2014 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (iii) with respect to the banking corporation tax, a decline in fiscal year 2010 primarily the result of the non-recurring revenue in fiscal year 2009 from federal/State tax shelter voluntary compliance programs, a further decline in fiscal year 2011 as the Federal Reserve begins to unwind the monetary easing which has propped up bank profits the last several years, and a rebound in fiscal years 2012 through 2014 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (iv) with respect to the unincorporated business tax, a decline in fiscal year 2010 reflecting job losses in both the finance and non-finance sectors and declines in hedge funds and private equity firm tax payments, a moderate recovery in fiscal year 2011 followed by a strong rebound in fiscal years 2012 through 2014 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (v) with respect to the sales tax, moderate growth in fiscal year 2010 reflecting several tax initiatives including the 0.5 percent sales tax rate increase, offset by a decline in consumption stemming from continued employment losses and moderate declines in tourism, and moderate growth in fiscal years 2011 through 2014 paralleling the recovery of the local economy and employment; (vi) with respect to the real property transfer tax, a continued decline in fiscal year 2010, as the local economic slowdown further reduces the number and average sales price of transactions in the residential market and the number and value of large commercial real estate transactions decrease as a result of the tighter credit market and the re-pricing of real estate related risk, and a return to growth in fiscal year 2011 as both the volume and price of residential and commercial transactions grow with the recovery of the local economy; (vii) with respect to the mortgage recording tax, a continued decline in fiscal year 2010, as the number and average sales price of transactions in the residential market decline sharply and the tighter lending standards requiring higher down-payments reduces the average mortgage loan amount subject to tax, and a return to growth in fiscal year 2011 as both the volume and price of residential and commercial transactions grow with the recovery of the local economy; and (viii) with respect to the commercial rent tax, a decline in fiscal year 2010, reflecting rising vacancy rates and declining asking rents as the local economy suffers from the impact of the national slowdown and Wall Street and business service layoffs, continued declines in fiscal years 2011 and 2012 as the local office market suffers from employment losses, paralleling the slower employment growth forecast for the local economy, and a return to growth in fiscal years 2013 and 2014.

4. Miscellaneous Revenues

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

	2010	2011	2012	2013	2014
			(In Millions)		
Licenses, Permits and Franchises	$ 479	$ 493	$ 497	$ 498	$ 500
Interest Income	30	44	99	128	128
Charges for Services	738	755	755	755	754
Water & Sewer Payments (1)	1,378	1,345	1,366	1,379	1,406
Rental Income	226	223	223	223	223
Fines and Forfeitures	884	896	870	869	869
Other	744	492	496	493	486
Intra-City Revenues	1,804	1,545	1,547	1,552	1,552
	$6,283	$5,793	$5,853	$5,897	$5,918

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

Miscellaneous Revenues—Rental Income reflects approximately $102.7 million in each of fiscal years 2010 through 2014 for lease payments for the City's airports.

Miscellaneous Revenues—Other reflects $123 million, $123 million, $124 million, $124 million and $125 million of projected resources in fiscal years 2010 through 2014, respectively, from the receipt by the City of TSRs. For more information, see "Section IV: Sources of City Revenues—Miscellaneous Revenues." Economic and legal uncertainties relating to the tobacco industry and the settlement, including pending anti-trust litigation challenging a State statute implementing the settlement agreement and adjustments provided for under the settlement agreement, may significantly affect the receipt of TSRs by TSASC and the City.

5. Unrestricted Intergovernmental Aid

The following table sets forth amounts of unrestricted intergovernmental aid projected to be received by the City in the Financial Plan.

	2010	2011	2012	2013	2014
			(In Millions)		
State Revenue Sharing	$327	$327	$327	$327	$327
Other Aid	13	13	13	13	13
Total	$340	$340	$340	$340	$340

The Other Aid category consists of prior year claims settlements. The receipt of State Revenue Sharing funds could be affected by potential prior claims asserted by the State. For information concerning projected State budget gaps, see "Section I: Recent Financial Developments—The State."

6. Federal and State Categorical Grants

The following table sets forth amounts of federal and State categorical grants projected to be received by the City in the Financial Plan.

	2010	2011	2012	2013	2014
Federal					
Community Development	$ 308	$ 247	$ 242	$ 242	$ 242
Social Services	2,959	2,739	2,729	2,702	2,702
Education	2,908	2,584	1,759	1,759	1,759
Other	1,768	1,044	990	977	976
Total	$ 7,943	$ 6,614	$ 5,720	$ 5,680	$ 5,679
State					
Social Services	$ 2,012	$ 1,940	$ 1,954	$ 1,927	$ 1,927
Education	8,077	8,447	8,964	9,551	9,601
Higher Education	206	220	220	220	220
Health and Mental Hygiene	477	462	463	464	465
Other	704	697	806	895	982
Total	$11,476	$11,766	$12,407	$13,057	$13,195

The Financial Plan assumes that all existing federal and State categorical grant programs will continue, unless specific legislation provides for their termination or adjustment, and assumes increases in aid where increased costs are projected for existing grant programs. Federal funds for education, primarily provided through the American Recovery and Reinvestment Act ("ARRA") of $1.177 billion and $834 million are reflected in fiscal years 2010 and 2011, respectively. 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 November 30, 2009, approximately 12.9% of the City's full-time and full-time equivalent employees (consisting of employees of the mayoral agencies and the DOE) were paid by Community Development funds, water and sewer funds and from other sources not funded by unrestricted revenues of the City.

A major component of federal categorical aid to the City is the Community Development program. Pursuant to federal legislation, Community Development grants are provided to cities primarily to aid low and moderate income persons by improving housing facilities, parks and other improvements, by providing certain social programs and by promoting economic development. These grants are based on a formula that takes into consideration such factors as population, housing overcrowding and poverty.

The City's receipt of categorical aid is contingent upon the satisfaction of certain statutory conditions and is subject to subsequent audits, possible disallowances and possible prior claims by the State or federal governments. The general practice of the State and federal governments has been to deduct the amount of any disallowances against the current year's payment. Substantial disallowances of aid claims may be asserted during the course of the Financial Plan. The amounts of such disallowances attributable to prior years increased from $124 million in the 1977 fiscal year to $542 million in the 2006 fiscal year. The amount of such disallowance was $103 million, $114 million and $0 in the 2007 through 2009 fiscal years, respectively. As of June 30, 2009, the City had an accumulated reserve of $1.1 billion for all disallowances of categorical aid.

Expenditure Assumptions

1. Personal Services Costs

The following table sets forth projected expenditures for personal services costs contained in the Financial Plan.

	2010	2011	2012	2013	2014
			(In Millions)		
Wages and Salaries	$21,822	$21,007	$20,527	$21,074	$21,094
Pensions	6,760	7,268	7,694	7,841	7,949
Other Fringe Benefits	7,307	7,622	7,921	8,214	8,715
Retiree Health Benefits Trust	(82)	(395)	(672)	—	—
Reserve for Collective Bargaining					
Department of Education	217	350	369	367	367
Other	271	338	457	552	707
Reserve Subtotal	488	688	826	919	1,074
Total	$36,295	$36,190	$36,296	$38,048	$38,832

The Financial Plan projects that the authorized number of City-funded full-time and full-time equivalent employees whose salaries are paid directly from City funds, as opposed to federal or State funds or water and sewer funds, will decrease from an estimated level of 261,871 as of June 30, 2010 to an estimated level of 253,207 by June 30, 2014.

Other Fringe Benefits includes $1.671 billion, $1.832 billion, $1.997 billion, $2.146 billion and $2.306 billion in fiscal years 2010 through 2014, respectively, for OPEB expenditures for current retirees, which costs are currently paid by the City on a pay-as-you-go basis. Other Fringe Benefits does not reflect lowered expense of $225 million in fiscal year 2010 as a result of the prepayment in fiscal year 2009 of $225 million into the Retiree Health Benefits Trust Fund. 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—2005-2009 Summary of Operations." For information on the OPEB reporting requirement, see "Section III: Government and Financial Controls—City Financial Management, Budgeting and Controls—*Financial Reporting and Control Systems,*" and "Appendix B—Financial Statements—Notes to Financial Statements—Note E.5."

Retiree Health Benefits Trust reflects lowered expense of $82 million, $395 million and $672 million in fiscal years 2010 through 2012, respectively, as a result of reduced contributions to the Retiree Health Benefits Trust Fund in those years. The lowered expense was reflected in Other Fringe Benefits in the June Financial Plan. For additional information see "Section I: Recent Financial Developments."

The Reserve for Collective Bargaining contains funds for the cost of collective bargaining increases for labor contracts not yet settled. The Reserve for Collective Bargaining reflects savings of $160 million, $357 million, $462 million, $515 million and $518 million in fiscal years 2010 through 2014, respectively, as a result of capping collective bargaining wage increases for DOE pedagogical employees and supervisors to 2% on the first $70,000 of salary annually for two years instead of the 4% included in the June Financial Plan. In addition, the Reserve for Collective Bargaining reflects savings of $35 million, $190 million, $469 million, $730 million and $952 million in fiscal years 2010 through 2014, respectively, associated with the elimination of 1.25% annual wage increases for the next round of collective bargaining that had been assumed in the June Financial Plan. For additional information, see "Section I: Recent Financial Developments" and "Section V: City Services and Expenditures — Employees and Labor Relations — *Labor Relations.*"

For a discussion of the City's pension systems, see "Section IX: Other Information—Pension Systems" and "Appendix B—Financial Statements—Notes to Financial Statements—Note E.6. and Note F."

2. Other Than Personal Services Costs

The following table sets forth projected other than personal services ("OTPS") expenditures contained in the Financial Plan.

	2010	2011	2012	2013	2014
			(In Millions)		
Administrative OTPS	$16,361	$15,806	$16,151	$16,500	$16,845
Public Assistance	1,580	1,563	1,603	1,591	1,591
Medical Assistance	4,951	5,644	6,113	6,293	6,478
HHC Support	195	175	200	200	200
Other	2,841	2,854	3,134	3,341	3,540
Total	$25,928	$26,042	$27,201	$27,925	$28,654

Administrative OTPS and Energy

The Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services and estimates of energy costs in the 2010 fiscal year. Thereafter, to account for inflation, OTPS expenditures are projected to rise by 2.5% annually in fiscal years 2011 through 2014. Energy costs for each of the 2010 through 2014 fiscal years are assumed to increase annually, with total energy expenditures projected at $963 million in fiscal year 2010 and increasing to $1.13 billion by fiscal year 2014.

Public Assistance

The number of persons receiving benefits under cash assistance programs is projected to average 355,800 per month in the 2010 fiscal year. Of total cash assistance expenditures in the City, the City-funded portion is projected to be $549 million in fiscal year 2010, $569 million in each of fiscal years 2011 and 2012 and $607 million in each of fiscal years 2013 and 2014, when the City is projected to assume the local share of a State-initiated increase in the basic public assistance grant. Public Assistance also reflects, in fiscal year 2010, $102 million combined State and ARRA federal funds for a State initiative to provide $200 per child back-to-school cash assistance to families in receipt of cash assistance or food stamps.

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 $4.8 billion for the 2010 fiscal year, which is lower than subsequent fiscal years as a result of a temporary increase in the federal share of Medicaid costs under ARRA. The City-funded portion of medical assistance payments is expected to increase to $5.509 billion, $5.977 billion, $6.158 billion and $6.343 billion in fiscal years 2011, 2012, 2013 and 2014, respectively. Such payments include, among other things, City-funded Medicaid payments, including City-funded Medicaid payments to HHC. City Medicaid costs (including City-funded Medicaid payments to HHC) assumed in the Financial Plan do not include the non-federal share of long-term care costs which have been assumed by the State.

Health and Hospitals Corporation

HHC operates under its own section of the Financial Plan as a Covered Organization. The HHC financial plan projects City-funded expenditures of $186 million in fiscal year 2010 increasing to $192 million in fiscal year 2014. City-funded expenditures include City subsidy, intra-City payments and grants and exclude prepayments.

On an accrual basis, HHC's total receipts before implementation of the HHC gap-closing program are projected to be $6.4 billion, $5.9 billion, $6.0 billion, $6.1 billion and $6.2 billion in fiscal years 2010 through 2014, respectively. Total disbursements before implementation of the HHC gap-closing program are projected to be $7.1 billion in fiscal year 2010 increasing to $8.0 billion in fiscal year 2014. These projections assume increases in other than personal services costs and fringe benefits in fiscal years 2010 through 2014. Significant changes have been and may be made in Medicaid, Medicare and other third-party payor programs, which could have adverse impacts on HHC's financial condition.

Other

The projections set forth in the Financial Plan for OTPS-Other include the City's contributions to NYCT, the Housing Authority, CUNY and subsidies to libraries and various cultural institutions. They also include projections for the cost of future judgments and claims which are discussed below under "Judgments and Claims." In the past, the City has provided additional assistance to certain Covered Organizations which had exhausted their financial resources prior to the end of the fiscal year. No assurance can be given that similar additional assistance will not be required in the future.

New York City Transit

NYCT operates under its own section of the Financial Plan as a Covered Organization. The financial plan for NYCT covering its 2010 through 2013 fiscal years was prepared in February 2010. The NYCT fiscal year coincides with the calendar year. The NYCT financial plan projects City assistance to the NYCT operating budget of $280.1 million in 2010 increasing to $308.7 million in 2013, in addition to real estate transfer tax revenue dedicated for NYCT use of $277.1 million in 2010 increasing to $424.9 million in 2013. The NYCT financial plan assumes decreased student fare subsidies in 2010 and the elimination of student fare subsidies beginning in 2011. The Financial Plan assumes continued reimbursement to the MTA of $45 million annually for student fare subsidies and reflects City assistance to the NYCT operating budget of $298.1 million in 2010, increasing to $353.7 million in 2013.

The State Legislature passed, and the Governor signed on May 7, 2009, legislation providing assistance to the MTA through increased revenues from new taxes and fees. These include a payroll mobility tax which is a tax on payroll expenses and net earnings from self-employment, a supplemental fee on driver licenses and automobile registration, a supplemental tax on taxi rides imposed on taxicab owners and a supplemental tax on automobile rentals. These fees and surcharges are projected to generate for NYCT $1.4 billion, $1.5 billion, $1.7 billion and $1.6 billion in 2010 through 2013, respectively. The NYCT financial plan includes service cuts, student fare revenues and other actions to achieve at least $95.7 million in 2010 in order to balance its budget in 2010.

After reflecting such revenues and actions, the NYCT financial plan projects $8.1 billion in revenues and $10.5 billion in expenses for 2010, leaving a budget gap of $2.4 billion. After accounting for accrual adjustments and cash carried over from 2009, NYCT projects a balanced budget in 2010. The NYCT financial plan forecasts operating budget gaps of $0.3 billion in 2011, $0.2 billion in 2012 and $0.4 billion in 2013.

At its board meeting in February 2010, the MTA announced that the State has indicated that the amount the MTA receives from the payroll mobility tax may be $378 million below the amount projected and that additional State cuts may be forthcoming. The impact of these reductions on the NYCT is unknown at this time, although it is expected to be substantial. The revenue shortfalls described above will reduce funds projected to be available to balance the budget for 2010, thereby requiring increased revenues or decreased expenditures to achieve budget balance.

In September 2009, the MTA proposed a 2010-2014 Capital Program. The proposed plan includes $28.1 billion for all MTA agencies, including $13.9 billion to be invested in the NYCT core system, $1.6 billion for NYCT network expansion, and $0.4 billion for security. To date, funding sources have been identified for only a portion of the proposed 2010-2014 Capital Program. Approval of this plan is not anticipated until April 2010. There can be no assurance that the proposed 2010-2014 Capital Program will be fully funded. If the MTA's capital program is delayed or reduced, ridership and fare revenues may decline which could, among other things, impair the MTA's ability to meet its operating expenses without additional assistance.

The last approved plan is the 2005-2009 Capital Program, which provided approximately $17.1 billion for the NYCT. In addition, the 2005-2009 Capital Program included approximately $2 billion for extension of the Number 7 subway line and other public improvements which will be funded with proceeds of bonds issued by the Hudson Yards Infrastructure Corporation ("HYIC"). See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Indebtedness of the City and Related Issuers*."

The 2005-2009 Capital Program follows the $17.9 billion capital program for 2000 through 2004, which included $12.3 billion for NYCT. The capital program for 2000 through 2004 superseded the previous capital program for the period 1995 through 1999, which totaled $13.2 billion, with $9.3 billion in projects 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, 2009, the City expended $623.2 million for judgments and claims, $137.5 million of which was reimbursed by HHC. The Financial Plan includes provisions for judgments and claims of $662.9 million, $717.0 million, $775.0 million, $835.2 million and $897.8 million for the 2010 through 2014 fiscal years, respectively. These projections incorporate a substantial amount of claims costs attributed to HHC for which HHC will reimburse the City. These amounts are estimated at $189.9 million for each of fiscal years 2010 through 2014. The City is a party to numerous lawsuits and is the subject of numerous claims and investigations. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 2009 amounted to approximately $5.5 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, 2009 include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2009, could amount to approximately $851 million. Provision has been made in the Financial Plan for estimated refunds of $436 million, $319 million, $349 million, $365 million and $380 million for the 2010 through 2014 fiscal years, respectively. For further information concerning these claims, certain remedial legislation related thereto and the City's estimates of potential liability, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

3. GENERAL OBLIGATION, LEASE AND TFA DEBT SERVICE

Debt service estimates for fiscal years 2010 through 2014 include debt service on outstanding general obligation bonds and conduit debt, and the funding requirements associated with outstanding TFA Future Tax Secured Bonds, and estimates of debt service costs of, or funding requirements associated with, future general obligation, conduit and TFA Future Tax Secured debt issuances based on projected future market conditions. Such debt service estimates also include estimated payments pursuant to interest rate exchange agreements but do not reflect receipts pursuant to such agreements.

In July 2009, the State amended the New York City Transitional Finance Authority Act to expand the borrowing capacity of the TFA by providing that it may have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and may issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As a result of this change, the City currently expects to finance through the TFA approximately half of the capital program that was previously expected to be financed with general obligation debt. Consequently, in order to more accurately reflect the debt service costs of the City's capital program, the Financial Plan includes as a debt service expense the funding requirements associated with TFA Future Tax Secured Bonds. This expense is offset by personal income tax revenues retained by the TFA, which are now included in the Financial Plan.

The Financial Plan reflects general obligation debt service of $3.86 billion, $4.02 billion, $4.2 billion, $4.49 billion and $4.56 billion in fiscal years 2010 through 2014, respectively, conduit debt service of $207 million, $259 million, $256 million, $255 million and $255 million in fiscal years 2010 through 2014, respectively, and TFA funding requirements of $1.05 billion, $1.25 billion, $1.61 billion, $1.83 billion and $2.0 billion in fiscal years 2010 through 2014, respectively. In addition, the Financial Plan reflects, in fiscal year 2010, debt service offsets totaling $4.7 billion as a result of debt defeasance, redemptions and prepayments. See "SECTION VI: FINANCIAL OPERATIONS—Forecast of 2010 Results."

Certain Reports

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

On March 4, 2010, the City Comptroller released a report entitled "Comments on New York City's Preliminary Budget for Fiscal Year 2011 and Financial Plan for Fiscal Years 2010-2014." For fiscal year 2010, the Comptroller anticipates renewed growth to the City's economy and that tax collections could exceed the projections of the Financial Plan by $243 million. Additionally, the Comptroller notes that the fiscal year 2010 budget faces a risk of $300 million from the likely reduction or elimination of State revenue sharing payments. With respect to the outyears of the Financial Plan, however, the Comptroller's economic projections are more pessimistic than those contained in the Financial Plan, resulting in decreased forecast tax revenues. The Comptroller also identifies the risk that the City's tax fairness proposal, if not approved by the legislature, would further reduce revenues. Additionally, the Comptroller believes that the risk to State aid payments will be $800 million per fiscal year from 2011 through 2014. The Comptroller notes that the City has benefited from the reserves created and actions taken during prior fiscal years, which provided a cushion during the economic downturn. However, after adjusting for surplus transfers from fiscal years 2009 to 2010 and 2010 to 2011 and other actions, including an early debt retirement program and a prepayment in fiscal year 2008 of nearly $2 billion in fiscal year 2010 debt, the Comptroller notes that fiscal year 2009 showed an operating deficit of $2.4 billion and fiscal years 2010 and 2011 are expected to incur operating deficits of $2.76 billion and $2.88 billion, respectively. The Comptroller states that the assumption of resumed funding for education in fiscal year 2013 and the resulting planned restoration of teaching positions is difficult to support. The Comptroller also cites risks that the City does not achieve its objectives in labor negotiations. Should certain unions fail to agree to the City's proposed productivity increases as the means for funding wage increases, the City would face additional salary costs and resulting increased pension obligations.

In his report, the City Comptroller identified net risks of $49 million, $1.19 billion, $1.42 billion, $1.47 billion and $1.32 billion in fiscal years 2010 through 2014, respectively, which, when added to the results projected in the Financial Plan, result in gaps of $49 million, $1.19 billion, $4.58 billion, $5.14 billion and $5.17 billion in fiscal years 2010 through 2014, respectively. The differences from the Financial Plan projections result in part from the City Comptroller's expenditure projections, which, for fiscal year 2010 are lower than those in the Financial Plan by $8 million, resulting from increased overtime expenditures of

$25 million offset by projected savings in judgment and claims expenses of $33 million, and exceed those in the Financial Plan by $264 million, $155 million, $95 million and $32 million in fiscal years 2011 through 2014, respectively, resulting from: (i) increased overtime expenditures of $151 million in fiscal year 2011 and $100 million in each of fiscal years 2012 through 2014; (ii) projected savings in judgment and claims expenses of $87 million, $145 million, $205 million and $268 million in fiscal years 2011 through 2014, respectively; and (iii) estimated increased costs of $200 million in each of fiscal years 2011 through 2014 as a result of GASB Statement No. 49 requirements.

The differences from the Financial Plan also result from the City Comptroller's revenue projections. The report estimates that (i) property tax collections will be lower by $70 million, $120 million, $150 million and $145 million in fiscal years 2011 through 2014, respectively; (ii) personal income taxes will be higher by $125 million in fiscal year 2010 and lower by $60 million, $265 million, $200 million and $140 million in fiscal years 2011 through 2014, respectively; (iii) business taxes will be higher by $130 million in fiscal year 2010 and lower by $5 million, $185 million, $335 million and $370 million in fiscal years 2011 through 2014, respectively; (iv) sales taxes will be lower by $60 million, $100 million, $120 million, $135 million and $100 million in fiscal years 2010 through 2014, respectively; (v) real estate related taxes will be higher by $48 million, $327 million, $468 million, $506 million and $552 million in fiscal years 2010 through 2014, respectively; and (vi) projected revenues resulting from the City's proposed tax fairness program, which requires State legislative approval, will be lower by $219 million, $241 million, $262 million and $284 million in fiscal years 2011 through 2014. The revenue projections result in net additional tax revenues of $243 in fiscal year 2010 and net reduced tax revenues of $127 million, $463 million, $576 million and $487 million in fiscal years 2011 through 2014, respectively. Additionally, the report estimates that the City could face risks to State aid of $300 million in fiscal year 2010 and $800 million in each of fiscal years 2011 through 2014 as a result of the State's financial difficulties.

On March 10, 2010, the staff of the OSDC issued a report on the Financial Plan. The OSDC report observed that the City's revenue outlook is improving. Due to the start of the economic recovery and the securities industry's rapid return to profitability, the report indicates that non-property tax revenues could be slightly higher from fiscal year 2011 through 2014. However, the report notes that the State's financial crisis and how the State balances its budget will have a direct impact on the City, primarily from the reduction or elimination of State aid.

The report identified possible net risks to the Financial Plan of $357 million, $438 million, $601 million and $628 million in fiscal years 2011 through 2014, respectively. When combined with the results projected in the Financial Plan, the report estimated that these risks could result in budget gaps of $357 million, $3.60 billion, $4.27 billion and $4.48 billion in fiscal years 2011 through 2014, respectively. The risks to the Financial Plan identified in the report include: (i) the implementation of GASB 49, which would result in increased costs of $200 million in each of fiscal years 2011 through 2014; (ii) the possibility that the City's tax fairness program is not approved by the State legislature, which would result in increased costs of $250 million, $258 million, $271 million and $278 million in fiscal years 2011 through 2014, respectively; (iii) increased overtime costs of $150 million in each of fiscal years 2011 through 2014; (iv) increased costs of $71 million, $86 million, $88 million and $90 million in fiscal years 2011 through 2014, respectively, resulting from the possible failure of certain agency action initiatives to receive the necessary approvals; and (v) the enactment of a legislative proposal in the Senate relating to qualified school construction bonds which would reduce savings by $17 million, $36 million, $51 million and $54 million in fiscal years 2011 through 2014, respectively.

In addition to the adjustments to the Financial Plan projections, the OSDC report identified three additional risks that could have a significant impact on the Financial Plan. First, the report states that the State aid reductions proposed in the Governor's executive budget would create potential shortfalls of $1.22 billion in fiscal year 2011 and $880 million in each of fiscal years 2012 through 2014. Second, the report identifies risks of $148 million, $350 million, $456 million, $509 million and $512 million in fiscal years 2010-2014, respectively, resulting from the possible failure of the United Federation of Teachers and Council of School Supervisors to agree to the City's reduced wage offer. Third, the report identifies risks of $1 billion in each of fiscal years 2012 through 2014 resulting from the expiration of federal stimulus funds for education. The report states that if current pension fund investment earnings are maintained through June 30, 2010, the aforementioned risks could be partially offset by decreased required pension contributions of $111 million, $204 million and $301 million in fiscal years 2012 through 2014, respectively. Additionally, the report notes that if wages were to increase at the projected rate of inflation without offsetting savings, the City would incur costs of $233 million, $565 million, $898 million and $1.1 billion in fiscal years 2011 through 2014, respectively.

On March 16, 2010, the staff of the Control Board issued a report on the Financial Plan. The staff's analysis shows that though there may be a small upside for tax revenues for all Financial Plan years reflecting the current economic recovery, non-property tax revenue will not surpass the peak of fiscal year 2008 until fiscal year 2014. This reflects the staff's view that the recovery will be slower and, unlike past recoveries, will not exhibit double-digit growth surges. The report notes that the City's reliance on conservative revenue estimates and proactive agency expenditure reductions has resulted in a surplus for the current fiscal year and a credible plan to balance the fiscal year 2011 budget. Though the report identifies several risks to the Financial Plan that the City has control over, the report notes that potential decreased federal and State funding pose significant risks to the Financial Plan.

The report quantified certain risks to the Financial Plan. These include possible net risks of $17 million, $683 million, $671 million, $663 million and $660 million in fiscal years 2010 through 2014, respectively. The risks identified in the report result from: (i) increased uniformed services overtime expenses of $64 million, $210 million, $201 million, $197 million and $197 million in fiscal years 2010 through 2014, respectively; (ii) increased pollution remediation expenses resulting from the scheduled implementation of GASB 49 of $176 million in each of fiscal years 2011 through 2014; (iii) reductions in State aid payments of $328 million in each of fiscal years 2010 through 2014; and (iv) decreased revenues resulting from the possible failure of the City's tax fairness proposals to receive legislative approval of $219 million, $241 million, $262 million and $284 million in fiscal years 2011 through 2014, respectively. The report noted that such risks are partially offset by estimated increases in (i) nonproperty tax revenues of $350 million in fiscal year 2010 and $200 million in each of fiscal years 2011 through 2014 resulting from stronger business, sales and personal income tax collections and (ii) miscellaneous revenues of $25 million, $50 million $75 million, $100 million and $125 million in fiscal years 2010 through 2014, respectively. When combined with the results projected in the Financial Plan, these net risks would result in estimated gaps of $17 million, $683 million, $3.83 billion, $4.33 billion and $4.50 billion in fiscal years 2010 through 2014, respectively.

Long-Term Capital Program

The City makes substantial capital expenditures to reconstruct and rehabilitate the City's infrastructure and physical assets, including City mass transit facilities, water and sewer facilities, streets, bridges and tunnels, and to make capital investments that will improve productivity in City operations.

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy, the Four-Year Capital Plan and the current-year Capital Budget. The Ten-Year Capital Strategy is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Plan translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion. On January 28, 2010, the City released a capital plan covering fiscal years 2010 through 2013 (the "2010-2013 Capital Commitment Plan").

City-funded commitments, which were $344 million in fiscal year 1979, are projected to reach $11.2 billion in fiscal year 2010. City-funded expenditures are forecast at $9.0 billion in fiscal year 2010; total expenditures are forecast at $10.4 billion in fiscal year 2010. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 2010 through 2019, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures."

The following table sets forth the major areas of capital commitment projected in the 2010-2013 Capital Commitment Plan.

2010-2013 CAPITAL COMMITMENT PLAN

	2010		2011		2012		2013		Total	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
	(In millions)									
Mass Transit(1)	$ 173	$ 243	$ 52	$ 52	$ 49	$ 49	$ 66	$ 66	$ 340	$ 410
Roadway, Bridges	1,295	2,160	555	886	469	818	422	530	2,741	4,394
Environmental Protection(2)	2,890	3,220	1,671	1,671	1,346	1,346	1,247	1,257	7,154	7,494
Education(3)	1,563	2,755	1,034	2,059	1,061	2,122	1,095	2,122	4,753	9,058
Housing	597	779	192	337	191	276	261	363	1,241	1,755
Sanitation	994	999	275	275	35	35	147	147	1,451	1,456
City Operations/Facilities	7,035	7,481	1,892	2,121	1,025	1,076	1,949	2,005	11,901	12,683
Economic and Port Development	1,207	1,432	107	107	91	91	263	263	1,668	1,893
Reserve for Unattained Commitments	(4,565)	(4,565)	1,530	1,530	479	479	(247)	(247)	(2,803)	(2,803)
Total Commitments(4)	$11,191	$14,504	$7,307	$9,037	$4,747	$6,293	$5,204	$6,507	$28,446	$36,340
Total Expenditures(5)	$ 9,138	$10,383	$8,200	$9,629	$7,247	$8,945	$6,433	$8,237	$31,018	$37,194

Note: Totals may not add due to rounding.

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

(2) Includes water supply, water mains, water pollution control, sewer projects and related equipment.

(3) All Funds reflects State funding for educational facilities in the form of financing of $2.9 billion from the proceeds of bonds of the TFA that are expected to be paid from State aid to education.

(4) Commitments represent contracts registered with the City Comptroller, except for certain projects which are undertaken jointly by the City and State.

(5) Expenditures represent cash payments and appropriations planned to be expended for capital costs, excluding amounts for original issue discount.

Currently, if all City capital projects were implemented, expenditures would exceed the City's financing projections in the current fiscal year and subsequent years. The City has therefore established capital budgeting priorities to maintain capital expenditures within the available long-term financing. Due to the size and complexity of the City's capital program, it is difficult to forecast precisely the timing of capital project activity so that actual capital expenditures may vary from the planned annual amounts.

In December 2009, 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 $5.59 billion in capital investment would be needed for fiscal years 2011 through 2014 to bring the assets to a state of good repair. The report also estimated that $349 million, $198 million, $227 million and $193 million should be spent on maintenance in fiscal years 2011 through 2014, respectively.

The recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the 2010-2013 Capital Commitment Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the 2010-2013 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 2010-2013 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 June 2009, concluded that the capital investment in the Four-Year Capital Plan, for fiscal years 2010 through 2013, for the specifically identified inventoried assets funded 51% of the total investment recommended in the preceding AIMS Report issued in January 2009. Capital investment allocated in the Ten-Year Capital Strategy published in April 2009 funded an additional portion of the recommended investment. In the same Reconciliation Report, OMB estimated that 49% 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 2010 through 2014 fiscal years to implement those fiscal years of the 2010-2013 Capital Commitment Plan and fiscal year 2014 of the Ten-Year Capital Strategy. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

2010-2014 FINANCING PROGRAM

	2010	2011	2012	2013	2014	Total
City General Obligation Bonds(1)	$3,418	$3,100	$2,660	$2,400	$2,400	$13,978
TFA Future Tax Secured Bonds(1)	3,475	3,100	2,660	2,400	2,400	14,035
Water Authority Bonds(1)(2)	2,481	2,156	1,929	1,628	1,567	9,761
Total	$9,374	$8,356	$7,249	$6,428	$6,367	$37,774

Note: Totals may not add due to rounding.

(1) Figures exclude refunding bonds.

(2) Water Authority Bonds includes commercial paper and a total allocation for reserve funds and costs of issuance of $539 million.

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 2010 through 2019, projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $12.8 billion. The City's Capital Commitment Plan for fiscal years 2010 through 2013 reflects total anticipated City-funded water and sewer commitments of $7.1 billion which are expected to be financed with the proceeds of Water Authority debt.

The TFA is authorized to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and may issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. Future Tax Secured Bonds are issued for general City capital purposes and are secured by the City's personal income tax revenues and, to the extent such revenues do not satisfy specified debt ratios, sales tax revenues. In addition, the TFA is authorized to have outstanding $9.4 billion of Building Aid Revenue Bonds to pay for a portion of the City's five-year educational facilities capital plan. Building Aid Revenue Bonds are secured by State building aid, which the Mayor has assigned to the TFA. The TFA expects to issue $334 million, $660 million, $882 million, $1 billion and $1.1 billion of Building Aid Revenue Bonds in fiscal years 2010 through 2014, respectively.

Implementation of the financing program is dependent upon the ability of the City and other financing entities to market their securities successfully in the public credit markets which will be subject to prevailing market conditions at the times of sale. No assurance can be given that the credit markets will absorb the projected amounts of public bond sales. A significant portion of bond financing is used to reimburse the City's General Fund for capital expenditures already incurred. If the City and such other entities are unable to sell such amounts of bonds, it would have an adverse effect on the City's cash position. In addition, the need of the City to fund future debt service costs from current operations may also limit the City's capital program. The Ten-Year Capital Strategy for fiscal years 2010 through 2019 totals $61.7 billion, of which approximately 76% is to be financed with funds borrowed by the City and such other entities. See "INTRODUCTORY STATEMENT" and "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*" Congressional developments affecting federal taxation generally could reduce the market value of tax-favored investments and increase the debt-service costs of carrying out the major portion of the City's capital plan which is currently eligible for tax-exempt financing.

Interest Rate Exchange Agreements

In an effort to reduce its borrowing costs over the life of its bonds, the City began entering into interest rate exchange agreements commencing in fiscal year 2003. For a description of such agreements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A.13." As of December 31, 2009, the aggregate notional amount of the City's interest rate exchange agreements was $2,626,070,000 and the total marked-to-market value of such agreements was ($87,405,473).

In addition, in connection with its Courts Facilities Lease Revenue Bonds (The City of New York Issue) Series 2005A and B, DASNY entered into interest rate exchange agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P. and JPMorgan Chase Bank, National Association. The City is obligated, subject to appropriation, to make lease payments to DASNY reflecting DASNY's obligations under these interest rate exchange agreements. Pursuant to such agreements with a notional amount of $125,500,000, an effective date of May 15, 2013 and a termination date of May 15, 2032, DASNY is to make payments based on the Securities Industry and Financial Markets Association Index ("SIFMA") and receive a fixed rate of 4.179%. Pursuant to such agreements with a notional amount of $125,500,000, an effective date of June 15, 2005 and a termination date of May 15, 2039, DASNY pays a fixed rate of 3.017% and receives payments based on a LIBOR-indexed variable rate. As of December 31, 2009, the total marked-to-market value of the DASNY agreements was ($1,611,208).

Seasonal Financing Requirements

The City since 1981 has fully satisfied its seasonal financing needs, when necessary, in the public credit markets, repaying all short-term obligations within their fiscal year of issuance. The City has not issued short-term obligations to finance projected cash flow needs since fiscal year 2004. The City regularly reviews its cash position and the need for short-term borrowing. The Financial Plan does not include the issuance of short-term obligations in fiscal year 2010. The Financial Plan reflects the issuance of short-term obligations in the amount of $2.4 billion in each of fiscal years 2011 through 2014.

SECTION VIII: INDEBTEDNESS

Indebtedness of the City and Certain Other Entities

Outstanding City and PBC Indebtedness

The following table sets forth outstanding City and PBC indebtedness as of December 31, 2009. "City indebtedness" refers to general obligation debt of the City, net of reserves. "PBC indebtedness" refers to obligations of the City, net of reserves, to the following public benefit corporations ("PBCs"): the Housing Authority, the New York City Educational Construction Fund ("ECF"), New York State Housing Finance Agency ("HFA"), DASNY, CUCF, and the New York State Urban Development Corporation ("UDC"). PBC indebtedness is not debt of the City. However, the City has entered into agreements to make payments, subject to appropriation, to PBCs to be used for debt service on certain obligations constituting PBC indebtedness. Neither City indebtedness nor PBC indebtedness includes outstanding debt of the TFA, TSASC, Fiscal Year 2005 Securitization Corp. or STAR Corp., which are not obligations of, and are not paid by, the City; nor does such indebtedness include obligations of HYIC, for which the City has agreed to pay, as needed and subject to appropriation, interest on but not principal of such obligations.

(In Thousands)		
Gross City Long-Term Indebtedness(1)	$40,037,723	
Less: Assets Held for Debt Service(2)	(340,045)	
Net City Long-Term Indebtedness		$39,697,678
PBC Indebtedness		
Bonds Payable	289,502	
Capital Lease Obligations	1,408,305	
Gross PBC Indebtedness	1,697,807	
Less: Assets Held for Debt Service	(314,569)	
Net PBC Indebtedness		1,383,238
Combined Net City and PBC Indebtedness		$41,080,916

(1) Reflects capital appreciation bonds at accreted values as of June 30, 2009.

(2) Assets Held for Debt Service consists of General Debt Service Fund assets.

Trend in Outstanding Net City and PBC Indebtedness

The following table shows the trend in the outstanding net City and PBC indebtedness as of June 30 of each of the fiscal years 2000 through 2009 and at December 31, 2009.

	City Indebtedness		PBC	
	Long-Term	Short-Term	Indebtedness	Total
	(In Millions)			
2000	$25,543	$—	$1,575	$27,118
2001	25,609	—	1,533	27,142
2002	27,312	—	1,537	28,849
2003	29,043	—	2,059	31,102
2004	30,498	—	1,766	32,264
2005	33,688	—	1,941	35,629
2006	34,076	—	1,751	35,827
2007	34,396	—	1,637	36,033
2008	33,129	—	1,558	34,687
2009	38,648	—	1,484	40,131
December 31, 2009	39,698	—	1,383	41,081

Rapidity of Principal Retirement

The following table details, as of December 31, 2009, 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	21.13%
10 years	47.10
15 years	71.08
20 years	89.25
25 years	97.91
30 years	100.00

City and PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of December 31, 2009, on City and PBC indebtedness.

	City Long-Term Debt			
Fiscal Years	Principal	Interest	PBC Indebtedness	Total
	(In thousands)			
2010	$ 338,183	$ 922,278	$ 36,699	$ 1,297,160
2011	1,785,573	1,701,936	65,818	3,553,327
2012	2,127,995	1,626,484	71,121	3,825,600
2013 through 2147	35,785,972	14,505,221	1,524,169	51,815,362
Total	$40,037,723	$18,755,919	$1,697,807	$60,491,449

Certain Debt Ratios

The following table sets forth the approximate ratio of City long-term indebtedness to taxable property value as of June 30 of each of the fiscal years 2000 through 2009.

Fiscal Year	City Long-Term Indebtedness (In Millions)	Percentage of Actual Taxable Value of Property(1)	Per Capita
2000	$27,245	31.73%	$3,398
2001	27,147	29.97	3,364
2002	28,465	29.20	3,517
2003	29,679	28.90	3,644
2004	31,378	29.38	3,834
2005	33,903	30.73	4,128
2006	35,844	29.26	4,344
2007	34,506	27.03	4,170
2008	36,100	24.80	4,363
2009	39,991	26.31	4,781

Source: CAFR for the fiscal year ended June 30, 2009.

(1) Based on full valuations for each fiscal year derived from the application of the special equalization ratio reported by the State Board for such fiscal year.

Indebtedness of the City and Related Issuers

The following table sets forth obligations of the City and other issuers as of June 30 of each of the fiscal years 2000 through 2009. General obligation bonds are debt of the City. Although IDA Stock Exchange bonds and PBC indebtedness are not debt of the City, the City has entered into agreements to make payments, subject to appropriation, to the respective issuers to be used for debt service on the indebtedness included in the following table. ECF bonds are also not debt of the City. ECF bonds are expected to be paid from revenues of ECF, provided, however, that if such revenues are insufficient, the City has agreed to make payments, subject to appropriation, to ECF for debt service on its bonds. Indebtedness of the TFA, TSASC, STAR Corp. and MAC does not constitute debt of, and is not paid by, the City.

Fiscal Year	General Obligation Bonds(1)	ECF	MAC(2)	TFA	TSASC	STAR	SFC(3)	PBC Indebtedness and Other(4)	IDA Stock Exchange
					(In Millions)				
2000	$27,245	$142	$3,532	$ 5,923	$ 709	$ —	$120	$1,803	$ —
2001	27,147	134	3,217	7,386	704	—	80	1,805	—
2002	28,465	125	2,880	8,289	740	—	40	2,298	—
2003	29,679	117	2,151	12,024	1,258	—	—	2,211	—
2004	31,378	107	1,758	13,364	1,256	—	—	2,346	108
2005	33,903	135	—	12,977	1,283	2,552	—	3,044	106
2006	35,844	84	—	12,233	1,334	2,470	—	2,925	104
2007	34,506	123	—	14,607	1,317	2,368	—	2,832	102
2008	36,100	109	—	14,828	1,297	2,339	—	2,025	101
2009	39,991	102	—	16,913	1,274	2,253	—	1,937	99

Source: CAFR for the fiscal year ended June 30, 2009.

(1) General Obligation Bonds include general obligation bonds held by MAC, the debt service on which was used by MAC to pay debt service on its bonds. Such general obligation "mirror" bonds totaled $230 million, $168 million, $116 million, $64 million, $52 million and $39 million in fiscal years 2000 through 2005, respectively. All of such general obligation "mirror" bonds have been paid.

(2) All MAC bonds outstanding after 2004 were defeased with a portion of the proceeds of STAR Corp. bonds issued in November 2004.

(3) The City issued general obligation bonds to the New York City Samurai Funding Corp. ("SFC") in order to provide funds to SFC for the payment of its bonds. Such general obligation bonds are reflected under SFC in the table.

(4) PBC Indebtedness and Other includes PBC indebtedness (excluding ECF) and includes capital leases of the City.

As of December 31, 2009, $2 billion aggregate principal amount of HYIC bonds were outstanding. Such bonds were issued to finance the extension of the Number 7 subway line and other public improvements. They are secured by and payable from payments in lieu of taxes and other revenues generated by development in the Hudson Yards area. To the extent such payments in lieu of taxes and other revenues are insufficient to pay interest on the HYIC bonds, the City has agreed to pay the amount of any shortfall in interest on such bonds, subject to appropriation. The City has no obligation to pay the principal of such bonds.

Certain Provisions for the Payment of City Indebtedness

The State Constitution requires the City to make an annual appropriation for: (i) payment of interest on all City indebtedness; (ii) redemption or amortization of bonds; (iii) redemption of other City indebtedness (except bond anticipation notes ("BANs"), tax anticipation notes ("TANs"), revenue anticipation notes ("RANs") and urban renewal notes ("URNs") contracted to be paid in that year out of the tax levy or other revenues); and (iv) redemption of short-term indebtedness issued in anticipation of the collection of taxes or other revenues, such as TANs, RANs and URNs, and renewals of such short-term indebtedness which are not retired within five years of the date of original issue. If this appropriation is not made, a sum sufficient for such purposes must be set apart from the first revenues thereafter received by the City and must be applied for these purposes.

The City's debt service appropriation provides for the interest on, but not the principal of, short-term indebtedness, which has in recent years been issued as TANs and RANs. If such principal were not provided for from the anticipated sources, it would be, like debt service on City bonds, a general obligation of the City.

Pursuant to the Financial Emergency Act, a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for the purpose of paying Monthly Debt Service, as defined in the Act. In addition, as required under the Act, accounts have been established by the State Comptroller within the Fund to pay the principal of outstanding City TANs and RANs. 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 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; BANs must mature not later than six months after their date of issuance and may be renewed once for a period not to exceed six months. Budget Notes may be issued only to fund cost overruns in the expense budget; no Budget Notes, or renewals thereof, may mature later than sixty days prior to the last day of the fiscal year next succeeding the fiscal year during which the Budget Notes were originally 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, BANs, URNs and Budget Notes and long-term indebtedness issued for certain types of public improvements and capital projects 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 currently has outstanding approximately $13.4 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA may also issue $9.4 billion of Building Aid Revenue Bonds, which are secured by State building aid and are not chargeable against the City's constitutional debt limit.

The following table sets forth the calculation of the debt-incurring power of the City as of February 28, 2010.

(In Thousands)

Total City Debt-Incurring Power under General Debt Limit		$74,904,258
Gross Debt-Funded	$39,648,283	
Less: Excluded Debt	(256,822)	
	39,391,460	
Less: Appropriations for Payment of Principal	(225,220)	
	39,166,240	
Contracts and Other Liabilities, Net of Prior Financings Thereof	10,471,472	
Total Indebtedness		49,637,712
City Debt-Incurring Power		$25,266,546

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 generally do not represent City indebtedness, have a similar budgetary effect. During a Control Period as defined by the Financial Emergency Act, neither the City nor any Covered Organization may enter into any arrangement whereby the revenues or credit of the City are directly or indirectly pledged, encumbered, committed or promised for the payment of obligations of a PBC unless approved by the Control Board. The principal forms of the City's financial commitments with respect to PBC debt obligations are as follows:

1. *Capital Lease Obligations*—These are leases of facilities by the City or a Covered Organization, entered into with PBCs, under which the City has no liability beyond monies legally available for lease payments. State law generally provides, however, that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and will be paid to the PBC.

2. *Executed Leases*—These are leases pursuant to which the City is legally obligated to make the required rental payments.

3. *Capital Reserve Fund Arrangements*—Under these arrangements, State law requires the PBC to maintain a capital reserve fund in a specified minimum amount to be used solely for the payment of the PBC's obligations. State law further provides that in the event the capital reserve fund is depleted, State aid otherwise payable to the City may be paid to the PBC to restore such fund.

Certain PBCs are further described below.

New York City Educational Construction Fund

As of December 31, 2009, $95.9 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 December 31, 2009, $615.2 million principal amount and $781.4 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 December 31, 2009, approximately $359.4 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 December 31, 2009, $31.3 million principal amount of UDC bonds subject to executed or proposed 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, 2008 consisted of approximately 366,000 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 292,000 retirees and beneficiaries currently receiving benefits and other vested members terminated but not receiving benefits. The City also contributes to three other actuarial systems, maintains a non-actuarial retirement system for retired individuals not covered by the five major actuarial systems, provides other supplemental benefits to retirees and makes contributions to certain union annuity funds.

Each of the City's five major actuarial pension systems is managed by a board of trustees which includes representatives of the City and the employees covered by such system. The City Comptroller is the custodian of, and has been delegated investment responsibilities for, the major actuarial systems, subject to the policies established by the boards of trustees of the systems and State law.

For fiscal year 2009, the City's pension contributions for the five major actuarial pension systems, made on a statutory basis based on actuarial valuations performed as of June 30, 2007, plus the other pension expenditures, were approximately $6.389 billion. Expense projections for fiscal years 2010 through 2014 are estimated at $6.760 billion, $7.268 billion, $7.694 billion, $7.841 billion and $7.949 billion, respectively. These projections are based on actuarial valuation estimates and reflect funding assumptions formulated by the Chief Actuary and the assumed rate of return on pension investments of eight percent as governed by State law. The projections incorporate the impact of actual pension fund investment performance since 2002 which include losses in fiscal year 2003, gains in fiscal years 2004 through 2007 followed by losses in fiscal years 2008 and 2009. The incremental costs or benefit of the return on pension investments in any given year is phased in using six-year averaging periods under the Chief Actuary's funding assumptions.

The statutory provision establishing the eight percent assumed rate of return was extended to June 30, 2010. Required contributions are sensitive to changes in the assumed rate of return. For example, an approximately one percent reduction in the assumed rate could require an additional annual pension contribution of approximately $1 billion. Adjustments in required contributions caused by changes in the assumed rate of return would not be subject to phase-in or averaging.

The Financial Plan reflects higher additional required contributions associated with actual pension fund investment performance in fiscal years 2008 and 2009. In fiscal year 2008, the pension funds realized a negative 5.4 percent investment return which is significantly below the assumed positive rate of return of eight percent. The Financial Plan reflects additional contributions of $82 million, $152 million, $225 million, $297 million and $394 million in fiscal years 2010 through 2014, respectively, as a result of the incremental investment loss in fiscal year 2008.

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

As a result of the combined impact of the actual losses in fiscal years 2008 and 2009 the Financial Plan reflects additional pension contributions of $82 million, $558 million, $972 million, $1.401 billion and $1.848 billion in fiscal years 2010 through 2014, respectively. Each one percent reduction in returns in fiscal year 2010 below the assumed rate would result in phased-in additional pension expenditures, beginning two fiscal years later, of approximately $15 million, $28 million, $41 million, $54 million, $72 million and $90 million in the six subsequent fiscal years, respectively.

In addition, these projections reflect the costs of settling certain litigation and the expected cost of recently enacted changes to the pension program for teachers. For further information on recent litigation, see "Section IX: Other Information — Litigation."

An independent actuarial firm issued a report in November 2006 on its statutory audit of the actuarial assumptions and methods governing City pension contributions. The Chief Actuary of the City is reviewing the report and may recommend revised funding assumptions to the trustees of the City's pension funds. Although the report is advisory and not binding, it calls for changing certain actuarial assumptions such as life expectancy which, with other recommendations, could result in net increased annual pension contributions. The Financial Plan includes an annual reserve to address this issue of $200 million in fiscal year 2011 and $450 million in each of fiscal years 2012 through 2014. However, actual increased pension contributions could substantially exceed that amount.

The City accounts for its pensions consistent with the requirements of GASB, which has resulted in the City's pensions being reported as 99.9% funded in the CAFR for the 2009 fiscal year. The funded status of the City's pension systems was also reported in the CAFR for the 2009 fiscal year under an alternative valuation method, the entry-age actuarial cost method, which resulted in assets being reported as less than liabilities by approximately $40 billion, or 71.7% funded. For further information see Appendix B — Financial Statements — Notes to Financial Statements — Notes E.6. and F."

Certain of the systems provide pension benefits of 50% to 55% of "final pay" after 20 to 25 years of service with additional benefits for subsequent years of service. For the 2009 fiscal year, the City's total annual pension costs, including the City's pension costs not associated with the five major actuarial systems, plus Federal Social Security tax payments by the City for the year, were approximately 36% of total payroll costs. In addition, contributions are also made by certain component units of the City and other government units directly to the three cost sharing multiple employer actuarial systems. The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired.

Annual pension costs are computed in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50, and are consistent with generally accepted actuarial principles. Actual pension contributions are less than annual pension costs, primarily because the City is only one of the participating employers in the New York City Employees' Retirement System ("NYCERS"), the Teachers' Retirement System of The City of New York (the "Teachers System") and the New York City Board of Education Retirement System (the "BOE System").

For the New York City Police Pension Fund (the "Police Fund") and the New York City Fire Department Pension Fund (the "Fire Fund"), Net Pension Obligations, which reflect the current funding assumptions which commenced in fiscal year 2006, of approximately $458.7 million and approximately $199.9 million, respectively, were recorded as of June 30, 2009.

The following table sets forth, for the five major actuarial pension systems, the amounts by which the actuarial accrued liabilities exceeded the actuarial values of assets for June 30, 1995 to June 30, 2007. For those retirement systems where the actuarial asset values exceeded the actuarial accrued liabilities (i.e., NYCERS for June 30, 1995 to 1999, the Teachers System for June 30, 1999 only, the BOE System for June 30, 1999 to 2002 and the Police Fund for June 30, 1999 to 2007), the amounts shown include zero for these retirement systems.

June 30	Unfunded Pension Liability Amount(1) (In Billions)
1995	$4.03
1996	4.29
1997	4.28
1998	4.64
1999	.15
2000	.17
2001	.21
2002	.19
2003	.33
2004	.27
2005	.21
2006	.15
2007	.10

(1) For purposes of making these calculations, accrued pension contributions receivable from the City were not treated as assets of the system.

For further information regarding the City's pension systems see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Notes E.6 and F."

Litigation

The following paragraphs describe certain material legal proceedings and claims involving the City and Covered Organizations other than routine litigation incidental to the performance of their governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract and other violations of law and condemnation proceedings. While the ultimate outcome and fiscal impact, if any, on the City of the proceedings and claims described below are not currently predictable, adverse determinations in certain of them might have a material adverse effect upon the City's ability to carry out the Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 2009 amounted to approximately $5.5 billion. See "Section VII: Financial Plan—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Services Costs—*Judgments and Claims*."

Taxes

Numerous real estate tax *certiorari* proceedings alleging overvaluation, inequality and illegality are pending against the City. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding *certiorari* proceedings to be $851 million at June 30, 2009. For a discussion of the City's accounting treatment of its inequality and overvaluation exposure, see "Appendix B—Financial Statements—Notes to Financial Statements—Note D.5."

Miscellaneous

1. Numerous proceedings alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill have been commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers and building clean-up workers. Complaints on behalf of approximately 11,900 plaintiffs alleging similar causes of action have been filed naming the City or other defendants. Approximately 5,000 of these plaintiffs have to date named the City as a defendant. It is not possible yet to evaluate the magnitude of liability arising from these claims. The actions were either commenced in or have been removed to federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive federal jurisdiction for all claims related to or resulting from the September 11 attack. The City's motion to dismiss these actions on immunity grounds was denied on October 17, 2006 by the District Court. On March 26, 2008, the Second Circuit upheld the District Court's decision, holding that determining whether the City had immunity for its actions requires developing the factual record. A not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the "WTC Insurance Company") has been formed to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The insurance company has been funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. Most of the claims against the City and its private contractors set forth above that arise from such debris removal are expected to be eligible for coverage by the WTC Insurance Company. No assurance can be given that such insurance will be sufficient to cover all liability that might arise from such claims. On March 11, 2010, the WTC Insurance Company announced that a settlement had been reached with attorneys for the plaintiffs. Under the settlement, the WTC Insurance Company will pay up to $657 million, leaving residual funds to insure and defend the City and its contractors against any new claims. In order for the settlement to take effect, at least 95 percent of the plaintiffs must accept its terms. The City, its contractors, and the plaintiffs have moved for a stay of the cases currently proceeding to trial. A fairness hearing has been scheduled for April 12, 2010.

One property damage claim relating to the September 11 attack alleges significant damages. The claim, which relates to the original 7 World Trade Center ("7 WTC"), alleges damages to Con Edison and its insurers of $214 million, subject to clarification, for the loss of the electrical substation over which 7 WTC was built. The claim alleges that a diesel fuel tank, which stored fuel for emergency back-up power to the City's Office of Emergency Management facility on the 23rd floor, contributed to the building's collapse. Con Edison and its insurers filed suit based on the allegations in their claim. Plaintiff has submitted to the Court a claim form required of all property damage plaintiffs in the September 11 litigation in the amount of approximately $750 million for damages suffered at several different locations in the aftermath of the September 11 attacks. Although it is not clear what portion of the increased damages plaintiff alleges to be the responsibility of the City, it appears that no part of the increased claim can be attributed to the City's actions. The City's motion for summary judgment was granted in January 2006. The action, however, continued to proceed against other defendants until final judgment was entered on August 14, 2009. Con Edison and its insurers then filed a notice of appeal challenging the dismissal of their claims against the City.

2. In 2002, more than sixteen thousand police officers and detectives opted into Scott v. City of New York, a collective action brought in the United States District Court for the Southern District of New York, pursuant to the Fair Labor Standards Act (the "FLSA"). The police officers allege that the New York City Police Department has violated the overtime provisions of the FLSA in a number of ways. Under the FLSA, successful plaintiffs would be entitled to double damages for a period going back three years from the filing of the case in 2002, and attorneys' fees. Plaintiffs sought damages in excess of $135 million. During trial, the Court decertified one claim relating to an alleged cap on the amount of cash overtime police officers can earn. On December 1, 2008, the jury returned a verdict in favor of the City on two other claims. With respect to two claims on which the City was previously found liable by the judge on summary judgment, the judge has determined that damages are $900,000 plus interest. All of these are subject to appeal. A final adverse determination in this case could result in substantial costs to the City. Although 16,000 police officers and detectives have opted in, the City estimates there are approximately 22,000 additional police officers and detectives who have not opted in but may have similar unasserted claims.

3. In 1996, a class action was brought against the City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the City Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. The lower court dismissed the case. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the lower court's ruling and remanded the matter for further proceedings. The State has advised the City that there are approximately 3,500 members of the class and has calculated potential damages, based on the difference in salary between a certified public school teaching position and an uncertified parochial or private school teaching position, of approximately $455,000,000.

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

Tax Matters

Taxable Bonds

In General. The Subseries G-1 and G-2 Bonds are referred to in this section "Tax Matters" as the "Taxable Bonds."

Interest on the Taxable Bonds will be includable in the gross income of the owners thereof for purposes of federal income taxation. See "Certain U.S. Federal Income Tax Considerations" below. Under existing law, interest on the Taxable Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Certain U.S. Federal Income Tax Considerations. The following summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates), which change may be retroactive, or possible differing interpretations. It deals only with Taxable Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealer's in securities or currencies, persons holding Taxable Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than investors who purchase Taxable Bonds in the initial offering at the first price at which a substantial amount of such substantially identical Taxable Bonds are sold to the general public (except where otherwise specifically noted). Persons considering the purchase of the Taxable Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Taxable Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Bond that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20,1996 and properly elected to continue to be treated as a United States person. Moreover, as used herein, the term "U.S. Holder" includes any holder of a Taxable Bond whose income or gain in respect of its investment in a Taxable Bond is effectively connected with a U.S. trade or business.

Payments of Interest. Payments of interest on a Taxable Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Taxable Bonds issued with original issue discount ("OID Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a *de minimis* amount (generally ¼ of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of substantially identical Taxable Bonds equals the first price at which a substantial amount of such maturity of Taxable Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Taxable Bond is the sum of all payments provided by the Taxable Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Taxable Bond are generally taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

A U.S. Holder of an OID Bond must include original issue discount in income as ordinary income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The "daily portion" of original issue discount on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an OID Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount. If a U.S. Holder purchases a Taxable Bond, other than an OID Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an OID Bond, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Taxable Bond at a "market discount," unless the amount of such market discount is less than the specified *de minimis* amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an OID Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Taxable Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Taxable Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Taxable Bonds, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Taxable Bond with market discount until the maturity of such Taxable Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Taxable Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary income for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Taxable Bond for an amount that is greater than the sum of all amounts payable on the Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Taxable Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. However, if the Taxable Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Taxable Bond which may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Taxable Bond shall be equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Taxable Bond and (B) the sum of all amounts payable on the Taxable Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in the Taxable Bond and (Y) the sum of all amounts payable on the Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If the Taxable Bonds may be redeemed on more than one date prior to maturity, the early call date and amount payable on that early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable on the early call date that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the Taxable Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Taxable Bond will be treated as reissued on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "— Premium." The rules relating to a Taxable Bond which may be optionally redeemed are complex and prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of a Taxable Bond. Except as discussed above, upon the sale, exchange or retirement of a Taxable Bond a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's tax basis in the Taxable Bond. A U.S. Holder's tax basis in a Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. holder has included market discount in income) and decreased by the amount of payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders. A non-U.S. Holder will not be subject to United States federal income taxes on payments of principal, premium (if any), interest (including original issue discount, if any) on a Taxable Bond, unless such non-U.S. Holder is a controlled foreign corporation related to the City or a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed by the beneficial owner of the Taxable Bond under penalties of perjury,
- certifies that such owner is not a U.S. Holder, and
- provides the beneficial owner's name and address.

A "Withholding Agent" is the last United States payor (or a non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person, or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN"), which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided that the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of such change and furnish a new W-8BEN. A non-U.S. Holder who is not an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding the Taxable Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Taxable Bonds held by a foreign partnership (or foreign trust), the partners (or beneficiaries) rather than the partnership (or trust) will be required to provide the certification discussed above, and the partnership (or trust) will be required to provide certain additional information.

A non-U.S. Holder whose income with respect to its investment in a Taxable Bond is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a U.S. person provided the holder provides to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities who are not beneficial owners, may be able to provide a signed statement to the Withholding Agent. However, in such case, the signed statement may require a copy of the beneficial owner's W-8BEN (or the substitute form).

Generally, a non-U.S. Holder will not be subject to United States federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Taxable Bond, unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Taxable Bonds will not be includible in the estate of a non-U.S. Holder unless at the time of such individual's death, payments in respect of the Taxable Bonds would have been effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding. Backup withholding of United States federal income tax may apply to payments made in respect of the Taxable Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Taxable Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Taxable Bond to (or through) a broker, the broker must report the sale and withhold on the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS.

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Circular 230 Notice. Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Taxable Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Taxable Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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Owners of Build America Bonds Not to Receive Tax Credit. While the Build America Bonds offered hereby will be issued as "Build America Bonds," the City will elect to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the City on the Build America Bonds. UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE BUILD AMERICA BONDS RECEIVE OR BE ENTITLED TO A CREDIT AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

Tax-Exempt Bonds

The Subseries G-3 Bonds are referred to in this section "Tax Matters" as the "Tax-Exempt Bonds."

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

The City has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Tax-Exempt Bonds for purposes of federal income taxation. In the opinion of Bond Counsel, assuming compliance by the City with such provisions of the Code, interest on the Tax-Exempt Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the City to comply with such applicable requirements may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds. Further, Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds will not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax and is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability. The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Tax-Exempt Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

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

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

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

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

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

Future Tax Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or State tax exemption or the market value of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

ERISA Considerations

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bond.

Ratings

The Bonds have been rated "Aa3" by Moody's Investors Service, Inc. ("Moody's"), "AA" by Standard & Poor's Ratings Services ("Standard & Poor's") and "AA-" by Fitch, Inc. ("Fitch"). 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.

Legal Opinions

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Sidley Austin LLP, New York, New York, Bond Counsel to the City. Reference should be made to the form of such opinion as set forth in Appendix C hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firm is also acting as counsel for and against the City in certain other unrelated matters.

Certain legal matters are being passed upon for the City by its Corporation Counsel.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Special Disclosure Counsel to the City, will pass upon certain legal matters in connection with the preparation of this Official Statement.

Certain legal matters will be passed upon for the Underwriters and the Original Purchaser by Hawkins Delafield & Wood LLP, New York, New York, counsel for the Underwriters and the Original Purchaser.

Underwriting

The Subseries G-1 and G-3 Bonds are being purchased for reoffering by the Underwriters for whom Siebert Brandford Shank & Co., LLC, Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co., Incorporated are acting as lead managers. The compensation for services rendered in connection with the underwriting of the Subseries G-1 and G-3 Bonds will be $4,063,415 and $110,295, respectively. All of the Subseries G-1 and G-3 Bonds will be purchased if any are purchased.

The Subseries G-2 Bonds are being purchased for reoffering by Wachovia Bank, National Association, the Original Purchaser. The compensation for services rendered in connection with the Subseries G-2 Bonds shall be $185,625.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the City as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation with such broker-dealers.

Continuing Disclosure Undertaking

As authorized by the Act, and to the extent that (i) Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act") requires the underwriters (as defined in the Rule) of securities offered hereby (under this caption, if subject to the Rule, the "securities") to determine, as a condition to purchasing the securities, that the City will covenant to the effect of the Undertaking, and (ii) the Rule as so applied is authorized by a federal law that as so construed is within the powers of Congress, the City agrees with the record and beneficial owners from time to time of the outstanding securities (under this caption, if subject to the Rule, "Bondholders") to provide:

(a) within 185 days after the end of each fiscal year, to the Electronic Municipal Market Access system ("EMMA") (www.emma.msrb.org) established by the Municipal Securities Rulemaking Board (the "MSRB"), core financial information and operating data for the prior fiscal year, including, (i) the

City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type found herein in Sections IV, V and VIII and under the captions "2005-2009 Summary of Operations" in Section VI and "Pension Systems" in Section IX; and

(b) in a timely manner, to EMMA, notice of any of the following events with respect to the securities, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the security;

(7) modifications to rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities;

(11) rating changes; and

(12) failure of the City to comply with clause (a) above.

Event (3) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (3) may not be applicable, since the terms of the securities do not provide for "debt service reserves."

Events (4) and (5). The City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities, unless the City applies for or participates in obtaining the enhancement.

Event (6) is relevant only to the extent interest on the securities is tax-exempt.

Event (8). The City does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue, which securities will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder shall have field with the Corporation Counsel of the City evidence of ownership and a written notice, of and request to, cure such breach, and the City shall have refused to comply within a reasonable lime. All Proceedings shall be instituted only as specified herein, in the federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the outstanding securities benefitted by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of the securities after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as, but without limitation, the City's financial advisor or bond counsel); and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the Undertaking, ceases to be in effect for any reason, and the City elects that the Undertaking shall be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, subject to certain exceptions, as set forth in the Undertaking. An assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Corporation Counsel described above.

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 issuance of the Bonds.

Financial Statements

The City's financial statements for the fiscal years ended June 30, 2009 and 2008 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 Official Statement. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2009 and 2008, which is a matter of public record, is included in this Official Statement. 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 Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

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 upon written request to the Office of the Comptroller, Deputy Comptroller for Public Finance, Seventh Floor, Room 720, Municipal Building, One Centre Street, New York, New York 10007. Financial plans are prepared quarterly, and the Comprehensive Annual Financial Report of the Comptroller is typically prepared at the end of October of each year.

Neither this Official Statement 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

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents information regarding certain economic and demographic information about the City. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available but, in many cases, do not reflect the economic downturn that has impacted the City commencing in 2007. Sources of information are indicated in the text or immediately following the tables. Although the City considers the sources to be reliable, the City has made no independent verification of the information provided by non-City sources and does not warrant its accuracy.

New York City Economy

The City has a diversified economic base, with a substantial volume of business activity in the service, wholesale and retail trade and manufacturing industries and is the location of many securities, banking, law, accounting, new media and advertising firms.

The City is a major seaport and focal point for international business. Many of the major corporations headquartered in the City are multinational in scope and have extensive foreign operations. Numerous foreign-owned companies in the United States are also headquartered in the City. These firms, which have increased substantially in number over the past decade, are found in all sectors of the City's economy, but are concentrated in trade, professional and business services, tourism and finance. The City is the location of the headquarters of the United Nations, and several affiliated organizations maintain their principal offices in the City. A large diplomatic community exists in the City to staff the missions to the United Nations and the foreign consulates. No single assessed property in the City accounts for more than .5% of the City's real property tax revenue.

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism, and the real estate market drove a broad based economic recovery. The Financial Plan assumes that a decrease in economic activity which began in the second half of calendar year 2007 will persist through the beginning of 2010.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 1997 to 2007 (the most recent year for which City personal income data are available). From 1997 to 2007, personal income in the City and the nation averaged 5.4% growth. After increasing by 8.9% in 2006, total personal income increased by 7.9% in 2007. The following table sets forth information regarding personal income in the City from 1997 to 2007.

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.
1997	$245.5	$31,579	$25,654	123.1%
1998	262.0	33,341	27,258	122.3
1999	275.4	34,658	28,333	122.3
2000	296.0	36,916	30,318	121.8
2001	302.7	37,544	31,149	120.5
2002	299.8	37,052	31,470	117.7
2003	306.1	37,677	32,284	116.7
2004	327.8	40,124	33,899	118.4
2005	353.7	43,063	35,447	121.5
2006	385.2	46,682	37,728	123.7
2007	415.6	50,011	39,430	126.8

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

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

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. From 1989 to 1992, the City lost approximately 9% of its employment base. From 1992 through 2000, the City experienced significant private sector job growth with the addition of approximately 452,600 new private sector jobs (an average annual growth rate of approximately 2.0%). Between 2000 and 2003 the City lost 174,300 private sector jobs. From 2003 through 2008, the City fully recovered those jobs, adding a total of 255,000 private sector jobs. In 2009, the City lost 107,000 private sector jobs.

As of January 2010, total employment in the City was 3,601,600 compared to 3,700,000 in January 2009, a decrease of approximately 2.7%.

The table below shows the distribution of employment from 1999 to 2009.

EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Goods Producing Sectors											
Construction	112	121	122	116	113	112	113	118	127	133	121
Manufacturing	187	177	156	139	127	121	114	106	101	96	83
Service Producing Sectors											
Trade Transportation and Utilities	556	570	557	536	534	539	547	558	570	574	549
Information	173	187	200	177	164	160	163	165	165	167	161
Financial Activities	481	489	474	445	434	435	445	458	468	465	435
Professional and Business Services	553	587	582	550	537	542	556	572	593	605	573
Education and Health Services	604	615	627	646	658	665	679	695	705	719	735
Leisure and Hospitality	244	257	260	255	260	270	277	285	298	310	308
Other Services	142	147	149	150	149	151	153	154	158	161	160
Total Private	3,052	3,149	3,127	3,015	2,975	2,995	3,047	3,111	3,185	3,230	3,122
Government	567	569	562	566	557	554	556	555	559	564	565
Total	3,619	3,718	3,689	3,581	3,531	3,549	3,603	3,667	3,744	3,794	3,688

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 2007, the City's service producing sectors provided approximately 3.0 million jobs and accounted for approximately 79% of total employment. Figures on the sectoral distribution of employment in the City from 1980 to 2000 reflect a significant shift to the service producing sectors and a shrinking manufacturing base relative to the nation.

The structural shift to the service producing sectors affects the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In the City in 2007, the employment share for the financial activities and professional and business services sectors was approximately 28% while the earnings share for that same sector was approximately 52%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 26% of earnings in 2007. 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 2007 are set forth in the following table.

Sectoral Distribution of Employment and Earnings in 2007(1)

	Employment		Earnings(2)	
	NYC	U.S.	NYC	U.S.
Goods Producing Sectors				
Mining	0.0%	0.5%	0.3%	1.1%
Construction	3.4	5.5	2.8	6.8
Manufacturing	2.7	10.1	2.2	11.2
Total Goods Producing	6.1	16.2	5.3	19.1
Service Producing Sectors				
Trade, Transportation and Utilities	15.2	19.4	8.3	16.0
Information	4.4	2.2	7.5	3.4
Financial Activities	12.5	6.0	32.2	9.6
Professional and Business Services	15.8	13.0	19.8	15.9
Education and Health Services	18.8	13.3	9.6	11.2
Leisure & Hospitality	8.0	9.8	3.7	4.1
Other Services	4.2	4.0	2.3	3.7
Total Service Producing	79.0	67.7	83.3	64.0
Total Private Sector	85.1	83.9	90.1	83.4
Government(3)	14.9	16.1	9.9	16.6

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 2007 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 January 2010, the total unemployment rate in the City was 10.5%, compared to 7.8% in January 2009, based on data provided by the New York State Department of Labor, which is not seasonally adjusted. The annual unemployment rate of the City's resident labor force is shown in the following table.

ANNUAL UNEMPLOYMENT RATE(1)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
New York City	6.9%	5.8%	6.1%	8.0%	8.3%	7.1%	5.8%	5.0%	4.9%	5.4%	9.5%
United States	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%

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 January 2010, the number of persons receiving cash assistance in the City was 355,454 compared to 339,452 in January 2009. The following table sets forth the number of persons receiving public assistance in the City.

PUBLIC ASSISTANCE

(Annual Averages in Thousands)

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

Taxable Sales

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. The sales tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. Between 1998 and 2008, total taxable sales volume grew steadily with a growth rate averaging over 3.5%. The following table illustrates the volume of sales and purchases subject to the sales tax from 1998 to 2008.

TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX

(In Billions)

Year(1)	Retail(2)	Utility & Communication Sales(3)	Services(4)	Manufacturing	Other(5)	All Total
1998	$33.4	$ 9.8	$14.8	$4.2	$ 9.7	$ 71.9
1999	35.0	9.6	16.1	4.2	9.6	74.5
2000(6)	29.9	9.8	19.4	2.1	15.4	76.6
2001(6)	25.1	11.3	21.4	2.2	19.0	79.1
2002(6)	25.6	11.9	20.7	2.0	15.2	75.5
2003(6)	26.1	11.4	21.0	1.9	14.8	75.2
2004(6)	32.3	11.6	21.7	1.9	14.8	82.3
2005(6)	36.5	12.0	24.1	2.1	16.2	90.9
2006(6)	35.9	13.2	26.3	2.2	17.9	95.5
2007(6)	33.4	12.8	28.1	2.4	19.4	96.1
2008(6)	33.1	13.5	31.0	2.6	21.6	101.8

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

(1) For 1998 through 1999, the yearly data is for the period from September 1 of the year prior to the listed year through August 31 of the listed year. For 2000 through 2007 the yearly data is for the period from March 1 of the year prior to the listed year through the last day of February of the listed year.

(2) Retail sales include building materials, general merchandise, food, auto dealers/gas stations, apparel, furniture, eating and drinking and miscellaneous retail.

(3) Utility and Communication sales include electric and gas and communication.

(4) Services include business services, hotels, personal services, auto repair and other services.

(5) Other sales include construction, wholesale trade and others. Beginning in 2000, Other sales also includes arts, entertainment and recreation.

(6) Prior to 2000, the sectors were classified according to SICS. Beginning in 2000, the sectors are classified according to NAICS. The definitions of certain categories have changed.

Population

The City has been the most populous city in the United States since 1790. The City's population is larger than the combined population of Los Angeles and Chicago, the next most populous cities in the nation.

POPULATION

Year	Total Population
1970	7,895,563
1980	7,071,639
1990	7,322,564
2000	8,008,278

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

The following table sets forth the distribution of the City's population by age between 1990 and 2000.

DISTRIBUTION OF POPULATION BY AGE

Age	1990		2000	
		% of Total		% of Total
Under 5	509,740	7.0	540,878	6.8
5 to 14	907,549	12.4	1,091,931	13.6
15 to 19	470,786	6.4	520,641	6.5
20 to 24	576,581	7.9	589,831	7.4
25 to 34	1,369,510	18.7	1,368,021	17.1
35 to 44	1,116,610	15.2	1,263,280	15.8
45 to 54	773,842	10.6	1,012,385	12.6
55 to 64	644,729	8.8	683,454	8.5
65 and Over	953,317	13.0	937,857	11.7

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

Housing

In 2008, the housing stock in the City consisted of approximately 3,328,395 housing units, excluding certain special types of units primarily in institutions such as hospitals and universities ("Housing Units") according to the 2008 Housing and Vacancy Survey released June 30, 2009. The 2008 housing inventory represented an increase of approximately 68,000 units, or 2.1%, since 2005. The 2008 Housing and Vacancy Survey indicates that rental housing units predominate in the City. Of all occupied housing units in 2008, approximately 31.4% were conventional home-ownership units, cooperatives or condominiums and approximately 64.4% were rental units. Due to the difference in the inventory basis for the 2002, 2005 and 2008 Housing and Vacancy Surveys, respectively, and previous Housing and Vacancy Surveys, it is not possible to accurately compare 2002, 2005 and 2008 results to the results of earlier Surveys until such time as the data is reweighted. The following table presents trends in the housing inventory in the City.

Housing Inventory
(In Thousands)

Ownership/Occupancy Status	1984	1987	1991	1993	1996	1999	2002	2005	2008
Total Housing Units	2,803	2,840	2,981	2,977	2,995	3,039	3,209	3,261	3,328
Owner Units	807	837	858	825	858	932	997	1,032	1,046
Owner-Occupied	795	817	829	805	834	915	982	1,010	1,019
Vacant for Sale	12	19	29	20	24	17	15	21	26
Rental Units	1,940	1,932	2,028	2,040	2,027	2,018	2,085	2,092	2,144
Renter-Occupied	1,901	1,884	1,952	1,970	1,946	1,953	2,024	2,027	2,082
Vacant for Rent	40	47	77	70	81	64	61	65	62
Vacant Not Available for Sale or Rent(1)	56	72	94	111	110	89	127	137	138

Note: Details may not add up to totals due to rounding.
Sources: U.S. Bureau of the Census, 1984, 1987, 1991, 1993, 1996, 1999, 2002, 2005 and 2008 New York City Housing and Vacancy Surveys.
(1) Vacant units that are dilapidated, intended for seasonal use, held for occasional use, held for maintenance purposes or other reasons.

APPENDIX B

FINANCIAL STATEMENTS

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Basic Financial Statements of the City of New York
June 30, 2009 and 2008

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Deloitte.

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INDEPENDENT AUDITORS' REPORT

The People of The City of New York:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of New York (The "City") as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of The City's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of those entities disclosed in Note E.1 which represent 24 percent and 20 percent and 23 percent and 17 percent, as of and for the years ended June 30, 2009 and 2008 respectively, of the assets and revenues of the government-wide financial statements, 10 percent and 6 percent and 8 percent and 3 percent, as of and for the years ended June 30, 2009 and 2008 respectively, of the assets and revenues of the governmental fund financial statements and 8 percent and 8 percent and 8 percent and 8 percent, as of and for the years ended June 30, 2009 and 2008 respectively, of the assets and net assets held in trust of the fiduciary fund financial statements of The City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities disclosed in Note E.1, are based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City, as of June 30, 2009 and 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.2 to the financial statements, in 2009, The City adopted Governmental Accounting Standards Board Statement (GASB) No. 49, Accounting and Financial Reporting for Pollution Remediation Obligation.

The Management's Discussion and Analysis on pages B-4 through B-29 and the Required Supplementary Information on pages B-85 and B-101 through B-103 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of The City's management. We, and the other auditors as it relates to Management's Discussion and Analysis only, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 2009 and 2008 supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

October 23, 2009

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, 2009 and 2008. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will affect cash flow in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leave).

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" (GASB49) in fiscal year 2009. GASB49 establishes accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution (e.g. hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups. Pollution remediation obligations exclude pollution prevention or control obligations relating to current operations and future pollution remediation activities such as landfill closure and postclosure care. GASB49 identifies the obligating events which require a governmental entity to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The financial reporting impact resulting from the implementation of GASB49 is the restatement of net assets in the government-wide financial statements by $173 million for pollution remediation obligations measured at the beginning of fiscal year 2009.

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 new financial reporting model is to demonstrate fiscal accountability. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds and governmental activities.*

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds include the Pension and Other Employee Benefit Trust Funds, Other Trust Funds, and the Agency Funds.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" (GASB43) in fiscal year 2006. GASB43 establishes financial reporting standards for other postemployment benefits (OPEB) plans. The New York City Other Postemployment Benefits Plan (the PLAN) is composed of The New York City Retiree Health Benefits Trust (the Trust) and OPEB paid for directly by the City out of its general resources rather than through the Trust. The Trust is used to accumulate assets to pay for OPEB provided by The City to its retired employees. The PLAN is reported in the City's financial statement as a fiduciary component unit. 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" amount necessary to provide OPEB to current eligible retirees and their dependents. During fiscal year 2009, the City contributed $1.7 billion to the PLAN, $1.5 billion was considered to be the pay-as-you-go OPEB cost.

New York City Tax Lien Trusts (NYCTLT) is a series of tax lien trusts that were created to acquire from the City certain tax liens securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents, and other charges payable to the City and the Water Board from the City in exchange for the proceeds from bonds issued by NYCTLT, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the trusts and is entitled to receive distributions from the trusts after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the trusts to make distributions to it and consequently, NYCTLT is presented as Other Trust Funds in the City's financial statements.

Notes to financial statements

The notes to financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and retirees and their dependents.

Financial Reporting Entity

The financial reporting entity consists of the primary government including the Department of Education of The City of New York and the community colleges of the City University of New York, other organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended Component Units

Certain component units, despite being legally separate from the primary government, are blended with the primary government. Blended component units all provide services exclusively to the City and thus are reported as if they were part of the primary government. The blended component units, which are all reported as nonmajor governmental funds, comprise the following:

New York City School Construction Authority (SCA)
New York City Transitional Finance Authority (TFA)
TSASC, Inc. (TSASC)
Municipal Assistance Corporation for The City of New York (MAC)
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)

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:

New York City Water and Sewer System (NYW)
- New York City Water Board (Water Board)
- New York City Municipal Water Finance Authority (Water Authority)

New York City Housing Authority (HA)
New York City Housing Development Corporation (HDC)
New York City Health and Hospitals Corporation (HHC)
New York City Economic Development Corporation (EDC)

The following entities are presented discretely in the City's financial statements as nonmajor component units:

WTC Captive Insurance Company, Inc. (WTC Captive)
Brooklyn Navy Yard Development Corporation (BNYDC)
New York City Industrial Development Agency (IDA)
Business Relocation Assistance Corporation (BRAC)
New York City Capital Resource Corporation (CRC)

Financial Analysis of the Government-wide Financial statements

In the government-wide financial statements, all of the activities of the City, aside from its discretely presented component units, are considered governmental activities. Governmental activities increased the City's net assets deficit by $7.0 billion (not including the restated opening fiscal year 2009 Net Assets because of GASB49) during fiscal year 2009, and increased net assets deficit by $5.8 billion during fiscal year 2008, and increased net assets deficit by $2.8 billion during fiscal year 2007.

As mentioned previously, the basic financial statements include a reconciliation between the fiscal year 2009 governmental funds statement of revenues, expenditures, and changes in fund balances which reports a decrease of $660 million in fund balances and the increase in the net assets deficit reported in the government-wide statement of activities $7.0 billion, a difference of $6.3 billion. A similar reconciliation is provided for fiscal year 2008 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) 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,		
	2009	2008 (in thousands)	2007
Revenues:			
Program revenues:			
Charges for services	$ 4,339,456	$ 4,094,423	$ 3,766,023
Operating grants and contributions	18,858,998	17,867,973	16,359,008
Capital grants and contributions	854,646	1,363,822	882,239
General revenues:			
Taxes	34,904,930	38,055,401	38,778,225
Investment income	286,868	637,711	669,173
Unrestricted Federal and State aid	806,415	632,162	498,791
Other	284,528	257,470	297,427
Total revenues	60,335,841	62,908,962	61,250,886
Expenses:			
General government	3,770,291	3,892,968	3,057,503
Public safety and judicial	15,198,415	16,253,188	15,510,212
Education	21,534,177	21,597,632	19,645,691
City University	779,539	733,165	675,888
Social services	13,076,719	13,529,238	12,080,533
Environmental protection	2,947,939	3,406,311	3,218,040
Transportation services	2,060,043	1,793,394	1,839,849
Parks, recreation and cultural activities	1,091,041	897,363	780,515
Housing	1,362,964	1,403,838	1,287,183
Health (including payments to HHC)	2,567,434	2,309,449	3,025,268
Libraries	402,299	310,048	375,453
Debt service interest	2,565,891	2,615,635	2,560,133
Total expenses	67,356,752	68,742,229	64,056,268
Change in net assets	(7,020,911)	(5,833,267)	(2,805,382)
Net deficit—beginning	(89,532,464)	(83,699,197)	(80,893,815)
Restatement of beginning net deficit	(172,842)	—	—
Net deficit—beginning of year, as restated	(89,705,306)	(83,699,197)	(80,893,815)
Net deficit—ending	$ (96,726,217)	$ (89,532,464)	$ (83,699,197)

In fiscal year 2009, the government-wide revenues decreased from fiscal year 2008 levels by approximately $2.6 billion, while government-wide expenses decreased by approximately $1.4 billion. A primary component of expenses is due to the City's implementation of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB45) in fiscal year 2006.

GASB45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Postemployment benefits are part of an exchange of current salaries and benefits for employee services rendered. Prior to GASB45, most OPEB Plans were reported on a pay-as-you-go basis and a government's financial statements did not report the financial effects of these postemployment benefits until paid.

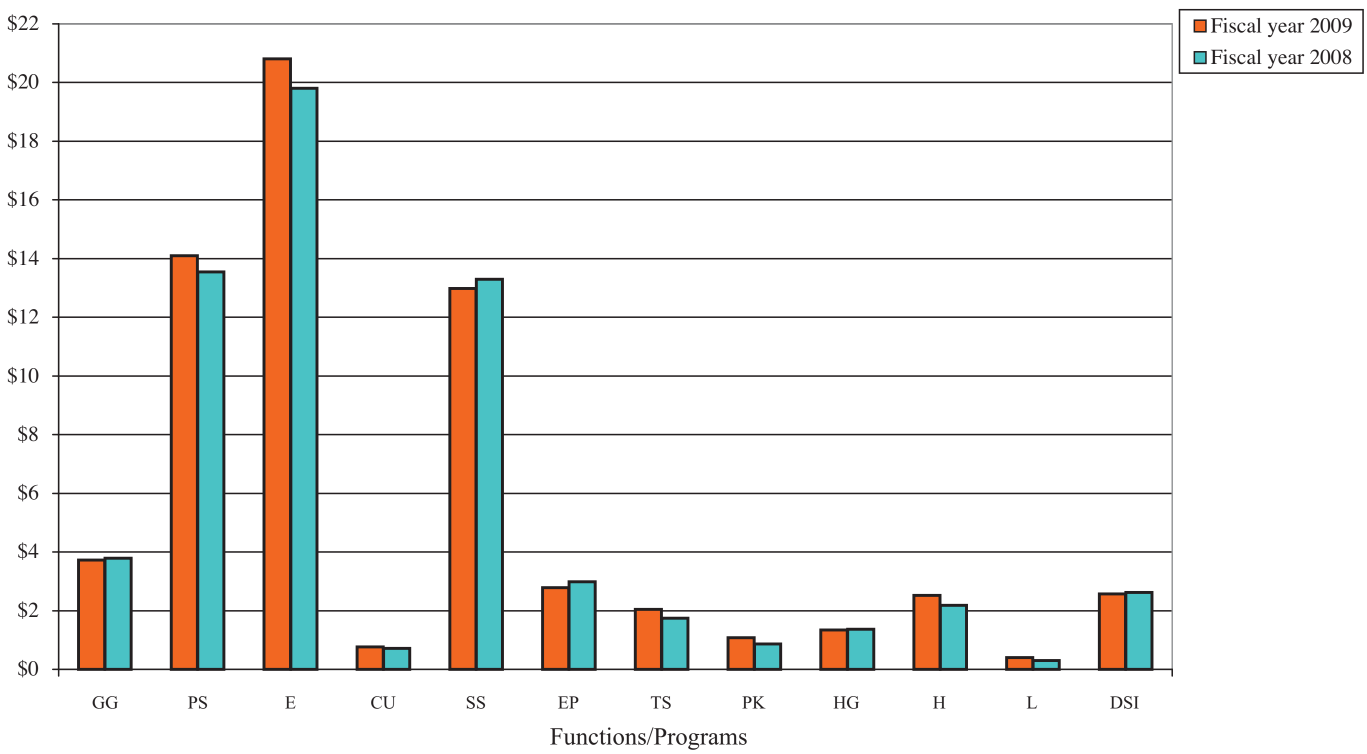
In fiscal year 2008, the increase of OPEB costs associated with GASB45 was approximately $5.5 billion. In fiscal year 2009 the increased costs of OPEB was only $2.3 billion. The lower rate of increase was the result of changes in the actuarial assumptions and plan amendments to compute the annual OPEB cost (AOC), including refinements to the Teachers' Retirement System (TRS) 55/25 plan and changes in assumptions for Medicare Part B reimbursements and premiums, and the Medicare Advantage reimbursements.

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 2009 and a comparison to fiscal year 2008:

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

	Fiscal Year 2008 (in thousands)		
Functions/Programs	**Expenses per Statement of Activities**	**GASB45 Expenses**	**Expenses excluding GASB45**
General government (GG)	$ 3,892,968	$ 107,196	$ 3,785,772
Public safety and judicial (PS)	16,253,188	2,711,558	13,541,630
Education (E)	21,597,632	1,791,116	19,806,516
City University (CU)	733,165	23,956	709,209
Social services (SS)	13,529,238	233,003	13,296,235
Environmental protection (EP)	3,406,311	418,127	2,988,184
Transportation services (TS)	1,793,394	46,486	1,746,908
Parks, recreation and cultural activities (PK)	897,363	28,246	869,117
Housing (HG)	1,403,838	37,072	1,366,766
Health, including payments to HHC (H)	2,309,449	126,255	2,183,194
Libraries (L)	310,048	5,265	304,783
Debt service interest (DSI)	2,615,635	—	2,615,635
Total expenses	$ 68,742,229	$ 5,528,280	$63,213,949

Expenses — Governmental Activities[1]
for the fiscal years ending June 30, 2009 and 2008
(in billions)



(1) Expenses exclude GASB45.

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

- Operating and capital grants and contributions increased primarily due to large increases in State grants for education.
- Tax revenues, net of refunds, declined overall:
  - The increase in real estate taxes are a result of growth during the fiscal year attributable to billable assessed value growth combined with a mid-year property tax rate increase.
  - The overall decrease in sales and use taxes is driven primarily buy a large drop in mortgage tax collections due to a slowdown in mortgage originations and tighter lending standards that required higher down payments. This decrease also reflects a drop in general sales tax collections.
  - The large decrease in personal income tax revenue was due to employment losses, a steep decline in bonus payouts in the first quarter of the calendar year, and a drop in nonwage income stemming from a decline in capital gains realizations.
  - There were record losses posted by the financial service entities in calendar years 2007 and 2008 affecting the general corporation taxes.
  - There was an increase in financial corporation taxes reflecting contributions by Federal, State and local tax compliance initiatives. Additionally, Federal monetary policy has widened net interest margins which has bolstered interest income for all banking corporations.
  - A decrease in other taxes is primarily due to a large decrease in real property transaction taxes resulting from a steep decline in the volume and average sales price in both the residential and commercial markets.
- Investment income declined due to declining market interest rates.

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

- City-wide:
  - Other post employment benefit (OPEB) expenses decreased as a result of a smaller growth in the actuarially calculated OPEB obligation during fiscal year 2009.
  - Judgment and claims expenses declined as a result of a decline in the estimated cost of pending cases and incurred but not yet reported claims.
  - Expenses increased as a result of the implementation of GASB49 as discussed later on.
  - Increases in personal service costs resulted from collective bargaining increases.
- Expenses for public safety and judicial decreased due to the abovementioned reductions in OPEB and judgments and claims offset by increased salary and benefit costs resulting from collective bargaining.
- Social service expenses decreased as a result of Medicaid savings from the increased Federal Medical Assistance Percentage in the American Recovery and Reinvestment Act of 2009. These savings were partially offset by increased costs in public assistance to provide rental assistance to homeless individuals and families, and increases in personal service expenditures for collective bargaining agreements.
- Health expenses increased due to collective bargaining. Expenses for HHC increased due to subsidy prepayments.

In fiscal year 2008, the government-wide revenues increased from fiscal year 2007 by approximately $1.7 billion, while government-wide expenses increased by approximately $4.7 billion.

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

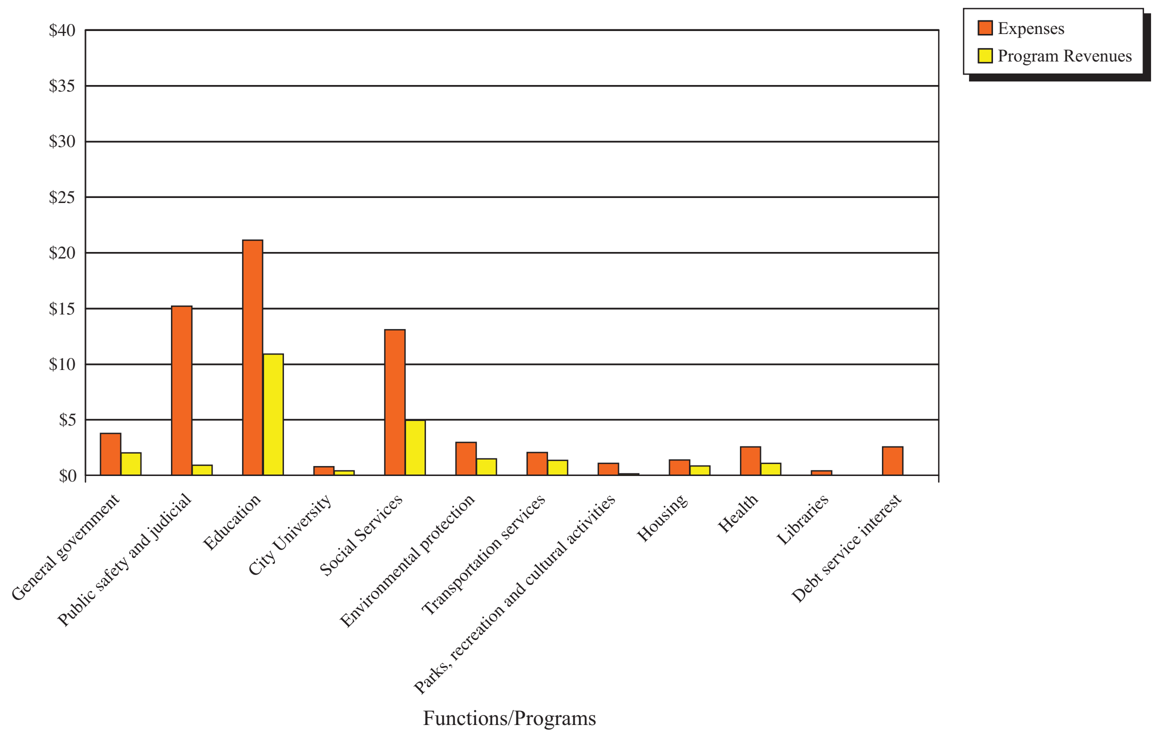
- Operating and capital grants and contributions increased primarily due to large increases in State grants for education.
- Tax revenues, net of refunds, declined overall, as categories of taxes with decreased revenues outweighed those with increases:
  - The overall decrease in sales and use taxes is driven primarily by a large drop in mortgage tax collections due to a slowdown in mortgage originations and tighter lending standards that required higher down payments. This decrease off-set the increases seen in general sales tax where there were employment gains and also strong tourist consumption.
  - The large increase in personal income tax revenue growth was due to employment gains, strong bonus payouts, and also strong capital gains realizations from the equity market and hedge fund managers' large investment and fee income.
  - The decrease in other income taxes is due in large part to the credit crisis. There were large asset write-down losses and large bank tax refunds, about $220 million more in 2008 than 2007.
  - A decrease in other taxes is primarily due to a large decrease in real property transaction taxes focused mostly on a slow-down in large commercial transactions in 2008 compared to 2007.

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

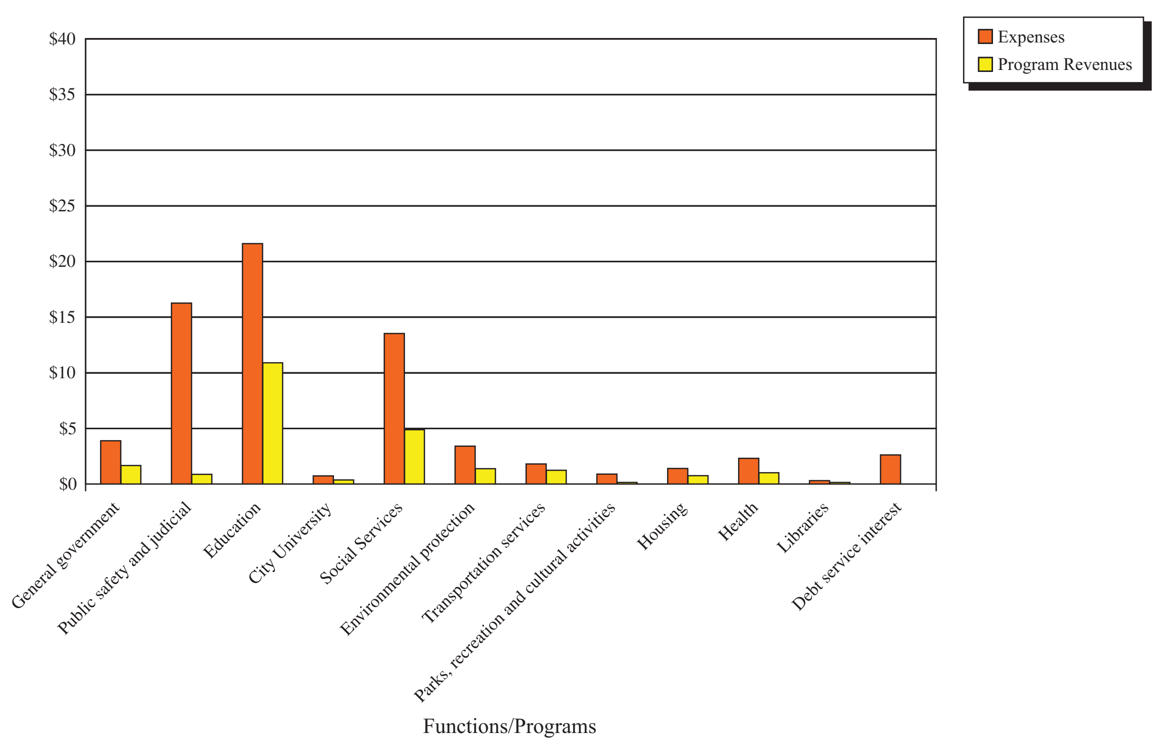
- Citywide, pension costs increased due to investment losses in previous years and growth in wages.
- General government expenses rose due to increased judgments and claims, increased operating and maintenance costs for the City's newly operational emergency communications and wireless networks, increased spending on new and enhanced youth programs, and price level increases for energy and commodities.
- Expenses for education grew due to collective bargaining increases, expansion of programs such as collaborative team teaching, half day pre-k and multiple pathways. Energy costs also rose significantly.
- Social service expenses increased primarily due to the transfer of Medicaid costs from health to social services and an increase in spending for Medicaid and public assistance. Medicaid cost growth reflects an annual 3% increase as well as the shifting of certain costs previously paid by New York State to the City. Public assistance costs increased primarily due to growth in cash assistance expenditures, including rental subsidies for homeless individuals and families.
- Health expenses decreased due to the transfer of Medicaid costs from health to social services and because 2007 included a large one-time subsidy to HHC which did not recur in 2008.

The following charts compare the amounts of expenses and program revenues for fiscal years 2009 and 2008:

Expenses and Program Revenues — Governmental Activities[1]
June 30, 2009
(in billions)



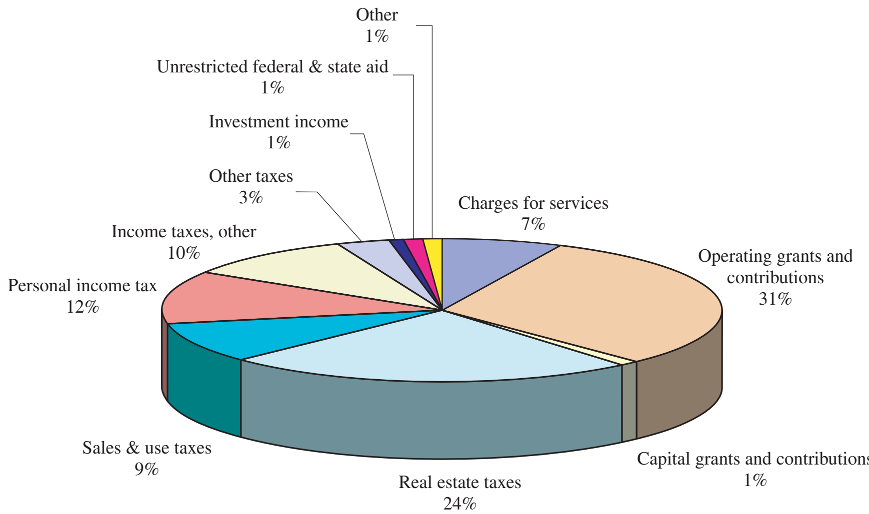
Expenses and Program Revenues — Governmental Activities[1]
June 30, 2008
(in billions)



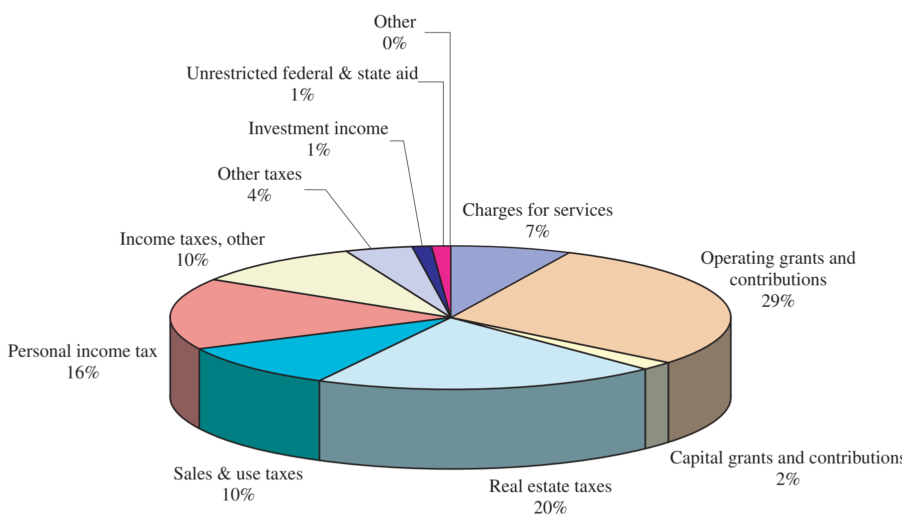
(1) Expenses include GASB45.

The following charts compare the amounts of program and general revenues for fiscal years 2009 and 2008:

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



Revenues by Source — Governmental Activities for the Year Ended June 30, 2008



As noted earlier, increases and decreases of net assets may over time serve as a useful indicator of changes in a government's financial position. In the case of the City, liabilities exceed assets by $96.7 billion at the close of the most recent fiscal year, an increase in the excess of liabilities over assets of $7.2 billion (includes the restated opening fiscal year 2009 Net Assets because of GASB49) from June 30, 2008, which in turn compares with the net deficit increase of $5.8 billion over the prior fiscal year 2007.

	Governmental Activities		
	2009	2008	2007
		(in thousands)	
Current and other assets	$31,305,915	$ 32,135,165	$ 30,998,631
Capital assets (net of depreciation)	39,881,603	36,892,858	34,331,152
Total assets	71,187,518	69,028,023	65,329,783
Long-term liabilities	145,934,380	137,697,829	130,201,374
Other liabilities	21,979,355	20,862,658	18,827,606
Total liabilities	167,913,735	158,560,487	149,028,980
Net assets:			
Invested in capital assets, net of related debt	(5,502,516)	(3,112,434)	(5,239,185)
Restricted	7,093,369	8,926,022	6,794,774
Unrestricted	(98,317,070)	(95,346,052)	(85,254,786)
Total net deficit	$(96,726,217)	$(89,532,464)	$(83,699,197)

The excess of liabilities over assets reported on the government-wide statement of net assets is a result of several factors. The largest components of the net deficit are the result of the City having long-term debt with no corresponding capital assets and the City's OPEB liability. The following summarizes the main components of the net deficit as of June 30, 2009 and 2008:

Components of Net Deficit	2009	2008
	(in billions)	
Net Assets Invested 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	$ (5.5)	$ (3.1)
Net Assets Restricted for:		
Debt Service	5.4	7.0
Capital Projects	1.7	1.9
Total net assets restricted	7.1	8.9
Unrestricted Net Assets		
TFA issued debt to finance costs related to the recovery from the September 11, 2001 World Trade Center disaster, which are operating expenses of the City	(1.5)	(1.5)
STAR issued debt related to the defeasance of the MAC issued debt	(2.3)	(2.3)
The City has issued debt for the acquistion and construction of public purpose capital assets which are not reported as City-owned assets on the Statement of Net Assets. This includes assets of the New York City Transit Authority (TA), NYW, HHC, and certain public libraries and cultural institutions. This is the debt outstanding for non-City owned assets at year end.	(14.4)	(14.0)
Certain long-term obligations do not require current funding:		
OPEB liability	(65.5)	(63.3)
Judgments and claims	(5.5)	(5.7)
Vacation and sick leave	(3.7)	(3.4)
Pension liability	(0.7)	(0.7)
Landfill closure and postclosure costs	(1.7)	(1.7)
Other:	(3.0)	(2.7)
Total unrestricted net assets	(98.3)	(95.3)
Total net deficit	$(96.7)	$(89.5)

Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the City's governmental funds.

Governmental Funds

	General Fund	New York City Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
			(in thousands)			
Fund balances (deficit), June 30, 2007	$ 427,298	$(3,328,918)	$3,371,996	$5,695,244	$ —	$ 6,165,620
Revenues	61,423,517	3,666,977	18,060	3,195,701	(2,376,158)	65,928,097
Expenditures	(55,996,802)	(9,005,444)	(3,493,379)	(4,433,242)	2,376,158	(70,552,709)
Other financing sources (uses)	(5,421,706)	5,161,500	5,220,591	(784,401)	—	4,175,984
Fund balances (deficit), June 30, 2008	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
Revenues	59,849,094	3,725,364	57,692	3,569,827	(2,880,850)	64,321,127
Expenditures	(57,865,899)	(10,043,522)	(3,215,502)	(4,537,303)	2,880,850	(72,781,376)
Other financing sources (uses)	(1,978,494)	7,717,479	1,416,372	645,079	—	7,800,436
Fund balances (deficit), June 30, 2009	$ 437,008	$(2,106,564)	$3,375,830	$3,350,905	$ —	$ 5,057,179

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 $2.919 billion and $4.640 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2009 and 2008, respectively. After these certain expenditures and transfers (discretionary and other), the General Fund reported an operating surplus of $5 million in both fiscal years 2009 and 2008, 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, 2009, can be attributed principally to transfers (discretionary transfer and other, as described above) from the General Fund totaling $1.290 billion in fiscal year 2009 for fiscal year 2010 debt service. Similar transfers in fiscal year 2008 of $3.083 billion for fiscal year 2009 debt service also primarily account for the General Debt Service Fund balance at June 30, 2008.

The New York City Capital Projects Fund accounts for the financing of the City's capital program. The primary resource is obtained from the issuance of City and TFA debt. Capital-related expenditures are first paid from the General Fund, which is reimbursed for these expenditures by the New York City Capital Projects Fund. To the extent that capital expenditures exceed proceeds from bond issuances, and other revenues and financing sources, the Capital Projects Fund will have a deficit. The deficit fund balances at June 30, 2009 and 2008 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 2009 General Fund expenditures include approximately $236.1 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. On April 30, 2008 pursuant to existing authority under the New York State Financial Emergency Act, the New York State Financial Control Board for the City of New York approved a phase-in of the budgetary impact of GASB49, enabling the City to continue to finance, with the issuance of bonds, certain pollution remediation costs for projects authorized prior to fiscal year 2011. Thus, $176.4 million of City bond proceeds and $59.7 of other revenues (New York

City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the $236.1 million of pollution remediation expenditures are also reported in the General Fund for fiscal year 2009. 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:

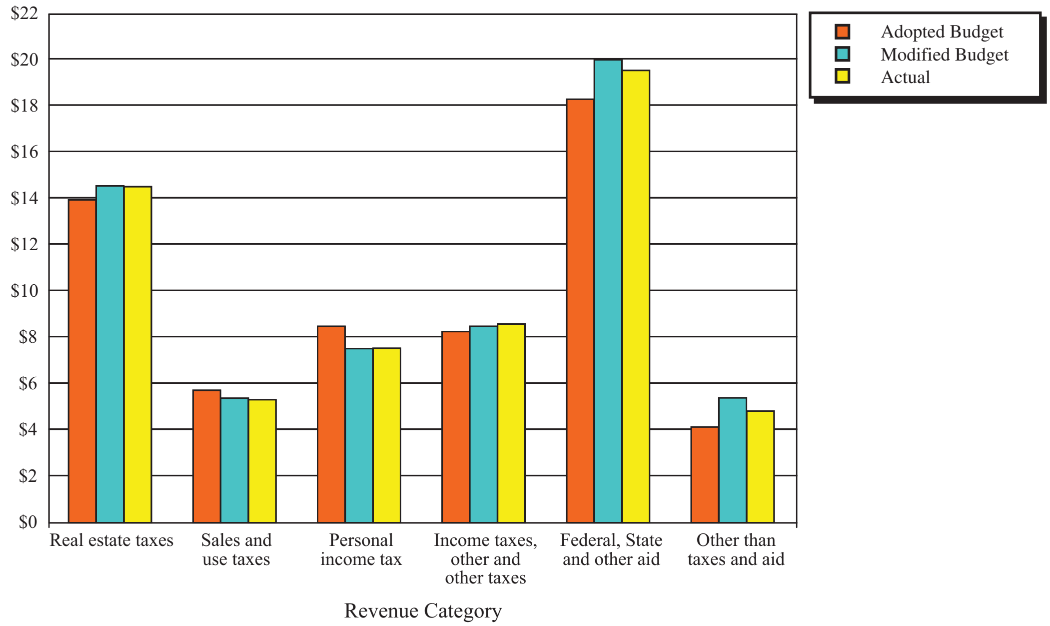
	General Fund Pollution Remediation Expenditures (in thousands)	
	Modified Budget	**Actual**
General government	$ 3,495	$ 3,495
Public safety and judicial	394	394
Education	158,543	158,543
Social services	63	63
Environmental protection	61,248	61,248
Transportation services	6,463	6,463
Parks, recreation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

The following information is presented to assist the reader in comparing the original budget (Adopted Budget), and the final amended budget (Modified Budget) and the actual results compared with these budgeted amounts. The Adopted Budget can be modified subsequent to the end of the fiscal year.

General Fund Revenues

The following charts and tables summarize actual revenues by category for fiscal years 2009 and 2008 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

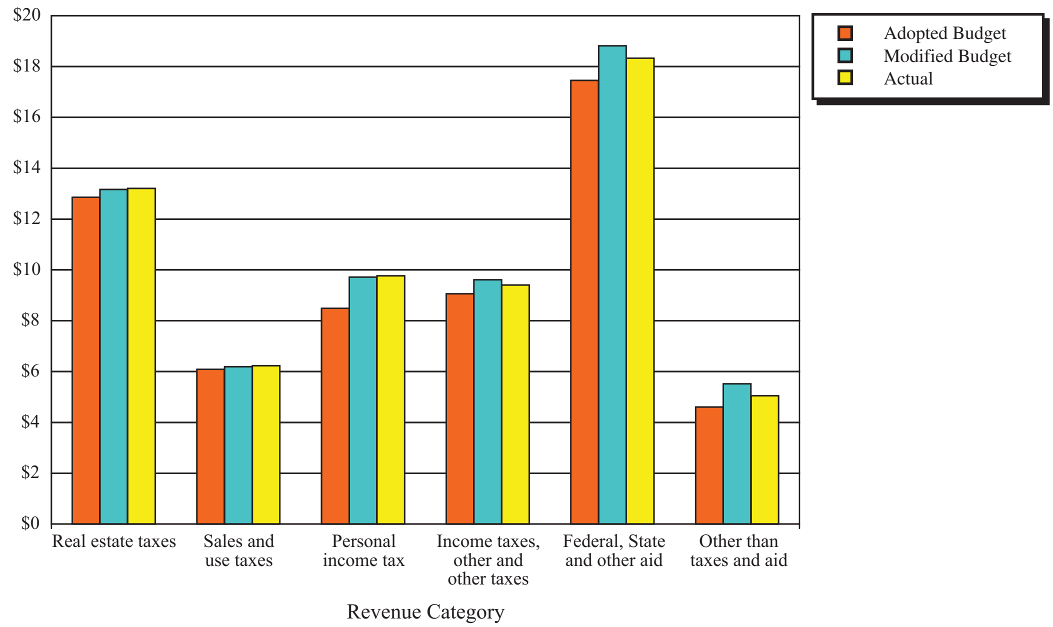
General Fund Revenues
Fiscal Year 2009
(in billions)



General Fund Revenues
Fiscal Year 2009
(in millions)

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

General Fund Revenues
Fiscal Year 2008
(in billions)



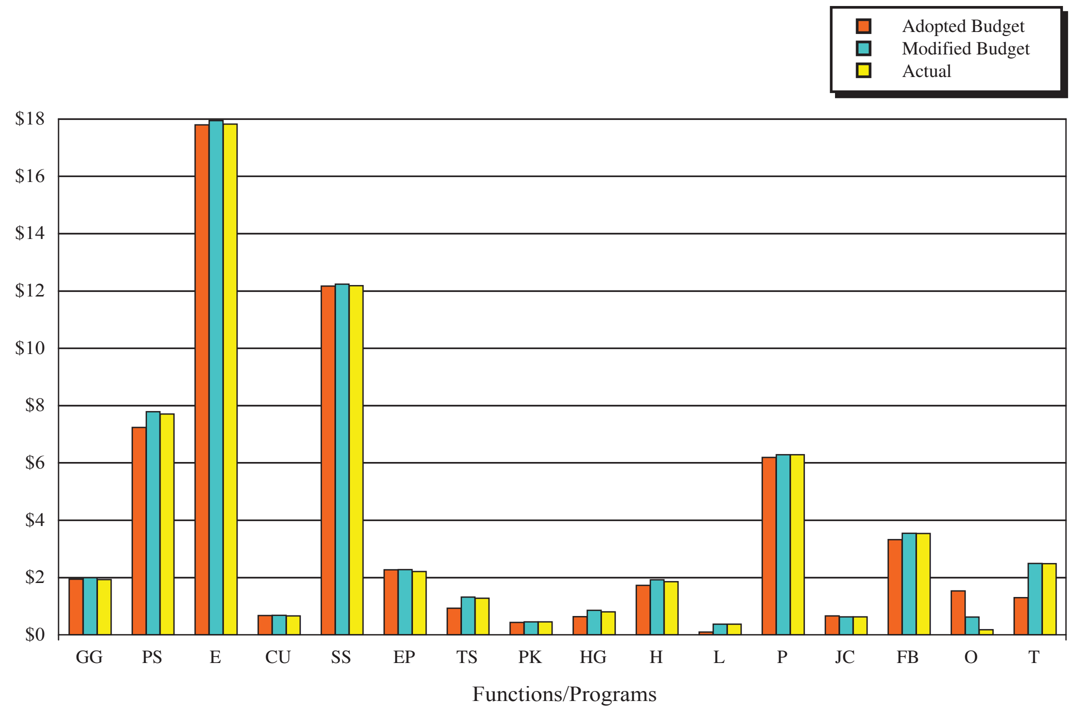
General Fund Revenues
Fiscal Year 2008
(in millions)

	Adopted Budget	Modified Budget	Actual
Taxes (net of refunds):			
Real estate taxes	$12,854	$13,163	$13,204
Sales and use taxes	6,082	6,185	6,228
Personal income tax	8,487	9,714	9,764
Income taxes, other	6,007	5,968	6,785
Other taxes	3,045	3,638	2,619
Taxes (net of refunds)	36,475	38,668	38,600
Federal, State and other aid:			
Categorical	17,110	18,553	18,088
Unrestricted	340	255	242
Federal, State and other aid	17,450	18,808	18,330
Other than taxes and aid:			
Charges for services	1,951	2,086	2,126
Other revenues	2,104	2,878	2,368
Transfers from Nonmajor Debt Service Fund	549	552	552
Other than taxes and aid	4,604	5,516	5,046
Total revenues	$58,529	$62,992	$61,976

General Fund Expenditures

The following charts and tables summarize actual expenditures by function/program for fiscal years 2009 and 2008 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

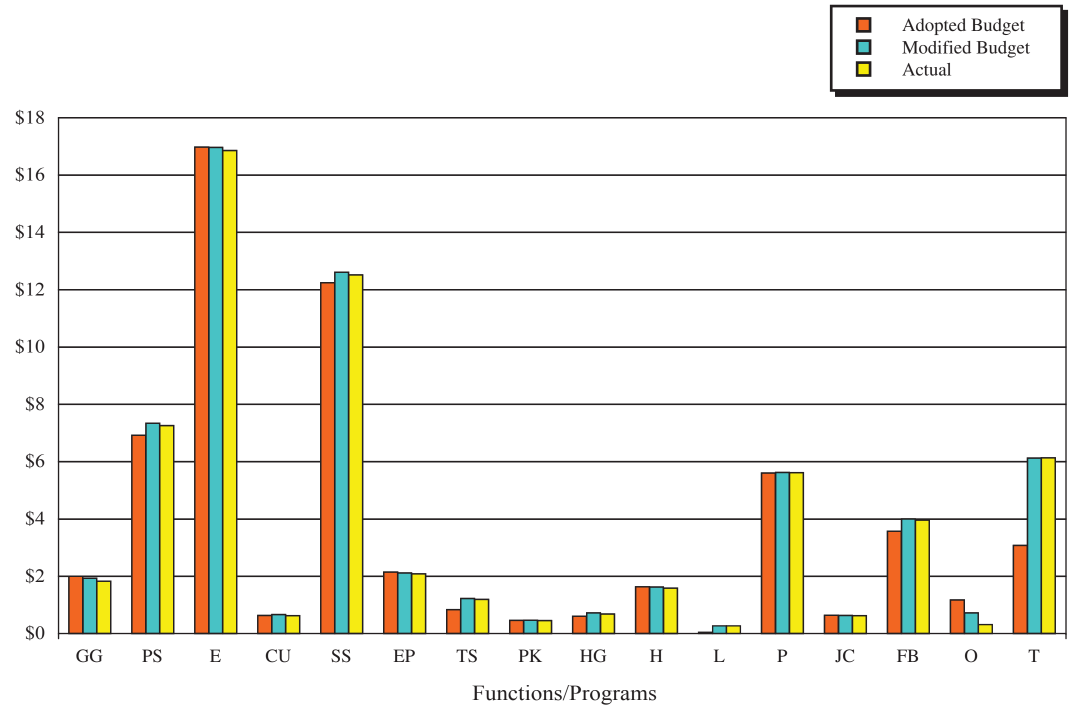
General Fund Expenditures
Fiscal Year 2009
(in billions)



General Fund Expenditures
Fiscal Year 2009
(in millions)

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

General Fund Expenditures
Fiscal Year 2008
(in billions)



General Fund Expenditures
Fiscal Year 2008
(in millions)

	Adopted Budget	Modified Budget	Actual
General government (GG)	$ 1,999	$ 1,926	$1,828
Public safety and judicial (PS)	6,919	7,337	7,259
Education (E)	16,974	16,962	16,855
City University (CU)	629	660	621
Social services (SS)	12,241	12,610	12,511
Environmental protection (EP)	2,145	2,115	2,083
Transportation services (TS)	837	1,223	1,187
Parks, recreation and cultural activities (PK)	455	463	450
Housing (HG)	604	716	680
Health, including HHC (H)	1,626	1,624	1,588
Libraries (L)	47	267	266
Pensions (P)	5,603	5,620	5,616
Judgments and claims (JC)	635	629	625
Fringe benefits and other benefit payments (FB)	3,573	3,995	3,957
Other (O)	1,169	721	313
Transfers and other payments for debt service (T)	3,073	6,124	6,132
Total expenditures	$58,529	$62,992	$61,971

General Fund Surplus

The City had General Fund surpluses of $2.919 billion, $4.640 billion and $4.670 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2009, 2008 and 2007, respectively. For the fiscal years 2009, 2008 and 2007, 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 2009, 2008 and 2007 budgets follow:

	2009	2008	2007
		(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	$1,043	$ 672	$ 153
Discretionary transfers to the General Debt Service Fund	244	2,401	3,160
Net equity contribution in bond refunding that accrued to future years debt service savings	3	10	2
Debt service prepayments for lease purchase debt service due in the fiscal year	95	46	165
Grant to HYIC	15	—	—
Grant to TFA	646	546	546
Advance cash subsidies to the Public Library system	264	225	273
Advance cash subsidies to the TA and Metropolitan Transportation Authority (MTA)	294	275	275
Advance cash subsidies to the HHC	85	—	91
Payment to the RHBT	—	460	—
Payment to the PLAN	225	—	—
Total expenditures and transfers (discretionary and other)	2,914	4,635	4,665
Reported surplus	5	5	5
Total surplus	$2,919	$4,640	$4,670

Final results for any given fiscal year may differ greatly from that year's Adopted Budget. The following table shows the variance between actuals and amounts for the fiscal year ended 2009 Adopted Budget:

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

Fiscal Year 2008

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 2008 Adopted Budget:

	2008
Additional resources:	(in millions)
Greater than expected personal income tax collections	$1,297
Greater than expected sales tax collections	338
Greater than expected unincorporated business tax collections	301
Greater than expected general corporation tax collections	281
Greater than expected real estate tax collections	61
Greater than expected utility tax collections	36
Greater than expected real property transfer tax collections	30
Greater than expected all other tax collections	67
Greater than expected charges for services	175
Greater than expected fines and forfeitures	105
Greater than expected revenues from licenses, permits, privileges, and franchises	83
Greater than expected asset sales	19
Greater than expected all other miscellaneous revenues	69
Federal categorical aid	396
State categorical aid	597
Greater than expected non-grant revenues	83
Lower than expected all other health insurance expenditures	113
Lower than expected personal services spending (net of pension, health insurance and overtime)	628
Lower than expected supplies and materials costs	225
Lower than expected fuel and energy costs	8
Lower than expected all other general administrative OTPS spending	498
Lower than expected lease purchase debt service costs	65
Lower than expected all other debt service costs	61
Reduced Pay-As-You-Go capital spending	100
Reduced contribution to SMART Fund	50
General Reserve	300
All other net underspending and revenues above budget	19
Total	6,005
Enabled the City to provide for:	
Additional prepayments of certain debt service costs and subsidies due in fiscal years 2009–2011	1,614
Retirement of capital debt	1,986
Additional prepayment to the RHBT	460
Higher than expected overtime costs	288
Higher than expected pensions costs	13
Higher than expected spending for contractual services	685
Higher than expected property and equipment costs	96
Higher than expected judgments and claims costs	29
Higher than expected payment to the HHC (excluding Medicaid)	28
Higher than expected all other fixed and miscellaneous charges	94
Higher than expected provisions for disallowance reserve	99
Higher than expected Medicaid spending (including HHC)	62
Higher than expected public assistance spending	56
Higher than expected all other social services spending (excluding Medicaid and public assistance)	47
Lower than expected banking corporation tax collections	223
Lower than expected mortgage tax collections	111
Lower than expected unrestricted federal and state aid	98
Lower than expected interest income	11
Total	6,000
Reported Surplus	$ 5

Capital Assets

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

	Governmental Activities		
	2009	2008	2007
		(in millions)	
Land*	$ 1,147	$ 1,097	$ 1,067
Buildings	22,435	21,026	20,205
Equipment	1,898	1,652	1,301
Infrastructure**	9,539	8,737	8,132
Construction work-in-progress*	4,862	4,381	3,626
Total	$39,881	$36,893	$34,331

* not depreciable
** 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 2009 was $2.988 billion, a 8.1% increase. Capital assets additions in fiscal year 2009 were $9.121 billion, an increase of $807 million from fiscal year 2008. Capital assets additions in the Education program totaling $1.754 billion and total new construction work-in-progress (the majority of which was in the Education program) totaling $3.758 billion accounted for 60% of the capital assets additions in fiscal year 2009.

The net increase in the City's capital assets during fiscal year 2008 was $2.562 billion, a 7.5% increase. Capital assets additions in fiscal year 2008 were $8.314 billion, an increase of $2.174 billion from fiscal year 2007. Capital assets additions in the Education program totaling $1.424 billion and total new construction work-in-progress (the majority of which was in the Education program) totaling $3.526 billion accounted for 60% of the capital assets additions in fiscal year 2008.

Additional information on the City's capital assets can be found in Note D.2 of the basic financial statements.

Debt Administration

The City, through the Comptroller's Office of Public Finance, in conjunction with the Mayor's Office of Management and Budget, is charged with issuing debt to finance the implementation of the City's capital program. The following table summarizes the debt outstanding for New York City and City-related issuing entities at the end of fiscal years 2009, 2008 and 2007.

	New York City and City-Related Debt		
	2009	2008	2007
		(in millions)	
General Obligation Bonds(a)	$39,991	$36,100	$34,506
TFA Bonds	11,140	11,306	11,542
TFA Recovery Bonds	1,522	1,522	1,765
TFA BARBs	4,251	2,000	1,300
TSASC Bonds	1,274	1,297	1,317
IDA Bonds	99	101	102
STAR Bonds	2,253	2,339	2,368
FSC Bonds	304	321	337
HYIC Bonds	2,000	2,000	2,000
HYIC Notes	33	67	100
ECF Bonds	102	109	123
Total bonds and notes payable	$62,969	$57,162	$55,460

(a) Does not include capital contract liabilities.

General Obligation

On July 1, 2009, the City's outstanding General Obligation (GO) debt, including capital contract liabilities, totaled $47.2 billion (compared with $42.6 and $39.5 billion as of July 1, 2008 and 2007, 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, 2009, the City's 10% general limitation was $74.9 billion (compared with $70.4 and $60 billion as of July 1, 2008 and 2007 respectively). The City's remaining GO debt incurring power as of July 1, 2009, after providing for capital contract liabilities, totaled $27.7 billion.

As of June 30, 2009, the City's outstanding GO variable and fixed rate debt totaled $7.39 billion and $32.60 billion, respectively. During fiscal year 2009, the City's GO tax exempt both daily and weekly variable rate debt averaged 1.33%. Of the $5.93 billion in GO bonds issued by the City in fiscal year 2009, a total of $450.07 million was issued to refund certain outstanding bonds and a total of $5.48 billion was issued for new money capital purposes. The proceeds of the refunding issues were placed in irrevocable escrow accounts in amounts sufficient to pay when due all principal, interest, and applicable redemption premium, if any, on the refunded bonds. These refundings produce budgetary dissavings of $3.84 million in fiscal year 2009, and budgetary savings of $16.56 million and $19.48 million in 2010 and 2011, respectively. The refundings will generate approximately $35.45 million in net present value savings throughout the life of the bonds.

In addition, the City converted $177 million of bonds between various interest rate modes.

A total of $681 million fixed rate bonds of the $5.93 billion GO bonds issued during fiscal year 2009 was issued as taxable debt. Of this total $445 million bonds were offered on a competitive basis and $236 million bonds were offered on a negotiated basis.

During fiscal year 2009 Standard & Poor's Ratings Services (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch) maintained the General Obligation ratings at AA, Aa3 and AA- respectively.

Short-term Financing

In fiscal year 2009, the City had no short-term borrowings.

Transitional Finance Authority

In 1997, in order to continue to fund the City's capital commitments in the face of an approaching General Obligation debt limit, the New York State Legislature created the New York City Transitional Finance Authority (TFA). The TFA, a bankruptcy-remote separate legal entity, was initially authorized to issue debt secured by the City's collections of personal income tax and, if necessary, sales tax. These TFA bonds are identified as Future Tax Secured Bonds. The TFA was initially authorized to issue up to $7.5 billion of Future Tax Secured Bonds. In fiscal year 2000, the debt incurring authorization for these bonds was increased by $4 billion to a total of $11.5 billion, and in fiscal year 2006, by $2 billion to a total of $13.5 billion. As of June 30, 2009 TFA has exhausted its debt incurring authorization for these bonds. In July 2009, however, Chapter 182 of the Laws of New York, 2009 authorized the issuance of additional Future Tax Secured Bonds subject to certain limitations. First, the $13.5 billion debt authorization was changed to be based on outstanding debt and not debt issued. Second, the new authorization provides that the further Future Tax Secured Bonds, together with the amount of indebtedness contracted by the City, will not exceed the debt limit of the City. As of July 1, 2009, the debt-incurring margin within the debt limit of the City was $27.7 billion.

In September 2001, the New York State Legislature approved a special TFA authorization of $2.5 billion to fund capital and operating costs related to or arising from the events of September 11, 2001 (Recovery Bonds). The Legislature also authorized TFA to issue debt without limit as to principal amount, secured solely by state or federal aid received as a result of the disaster. To date, TFA has issued $2 billion in Recovery Bonds pursuant to this authorization.

As of June 30, 2009, the TFA Future Tax Secured Bond total debt outstanding, including Recovery Bonds and Subordinate Lien Bonds, totaled approximately $12.66 billion.

In fiscal year 2009 the TFA issued $219.3 million to refund certain outstanding bonds. The refunding will produce budgetary savings of $11.12 million in fiscal year 2010. The refunding will generate approximately $10.95 million in net present value savings throughout the life of the bonds.

As of June 30, 2009, the TFA's outstanding variable rate debt, which included $1.52 billion of TFA Recovery Bonds, totaled $2.90 billion, all of which is secured by Future Tax Revenue. During fiscal year 2009, TFA's variable rate debt traded at the following average interest rates:

	Tax-Exempt	Taxable
Dailies	1.04%	—
Weeklies	1.53%	2.85%
Auction Rate Securities -7 Day	3.27%	—

For the TFA Future Tax Secured Bonds, S&P maintained its rating on both Senior Lien Bonds and Subordinate Lien Bonds at AAA. Fitch maintained its rating on these TFA Bonds at AA+. Moody's maintained its ratings on Senior Lien Bonds at Aa1 and Subordinate Lien Bonds at Aa2.

In fiscal year 2006, the New York State Legislature authorized 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 and authorized the City to assign to 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 Building Aid Revenue Bond (BARB) credit was created. The City assigned all the State Building Aid to the TFA. In fiscal year 2009, the TFA issued $2.27 billion in new money BARBs to finance a portion of the City's educational facilities capital plan. As of June 30, 2009 TFA BARBs outstanding totaled $4.25 billion.

The TFA BARBs maintained the ratings of AA- by S&P, A1 by Moody's and A+ by Fitch.

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 2009. As of June 30, 2009, TSASC had approximately $1.27 billion of bonds outstanding.

As of June 30, 2009, TSASC's bonds are rated BBB by S&P and BBB+ by Fitch.

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

Sales Tax Asset Receivable Corporation

In May, 2003, New York State statutorily committed $170 million of New York State Sales Tax receipts to the City in each fiscal year from 2004 through 2034. The Sales Tax Asset Receivable Corporation (STAR) was formed to securitize these payments and to use the proceeds to retire existing MAC debt, thereby expecting to save the City approximately $500 million per year for fiscal years 2004 through 2008.

As of June 30, 2009, STAR has $2.25 billion bonds outstanding. It had no financing activity in fiscal year 2009. The bonds are rated Aa3 by Moody's, AAA by S&P and AA- by Fitch.

Fiscal Year 2005 Securitization Corporation

In fiscal year 2005, $498.85 million of taxable bonds were issued by the Fiscal Year 2005 Securitization Corporation (FSC), a bankruptcy-remote local development corporation, established to restructure an escrow fund that was previously funded with GO bonds proceeds.

As of June 30, 2009, FSC has $304.16 million bonds outstanding. It had no financing activity in fiscal year 2009.

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

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, 2009, HYIC had $2 billion bonds outstanding and $33.33 million in installment purchase debt related to the acquisition of certain air rights from the New York State Metropolitan Transportation Authority. It did not sell bonds in fiscal year 2009. HYIC bonds are rated A3 by Moody's, A by S&P 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 did not sell bonds in fiscal year 2009.

As of June 30, 2009, ECF has $102 million bonds outstanding. The bonds are rated A1 by Moody's and A+ by S&P.

Interest Rate Exchange Agreements

In an effort to lower borrowing costs over the life of its bonds and to diversify its existing portfolio, the City has from time to time entered into interest rate exchange agreements (swaps) and sold options to enter into swaps at future dates. The City received specific authorization to enter into such agreements under Section 54.90 of the New York State Local Finance Law. As of June 30, 2009, the outstanding notional amount on the City's various swap agreements was $2.9 billion.

No new swaps were initiated in fiscal year 2009, but one existing swap option was terminated and four swaps were transferred to a different swap counterparty.

On September 16, 2008, the City was notified that its derivative transaction with a Lehman Brothers subsidiary was being terminated as a result of the Lehman Brothers Holdings Inc.'s bankruptcy filing. This transaction, with a notional amount of $100 million, had been entered into in March, 2004, at which time Lehman paid the City an option premium of $2.9 million for the option to enter into a swap with the City on various future dates. Lehman never exercised the option and no further payments were made. Subsequent to the termination notice, the City and Lehman agreed on a settlement amount to be paid by the City to Lehman of $623.3 thousand in respect of all claims arising under the derivative transaction, which the balance of $4.0 was finally paid in April, 2009.

On March 16, 2008, the Bear Stearns Companies Inc. (Bear Stearns) and JP Morgan Chase & Co. (JP Morgan) executed an Agreement and Plan of Merger. JP Morgan agreed to guarantee certain obligations of Bear Stearns, including four derivative transactions between Bear Stearns Financial Products Inc. (BSFP) and the City. As of March 3, 2009, pursuant to novations, the City's derivative transactions with BSFP were assigned from BSFP to JP Morgan Chase Bank, N.A. No payments were made or received with respect to these transfers.

The Water Authority has also from time to time entered into interest rate exchange agreements in order to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio. In fiscal year 2009, it initiated no new swaps. As of June 30, 2009, the outstanding notional amount on Water Authority's various swap agreements was $621 million.

Subsequent Events

Subsequent to June 30, 2009, the City and TFA completed the following long-term financing:

Long-term Financing

City Debt: On October 15, 2009, the City sold its Fiscal 2010 Series A bonds of $970 million for capital purposes.

On October 15, 2009, the City sold its Fiscal 2010 Series B and C bonds of $1.10 billion for refunding purposes.

TFA Debt: On July 30, 2009, TFA sold its Fiscal 2010 Series A Future Tax Secured Subordinate bonds of $900 million for capital purposes.

On August 27, 2009, TFA sold its Fiscal 2010 Series B Future Tax Secured Subordinate bonds of $800 million for refunding purposes.

On October 22, 2009, TFA sold its Fiscal 2010 Series C Future Tax Secured Bonds of $775 million to finance general City capital expenditures.

Commitments

At June 30, 2009, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $17.5 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 $61.7 billion over fiscal years 2010 through 2019. To help meet its capital spending program, the City and TFA borrowed $7.75 billion in the public credit market in fiscal year 2009. The City and TFA plan to borrow $6.45 billion in the public credit market in fiscal year 2010.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of New York, Office of the Comptroller, Bureau of Accountancy, 1 Centre Street, Room 808, New York, New York 10007-2341.

THE CITY OF NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 10,053,785	$ 2,719,736
Investments, including accrued interest	1,065,336	2,438,441
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $202,698)	322,737	—
Federal, State and other aid	6,821,403	—
Taxes other than real estate	3,489,081	—
Other	1,770,291	4,776,475
Mortgage loans and interest receivable, net	58	6,464,582
Inventories	281,645	47,660
Due from Primary Government	—	13,328
Due from Component Units	2,000,780	—
Restricted cash, cash equivalents and investments	4,307,477	2,656,924
Deferred charges	757,261	—
Other	436,061	506,690
Capital assets:		
Land and construction work-in-progress	6,009,299	6,896,198
Other capital assets (net of depreciation):		
Property, plant and equipment	24,332,895	22,339,275
Infrastructure	9,539,409	—
Total assets	71,187,518	48,859,309
LIABILITIES:		
Accounts payable and accrued liabilities	13,052,000	1,929,317
Accrued interest payable	766,778	125,229
Unearned revenues:		
Prepaid real estate taxes	4,666,370	—
Other	2,279,118	250,988
Due to Primary Government	—	2,000,780
Due to Component Units	13,328	—
Estimated disallowance of Federal, State and other aid	1,112,915	—
Other	88,846	116,825
Noncurrent liabilities:		
Due within one year	3,949,610	1,583,964
Due in more than one year	141,984,770	37,549,850
Total liabilities	167,913,735	43,556,953
NET ASSETS:		
Invested in capital assets, net of related debt	(5,502,516)	8,101,792
Restricted for:		
Capital projects	1,667,852	63,427
Debt service	5,425,517	853,161
Loans/security deposits	—	48,761
Donor/statutory restrictions	—	56,169
Operations	—	416,906
Unrestricted (deficit)	(98,317,070)	(4,237,860)
Total net assets (deficit)	$(96,726,217)	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK
STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
Assets:		
Cash and cash equivalents	$ 8,786,324	$ 3,173,800
Investments, including accrued interest	3,508,509	2,580,352
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $203,001)	317,470	—
Federal, State and other aid	5,890,591	—
Taxes other than real estate	4,587,246	—
Other	1,621,762	2,558,976
Mortgage loans and interest receivable, net	69	5,540,764
Inventories	257,215	50,355
Due from Primary Government	—	22,925
Due from Component Units	1,419,813	—
Restricted cash, cash equivalents and investments	4,435,551	2,894,215
Deferred charges	873,065	—
Other	437,550	1,368,825
Capital assets:		
Land and construction work-in-progress	5,477,887	5,724,768
Other capital assets (net of depreciation):		
Property, plant and equipment	22,678,469	21,577,274
Infrastructure	8,736,502	—
Total assets	69,028,023	45,492,254
Liabilities:		
Accounts payable and accrued liabilities	12,879,077	1,759,033
Accrued interest payable	677,361	107,310
Unearned revenues:		
Prepaid real estate taxes	3,118,576	—
Other	2,707,270	227,401
Due to Primary Government	—	1,419,813
Due to Component Units	22,925	—
Estimated disallowance of Federal, State and other aid	1,114,543	—
Payable for investment securities purchased	257,000	—
Other	85,906	113,054
Noncurrent liabilities:		
Due within one year	3,994,017	1,512,805
Due in more than one year	133,703,812	33,410,863
Total liabilities	158,560,487	38,550,279
Net Assets:		
Invested in capital assets, net of related debt	(3,112,434)	8,487,669
Restricted for:		
Capital projects	1,939,548	62,580
Debt service	6,986,474	746,916
Loans/security deposits	—	59,953
Donor/statutory restrictions	—	48,983
Operations	—	489,124
Unrestricted (deficit)	(95,346,052)	(2,953,250)
Total net assets (deficit)	$(89,532,464)	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

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

	Governmental Activities	Component Units
General revenues:		
Taxes (Net of Refunds):		
Real estate taxes	14,531,191	—
Sales and use taxes	5,294,107	—
Personal income tax	7,195,177	—
Income taxes, other	5,914,642	—
Other taxes	1,969,813	—
Investment income	286,868	229,838
Other Federal and State aid	806,415	5,944
Other	284,528	279,275
Total general revenues	36,282,741	515,057
Change in net assets	(7,020,911)	(1,542,083)
Net assets (deficit) - beginning	(89,532,464)	6,941,975
Restatement of beginning net deficit	(172,842)	(97,536)
Net assets (deficit) - ending	$(96,726,217)	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary government:						
General government	$ 3,892,968	$ 784,024	$ 844,807	$ 27,597	$ (2,236,540)	$ —
Public safety and judicial	16,253,188	302,161	555,770	11,395	(15,383,862)	—
Education	21,597,632	69,925	9,838,874	987,945	(10,700,888)	—
City University	733,165	195,703	176,196	—	(361,266)	—
Social services	13,529,238	33,947	4,826,623	8,277	(8,660,391)	—
Environmental protection	3,406,311	1,353,616	19,308	4,236	(2,029,151)	—
Transportation services	1,793,394	880,845	201,804	155,442	(555,303)	—
Parks, recreation and cultural activities	897,363	97,452	12,732	36,262	(750,917)	—
Housing	1,403,838	247,187	376,953	127,808	(651,890)	—
Health (including payments to HHC)	2,309,449	129,563	1,014,906	—	(1,164,980)	—
Libraries	310,048	—	—	4,860	(305,188)	—
Debt service interest	2,615,635	—	—	—	(2,615,635)	—
Total primary government	$68,742,229	$4,094,423	$17,867,973	$1,363,822	(45,416,011)	—
Component Units	$13,464,436	$9,070,937	$ 2,129,906	$1,082,222	—	(1,181,371)
General revenues:						
Taxes (Net of Refunds):						
Real estate taxes					12,823,352	—
Sales and use taxes					6,238,357	—
Personal income tax					9,813,965	—
Income taxes, other					6,514,783	—
Other taxes					2,664,944	—
Investment income					637,711	344,049
Unrestricted Federal and State aid					632,162	6,892
Other					257,470	156,024
Total general revenues					39,582,744	506,965
Change in net assets					(5,833,267)	(674,406)
Net assets (deficit) - beginning					(83,699,197)	7,616,381
Net assets (deficit) - ending					$(89,532,464)	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2009
(in thousands)

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

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

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2008
(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 4,685,418	$ 31,637	$4,023,830	$ 45,439	$ —	$ 8,786,324
Investments, including accrued interest	2,150,177	—	1,100,681	257,651	—	3,508,509
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $203,001)	317,470	—	—	—	—	317,470
Federal, State and other aid	5,100,536	790,055	—	—	—	5,890,591
Taxes other than real estate	4,140,791	—	—	446,455	—	4,587,246
Other	1,537,742	—	—	84,020	—	1,621,762
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $319,711)	—	—	—	69	—	69
Due from other funds	3,253,329	144,348	—	413,556	(413,556)	3,397,677
Due from Component Units	901,346	518,467	—	—	—	1,419,813
Restricted cash and investments	—	651,327	—	3,784,224	—	4,435,551
Other	—	86,339	—	313,531	—	399,870
Total assets	$22,086,809	$ 2,222,173	$5,124,511	$5,344,945	$ (413,556)	$34,364,882
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$10,251,219	$ 1,885,357	$ 7,243	$ 735,258	$ —	$12,879,077
Accrued tax refunds:						
Real estate taxes	40,538	—	—	—	—	40,538
Personal income tax	48,056	—	—	25,455	—	73,511
Other	178,809	—	—	—	—	178,809
Accrued judgments and claims	394,833	150,620	—	—	—	545,453
Deferred revenues:						
Prepaid real estate taxes	3,118,576	—	—	—	—	3,118,576
Uncollected real estate taxes	262,741	—	—	—	—	262,741
Taxes other than real estate	3,691,170	—	—	—	—	3,691,170
Other	2,531,092	25,196	—	509,582	—	3,065,870
Due to other funds	—	3,666,885	—	144,348	(413,556)	3,397,677
Due to Component Units	22,925	—	—	—	—	22,925
Estimated disallowance of Federal, State and other aid	1,114,543	—	—	—	—	1,114,543
Payable for investment securities purchased	—	—	—	257,000	—	257,000
Total liabilities	21,654,502	5,728,058	7,243	1,671,643	(413,556)	28,647,890
Fund balances:						
Reserved for:						
Capital projects	—	411,125	—	1,528,423	—	1,939,548
Debt service	—	—	5,117,268	1,869,137	—	6,986,405
Noncurrent mortgage loans	—	—	—	69	—	69
Unreserved (deficit), reported in:						
General Fund	432,307	—	—	—	—	432,307
New York City Capital Projects Fund	—	(3,917,010)	—	—	—	(3,917,010)
Nonmajor Capital Projects Funds	—	—	—	42,770	—	42,770
Nonmajor Debt Service Funds	—	—	—	232,903	—	232,903
Total fund balances (deficit)	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
Total liabilities and fund balances	$22,086,809	$ 2,222,173	$5,124,511	$5,344,945	$ (413,556)	$34,364,882

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

See accompanying notes to financial statements.

THE CITY OF NEW YORK

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

JUNE 30, 2009

(in thousands)

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

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

See accompanying notes to financial statements.

THE CITY OF NEW YORK

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

JUNE 30, 2008
(in thousands)

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

Total fund balances—governmental funds	$ 5,716,992
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	257,215
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	36,892,858
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	5,223,256
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(58,058,125)
OPEB liability	(63,290,218)
Accrued interest payable	(677,361)
Capital lease obligations	(2,024,663)
Accrued vacation and sick leave	(3,389,007)
Pension liability	(692,200)
Landfill closure and post-closure care costs	(1,698,490)
Other long-term liabilities	(7,792,721)
Net assets (deficit) of governmental activities	$(89,532,464)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$14,487,231	$ —	$ —	$ —	$ —	$ 14,487,231
Sales and use taxes	5,302,107	—	—	—	—	5,302,107
Personal income tax	7,518,903	—	—	138,274	—	7,657,177
Income taxes, other	6,588,642	—	—	—	—	6,588,642
Other taxes	1,975,691	—	—	—	—	1,975,691
Federal, State and other categorical aid	19,168,023	851,641	—	170,000	—	20,189,664
Unrestricted Federal and State aid	327,390	—	—	—	—	327,390
Charges for services	2,244,924	—	—	—	—	2,244,924
Tobacco settlement	—	—	—	232,612	—	232,612
Investment income	123,903	—	57,593	98,903	—	280,399
Interest on mortgages, net	—	—	—	6,469	—	6,469
Other revenues	2,112,280	2,873,723	99	2,923,569	(2,880,850)	5,028,821
Total revenues	59,849,094	3,725,364	57,692	3,569,827	(2,880,850)	64,321,127
EXPENDITURES:						
General government	1,917,783	1,341,800	—	357,784	—	3,617,367
Public safety and judicial	7,683,112	336,506	—	—	—	8,019,618
Education	17,774,247	2,750,256	—	2,877,279	(2,880,850)	20,520,932
City University	658,484	66,581	—	—	—	725,065
Social services	12,151,263	90,959	—	—	—	12,242,222
Environmental protection	2,199,569	2,930,162	—	—	—	5,129,731
Transportation services	1,269,989	1,002,396	—	—	—	2,272,385
Parks, recreation and cultural activities	445,188	831,811	—	—	—	1,276,999
Housing	796,803	412,990	—	—	—	1,209,793
Health (including payments to HHC)	1,843,326	232,595	—	—	—	2,075,921
Libraries	366,307	47,466	—	—	—	413,773
Pensions	6,264,914	—	—	—	—	6,264,914
Judgments and claims	623,192	—	—	—	—	623,192
Fringe benefits and other benefit payments	3,524,852	—	—	—	—	3,524,852
Administrative and other	172,347	—	92,878	61,173	—	326,398
Debt Service:						
Interest	—	—	1,562,328	921,687	—	2,484,015
Redemptions	—	—	1,560,296	319,380	—	1,879,676
Lease payments	174,523	—	—	—	—	174,523
Total expenditures	57,865,899	10,043,522	3,215,502	4,537,303	(2,880,850)	72,781,376
Excess (deficiency) of revenues over expenditures	1,983,195	(6,318,158)	(3,157,810)	(967,476)	—	(8,460,249)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	1,413,106	741,812	—	2,154,918
Transfers from Nonmajor Capital Projects Funds	—	2,321,950	—	123,163	—	2,445,113
Principal amount of bonds issued	176,424	5,304,576	—	2,270,000	—	7,751,000
Bond premium	—	64,716	30,692	3,090	—	98,498
Capitalized leases	—	26,237	—	—	—	26,237
Issuance of refunding debt	—	—	450,070	219,300	—	669,370
Transfers to New York City Capital Projects Fund	—	—	—	(2,321,950)	—	(2,321,950)
Transfers to General Debt Service Fund	(1,413,106)	—	—	(961)	—	(1,414,067)
Transfers from (to) Nonmajor Debt Service Funds, net	(741,812)	—	961	(123,163)	—	(864,014)
Payments to refunded bond escrow holder	—	—	(478,457)	(232,879)	—	(711,336)
Transferable development rights installment purchase agreement	—	—	—	(33,333)	—	(33,333)
Total other financing sources (uses)	(1,978,494)	7,717,479	1,416,372	645,079	—	7,800,436
Net change in fund balances	4,701	1,399,321	(1,741,438)	(322,397)	—	(659,813)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 437,008	$ (2,106,564)	$ 3,375,830	$ 3,350,905	$ —	$ 5,057,179

The reconciliation of the net change in fund balances of governmental funds to the change in net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$13,203,930	$ —	$ —	$ —	$ —	$13,203,930
Sales and use taxes	6,228,357	—	—	—	—	6,228,357
Personal income tax	9,764,209	—	—	163,756	—	9,927,965
Income taxes, other	6,784,783	—	—	—	—	6,784,783
Other taxes	2,619,250	—	—	—	—	2,619,250
Federal, State and other categorical aid	18,088,020	1,357,927	—	170,000	—	19,615,947
Unrestricted Federal and State aid	242,115	—	—	—	—	242,115
Charges for services	2,125,870	—	—	—	—	2,125,870
Tobacco settlement	—	—	—	210,937	—	210,937
Investment income	376,798	—	18,007	239,725	—	634,530
Interest on mortgages, net	—	—	—	3,181	—	3,181
Other revenues	1,990,185	2,309,050	53	2,408,102	(2,376,158)	4,331,232
Total revenues	61,423,517	3,666,977	18,060	3,195,701	(2,376,158)	65,928,097
EXPENDITURES:						
General government	1,827,649	1,650,614	—	514,390	—	3,992,653
Public safety and judicial	7,258,568	282,627	—	—	—	7,541,195
Education	16,855,125	2,358,237	—	2,356,596	(2,376,158)	19,193,800
City University	620,730	37,345	—	—	—	658,075
Social services	12,511,340	64,448	—	—	—	12,575,788
Environmental protection	2,082,731	2,500,851	—	—	—	4,583,582
Transportation services	1,187,099	813,901	—	—	—	2,001,000
Parks, recreation and cultural activities	450,151	563,886	—	—	—	1,014,037
Housing	679,584	502,617	—	—	—	1,182,201
Health (including payments to HHC)	1,587,844	205,624	—	—	—	1,793,468
Libraries	266,399	25,294	—	—	—	291,693
Pensions	5,616,289	—	—	—	—	5,616,289
Judgments and claims	625,395	—	—	—	—	625,395
Fringe benefits and other benefit payments	3,956,861	—	—	—	—	3,956,861
Administrative and other	312,555	—	124,375	40,728	—	477,658
Debt Service:						
Interest	—	—	1,611,184	971,140	—	2,582,324
Redemptions	—	—	1,757,820	550,388	—	2,308,208
Lease payments	158,482	—	—	—	—	158,482
Total expenditures	55,996,802	9,005,444	3,493,379	4,433,242	(2,376,158)	70,552,709
Excess (deficiency) of revenues over expenditures	5,426,715	(5,338,467)	(3,475,319)	(1,237,541)	—	(4,624,612)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	5,212,167	209,539	—	5,421,706
Transfers from Nonmajor Capital Projects Funds	—	1,656,409	—	154,931	—	1,811,340
Principal amount of bonds issued	—	3,425,400	—	700,000	—	4,125,400
Bond premium	—	62,948	87,414	5,557	—	155,919
Capitalized leases	—	16,743	—	—	—	16,743
Issuance of refunding debt	—	—	3,956,945	—	—	3,956,945
Transfers to New York City Capital Projects Fund	—	—	—	(1,656,409)	—	(1,656,409)
Transfers from (to) General Debt Service Fund	(5,212,167)	—	—	4,789	—	(5,207,378)
Transfers to Nonmajor Debt Service Funds, net	(209,539)	—	(4,789)	(154,931)	—	(369,259)
Payments to refunded bond escrow holder	—	—	(4,031,146)	(14,544)	—	(4,045,690)
Transferable development rights installment purchase agreement	—	—	—	(33,333)	—	(33,333)
Total other financing sources (uses)	(5,421,706)	5,161,500	5,220,591	(784,401)	—	4,175,984
Net change in fund balances	5,009	(176,967)	1,745,272	(2,021,942)	—	(448,628)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	427,298	(3,328,918)	3,371,996	5,695,244	—	6,165,620
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 432,307	$(3,505,885)	$ 5,117,268	$ 3,673,302	$ —	$ 5,716,992

The reconciliation of the net change in fund balances of governmental funds to the change in net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

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

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

Net change in fund balances—governmental funds		$ (659,813)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 5,843,732	
Depreciation expense	(2,289,736)	3,553,996
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		(453,331)
The issuance of long-term debt (*i.e.,* bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(8,420,370)	
Principal payments of bonds	2,492,514	
Other	(38,655)	(5,966,511)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(115,049)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(1,123,366)
OPEB obligation		(2,254,143)
Pollution Remediation		(2,694)
Change in net assets—governmental activities		$ (7,020,911)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

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, 2008
(in thousands)

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

Net change in fund balances—governmental funds		$ (448,628)
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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 5,542,866	
Depreciation expense	(2,264,510)	3,278,356
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		86,253
The issuance of long-term debt (*i.e.,* bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(8,082,345)	
Principal payments of bonds	6,197,979	
Other	(49,849)	(1,934,215)
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		(567,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(719,288)
OPEB obligation		(5,528,280)
Change in net assets—governmental activities		$ (5,833,267)

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

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

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$12,854,090	$13,163,336	$13,203,930	$ 40,594
Sales and use taxes	6,082,000	6,185,000	6,228,357	43,357
Personal income tax	8,486,850	9,713,897	9,764,209	50,312
Income taxes, other	6,007,000	5,968,000	6,784,783	816,783
Other taxes	3,045,085	3,638,397	2,619,250	(1,019,147)
Federal, State and other categorical aid	17,110,310	18,552,901	18,088,020	(464,881)
Unrestricted Federal and State aid	339,797	254,497	242,115	(12,382)
Charges for services	1,950,572	2,085,839	2,125,870	40,031
Investment income	387,300	365,470	376,798	11,328
Other revenues	1,716,876	2,512,615	1,990,185	(522,430)
Total revenues	57,979,880	62,439,952	61,423,517	(1,016,435)
EXPENDITURES:				
General government	1,998,923	1,926,139	1,827,649	98,490
Public safety and judicial	6,918,820	7,336,835	7,258,568	78,267
Education	16,974,359	16,961,745	16,855,125	106,620
City University	628,425	659,895	620,730	39,165
Social services	12,240,877	12,609,939	12,511,340	98,599
Environmental protection	2,144,383	2,114,997	2,082,731	32,266
Transportation services	836,887	1,222,810	1,187,099	35,711
Parks, recreation and cultural activities	455,346	463,512	450,151	13,361
Housing	604,108	716,263	679,584	36,679
Health (including payments to HHC)	1,626,443	1,624,410	1,587,844	36,566
Libraries	47,261	266,724	266,399	325
Pensions	5,603,272	5,620,242	5,616,289	3,953
Judgments and claims	634,806	628,700	625,395	3,305
Fringe benefits and other benefit payments	3,573,181	3,995,113	3,956,861	38,252
Lease payments for debt service	176,914	158,482	158,482	—
Other	1,169,056	720,637	312,555	408,082
Total expenditures	55,633,061	57,026,443	55,996,802	1,029,641
Excess of revenues over expenditures	2,346,819	5,413,509	5,426,715	13,206
OTHER FINANCING SOURCES (USES):				
Transfer to Nonmajor Debt Service Fund	(10,000)	(761,545)	(761,545)	—
Transfer from Nonmajor Debt Service Fund	549,136	551,580	552,006	426
Transfer to New York City Capital Projects Fund	(100,000)	—	—	—
Transfers and other payments for debt service	(2,785,955)	(5,203,544)	(5,212,167)	(8,623)
Total other financing sources (uses)	(2,346,819)	(5,413,509)	(5,421,706)	(8,197)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ —	$ —	5,009	$ 5,009
FUND BALANCE AT BEGINNING OF YEAR			427,298	
FUND BALANCE AT END OF YEAR			$ 432,307	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	$ 1,545,983	$ 1,040	$ 725,026
Receivables:			
Member loans	1,472,834	—	—
Investment securities sold	3,961,734	—	—
Accrued interest and dividends	494,012	—	—
Tax liens receivable (less allowance for doubtful accounts of $136,795)	—	201,532	—
Other	206	—	—
Investments:			
Other short-term investments	2,348,810	—	—
Debt securities	25,433,241	—	1,125,353
Equity securities	41,260,777	—	—
Guaranteed investment contracts	3,125,396	—	—
Management investment contracts	58,906	—	—
Mutual funds	19,414,106	—	—
Collateral from securities lending transactions	9,960,507	—	—
Due from Pension Funds	4,241	—	—
Restricted investments	—	23,350	—
Other	413,545	1,145	—
Total assets	109,494,298	227,067	1,850,379
Liabilities:			
Accounts payable and accrued liabilities	841,458	5,172	652,634
Payable for investment securities purchased	6,595,001	—	—
Bonds payable, net of discounts	—	33,152	—
Accrued benefits payable	500,743	—	—
Payable to New York City Water Board	—	38,577	—
Due to Variable Supplements Funds	4,241	—	—
Securities lending transactions	10,052,991	—	—
Other	403	—	1,197,745
Total liabilities	17,994,837	76,901	1,850,379
Net Assets:			
Held in Trust for Benefit Payments	$ 91,499,461	—	$ —
Held in Trust for Fiduciary Net Assets		$150,166	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	$1,011,866	$ 2,200	$ 819,721
Receivables:			
Member loans	1,380,848	—	—
Investment securities sold	5,108,467	—	—
Accrued interest and dividends	528,071	—	—
Tax liens receivable (less allowance for doubtful accounts of $143,324)	—	127,945	—
Other	27,074	—	—
Investments:			
Other short-term investments	2,920,948	—	—
Debt securities	27,326,198	—	952,804
Equity securities	54,269,589	—	—
Guaranteed investment contracts	2,503,315	—	—
Management investment contracts	74,549	—	—
Mutual funds	28,376,591	—	—
Collateral from securities lending transactions	17,318,580	—	—
Due from Pension Funds	4,243	—	—
Restricted investments	—	28,409	—
Other	392,192	2,273	—
Total assets	141,242,531	160,827	1,772,525
LIABILITIES:			
Accounts payable and accrued liabilities	951,610	3,324	697,596
Payable for investment securities purchased	5,785,424	—	—
Bonds payable, net of discounts	—	65,196	—
Accrued benefits payable	511,805	—	—
Payable to New York City Water Board	—	16,896	—
Due to Variable Supplements Funds	4,243	—	—
Securities lending transactions	17,345,400	—	—
Other	589	—	1,074,929
Total liabilities	24,599,071	85,416	1,772,525
NET ASSETS:			
Held in Trust for Benefit Payments	$116,643,460	—	$ —
Held in Trust for Fiduciary Net Assets		$ 75,411	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

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

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,599,771	$ —
Employer contributions	8,967,394	—
Other employer contributions	74,145	—
Total contributions	10,641,310	—
Investment income:		
Interest income	2,061,955	—
Dividend income	1,453,108	—
Net depreciation in fair value of investments	(26,260,105)	—
Other	—	288
Less investment expenses	355,318	—
Investment income (loss), net	(23,100,360)	288
Securities lending transactions:		
Securities lending income	345,633	—
Securities lending fees	(189,349)	—
Unrealized loss in fair value of securities lending collateral	(65,669)	
Net securities lending income	90,615	—
Tax liens receivables	—	117,313
Decrease in allowance for doubtful accounts	—	15,104
Payments from Pension Funds	8,489	—
Other	51,506	91
Total additions	(12,308,440)	132,796
DEDUCTIONS:		
Benefit payments and withdrawals	12,557,097	—
Bond interest expense	—	3,219
Distributions to The City of New York	—	8,051
Additional liability due to New York City Water Board	—	21,451
Payments to Variable Supplemental Funds	8,489	—
Increase in allowance for doubtful accounts	—	8,575
Administrative expenses	124,451	6,711
Other	145,522	10,034
Total deductions	12,835,559	58,041
Increase (decrease) in plan net assets	(25,143,999)	74,755
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	116,643,460	—
End of Year	$ 91,499,461	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		75,411
End of Year		$150,166

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,458,013	$ —
Employer contributions	8,387,130	—
Other employer contributions	27,577	—
Total contributions	9,872,720	—
Investment income:		
Interest income	2,124,510	—
Dividend income	1,712,201	—
Net depreciation in fair value of investments	(9,803,408)	—
Other	—	564
Less investment expenses	327,207	—
Investment income (loss), net	(6,293,904)	564
Securities lending transactions:		
Securities lending income	1,021,683	—
Securities lending fees	(871,639)	—
Net securities lending income	150,044	—
Tax liens receivables	—	89,265
Decrease in allowance for doubtful accounts	—	1,989
Payments from Pension Funds	8,556	—
Other	48,870	—
Total additions	3,786,286	91,818
DEDUCTIONS:		
Benefit payments and withdrawals	11,970,529	—
Bond interest expense	—	1,029
Distributions to The City of New York	—	42,805
Additional liability due to New York City Water Board	—	1,982
Payments to Variable Supplements Funds	8,556	—
Increase in allowance for doubtful accounts	—	16,509
Administrative expenses	122,697	4,673
Other	29,960	10,605
Total deductions	12,131,742	77,603
Increase (decrease) in plan net assets	(8,345,456)	14,215
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	124,988,916	—
End of Year	$116,643,460	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		61,196
End of Year		$ 75,411

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2008	Housing Development Corporation October 31, 2008	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,170,442	$ 795,472	$ 275,582	$ 345,255	$ 55,156	$ 77,829	$ 2,719,736
Investments, including accrued interest	771,277	406,080	202,358	112,126	33,034	913,566	2,438,441
Lease receivables	—	—	—	—	—	1,532,340	1,532,340
Other receivables	433,431	87,387	429,691	2,093,793	177,485	22,348	3,244,135
Mortgage loans and interest receivable, net	—	55	6,416,433	—	48,094	—	6,464,582
Inventories	—	15,792	—	31,868	—	—	47,660
Due from Primary Government	13,328	—	—	—	—	—	13,328
Restricted cash and investments	—	96,271	1,866,467	258,861	107,917	327,408	2,656,924
Capital assets:							
Construction work-in-progress	5,072,496	1,525,717	—	291,346	6,639	—	6,896,198
Property, plant and equipment	24,103,459	10,004,369	4,579	5,927,667	5,686	253,855	40,299,615
Accumulated depreciation	(8,036,717)	(6,301,431)	(2,629)	(3,551,221)	(3,296)	(65,046)	(17,960,340)
Other	191,094	81,245	50,268	17,174	80,261	86,648	506,690
Total assets	23,718,810	6,710,957	9,242,749	5,526,869	510,976	3,148,948	48,859,309
LIABILITIES:							
Accounts payable and accrued liabilities	55,570	316,929	420,008	996,815	133,529	6,466	1,929,317
Accrued interest payable	41,485	7,012	61,065	15,667	—	—	125,229
Deferred revenues	77,672	18,223	136,625	—	10,686	7,782	250,988
Due to Primary Government	880,664	—	838,143	281,973	—	—	2,000,780
Other	15,945	33,076	—	—	23,615	44,189	116,825
Noncurrent Liabilities:							
Due within one year	966,026	134,702	310,756	146,690	—	25,790	1,583,964
Due in more than one year	21,421,197	2,693,348	6,314,529	4,135,459	144,796	2,840,521	37,549,850
Total liabilities	23,458,559	3,203,290	8,081,126	5,576,604	312,626	2,924,748	43,556,953
NET ASSETS:							
Invested in capital assets, net of related debt	1,253,882	4,976,964	—	1,704,747	2,390	163,809	8,101,792
Restricted for:							
Capital projects	—	—	—	—	63,427	—	63,427
Debt service	285,348	—	420,651	147,162	—	—	853,161
Loans/security deposits	—	—	—	—	45,182	3,579	48,761
Statutory reserve	—	—	—	44,728	—	—	44,728
Donor restrictions	—	—	—	11,441	—	—	11,441
Operations	195,844	185,418	35,644	—	—	—	416,906
Unrestricted (deficit)	(1,474,823)	(1,654,715)	705,328	(1,957,813)	87,351	56,812	(4,237,860)
Total net assets (deficit)	$ 260,251	$3,507,667	$1,161,623	$ (49,735)	$ 198,350	$ 224,200	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2007	Housing Development Corporation October 31, 2007	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,249,401	$ 582,896	$ 218,545	$ 977,897	$ 68,773	$ 76,288	$ 3,173,800
Investments, including accrued interest	446,854	745,002	264,123	100,578	28,241	995,554	2,580,352
Other receivables	372,300	109,507	389,248	1,483,856	188,853	15,212	2,558,976
Mortgage loans and interest receivable, net	—	66	5,489,526	—	51,172	—	5,540,764
Inventories	—	15,643	—	34,712	—	—	50,355
Due from Primary Government	22,925	—	—	—	—	—	22,925
Restricted cash and investments	—	165,644	1,907,264	168,413	123,133	529,761	2,894,215
Capital assets:							
Construction work-in-progress	4,011,216	1,382,276	—	330,181	1,095	—	5,724,768
Property, plant and equipment	23,013,895	9,844,807	4,577	5,578,960	5,680	227,135	38,675,054
Accumulated depreciation	(7,677,961)	(5,992,091)	(2,813)	(3,363,508)	(3,043)	(58,364)	(17,097,780)
Other	154,404	61,845	48,384	17,412	52,060	1,034,720	1,368,825
Total assets	21,593,034	6,915,595	8,318,854	5,328,501	515,964	2,820,306	45,492,254
LIABILITIES:							
Accounts payable and accrued liabilities	84,183	305,475	286,968	907,364	166,075	8,968	1,759,033
Accrued interest payable	29,306	7,396	59,277	11,331	—	—	107,310
Deferred revenues	74,676	16,485	119,193	—	12,533	4,514	227,401
Due to Primary Government	518,467	—	842,988	58,358	—	—	1,419,813
Other	17,363	31,799	—	—	32,055	31,837	113,054
Noncurrent Liabilities:							
Due within one year	1,035,015	132,198	193,131	152,461	—	—	1,512,805
Due in more than one year	18,668,133	2,530,480	5,704,137	3,832,337	112,434	2,563,342	33,410,863
Total liabilities	20,427,143	3,023,833	7,205,694	4,961,851	323,097	2,608,661	38,550,279
NET ASSETS:							
Invested in capital assets, net of related debt	1,737,181	5,023,714	—	1,574,650	2,637	149,487	8,487,669
Restricted for:							
Capital projects	—	—	—	—	62,580	—	62,580
Debt service	209,130	—	425,043	112,743	—	—	746,916
Loans/security deposits	—	—	—	—	56,234	3,719	59,953
Statutory reserve	—	—	—	37,208	—	—	37,208
Donor restrictions	—	—	—	11,775	—	—	11,775
Operations	200,438	257,996	30,690	—	—	—	489,124
Unrestricted (deficit)	(980,858)	(1,389,948)	657,427	(1,369,726)	71,416	58,439	(2,953,250)
Total net assets	$ 1,165,891	$ 3,891,762	$1,113,160	$ 366,650	$ 192,867	$ 211,645	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

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

	Water and Sewer System	Housing Authority December 31, 2008	Housing Development Corporation October 31, 2008	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
EXPENSES	$ 3,500,429	$ 3,172,565	$ 261,778	$ 6,667,936	$ 770,947	$ 74,134	$14,447,789
PROGRAM REVENUES:							
Charges for services	2,448,567	791,092	241,497	5,677,744	227,432	33,774	9,420,106
Operating grants and contributions	—	1,689,909	—	239,860	34,743	—	1,964,512
Capital grants, contributions and other	—	269,919	—	210,851	503,130	22,131	1,006,031
Total program revenues	2,448,567	2,750,920	241,497	6,128,455	765,305	55,905	12,390,649
Net (expenses) program revenues	(1,051,862)	(421,645)	(20,281)	(539,481)	(5,642)	(18,229)	(2,057,140)
GENERAL REVENUES:							
Investment income	99,122	36,751	63,714	13,736	3,373	13,142	229,838
Unrestricted Federal and State aid	—	—	—	—	5,944	—	5,944
Other	108,708	26,512	5,030	119,575	1,808	17,642	279,275
General revenues, net	207,830	63,263	68,744	133,311	11,125	30,784	515,057
Change in net assets	(844,032)	(358,382)	48,463	(406,170)	5,483	12,555	(1,542,083)
Net assets—beginning	1,165,891	3,891,762	1,113,160	366,650	192,867	211,645	6,941,975
Restatement of beginning net assets	(61,608)	(25,713)	—	(10,215)	—	—	(97,536)
Net assets (deficit)—ending	$ 260,251	$ 3,507,667	$ 1,161,623	$ (49,735)	$ 198,350	$ 224,200	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2007	Housing Development Corporation October 31, 2007	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
Expenses	$ 2,876,805	$ 2,994,987	$ 279,370	$6,380,742	$ 833,606	$ 98,926	$13,464,436
Program Revenues:							
Charges for services	2,103,287	729,154	266,384	5,655,542	257,142	59,428	9,070,937
Operating grants and contributions	—	1,813,220	—	279,715	36,971	—	2,129,906
Capital grants, contributions and other	—	361,669	—	155,679	546,813	18,061	1,082,222
Total program revenues	2,103,287	2,904,043	266,384	6,090,936	840,926	77,489	12,283,065
Net (expenses) program revenues	(773,518)	(90,944)	(12,986)	(289,806)	7,320	(21,437)	(1,181,371)
General Revenues:							
Investment income	108,892	61,278	84,531	47,151	7,597	34,600	344,049
Unrestricted Federal and State aid	—	—	—	—	6,892	—	6,892
Other	104,234	42,353	7,559	—	1,878	—	156,024
General revenues, net	213,126	103,631	92,090	47,151	16,367	34,600	506,965
Change in net assets	(560,392)	12,687	79,104	(242,655)	23,687	13,163	(674,406)
Net assets—beginning	1,726,283	3,879,075	1,034,056	609,305	169,180	198,482	7,616,381
Net assets—ending	$ 1,165,891	$ 3,891,762	$ 1,113,160	$ 366,650	$ 192,867	$ 211,645	$ 6,941,975

See accompanying notes to financial statements.

A. Summary of Significant Accounting Policies

The accompanying basic financial statements of The City of New York (City or primary government) are presented in conformity with generally accepted accounting principles (GAAP) for governments in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The amounts shown in the "Primary Government" and "Component Units" columns of the accompanying government-wide financial statements are only presented to facilitate financial analysis and are not the equivalent of consolidated financial statements.

The following is a summary of the significant accounting policies and reporting practices of the City:

1. Reporting Entity

The City of New York is a municipal corporation governed by the Mayor and the City Council. The City's operations also include those normally performed at the county level, and accordingly, transactions applicable to the operations of the five counties that comprise the City are included in these financial statements.

The financial reporting entity consists of the primary government including the Department of Education and the community colleges of the City University of New York, other organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Most component units are included in the financial reporting entity by discrete presentation. Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government.

The New York City Transit Authority is an affiliated agency of the Metropolitan Transportation Authority of the State of New York which is a component unit of New York State and is excluded from the City's financial reporting entity.

Blended Component Units

These component units, although legally separate, all provide services exclusively to the City and thus are reported as if they were part of the primary government. They include the following:

Municipal Assistance Corporation for The City Of New York (MAC). MAC is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. MAC was created by State legislation enacted in 1975 (as amended to date, the Act) for purposes of providing financing assistance including funding for certain oversight of the City's financial activities. To carry out such purposes, MAC was empowered to sell bonds and notes for the purpose of paying or loaning the proceeds of such sales to the City and to exchange its obligations for those of the City.

The Act provides that MAC shall continue for a term ending the later of July 1, 2008 or one year after all its liabilities have been fully paid and discharged. On July 1, 2008, MAC paid in full all its previously defeased bonds from amounts placed in an irrevocable trust. On July 1, 2008, MAC had other liabilities such as accounts payable outstanding. On September 24, 2008, MAC had all of its liabilities paid and discharged and MAC's Board made the necessary statutory findings for dissolution and termination and set the date of termination at September 30, 2009. Upon the termination of the existence of MAC, all of its rights and property shall pass to and be vested in the State of New York.

New York City Transitional Finance Authority (TFA). TFA, a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York was created in 1997 to assist the City in funding its capital program, the purpose of which is to maintain, rebuild, and expand the infrastructure of the City and to pay TFA's operating 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, TFA is 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; also, legislation enacted in

April, 2006 enables TFA to have outstanding up to $9.4 billion of Building Aid Revenue bonds (BARBs) for purposes of funding costs of the five-year educational facilities capital plan for the City school system and TFA's operating expenditures. As of June 30, 2009, $4.25 billion of BARBs have been issued and are outstanding.

TFA does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TFA pays a management fee and overhead based on its allocated share of personnel and overhead costs.

TSASC, Inc. (TSASC). TSASC is a special purpose, local development corporation organized in 1999 under the not-for-profit corporation law of the State of New York. TSASC is an instrumentality of the City, but is a separate legal entity from the City.

Pursuant to a purchase and sale agreement with the City, the City sold to TSASC all of its future right, title, and interest in the tobacco settlement revenues (TSRs) under the Master Settlement Agreement and the Decree and Final Judgment. This settlement agreement resolved cigarette smoking-related litigation between the settling states and participating manufacturers, released the participating manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The City is allocated a share of the TSRs received by New York State. The future rights, title, and interest of the City to the TSRs were sold to TSASC.

The purchase price of the City's future right, title, and interest in the TSRs was financed by the issuance of a series of bonds and the Residual Certificate. Prior to the restructuring of TSASC's debt, the Residual Certificate represented the entitlement to receive all TSRs after payment of debt service, operating expenses, and certain other costs as set forth in the original Indenture.

Under the Amended and Restated Indenture dated January 1, 2006, the Residual Certificate represents the entitlement to receive all amounts in excess of specified percentages of TSRs and other revenues (Collections) used to fund debt service and operating expenses of TSASC. The Collections in excess of the specified percentages will be transferred to the TSASC Tobacco Settlement Trust (Trust), as owner of the Residual Certificate and then to the City as the beneficial owner of the Trust. The Indenture allows transfers to the Trust after December 6, 2007.

The Indenture provides that a specified percentage of Collections are pledged, and required to be applied to the payment of debt service and operating costs. That percentage is 37.40% and is subject to reduction at June 1, 2024, and at each June 1st thereafter, depending on the magnitude of cumulative bond redemptions under the turbo redemption feature of Series 2006-1 bonds (which requires all pledged Collections, after payment of operating costs, to be applied to payment of principal of and interest on Series 2006-1 bonds).

TSASC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TSASC pays a management fee, rent, and overhead based on its allocated share of personnel and overhead costs.

New York City Educational Construction Fund (ECF). ECF was created in 1967 as a corporate governmental agency of the State of New York, constituting a public benefit corporation. ECF was established to develop combined occupancy structures containing school and nonschool portions. ECF was created by the Education Law of the State and is authorized to issue bonds, notes, or other obligations to finance the construction and improvement of elementary and secondary school buildings within the City.

New York City School Construction Authority (SCA). SCA is a public benefit corporation created by the New York State Legislature in 1988. SCA's responsibilities as defined in the enabling legislation are the design, construction, reconstruction, improvement, rehabilitation and repair of the City's public schools. SCA is governed by a three-member Board of Trustees, all of whom are appointed by the Mayor which includes the Schools Chancellor of the City who serves as the Chairman.

SCA's operations are funded by appropriations made by the City which are guided by five-year capital plans, developed by the Department of Education (DOE) of the City. The City's appropriation for the five year capital plan for the fiscal years 2010 through 2014 is $11.3 billion.

SCA carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter.

As SCA represents a pass-through entity, in existence for the sole purpose of capital projects, all expenditures are capitalized into construction-in-progress except for pollution remediation expenditures. Upon completion of construction-in-progress projects, the assets are transferred to DOE.

Fiscal Year 2005 Securitization Corporation (FSC). FSC was established in 2004 as a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York. FSC is a financing instrumentality of the City, but is a separate legal entity from the City. FSC was formed for the purpose of issuing bonds, a major portion of the proceeds of $499 million of bonds issued in December, 2004 was used to acquire securities held in an escrow account securing City general obligation bonds. The securities, which are held by the trustee for FSC, as they mature will fully fund the debt service and operational expenditures of FSC for the life of FSC's bonds.

FSC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which FSC pays a management fee based on its allocated share of personnel and overhead costs.

Sales Tax Asset Receivable Corporation (STAR). STAR is a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York in 2003. STAR is a financing instrumentality of the City, but is a separate legal entity from the City. STAR was created to issue debt ($2.55 billion of bonds was issued in November, 2004) to finance the payment of principal, interest, and redemption premium (if any), on all outstanding bonds of MAC, on all outstanding bonds of the City held by MAC, and to reimburse the City for amounts retained by MAC since July 1, 2003 for debt service. The payment of the outstanding MAC bonds results in the receipt by the City of tax revenues that would otherwise be paid to MAC for the payment of debt service on MAC's bonds. The foregoing was consideration for an assignment by the City of all of its rights and interest in the $170 million annual payment by the New York State Local Government Assistance Corporation which commenced with fiscal year 2004 and will terminate with fiscal year 2034 and which will be used for debt service on STAR bonds.

STAR does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which STAR pays a management fee 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, rent, and overhead based on its allocated share of personnel and overhead costs.

Discretely Presented Component Units

All discretely presented component units are legally separate from the primary government. These entities are reported as discretely presented component units because the City appoints a majority of these organizations' boards, is able to impose its will on them, or a financial benefit/burden situation exists.

The component units column in the government-wide financial statements include the financial data of these entities, which are reported in a separate column to emphasize that they are legally separate from the City. They include the following:

New York City Health and Hospitals Corporation (HHC). HHC, a public benefit corporation, assumed responsibility for the operation of the City's municipal hospital system in 1970. HHC's integrated health care networks provide the full continuum of care—primary and specialty care, inpatient acute, outpatient, long-term care, and home health services—under a single medical and financial management structure. HHC's financial statements include the accounts of HHC and its blended component units, MetroPlus Health Plan, Inc., HHC Insurance Company, Inc., HHC Capital Corporation, and a closely affiliated not-for-profit corporation, The HHC Foundation of New York City, Inc.

HHC mainly provides, on behalf of the City, comprehensive medical and mental health services to City residents regardless of ability to pay. Funds appropriated from the City are payments, either directly or indirectly, for services rendered by HHC. The City pays for patient care rendered to prisoners, uniformed City employees, and various discretely funded facility-specific programs. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City which includes settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts, as well as other HHC costs including interest on City debt which funded HHC capital acquisitions. HHC reimburses the City for medical malpractice settlements it pays on behalf of HHC, up to an agreed upon amount to be negotiated each year.

Jay Street Development Corporation (JSDC). JSDC is a special purpose, local development corporation organized by the City in 2000 under the not-for-profit corporation law of the State of New York. JSDC is an instrumentality of the City, but is a separate legal entity from the City. JSDC was created to purchase, lease, sublease, own, hold, sell, assign, or pledge the real property known as the Court Unit of 330 Jay Street Condominium located at 330 Jay Street in Brooklyn, New York and to finance the costs of construction of a building thereon which will be used for the "Courts Facility."

On April 23, 2008, the Courts Facility was sold to the City. On February 25, 2009, after having paid all remaining liabilities, JSDC's remaining cash was distributed to the City, resulting in JSDC having no assets or liabilities at February 28, 2009.

JSDC does not have any employees; its affairs were administered by employees of another component unit of the City, for which JSDC paid a management fee based on its allocated share of personnel and overhead costs.

New York City Housing Development Corporation (HDC). HDC, a corporate governmental agency constituting a public benefit corporation of the State of New York was established in 1971 to encourage private housing development by providing low interest mortgage loans. The combined financial statements include: (i) the accounts of HDC and (ii) two active discretely presented component units: Housing Assistance Corporation and the New York City Residential Mortgage Insurance Corporation. Also, HDC includes the Housing New York Corporation which became an inactive subsidiary of HDC on November 3, 2003 and is not expected to be dissolved and the NYC HDC Real Estate Owned Corporation which was established as a subsidiary of HDC on September 20, 2004 and during HDC's last fiscal year, there was no activity by this subsidiary. It is treated as a blended component of HDC. To accomplish its objectives, HDC is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. HDC finances significant amounts of its activities through issuance of bonds and notes. The bonds and notes of HDC are not debts of either the State or the City. HDC has a fiscal year ending October 31.

New York City Housing Authority (HA). HA is a public benefit corporation chartered in 1934 under the New York State Public Housing Law. HA develops, constructs, manages, and maintains low cost housing for eligible low income families in the City. HA also maintains a leased housing program which provides housing assistance payments to families.

Substantial operating losses result from the essential services that HA provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, HA receives subsidies from: (a) the Federal government, primarily the U.S. Department of Housing and Urban Development, in the form of annual grants for operating assistance, debt service payments, contributions for capital, and reimbursement of expenditures incurred for certain Federal housing programs; (b) New York State in the form of debt service and capital payments; and (c) the City in the form of debt service and capital payments. Subsidies are established through budgetary procedures which establish amounts to be funded by the grantor agencies. Projected operating surplus or deficit amounts are budgeted on an annual basis and approved by the grantor agency. Capital project budgets are submitted regularly during the year. HA has a calendar year-end.

New York City Industrial Development Agency (IDA). IDA is a public benefit corporation established in 1974 to actively promote, retain, attract, encourage, and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City. IDA assists industrial, commercial, and not-for-profit organizations in obtaining long-term, low-cost financing for fixed assets through a financing transaction which includes the issuance of double and triple tax-exempt industrial development bonds (IDBs). The participating organizations, in addition to satisfying legal requirements under IDA's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. In addition, IDA assists participants who do not qualify for IDBs through a "straight lease" structure. The straight lease also provides tax benefits to the participants without having to issue IDBs or otherwise take part in the participants' financing. Whether IDA issues IDBs or merely enters into a straight lease, IDA may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. IDA is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

New York City Economic Development Corporation (EDC). EDC is a local development corporation organized in 1966 according to the not-for-profit corporation law of the State of New York. EDC's financial statements include the accounts of EDC and its component units, Metropolitan Business Assistance, Ltd. and Apple Industrial Development Corporation. EDC renders a variety of services and administers certain economic development programs on behalf of the City relating to attraction, retention, and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the City, and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein.

Business Relocation Assistance Corporation (BRAC). BRAC is a not-for-profit corporation incorporated in 1981 according to the not-for-profit corporation law of the State of New York for the purpose of implementing and administering the Relocation

Incentive Program (RIP) and other related programs. BRAC provides relocation assistance to qualifying commercial and manufacturing firms moving within the City.

The funds for RIP were provided by owners/developers of certain residential projects which caused the relocation of commercial and manufacturing businesses previously located at those sites. These funds consisted of conversion contributions or escrow payments mandated by the City's Zoning Resolution for this type of development. The ability of BRAC to extract fees for residential conversion ended as of January 1, 1998 per the Zoning Resolution.

As required by the Zoning Resolution, developers/owners of specific City properties needed to pay a conversion contribution (BRAC payment) in order to receive a building permit for the conversion of space from commercial to residential use. As stipulated by the Zoning Resolution, in the event that such conversion resulted in the displacement of industrial and/or commercial firms located within the City, the developer was required to establish an escrow account for each business displaced. The funds were released to the displaced firm once eligible relocation had taken place.

Contributions were deposited to the BRAC fund in the event that a displaced firm did not relocate within the City. In addition, if the space to be converted was vacant for less than five years, the conversion contribution was made directly to the BRAC fund.

All conversion contributions received by BRAC are restricted for the use of administering industrial retention/relocation programs consistent with the Zoning Resolution. One such program, the Industrial Relocation Grant Program provides grants up to $30,000 to eligible New York City manufacturing firms to defray their moving costs. Grants are paid as reimbursement of moving costs after a firm completes its relocation. This program will continue to operate only with the current accumulated net assets now available.

In fiscal year 2007, BRAC had received $1.5 million in contributions from EDC to administer the Greenpoint Relocation Program. This program is intended to help defray relocation costs for those manufacturing and industrial firms that may need to relocate due to the rezoning of the Greenpoint-Williamsburg area of Brooklyn by providing for maximum grants of $50,000. As of June 30, 2009, the BRAC fund is valued at $1.4 million, and grants for both Industrial Relocation Grant and Greenpoint Relocation Program will be available until funds are exhausted.

Brooklyn Navy Yard Development Corporation (BNYDC). BNYDC was organized in 1966 as a not-for-profit corporation according to the not-for-profit corporation law of the State of New York. The primary purpose of BNYDC is to provide economic rehabilitation in Brooklyn, to revitalize the economy, and create job opportunities. In 1971, BNYDC leased the Brooklyn Navy Yard from the City for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended and restated in 1996. The Mayor appoints the majority of the members of the Board of Directors.

New York City Water Board (Water Board) and New York City Municipal Water Finance Authority (Water Authority). The Water and Sewer System (NYW), consisting of two legally separate and independent entities, the Water Board and the Water Authority began operations in 1985. NYW provides for water supply and distribution, and sewage collection, treatment, and disposal for the City. The Water Authority was established to issue debt to finance the cost of capital improvements to the water distribution and sewage collection system, and to refund any and all outstanding bonds and general obligation bonds of the City issued for water and sewer purposes. The Water Board was established to lease the water distribution and sewage collection system from the City and to establish and collect rates, fees, rents, and other charges for the use of, or for services furnished, rendered, or made available by the water distribution and sewage collection system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place NYW on a self-sustaining basis. The physical operation and capital improvements of NYW are performed by the City's DEP subject to contractual agreements with the Water Board and Water Authority.

WTC Captive Insurance Company, Inc. (WTC Captive). WTC Captive is a not-for-profit corporation incorporated in the State of New York in 2004 in response to the events of September 11, 2001. WTC Captive was funded with $999.9 million in funds by the Federal Emergency Management Agency (FEMA) and used this funding to support issuance of a liability insurance contract that provides specified coverage (general liability, environmental liability, professional liability, and marine liability) against certain third-party claims made against the City and approximately 145 contractors and subcontractors working on the City's FEMA-funded debris removal project at the World Trade Center site or the Fresh Kills landfill during the 'exposure period' from September 11, 2001 to August 30, 2002. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. WTC Captive has a calendar year-end.

New York City Capital Resource Corporation (CRC). CRC is a local development corporation organized in 2006 under the not-for-profit corporation law of the State of New York to assist qualified not-for-profit institutions, small manufacturing companies, and other entities eligible under the Federal tax laws in obtaining tax-exempt bond financing. CRC is a conduit bond issuer for the Loan Enhanced Assistance Program (LEAP). LEAP's goal is to facilitate access to private activity tax-exempt bond financing for qualified borrowers by simplifying the transaction structure, standardizing the required documentation, and achieving greater efficiency in marketing the tax-exempt debt.

CRC is a self-supporting entity and charges various program fees which may include application fees, financing fees, legal fees, and compliance fees. CRC is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

Note: These organizations publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

2. Basis of Presentation

Government-wide Statements: The government-wide financial statements (*i.e.,* the statement of net assets and the statement of activities), display information about the primary government and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All of the activities of the City as primary government are governmental activities.

The statement of activities presents a comparison between direct expenses, which include allocated indirect expenses, and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on markets, ports, and terminals and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, fiduciary, and proprietary. Except for proprietary (the only organizations that would be categorized as proprietary funds are reported as component units), each category, in turn, is divided into separate "fund types."

The City reports the following major governmental funds:

General Fund. This is the general operating fund of the City. Substantially all tax revenues, Federal and State aid (except aid for capital projects), and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the Expense Budget, which provides for the City's day-to-day operations, including transfers to Debt Service Funds for payment of long-term liabilities.

New York City Capital Projects Fund. This fund is used to record all revenues, expenditures, assets, and liabilities associated with City capital projects. It accounts for resources used to construct or acquire fixed assets and make capital improvements. Resources of the New York City Capital Projects Fund are derived principally from proceeds of City and TFA bond issues, payments from the Water Authority, and from Federal, State, and other aid.

General Debt Service Fund. This fund, required by State legislation on January 1, 1979 is administered and maintained by the State Comptroller into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates. Debt service on all City notes and bonds is paid from this fund.

Additionally, the City reports the following fund types:

Fiduciary Funds

The Fiduciary Funds are used to account for assets and activities when a governmental unit is functioning either as a trustee or an agent for another party. They include the following:

The **Pension and Other Employee Benefit Trust Funds** account for the operations of:

- New York City Employees' Retirement System (NYCERS)
- Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS)
- New York City Board of Education Retirement System Qualified Pension Plan (BERS)
- New York City Police Pension Fund (POLICE)
- New York City Fire Pension Fund (FIRE)
- New York City Police Department Police Officers' Variable Supplements Fund (POVSF)
- New York City Police Department Police Superior Officers' Variable Supplements Fund (PSOVSF)
- New York City Fire Department Firefighters' Variable Supplements Fund (FFVSF)
- New York City Fire Department Fire Officers' Variable Supplements Fund (FOVSF)
- New York City Transit Police Officers' Variable Supplements Fund (TPOVSF)
- New York City Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)
- New York City Housing Police Officers' Variable Supplements Fund (HPOVSF)
- New York City Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)
- 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 Employees of The City of New York and Related Agencies and Instrumentalities (DCP/408(q) Plan)
- The New York City Other Postemployment Benefits Plan (PLAN)

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

- New York City Tax Lien Trust (NYCTLT 2009-A)
- New York City Tax Lien Trust (NYCTLT 2008-A)
- New York City Tax Lien Trust (NYCTLT 2006-A)
- New York City Tax Lien Trust (NYCTLT 2005-A)
- New York City Tax Lien Trust (NYCTLT 2004-A)
- New York City Tax Lien Trust (NYCTLT 1999-1)
- New York City Tax Lien Trust (NYCTLT 1998-2)
- New York City Tax Lien Trust (NYCTLT 1998-1)
- New York City Tax Lien Trust (NYCTLT 1996-1)

Note: These organizations publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

These funds use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net assets held in trust for benefit payments.

The **Agency Funds** account for miscellaneous assets held by the City for other funds, governmental units, and individuals. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

Discretely Presented Component Units

The discretely presented component units consist of **HHC, HDC, HA, EDC, NYW** and the nonmajor component units. These activities are accounted for in a manner similar to private business enterprises, in which the focus is on the periodic determination of revenues, expenses, and net income.

New Accounting Standards Adopted

In fiscal year 2009, the City adopted four new statements and one technical bulletin of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

—Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*

—Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments*

—Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

—Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

—Technical Bulletin No. 2008-1 *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*

Statement No. 49 establishes accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution (e.g., hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups. Pollution remediation obligations exclude pollution prevention or control obligations relating to current operations and future pollution remediation activities such as landfill closure and postclosure care. Statement No. 49 identifies the obligating events which require a governmental entity to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The Statement amends: NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles,* NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,* NCGA Interpretation 6, *Notes to the Financial Statements Disclosure,* GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* to provide specific reporting guidance for pollution remediation obligations, including disclosure requirements. Comparability of financial statements among governments will be enhanced by Statement No. 49 requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. The Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components become reasonably estimable.

The financial reporting impact resulting from the implementation of Statement No. 49 is the restatement of net assets in the government-wide financial statements by $173 million for pollution remediation obligations measured at the beginning of fiscal year 2009. For periods prior to the implementation of Statement No. 49, the City does not have sufficient objective and verifiable information to apply the expected cash flow technique to measurements of pollution remediation obligations. See Note D.4. for disclosure information relating to pollution remediation obligations.

Statement No. 52 requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income. Statement No. 52 amends the scope of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* to apply the disclosure provisions of paragraph 15 of that Statement to land and other real estate held as investments by endowments. Accordingly, endowments should disclose "the methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices." The objective of this Statement is to enhance the comparability and usefulness of financial reporting by endowments by establishing a common approach to reporting land and other real estate held as investments with other entities that exist for similar purposes.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 52 since the City's governmental funds category does not include a Permanent Funds fund type.

Statement No. 55 provides for the codification of all GAAP for state and local governments so that they derive from a single source and consequently, the current GAAP hierarchy as set forth in the American Institute of Certified Public Accountants' literature will then reside in the accounting literature established by GASB. The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 55.

Statement No. 56 provides for the codification of certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards into the authoritative literature of GASB. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards by addressing three issues that establish accounting principles—related party transactions, going concern considerations, and subsequent events.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 56.

Technical Bulletin No. 2008-1 clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for calculating the annual required contribution (ARC) adjustment. The objective of the ARC adjustment procedure in Statements 27 and 45 is to offset the amount that has been included in the ARC for the amortization of past contribution deficiencies or excess contributions of the employer. Use of the ARC adjustment is intended to avoid misstatement of annual pension or OPEB costs and to maintain consistency between actuarial and accounting measurements on an ongoing basis. When the actual amount of interest (and principal, if any) is known, the known amount rather than an amount derived from the application of estimation procedures established in Statements 27 and 45 is used for purposes of determining annual pension or OPEB costs, respectively.

There was no impact on the City's financial statements as a result of the implementation of Technical Bulletin No. 2008-1.

3. Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations which are recorded on the accrual basis of accounting. Revenues from sales and income taxes are recognized when the underlying exchange transaction takes place. Revenues from property tax are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types use the flow of current financial resources measurement focus. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year-end. Revenues from categorical and other grants are generally considered available if received within one year after the fiscal year-end. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when payment is due.

The measurement focus of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds is on the flow of economic resources. This focus emphasizes the determination of net income, changes in net assets, and financial position. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The Pension Trust Funds' contributions from members are recorded when the employer makes payroll deductions from Plan members. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the discretely presented component units have elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The Agency Funds use the accrual basis of accounting and do not measure the results of operations.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The cost of those goods received and services rendered on or before June 30 are recognized as expenditures. Encumbrances not resulting in expenditures by year-end, lapse.

5. Cash and Investments

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Cash and cash equivalents include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during fiscal years 2009 and 2008 were approximately $1,902 million and $443 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 2009 and 2008 is included in Deposits and Investments (see Note D.1.).

6. Inventories

Inventories on hand at June 30, 2009 and 2008 (estimated at $282 million and $257 million, respectively, based on average cost) have been reported on the government-wide statement of net assets. Inventories are recorded as expenditures in governmental funds at the time of purchase, and accordingly have not been reported on the governmental funds balance sheet.

7. Restricted Cash and Investments

Certain proceeds of the City and component unit bonds, as well as certain resources set aside for bond repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants. None of the government-wide statement of net assets is restricted by enabling legislation.

8. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection system, and other elements of the City's infrastructure having a minimum useful life of five years, having a cost of more than $35,000, and having been appropriated in the Capital Budget (see Note C.1.). Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. These statements also contain the City's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, bulkheads and tunnels. The capital assets of the water distribution and sewage collection system are recorded in the Water and Sewer System component unit financial statements under a lease agreement between the City and the Water Board.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their fair market value as of the date of the donation. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease (see Note D.3.).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of 40 to 50 years for buildings; 5 to 35 years for equipment; and 15 to 50 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

9. Allowance for Uncollectible Mortgage Loans

Mortgage loans and interest receivable in the Debt Service Funds are net of an allowance for uncollectible amounts of $316.3 million and $319.7 million for fiscal years 2009 and 2008, respectively. The allowance is composed of the balance of refinanced first lien mortgages one or more years in arrears where payments to the City are expected to be completed between the years 2012 and 2021.

10. Vacation and Sick Leave

Earned vacation and sick leave is recorded as an expenditure in the period when it is payable from current financial resources in the fund financial statements. The estimated value of vacation leave earned by employees which may be used in subsequent years or earned vacation and sick leave paid upon termination or retirement, and therefore payable from future resources, is recorded as a liability in the government-wide financial statements.

11. Judgments and Claims

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a noncurrent liability.

12. Long-term Liabilities

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

13. Derivatives

The City did not enter into any new derivative transactions during fiscal years 2009 and 2008. However, the following activity relating to existing swap transactions occurred during fiscal years 2009 and 2008.

On September 16, 2008, the City received a Notice of Trigger Event from Lehman Brothers Derivative Products Inc. (Lehman) informing the City that as a result of Lehman Brothers Holdings Inc.'s filing of a petition under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York, the City's derivative transaction with Lehman would be terminated on September 23, 2008. The derivative transaction, with a notional amount of $100 million, had been entered into in March, 2004, at which time Lehman paid the City an option premium of $2.871 million. The derivative transaction gave Lehman an option to enter into a derivative transaction with the City on various future dates. Lehman never exercised the option and no further payments were made. On April 20, 2009, Lehman and the City entered into a Termination Agreement pursuant to which Lehman and the City agreed on a settlement amount to be paid by the City to Lehman of $623.3 thousand, of which $619.3 thousand had already been paid in January, 2009 and $4.0 thousand in interest was paid shortly thereafter in April, 2009 in respect of all claims arising under the documentation concerning the derivative transaction.

On March 16, 2008, the Bear Stearns Companies Inc. (Bear Stearns) and JP Morgan Chase & Co. (JP Morgan) executed an Agreement and Plan of Merger. JP Morgan agreed to guarantee certain obligations of Bear Stearns, including four derivative transactions between Bear Stearns Financial Products Inc. (BSFP) and the City. As of March 3, 2009, pursuant to novations, the City's derivative transactions with BSFP were novated from BSFP to JP Morgan Chase Bank, N.A. The transactions are as follows:

1. $200 million notional amount derivative transaction with a trade date of October 30, 2002 pursuant to which the City pays 3.269% and receives 62.8% of USD-LIBOR-BBA.
2. $233.65 million notional amount derivative transaction with a trade date of March 4, 2004 pursuant to which the City sold an option to BSFP for $7.177 million to allow BSFP to compel the City to enter into a derivative transaction with BSFP on various future dates. The option was never exercised and expired on August 15, 2009.
3. $500 million notional amount derivative transaction with a trade date of July 29, 2004 pursuant to which the City pays the Securities Industry and Financial Markets Association Index (SIFMA) and receives various stepped percentages of the 1-month London Interbank Offered Rate (LIBOR).
4. $44.145 million notional amount derivative transaction with a trade date of February 15, 2005 pursuant to which the City pays fixed rates of 4.55%/4.63%/4.71% and receives CPI + 1.50%/CPI + 1.55%/CPI + 1.60% in connection with bonds with maturities in 2015, 2016, and 2017, respectively.

On April 1, 2008, the City executed a bond refunding transaction pursuant to which $101.6 million of bonds associated with a swap that the City had entered into with UBS on January 22, 2003 in connection with a notional amount of $135.05 million were refunded. The swap has the City paying 3.259% and receiving 60.8% of LIBOR. Accordingly, $101.6 million of the swap was deemed terminated for tax purposes as of May 1, 2008. $33.45 million of the swap remains in effect for tax purposes as a hedge on the bonds. Nevertheless, the swap remains in full effect. The marked-to-market value of the swap as of June 30, 2009 was ($13.1) million.

Certain disclosures have been made for the cumulative derivatives contracted since fiscal year 2003 which are reported at fair value on the government-wide statement of net assets and include disclosure of the objectives for entering into the derivatives and the derivatives' fair values and risk exposures.

Swap Transaction Summary

In an effort to lower its borrowing costs over the life of its bonds and to diversify some of its existing derivatives portfolio, the City has entered into Interest Rate Exchange Agreements (swaps) and sold options related to some of these swaps. As of June 30, 2009 and 2008, the total notional amount of the City's swaps and swaptions outstanding was $2.900 billion and $3.036 billion, respectively. The total marked to market value of the City's swaps and swaptions as of June 30, 2009 and 2008 was approximately $(181.5) million and $(55.7) million, respectively. The table includes certain significant terms and the marked to market values for the City's cumulative swap transactions.

Transaction Number	Prior Years Since Fiscal Year 2003 1-14(a) (in thousands)
Notional Amount:(b)	
as of 6/30/09	$2,899,585
as of 6/30/08	$3,035,780
Up-front Cash Payments to the City	$ 40,585
Option Premiums	$ 19,860
Payments Made by the City:	
as of 6/30/09	$ 458,583
as of 6/30/08	$ 390,613
Payments Received by the City:(c)	
as of 6/30/09	$ 516,347
as of 6/30/08	$ 455,779
Marked to Market Value:	
as of 6/30/09	$ (181,454)
as of 6/30/08	$ (55,662)

(a) No new swap transactions were entered into by the City during fiscal years 2009 and 2008.

(b) The $136.195 million decrease in the Notional Amount during fiscal year 2009 is due to the termination of the $100 million Lehman swap (#11) and bond amortization of $19.845 million and $16.350 million on the Morgan Stanley swap (#7) and Bear Stearns/JP Morgan swap (#10), respectively.

(c) Includes Up-front Cash Payments and Option Premiums.

Risks

While the City did not enter into any new swap transactions during fiscal years 2009 and 2008, below is a list of risks inherent in the types of swap transactions that the City has entered into since fiscal year 2003.

Counterparty Risk: The 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.

Termination Risk: The 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). The total return swap has additional termination events in addition to those just described, including: the counterparty may terminate the swap on any business day on which the par value of the bonds exceeds the market value of the bonds by $75 million. The likelihood of such a discrepancy between the par and market values is mitigated by a reset mechanism which adjusts the bond coupon upward or downward by an amount equal to the movement of the AAA Municipal Market Data Index since its previous reset.

Basis Risk: The risk that the City's variable rate payments will not equal its variable rate receipts because they are based on different indices. Under the terms of its synthetic fixed rate swap transactions, the City pays a variable rate on its bonds based on SIFMA but receives a variable rate on the swap based on a percentage of LIBOR. In its August, 2004 basis swap, 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 rates decreases, the percentage of LIBOR received by the City increases.

Tax Risk: The 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.

14. Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 2009 were due July 1, 2008 and January 1, 2009 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 2009 taxes was June 19, 2008. The lien date is the date taxes are due.

Real estate tax revenue represents payments received during the year and payments received (against the current fiscal year and prior years' levies) within the first two months of the following fiscal year reduced by tax refunds for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue (net of refunds) which are not available to the governmental fund type in the fiscal year for which the taxes are levied.

The City offered an actual 1.5% discount for the prepayment of real estate taxes for fiscal years 2010 and 2009. Payment of real estate taxes before July 15, 2009, on properties with an assessed value of $250,000 or less and before July 1, 2009, on properties with an assessed value over $250,000 received the discount. Collections of these real estate taxes received on or before June 30, 2009 and 2008 were $4.6 billion and $3.1 billion, respectively. These amounts were recorded as deferred revenue.

The City sold approximately $37.3 million of real property tax liens, fully attributable to fiscal year 2009, at various dates in fiscal year 2009. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $3.3 million worth of liens sold in fiscal year 2009 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2009 net sale proceeds of $33.3 million.

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

The City sold approximately $37.5 million of real property tax liens, fully attributable to fiscal year 2008, at various dates in fiscal year 2008. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $3.3 million worth of liens sold in fiscal year 2008 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2008 net sale proceeds of $33.5 million.

In fiscal year 2008, $1.9 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 2007 sale. This resulted in an increase to fiscal year 2008 revenue of $2.1 million for the refund amount was less than the fiscal year 2007 accrual of $4 million and increased the net sale proceeds of the fiscal year 2007 sale to $43.3 million up from the original fiscal year 2007 net sale proceeds reported as $41.2 million.

In both fiscal years 2009 and 2008, $203 million were provided as allowances for uncollectible real estate taxes against the balance of the receivable. Delinquent real estate taxes receivable that are estimated to be collectible but which are not collected in the first two months of the next fiscal year are recorded as deferred revenues in the governmental funds balance sheet but included in general revenues on the government-wide statement of activities.

The City is permitted to levy real estate taxes for general operating purposes in an amount up to 2.5% of the average full value of taxable real estate in the City for the last five years and in unlimited amounts for the payment of principal and interest on long-term City debt. Amounts collected for payment of principal and interest on long-term debt in excess of that required for that purpose in the year of the levy must be applied towards future years' debt service. For the fiscal years ended June 30, 2009 and 2008, excess amounts of $1.043 billion and $672 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. Additionally, the government-wide financial statements recognize sales and income taxes (net of refunds) which are not available to the governmental fund type in the accounting period for which the taxes are assessed.

16. Federal, State, and Other Aid

For the government-wide and fund financial statements, categorical aid, net of a provision for estimated disallowances is reported as receivables when the related eligibility requirements are met. Unrestricted aid is reported as revenue in the fiscal year of entitlement.

17. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized as expenditures in the period incurred. Bond discounts in the government-wide financial statements units are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges. Bond issuance costs are amortized in the government-wide financial statements over the term of the bonds using the straight-line method.

18. Intra-entity Activity

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the primary government and the discretely presented component units are reported as if they were external transactions.

19. Subsidies

The City makes various payments to subsidize a number of organizations which provide services to City residents. These payments are recorded as expenditures in the fiscal year paid.

20. Pensions

Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Notes E.6. and F.), regardless of the amount recognized as pension expense on the modified accrual basis of accounting. Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters.

21. Other Postemployment Benefits

Other Postemployment Benefits (OPEB) cost for healthcare is required to be measured and disclosed using the accrual basis of accounting (see Note E.5.), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

22. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

23. Pronouncements Issued But Not Yet Effective

In June, 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Statement No. 51 also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The objective of Statement No. 51 is to establish accounting and financial reporting requrements for intangible assets to reduce inconsistencies relating to recognition, initial measurement, and amortization, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Statement requires that an intangible asset be recognized in the Statement of Net Assets only if it is considered indentifiable. Additionally, the Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred. Statement No. 51 also provides guidance on recognizing internally generated computer software as an intangible asset. This guidance serves as an application of the specified-conditions approach described above to the development cycle of computer software. The Statement also establishes guidance specific to intangible assets related to amortization. Guidance is provided on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful lives are subsequently determined to no longer be indefinite due to a change in circumstances.

The requirements of Statement No. 51 are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For the City, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of the Statement and those that would be considered internally generated. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 51 on its financial statements.

In June, 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of the Statement is to enhance the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their government-wide financial statements. This provision should allow users of those financial statements to more fully understand a government's resources available to provide services. The application of interperiod equity means that changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. The Statement describes several quantitative methods and a qualitative method for evaluating effectiveness. The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets,* have been incorporated into Statement No. 53. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments.

The requirements of Statement No. 53 are effective for financial statements for periods beginning after June 15, 2009. While earlier application of the Statement is encouraged, the City has not completed the task of evaluating the impact of Statement No. 53 on its financial statements.

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

The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balances for all prior periods presented. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 54 on its financial statements.

B. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances (deficit) as reflected on the governmental funds balance sheet and total net assets (deficit) of governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the difference are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net change in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net assets of governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Stewardship, Compliance, and Accountability

1. Budgets and Financial Plans

Budgets

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

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

Expenditures made against the Expense Budget are controlled through the use of quarterly spending allotments and units of appropriation. A unit of appropriation represents a subdivision of an agency's budget and is the level of control at which expenditures may not legally exceed the appropriation. The number of units of appropriation and the span of operating responsibility which each unit represents, differs from agency to agency depending on the size of the agency and the level of control required. Transfers between units of appropriation and supplementary appropriations may be made by the Mayor subject to the approval provisions set forth in the City Charter. Supplementary appropriations increased the Expense Budget by $2.478 billion and $4.463 billion subsequent to its original adoption in fiscal years 2009 and 2008, respectively.

Financial Plans

The New York State Financial Emergency Act for The City of New York, as amended in 1978, requires the City to operate under a "rolling" Four-Year Financial Plan (Plan). Revenues and expenditures, including operating transfers, of each year of the Plan are required to be balanced on a basis consistent with GAAP. The Plan is broader in scope than the Expense Budget; it comprises General Fund revenues and expenditures, Capital Projects Fund revenues and expenditures, and all short and long-term financing.

The Expense Budget is generally consistent with the first year of the Plan and operations under the Expense Budget must reflect the aggregate limitations contained in the approved Plan. The City reviews its Plan periodically during the year and, if necessary, makes modifications to incorporate actual results and revisions to assumptions.

2. Deficit Fund Balance

The New York City Capital Projects Fund has cumulative deficits of $2.1 billion and $3.5 billion at June 30, 2009 and 2008, 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 Banking Commission, which consists of the Comptroller, the Mayor, and the Finance Commissioner. Independent bank rating agencies are used to determine the financial soundness of each bank, and the City's banking relationships are under periodic operational and credit reviews.

The City Charter limits the amount of deposits at any time in any one bank or trust company to a maximum of one-half of the amount of the capital and net surplus of such bank or trust company. The discretely presented component units included in the City's reporting entity maintain their own banking relationships which generally conform with the City's. Bank balances are currently insured up to $250,000 through December 31, 2013 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank for all funds and collateralized by Treasury Notes at 105% for balances in excess of $250,000 or collateralized by other securities ranging from 110% to 120% depending on the securities pledged by the bank for balances in excess of $250,000. On January 1, 2014, the standard coverage limit will return to $100,000 for all deposit categories except IRAs and certain retirement accounts which will continue to be insured up to $250,000 per owner. Also, the temporary Transaction Account Guarantee Program (TAGP) provides unlimited coverage for noninterest-bearing transaction deposit accounts (covers the City's demand deposit accounts including Central Treasury, Pool, and controlled disbursement accounts) at participating FDIC-insured institutions through December 31, 2009. Consequently, these noninterest-bearing transaction deposit accounts that are fully insured by FDIC's TAGP do not need to be collateralized for calendar year 2009.

At June 30, 2009 and 2008, the carrying amount of the City's unrestricted cash and cash equivalents was $10.054 billion and $8.786 billion, respectively, and the bank balances were $5.373 billion and $2.881 billion, respectively. Of the unrestricted bank balances, $29.2 million and $9.5 million were exposed to custodial credit risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the respective bank balances were uninsured and uncollateralized at June 30, 2009 and 2008, respectively. The blended component units: SCA and Private Housing Loan Programs as of June 30, 2009 and 2008 did not have a deposit policy for custodial credit risk; also, HYDC, a blended component unit lacked a deposit policy for custodial credit risk as of June 30, 2008. At June 30, 2009 and 2008, the carrying amount of the restricted cash and cash equivalents was $1.307 billion and $1.182 billion, respectively, and the bank balances were $24.4 million and $.7 million, respectively. Of the restricted bank balances, $24 thousand and $.6 million were exposed to custodial credit risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the respective bank balances were uninsured and uncollateralized at June 30, 2009 and 2008, respectively. FSC, a blended component unit did not have a deposit policy for custodial credit risk as of June 30, 2009 and 2008; also, the blended component units TFA and HYIC lacked a deposit policy for custodial credit risk as of June 30, 2008.

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, 2009 and 2008:

Governmental activities:

	Investment Maturities (in years)			
	2009		2008	
Investment Type	**Less than 1**	**1 to 5**	**Less than 1**	**1 to 5**
	(in thousands)			
Unrestricted				
U.S. Government securities	$ 351,993	$ 59,798	$2,959,910	$ 59,798
U.S. Government agency obligations	653,545	—	477,492	—
Commercial paper	—	—	—	—
Repurchase agreements	—	—	11,309	—
Total unrestricted	$1,005,538	$ 59,798	$3,448,711	$ 59,798
Restricted				
U.S. Government securities	$ 44,368	$ 304,391	$ 66,521	$ 309,137
U.S. Government agency obligations	1,375,639	10,932	1,294,351	33,505
Commercial paper	182,082	—	—	—
Repurchase agreements	9,950	1,073,059	4,935	1,544,859
Total restricted	$1,612,039	$1,388,382	$1,365,807	$1,887,501

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 90 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, 2009 and 2008, investments in Federal National Mortgage Association (FNMA or Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and Federal Home Loan Bank (FHLB) were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investor Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. The majority of these investments were not rated by Fitch ratings, but those that were carried its highest long-term or short-term ratings of AAA or F1+, respectively. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch ratings). Repurchase agreements are not rated. Resolution Funding Strip investments are guaranteed by the U.S. Treasury.

Concentration of credit risk. The City's investment policy limits investments to no more than $250 million invested at any time in either commercial paper of a single issuer or investment agreement with a single provider.

Custodial credit risk-investments. For investments, custodial credit risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the City.

The City's investment policy related to custodial credit risk calls for limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the City.

The investment policies of the discretely presented component units included in the City's reporting entity generally conform to those of the City's. The criteria for the Pension and Other Employee Benefit Trust Funds' and Other Trust Funds' investments are as follows:

1. Fixed income investments may be made in U.S. Government guaranteed securities or securities of U.S. Government agencies, securities of companies rated BBB or better by both Standard and Poor's Corporation and Moody's Investors Service, Inc., and any bond that meets the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.
2. Equity investments may be made only in those stocks that meet the qualifications of the New York State Retirement and Social Security Laws, the New York State Banking Law, and the New York City Administrative Code.
3. Short-term investments may be made in the following:
    a. U.S. Government guaranteed securities or U.S. Government agency securities.
    b. Commercial paper rated A1 or P1 or F1 by Standard & Poor's Corporation or Moody's Investors Service, Inc. or Fitch, respectively.
    c. Repurchase agreements collateralized in a range of 100% to 102% of matured value, purchased from primary dealers of U.S. Government securities.
    d. Investments in bankers' acceptances, certificates of deposit, and time deposits are limited to banks with worldwide assets in excess of $50 billion that are rated within the highest categories of the leading bank rating services and selected regional banks also rated within the highest categories.
4. Investments up to 25% of total pension fund assets in instruments not specifically covered by the New York State Retirement and Social Security Law.
5. No investment in any one corporation can be: (i) more than 2% of the pension plan net assets; or (ii) more than 5% of the total outstanding issues of the corporation.

All investments are held by the City's custodial banks (in bearer or book-entry form) solely as agent of the Comptroller of The City of New York on behalf of the various account owners. Payments for purchases are not released until evidence of ownership of the underlying investments are received by the City's custodial bank.

Securities Lending

State statutes and boards of trustees policies permit the Pension and certain Other Employee Benefit Trust Funds (Systems and Funds) to lend their securities (the underlying securities) to brokers-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Systems' and Funds' custodians lend the following types of securities: short-term securities, common stock, long-term corporate bonds, U.S. Government and U.S. Government agencies' bonds, asset-backed securities, and international equities and bonds held in collective investment funds. In return, the Systems and Funds receive collateral in the form of cash and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year-end, the Systems and Funds had no credit risk exposure to borrowers because the amounts the Systems and Funds owe the borrowers exceed the amounts the borrowers owe the Systems and Funds. The contracts with the Systems' and Funds' custodian requires borrowers to indemnify the Systems and Funds if the borrowers fail to return the securities, if the collateral is inadequate, and if the borrowers fail to pay the Systems and Funds for income distributions by the securities' issuers while the securities are on loan.

The securities lending program in which the Systems and Funds participate only allows pledging or selling securities in the case of borrower default.

All securities loans can be terminated on demand within a period specified in each agreement by either the Systems and Funds or the borrowers. The underlying fixed income securities have an average maturity of 10 years. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted-average maturity of 90 days. During fiscal year 2003, the value of certain underlying securities became impaired because of the credit failure of the issuer. Accordingly, the carrying amounts of the collateral reported in four of the Systems' statements of fiduciary net assets were reduced by a total of $80 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. During fiscal years 2004 through 2008, $21.6 million was recovered as a distribution of bankruptcy proceeds and $31.6 million was received as a partial settlement from litigation. In fiscal year 2009, an additional $6 thousand was recovered as an ongoing distribution of bankruptcy proceeds; also, during fiscal year

2009, the value of certain underlying securities became impaired because of the bankruptcy proceeding of the issuer. Accordingly, the carrying amount of the collateral reported in one of the Funds' statements of fiduciary net assets was reduced by a total of $24.3 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. As of June 30, 2009, it is uncertain whether these security losses will be recovered.

The City reports securities loaned as assets on the Statement of Fiduciary Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are also recorded as assets. Liabilities resulting from these transactions are reported on the Statement of Fiduciary Net Assets. Accordingly, the City records the investments purchased with the cash collateral as Investments, Collateral From Securities Lending Transactions with a corresponding liability as Securities Lending Transactions.

2. Capital Assets

The following is a summary of capital assets activity for the fiscal years ended June 30, 2008 and 2009:

Primary Government	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
				(in thousands)			
Governmental activities:							
Capital assets, not being depreciated:							
Land	$ 1,067,371	$ 29,470	$ —	$ 1,096,841	$ 50,103	$ —	$ 1,146,944
Construction work-in-progress	3,626,314	3,525,927	2,771,195	4,381,046	3,758,361	3,277,052	4,862,355
Total capital assets, not being depreciated	4,693,685	3,555,397	2,771,195	5,477,887	3,808,464	3,277,052	6,009,299
Capital assets, being depreciated:							
Buildings	33,623,308	2,771,195	861,605	35,532,898	3,277,052	1,192,439	37,617,511
Equipment	5,554,465	777,750	245,227	6,086,988	540,973	260,538	6,367,423
Infrastructure	12,374,842	1,209,719	224,417	13,360,144	1,494,295	266,913	14,587,526
Total capital assets, being depreciated	51,552,615	4,758,664	1,331,249	54,980,030	5,312,320	1,719,890	58,572,460
Less accumulated depreciation:							
Buildings	13,418,154	1,240,774	152,492	14,506,436	1,277,894	601,743	15,182,587
Equipment	4,254,009	418,662	237,690	4,434,981	360,919	326,448	4,469,452
Infrastructure	4,242,985	605,074	224,417	4,623,642	650,923	226,448	5,048,117
Total accumulated depreciation	21,915,148	2,264,510(1)	614,599	23,565,059	2,289,736(1)	1,154,639	24,700,156
Total capital assets, being depreciated, net	29,637,467	2,494,154	716,650	31,414,971	3,022,584	565,251	33,872,304
Governmental activities capital assets, net	$34,331,152	$6,049,551	$3,487,845	$36,892,858	$6,831,048	$3,842,303	$39,881,603

(1) Depreciation expense was charged to functions/programs of the City for the fiscal years ended June 30, 2009 and 2008 as follows:

	2009	2008
	(in thousands)	
Governmental activities:		
General government	$ 357,162	$ 308,430
Public safety and judicial	248,245	202,019
Education	686,729	784,181
City University	11,172	9,982
Social services	87,808	79,636
Environmental protection	103,041	87,847
Transportation services	464,913	476,153
Parks, recreation and cultural activities	275,988	214,881
Housing	2,192	49,535
Health	40,814	38,434
Libraries	11,672	13,412
Total depreciation expense—governmental activities	$2,289,736	$2,264,510

The following are the sources of funding for the governmental activities capital assets for the fiscal years ended June 30, 2009 and 2008. Sources of funding for capital assets are not available prior to fiscal year 1987.

	2009	2008
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 5,847,522	$ 5,857,898
City bonds	55,022,477	50,451,422
Federal grants	532,316	538,015
State grants	135,317	128,476
Private grants	562,212	487,516
Capitalized leases	2,481,915	2,994,590
Total funding sources	$64,581,759	$60,457,917

At June 30, 2009 and 2008, governmental activities capital assets include approximately $1.14 billion of City-owned assets leased for $1 per year to the New York City Transit Authority which operates and maintains the assets. In addition, assets leased to HHC and to the Water and Sewer System are excluded from the governmental activities capital assets and are recorded in the respective component unit financial statements.

Included in buildings at June 30, 2009 and 2008 are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	**2009**	**2008**
	(in thousands)	
Capital asset:		
Buildings, gross	$2,481,915	$2,994,590
Less accumulated amortization	544,742	969,927
Buildings, net	$1,937,173	$2,024,663

Capital Commitments

At June 30, 2009, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $17.5 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 $61.7 billion over fiscal years 2010 through 2019. To help meet its capital spending program, the City and TFA borrowed $7.75 billion in the public credit market in fiscal year 2009. The City and TFA plan to borrow $6.45 billion in the public credit market in fiscal year 2010.

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, 2009 and 2008 were approximately $715.5 million and $665 million, respectively.

As of June 30, 2009, 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:			
2010	$ 184,869	$ 410,741	$ 595,610
2011	183,609	413,792	597,401
2012	182,550	346,506	529,056
2013	181,020	324,633	505,653
2014	173,939	292,679	466,618
2015-2019	765,301	1,245,270	2,010,571
2020-2024	606,505	745,702	1,352,207
2025-2029	392,958	277,652	670,610
2030-2034	214,483	30,582	245,065
2035-2039	95,605	13,900	109,505
Future minimum payments	2,980,839	$4,101,457	$7,082,296
Less interest	1,043,666		
Present value of future minimum payments	$1,937,173		

The present value of future minimum lease payments includes approximately $1.430 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, 2009 and 2008 was approximately $255 million and $257 million, respectively. As of June 30, 2009, 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:			
2010	$ 1,468	$ 170,534	$ 172,002
2011	1,535	165,826	167,361
2012	1,622	161,614	163,236
2013	1,722	158,720	160,442
2014	1,876	151,251	153,127
2015-2019	10,827	725,280	736,107
2020-2024	11,627	671,846	683,473
2025-2029	12,330	622,621	634,951
2030-2034	13,287	617,759	631,046
2035-2039	4,856	599,759	604,615
2040-2044	2,040	568,953	570,993
2045-2049	1,900	568,247	570,147
2050-2054	1,800	202,812	204,612
2055-2059	1,800	48,239	50,039
2060-2064	1,800	48,239	50,039
2065-2069	1,800	48,239	50,039
2070-2074	1,800	46,326	48,126
2075-2079	1,800	40,332	42,132
2080-2084	180	30,979	31,159
2085-2089	—	15,420	15,420
Thereafter until 2106	—	2	2
Future minimum lease rentals	76,070	$5,662,998	$5,739,068
Less interest	47,838		
Present value of future minimum lease rentals	$ 28,232		

4. Long-Term Liabilities

Changes in Long-term liabilities

In fiscal years 2008 and 2009, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable:								
General obligation bonds	$ 34,505,711	$ 7,382,345	$ 5,787,825	$ 36,100,231	$ 5,931,070	$2,039,926	$ 39,991,375	$1,649,080
TFA bonds	14,606,825	700,000	478,995	14,827,830	2,489,300	403,770	16,913,360	173,820
TSASC bonds	1,316,860	—	19,315	1,297,545	—	23,855	1,273,690	6,135
IDA bonds	102,630	—	1,950	100,680	68,650	70,680	98,650	750
STAR bonds	2,368,115	—	29,515	2,338,600	—	85,780	2,252,820	26,450
FSC bonds	337,120	—	16,110	321,010	—	16,850	304,160	9,915
HYIC bonds	2,000,000	—	—	2,000,000	—	—	2,000,000	—
HYIC notes	100,000	—	33,333	66,667	—	33,333	33,334	33,334
ECF bonds	123,190	—	13,665	109,525	—	7,465	102,060	—
Total before premiums/discounts (net)	55,460,451	8,082,345	6,380,708	57,162,088	8,489,020	2,681,659	62,969,449	1,899,484
Less (premiums)/discounts (net)	(821,265)	108,249	183,021	(896,037)	137,059	88,176	(847,154)	—
Total bonds and notes payable	56,281,716	7,974,096	6,197,687	58,058,125	8,351,961	2,593,483	63,816,603	1,899,484
Capital lease obligations	2,831,919	16,743	823,999	2,024,663	7,302	94,792	1,937,173	70,659
Other tax refunds	1,770,308	337,320	131,308	1,976,320	319,245	252,320	2,043,245	129,245
Judgments and claims	5,354,109	1,409,461	1,087,430	5,676,140	1,000,949	1,170,845	5,506,244	1.268,203
Real estate tax certiorari	750,954	239,718	98,006	892,666	163,545	205,203	851,008	118,195
Vacation and sick leave	3,110,959	493,347	215,299	3,389,007	528,922	235,392	3,682,537	235,392
Pension liability	726,600	58,200	92,600	692,200	55,300	88,900	658,600	—
OPEB liability	57,761,938	7,419,205	1,890,925	63,290,218	3,937,583	1,683,440	65,544,361	—
Landfill closure and postclosure care costs	1,612,871	174,277	88,658	1,698,490	89,590	69,007	1,719,073	70,449
Pollution remediation obligations	—	—	—	172,842[1]	156,872	154,178	175,536	157,983
Total changes in governmental activities long-term liabilities	$130,201,374	$18,122,367	$10,625,912	$137,870,671	$14,611,269	$6,547,560	$145,934,380	$3,949,610

Note: City bonds and notes payable are generally liquidated with resources of the General Debt Service Fund. Other long-term liabilities are generally liquidated with resources of the General Fund.

[1] Opening liability determined per requirements of GASB49.

The bonds and notes payable at June 30, 2009 and 2008 summarized by type of issue are as follows:

Primary Government	2009 General Obligations	2009 Revenue	2009 Total	2008 General Obligations	2008 Revenue	2008 Total
	(in thousands)					
Governmental activities:						
Bonds and notes payable:						
General obligation bonds	$39,991,375	$ —	$39,991,375	$36,100,231	$ —	$36,100,231
TFA bonds	12,662,180	4,251,180	16,913,360	12,827,830	2,000,000	14,827,830
TSASC bonds	1,273,690	—	1,273,690	1,297,545	—	1,297,545
IDA bonds	98,650	—	98,650	100,680	—	100,680
STAR bonds	2,252,820	—	2,252,820	2,338,600	—	2,338,600
FSC bonds	304,160	—	304,160	321,010	—	321,010
HYIC bonds	—	2,000,000	2,000,000	—	2,000,000	2,000,000
HYIC notes	—	33,334	33,334	—	66,667	66,667
ECF bonds	—	102,060	102,060	—	109,525	109,525
Total bonds and notes payable	$56,582,875	$6,386,574	$62,969,449	$52,985,896	$4,176,192	$57,162,088

The following table summarizes future debt service requirements as of June 30, 2009:

Primary Government	Governmental Activities: General Obligation Bonds Principal	General Obligation Bonds Interest(1)	Revenue Bonds and Notes Principal	Revenue Bonds and Notes Interest
	(in thousands)			
Fiscal year ending June 30:				
2010	$ 1,829,240	$ 2,424,857	$ 69,494	$ 296,897
2011	2,540,646	2,341,881	71,530	311,226
2012	2,737,535	2,290,550	77,940	308,627
2013	2,779,586	2,211,567	82,240	305,684
2014	2,775,975	2,090,409	86,735	302,447
2015-2019	14,228,658	8,505,200	501,410	1,449,916
2020-2024	13,587,513	5,256,118	625,560	1,317,602
2025-2029	10,183,598	2,417,363	795,020	1,141,573
2030-2034	4,687,088	756,168	1,010,350	916,736
2035-2039	673,963	173,807	1,066,295	635,001
2040-2044	559,028	85,967	—	487,500
2045-2049	3	16	2,000,000	292,500
Thereafter until 2147	42	147	—	—
	56,582,875	28,554,050	6,386,574	7,765,709
Less interest component	—	28,554,050	—	7,765,709
Total future debt service requirements	$56,582,875	$ —	$6,386,574	$ —

(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, 2009 and 2008 were both 4.7% and both ranged from 0% to 10%. The last maturity of the outstanding City debt is in the year 2147.

Since the City has variable rate debt outstanding, the terms by which interest rates change for variable rate debt are as follows: For Auction Rate Securities, an interest rate is established periodically by an auction agent at the lowest clearing rate based upon bids received from broker-dealers. Variable Rate Demand Bonds (VRDBs) are long-term bonds that have a daily or weekly "put" feature backed by a bank Letter of Credit or Stand By Bond Purchase Agreement. VRDBs are repriced daily or weekly and provide investors with the option to tender the bonds at each repricing. A broker, called a Remarketing Agent, is responsible for setting interest rates and reselling to new investors any securities that have been tendered. CPI Bonds pay the holder a floating interest rate tied to the consumer price index. The rate is a fixed spread plus a floating rate equal to the change in the Consumer Price Index-Urban (CPI-U) for a given period. LIBOR Bonds pay the holder a floating interest rate calculated as a percentage of the London Interbank Offering Rate. 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 2009 and 2008, the City issued $450 million and $3.96 billion, respectively, of general obligation bonds to advance refund general obligation bonds of $473 million and $4.02 billion, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $6.96 million and $71.46 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 2009, the refunding transactions will decrease the City's aggregate debt service payments by $39.05 million and provide an economic gain of $35.45 million. In fiscal year 2008, the refunding transactions decreased the City's aggregate debt service payments by $178.80 million and provided an economic gain of $131.96 million. At June 30, 2009 and 2008, $13.77 billion and $13.91 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 general debt-incurring power of the City is limited by the Constitution to 10% of the average of five years' full valuations of taxable real estate. Excluded from this debt limitation is certain indebtedness incurred for water supply, certain obligations for transit, sewage, and other specific obligations which exclusions are based on a relationship of debt service to net revenue.

As of July 1, 2009, the 10% general limitation was approximately $74.904 billion (compared with $70.419 billion as of July 1, 2008). Also, as of July 1, 2009, the City's remaining debt-incurring power totaled $27.671 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 2009, discretionary and other transfers of $1.290 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2010 debt service. In addition, in fiscal year 2009, discretionary transfers of $755.75 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds. In fiscal year 2008, discretionary and other transfers of $3.083 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2009 debt service. In addition, in fiscal year 2008, discretionary transfers of $591.95 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds.

Swap payments and associated debt

The table that follows represents debt service payments on certain general obligation variable-rate bonds, net of swap payments (see Note A.13.) associated with those bonds, as of June 30, 2009. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2009 remains constant over the life of the bonds.

	Governmental Activities			
	General Obligation Bonds			
Primary Government	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
	(in thousands)			
Fiscal year ending June 30:				
2010	$ 49,705	$ 50,447	$ 9,504	$ 109,656
2011	37,900	50,341	8,820	97,061
2012	39,325	50,114	8,269	97,708
2013	30,590	49,944	7,825	88,359
2014	79,010	49,120	7,507	135,637
2015-2019	578,470	220,942	28,645	828,057
2020-2024	697,055	184,538	(1,094)	880,499
2025-2029	493,955	144,207	4,998	643,160
2030-2034	561,955	52,792	(3,700)	611,047
Total	$2,567,965	$852,445	$70,774	$3,491,184

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 torts; alleged breaches of contract; alleged violations of law; and condemnation proceedings.

As of June 30, 2009 and 2008, claims in excess of $637 billion and $586 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $5.5 billion and $5.7 billion, respectively.

As explained in Note A.11., the estimate of the liability for unsettled claims has been reported in the government-wide statement of net assets under noncurrent liabilities. The liability was estimated by using the probable exposure information provided by the New York City Law Department (Law Department), and supplemented by information provided by the Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

Numerous proceedings alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill have been commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers, and building clean-up workers. Complaints on behalf of approximately 11,900 plaintiffs alleging similar causes of action have been filed naming the City or other defendants. Approximately 5,000 of these plaintiffs have to date named the City as a defendant. It is not possible yet to evaluate the magnitude of liability arising from these claims. The actions were either commenced in or have been removed to Federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive Federal jurisdiction for all claims related to or resulting from the September 11 attack. The City's motion to dismiss these actions on immunity grounds was denied on October 17, 2006 by the District Court. On March 26, 2008, the Second Circuit upheld the District Court's decision, holding that determining whether the City had immunity for its actions requires developing the factual record. The City has formed a not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the WTC Insurance Company) to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The insurance company has been funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. Most of the claims against the City and its private contractors set forth above that arise from such debris removal are expected to be eligible for coverage by the WTC Insurance Company. No assurance can be given that such insurance will be sufficient to cover all liability that might arise from such claims.

One property damage claim relating to the September 11 attack alleges significant damages. The claim, which relates to the original 7 World Trade Center (7 WTC), alleges damages to Con Edison and its insurers of $214 million, subject to clarification, for the loss of the electrical substation over which 7 WTC was built. The claim alleges that a diesel fuel tank, which stored fuel for emergency back-up power to the City's Office of Emergency Management facility on the 23rd floor, contributed to the building's collapse. Con Edison and its insurers filed suit based on the allegations in their claim. Plaintiff has submitted to the Court a claim form required of all property damage plaintiffs in the September 11 litigation in the amount of approximately $750 million for damages suffered at several different locations in the aftermath of the September 11 attacks. Although it is not clear what portion of the increased damages plaintiff alleges to be the responsibility of the City, it appears that no part of the increased claim can be attributed to the City's actions. In January, 2006, the City's motion for summary judgment was granted. The action, however, is proceeding against other defendants, and plaintiff intends to appeal the dismissal of its claim against the City when discovery is complete or at the conclusion of the case.

In March, 2005, the United Federation of Teachers, the union that represents the teachers in the New York City public school system, commenced an action and an Article 78 proceeding in New York Supreme Court, New York County, against the New York City Teachers' Retirement System and the City alleging that, due to certain miscalculations relating, *inter alia,* to the interest earned on member contributions to a retirement plan known as the 20 Year Pension Plan, teachers who retired under this plan do not receive the entire amount of retirement benefits to which they are entitled. Plaintiffs sought declaratory relief and an award to 20 Year Pension Plan members of not less than $800 million to equal the difference between what plaintiffs allege they are entitled to under the 20 Year Pension Plan and the amount actually received. The City moved to dismiss the Article 78 proceeding and submitted an answer in the action. By decision dated October 17, 2006, the Court denied the City's motion to dismiss the Article 78 proceeding but granted the City's motion to dismiss the petitioners' contract claims. In October, 2007, the action and Article 78 proceeding were resolved by agreement of the parties. The parties agreed to resolve the dispute by supplementing the retirement benefits for the affected group by a total of $160 million over the appropriate actuarially calculated period, which is normally approximately ten years. On April 9, 2009, the court preliminarily approved an order certifying a class settlement and ordering class notice and a fairness hearing. The fairness hearing was held on September 30, 2009 at which time the court gave final approval of the settlement.

The Office of the Inspector General of the United States Department of Health and Human Services (HHS) has issued audit reports on claims submitted to the New York State Medicaid program by the New York City Department of Education (DOE) as well as other school districts in the State during the period between 1990 and 2001 with respect to health-related special education services to children with disabilities. The audits alleged that the State of New York improperly billed HHS for State Medicaid expenditures for services that were not sufficiently supported by documentation establishing the provision of such services in accordance with applicable standards. The audits asserted that as a result of these alleged problems, the State should return approximately $770 million of the Medicaid funding. Of the $770 million amount at issue in the audits, DOE had received approximately $270 million.

In addition, a lawsuit was filed against the State, DOE, and others by a relator, and subsequently, joined by the United States Department of Justice (DOJ), under the False Claims Act, which alleged that school districts across the State, including DOE, had submitted improper Medicaid claims to the Federal government for school-based, health-related services. This lawsuit remained under seal by order of the Federal courts until the sealing restriction was removed in connection with a settlement on July 21, 2009. On July 21, 2009, notwithstanding the City's substantial defenses to the allegations of false claims, the City and DOE agreed to resolve the outstanding audit issues and settle the lawsuit with DOJ in a settlement agreement also involving the State and the relator. Of the total $540 million settlement amount, the State agreed to pay $440 million over a specified period and the City agreed to pay $100 million to the Federal government over the next four to five years. Releases received by the City and DOE from the Centers for Medicare and Medicaid Services of HHS and the State covered claims for the broader period from 1990 to 2008, though with an exception for certain excluded claims.

In 2002, more than 16,000 police officers and detectives opted into Scott v. City of New York, a collective action brought in the United States District Court for the Southern District of New York, pursuant to the Fair Labor Standards Act (the FLSA). The police officers allege that the New York City Police Department has violated the overtime provisions of the FLSA in a number of ways. Under the FLSA, successful plaintiffs would be entitled to double damages for a period going back three years from the filing of the case in 2002, and attorneys' fees. Plaintiffs sought damages in excess of $135 million. During trial, the Court decertified one claim relating to an alleged cap on the amount of cash overtime police officers can earn. On December 1, 2008, the jury returned a verdict in favor of the City on two other claims. With respect to two claims on which the City was previously found liable by the judge on summary judgment, the judge has determined that damages are $900,000 plus interest. All of these are subject to appeal. A final adverse determination in this case could result in substantial costs to the City. Although 16,000 police officers and detectives have opted in, the City estimates there are approximately 22,000 additional police officers and detectives who have not opted in but may have similar unasserted claims.

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged overvaluation, inequality, and illegality of assessment. In response to these actions, in December, 1981, State legislation was enacted which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential liability for outstanding certiorari proceedings to be $851.0 million and $892.7 million at June 30, 2009 and 2008, respectively, as reported in the government-wide financial statements.

Pension Liability

For fiscal years 2001 through 2005 inclusive, the City incurred a pension liability that was the result of Chapter 125 of the Laws of 2000 (Chapter 125/00) which provided for a five-year phase-in schedule for funding the additional actuarial liabilities created by providing eligible retirees and eligible beneficiaries with increased Supplementation as of September, 2000 and with automatic Cost-of-Living Adjustments (COLA) beginning September, 2001. Chapter 278 of the Laws of 2002 (Chapter 278/02) extended the phase-in period for funding the additional liabilities attributable to the benefits provided under Chapter 125/00 to ten years from five years. Chapter 152 of the Laws of 2006 eliminated for fiscal year 2006 and thereafter the ten-year phase-in period arising under Chapter 278/02 and instead, the additional actuarial liabilities created by the benefits provided by Chapter 125/00 are funded as part of the normal contribution (see Notes E.6. and F.).

Landfill Closure and Postclosure Care Costs

Heretofore, the City's only active landfill available for waste disposal was the Fresh Kills landfill which initially ceased landfill operations in March, 2001. The landfill was reopened per the Governor's amended Executive Order No. 113, which authorized the City to continue the acceptance and disposal of waste materials received from the site of the World Trade Center disaster of September 11, 2001. The landfill subsequently closed in August, 2002. For government-wide financial statements, the measurement and recognition of the liability for closure and postclosure care is based on total estimated current cost and landfill usage to date. For fund financial statements, expenditures are recognized using the modified accrual basis of accounting when the related liability is incurred and payment is due.

Upon the landfill becoming inactive, the City is required by Federal and State law to close the landfill, including final cover, stormwater management, landfill gas control, and to provide postclosure care for a period of 30 years following closure. The City is also required under Consent Order with the New York State Department of Environmental Conservation to conduct certain corrective measures associated with the landfill. The corrective measures include construction and operation of a leachate mitigation system for the active portions of the landfill as well as closure, postclosure, and groundwater monitoring activities for the sections no longer accepting solid waste.

The liability for these activities as of June 30, 2009 which equates to the total estimated current cost is $1.360 billion based on the maximum cumulative landfill capacity used to date. There are no costs remaining to be recognized. During fiscal year 1996, New York State legislation was enacted which states that no waste will be accepted at the Fresh Kills landfill on or after January 1, 2002. Accordingly, the liability for closure and postclosure care costs is based upon an effective cumulative landfill capacity used to date of approximately 100%. Cost estimates are based on current data including contracts awarded by the City, contract bids, and engineering studies. These estimates are subject to adjustment for inflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates.

During fiscal year 2009, expenditures for landfill closure and postclosure care costs totaled $61.5 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 20, 2009, by the City's Chief Financial Officer placing in the Fresh Kills landfill operating record representations in satisfaction of the Local Government Financial Test.

The City has five inactive hazardous waste sites not covered by the EPA rule. The City has recorded the long-term liability for these postclosure care costs in the government-wide financial statements.

The following represents the City's total landfill and hazardous waste sites liability which is recorded in the government-wide statement of net assets:

	Amount (in thousands)
Landfill	$1,359,937
Hazardous waste sites	359,136
Total landfill and hazardous waste sites liability	$1,719,073

Pollution Remediation Obligations

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

Obligating Event	Amount (in thousands)	Percentage
Imminent endangerment	$ 45,172	25.5%
Violation of pollution prevention-related permit or license	5,018	3.0
Named by regulator as a potentially responsible party	1,004	0.5
Voluntary commencement	124,342	71.0
Total	$175,536(1)	100.0%

Pollution Type	Amount (in thousands)	Percentage
Asbestos removal	$133,100	75.8%
Lead paint removal	13,563	7.7
Soil remediation	26,657	15.2
Water remediation	2,138	1.2
Other	78	0.1
Total	$175,536(1)	100.0%

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

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable, responders for 99% of the PRO estimate relate that there are no such liabilities...all pollution remediation conditions as determined are estimable. The remaining 1% relates to projects which include testing activities but other remediation-related activities (e.g., design of remediation plans, remediation, and monitoring) may not be included in initial estimates.

5. Interfund Receivables, Payables, and Transfers

At June 30, 2009 and 2008, primary government and discretely presented component unit receivable and payable balances and interfund transfers were as follows:

Governmental activities:

Due from/to other funds:

Receivable Fund	Payable Fund	2009	2008
		(in thousands)	
General Fund	New York City Capital Projects Fund	$2,199,366[1]	$3,253,329[1]
New York City Capital Projects Fund	TFA	182,055	144,348
HYIC—Debt Service Fund	HYIC—Capital Projects Fund	56	—
Total due from/to other funds		$2,381,477	$3,397,677

Component Units:

Due from/to primary government and component units:

Receivable Entity	Payable Entity	2009	2008
Primary government—General Fund:	Component units—HDC	838,143	842,988
	HHC	281,973	58,358
		1,120,116	901,346
Primary government—New York City Capital Projects Fund	Component unit—Water Authority	880,664	518,467
Total due from component units		2,000,780	1,419,813
Component unit—Water Board	Primary government—General Fund	13,328	22,925
Total due to component units		13,328	22,925
Total due from/to primary government and component units		2,014,108	1,442,738
Total primary government and component units receivable and payable balances		$4,395,585	$4,840,415

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

Note: During both fiscal years 2009 and 2008, the New York City Capital Projects Fund reimbursed the General Fund for expenditures made on its behalf.

Governmental activities:
Interfund transfers

	Transfer To:									
	New York City Capital Projects Fund		General Debt Service Fund		Nonmajor Capital Projects Funds		Nonmajor Debt Service Funds		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(in thousands)									
Transfer From:										
General Fund	$ —	$ —	$1,413,106	$5,212,167	$ —	$ —	$ 741,812	$ 209,539	$2,154,918	$5,421,706
General Debt Service Fund	—	—	—	—	—	—	—	4,789	—	4,789
Nonmajor Debt Service Fund	—	—	961	—	—	—	—	—	961	—
Nonmajor Capital Projects Funds	2,321,950	1,656,409	—	—	5,214	—	123,163	154,931	2,450,327	1,811,340
Total	$2,321,950	$1,656,409	$1,414,067	$5,212,167	$ 5,214	$ —	$ 864,975	$ 369,259	$4,606,206	$7,237,835

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

In the fiscal year ended June 30, 2008, the City made the following one-time transfer:
A transfer of an unrestricted grant of $546 million on June 30, 2008 to TFA. These funds were used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2009.

E. Other Information

1. Audit Responsibility

In fiscal years 2009 and 2008, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Deloitte & Touche LLP are the Municipal Assistance Corporation for The City of New York, New York City Transitional Finance Authority, New York City School Construction Authority, New York City Health and Hospitals Corporation, Jay Street Development 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, New York City Water Board and New York City Municipal Water Finance Authority, Deferred Compensation Plan, WTC Captive Insurance Company, Inc., New York City Capital Resource Corporation, New York City Educational Construction Fund, and the NYCTL Trusts. In addition, in fiscal year 2009, auditors other than Deloitte & Touche LLP audited Sales Tax Asset Receivable Corporation and Fiscal Year 2005 Securitization Corporation.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal years 2009 and 2008:

	Government-wide				Fund-based			
	Governmental Activities		Component Units		Nonmajor Governmental Funds		Fiduciary Funds	
	2009	2008	2009	2008	2009	2008	2009	2008
					(percent)			
Total assets	4	4	51	53	69	52	8	8
Revenues, other financing sources and net assets held in trust	7	3	79	82	98	87	8	8

2. Subsequent Events

The following events occurred subsequent to June 30, 2009:

Long-term Financing

City Debt: On October 15, 2009, the City sold its Fiscal 2010 Series A bonds of $970 million for capital purposes; also, the City sold its Fiscal 2010 Series B and C bonds of $1.10 billion for refunding purposes.

TFA Debt: On July 30, 2009, TFA sold its Fiscal 2010 Series A Future Tax Secured Subordinate bonds of $900 million for capital purposes. On August 27, 2009, TFA sold its Fiscal 2010 Series B Future Tax Secured Subordinate bonds of $800 million for refunding purposes. On October 22, 2009, TFA sold its Fiscal 2010 Series C Future Tax Secured Bonds of $775 million to finance general City capital expenditures.

Deposits

On August 26, 2009, the FDIC extended its temporary Transaction Account Guarantee Program through June 30, 2010. This program provides depositors with unlimited coverage for noninterest-bearing transaction deposit accounts at participating FDIC-insured institutions. The unlimited coverage applies to all checking deposit accounts that do not earn interest including Demand Deposit (DDA) accounts and certain other accounts.

Financial Market Developments

The systemic risk elevation in global financial markets that first became apparent in the latter half of 2007 continued in 2008 and accelerated in September, 2008 with significant financial institution stresses and failures and world-wide government interventions. With respect to Public Finance, the turmoil in global financial markets during fiscal year 2009 temporarily affected debt issuance and borrowing cost for the City and its authorities. However, active management of the City's debt portfolio, facilitated by ongoing risk management practices; close market monitoring to allow targeted debt issuance; and the City's intrinsic financial and credit ratings strength, all minimized the impact on the City and allowed continued debt issuance throughout the year to fund the City's capital needs. By the end of fiscal year 2009, stability had largely returned to the municipal bond market.

The City's exposure to the risks inherent in a large debt issuance program and portfolio remain. These risks include counterparty credit, such as exposure to banks that provide liquidity to variable rate debt obligations and to counterparties in derivative transactions; liquidity risks, including potential constraints on market access; and budget risk, with the potential for higher debt service expense due to rising interest rates, higher costs of credit facilities, and the potential refinancing of variable rate debt with fixed rate debt that amortizes more rapidly. The City actively monitors and manages these risks to the extent possible. Ongoing risk mitigations include careful initial selection of counterparties and structuring of contractual agreements; close monitoring of counterparty credit and remarketing performance; refinancing debt; reassigning remarketing and/or reconfiguring credit support; tailoring of debt offerings to meet investor demand; and prudent use of debt strategies that can reduce costs, as market conditions permit.

3. Other Employee Benefit Trust Funds

Deferred Compensation Plans For Employees of The City of New York and Related Agencies and Instrumentalities (DCP)

DCP through the City offers its employees two defined contribution plans and a deemed IRA created in accordance with Internal Revenue Code Sections 457, 401(k), and 408(q). DCP is available to certain employees of The City of New York and related agencies and instrumentalities. The deemed IRA, called the NYCE IRA 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. DCP permits employees to defer a portion of their salary on a pre-tax basis for the 457 Plan and on either a pre-tax (traditional) or after-tax (Roth) basis for the 401(k) Plan until future years. The compensation deferred is not available to employees until termination, retirement, death, or 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 attainment of age 59½ in the 401(k) Plan. Deferred assets in the NYCE IRA are available for withdrawal at anytime.

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

Participants in DCP can choose among seven investment options, or one of twelve target date 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 accumulate assets to pay for some OPEB provided by the City to its retired employees and (2) OPEB paid for directly by the City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of the City’s retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the City’s various collective bargaining agreements and the City’s Administrative Code. Amounts contributed to RHBT by the City are held in trust and are irrevocable and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, PLAN is presented as an Other Employee Benefit Trust Fund in the City’s financial statements. The separate annual financial statements of PLAN are available at: Office of the Comptroller, Bureau of Accountancy — Room 808, 1 Centre Street, New York, New York 10007.

Summary of Significant Accounting Policies:

Basis of Accounting. The measurement focus of PLAN is on the flow of economic resources. This focus emphasizes the determination of changes in the PLAN’s net assets. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the statement of fiduciary net assets. This fund uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments. Investments are reported on the statement of fiduciary net assets at fair value based on quoted market prices.

Required Supplementary Information (Unaudited)

The schedule of funding progress presents GASB45 results of OPEB valuations as of June 30, 2008, 2007, 2006, and 2005 for the fiscal year ending June 30, 2009. The schedule provides a four 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)			
6/30/08	$3,186,139	$65,164,503	$61,978,363	4.9%	$18,721,681	331.1%
6/30/07	2,594,452	62,135,453	59,541,001	4.2	17,355,874	343.1
6/30/06	1,001,332	56,077,151	55,075,819	1.8	16,546,829	332.8
6/30/05	0	50,543,963	50,543,963	0.0	15,737,531	321.2

*Based on the Frozen Entry Age Actuarial Cost Method.

4. Other Trust Funds

New York City Tax Lien Trusts (NYCTLT)

NYCTLT is a series of tax lien trusts (2009-A; 2008-A; 2006-A; 2005-A; 2004-A; 1999-1; 1998-2; 1998-1; and 1996-1) that were created to acquire certain tax liens securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents, and other charges payable to the City and the Water Board from the City in exchange for the proceeds from bonds issued by NYCTLT, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the trusts and is entitled to receive distributions from the trusts after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the trusts to make distributions to it and consequently, NYCTLT is presented as Other Trust Funds in the City's financial statements. The separate annual financial statements of NYCTLT are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

5. Other Postemployment Benefits

Program Description. The New York City Health Benefits Program (Program) is a single-employer defined benefit healthcare plan funded by PLAN, an Other Employee Benefit Trust Fund of the City, which provides Other Postemployment Benefits (OPEB) to eligible retirees and beneficiaries. OPEB includes: health insurance, Medicare Part B reimbursements, and welfare fund contributions. PLAN issues a publicly available financial report that includes financial statements and required supplementary information for funding PLAN's OPEB and the report is available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

Funding Policy. The Administrative Code of The City of New York (ACNY) defines OPEB to include Health Insurance and Medicare Part B Reimbursments; Welfare Benefits stem from the City's various collective bargaining agreements all of which are to be funded by PLAN. The City is not required by law or contractual agreement to provide funding for PLAN other than the pay-as-you-go amounts necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2009, the City paid $1.7 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 of the employer (ARC), an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB45). Under this method, in general, the excess of the Actuarial Present Value of Projected Benefits over the sum of: (i) the Actuarial Value of Assets plus (ii) the Unfunded

Frozen Actuarial Accrued Liability is allocated on a level basis over the earnings of the covered active employees between the valuation date and assumed exit. This allocation is performed for the group as a whole. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gains/losses, as they occur, reduce/increase future Normal Costs. The following table shows the elements of the City's annual OPEB cost for the year, the amount actually paid on behalf of the Program, and changes in the City's net OPEB obligation to the Program for the year ended June 30, 2009:

	Amount (in thousands)
Annual required contribution	$67,227,800
Interest on net OPEB obligation	2,531,597
Adjustment to annual required contribution	(65,821,814)
Annual OPEB cost (expense)	3,937,583
Payments made	1,683,440
Increase in net OPEB obligation	2,254,143
Net OPEB obligation—beginning of year	63,290,218
Net OPEB obligation—end of year	$65,544,361

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, 2009, 2008, 2007, and 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	(in thousands)		
6/30/09	$ 3,937,583	42.8%	$65,544,361
6/30/08	7,419,205	25.5	63,290,218
6/30/07	7,164,986	40.6	57,761,938
6/30/06	55,690,322	3.9	53,507,451

Funded Status and Funding Progress. As of June 30, 2008, the most recent actuarial valuation date, PLAN was 4.9% funded. The actuarial accrued liability for benefits was $65.2 billion, and the actuarial value of assets was $3.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $62.0 billion. The covered payroll (annual payroll of active employees covered by PLAN) was $18.7 billion, and the ratio of the UAAL to the covered payroll was 331.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB provided under PLAN incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status of PLAN and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information in Note E.3. disclosures required by GASB43 for OPEB Plan reporting presents GASB45 results of OPEB valuations as of June 30, 2008, 2007, 2006, and 2005 and the schedule provides a four 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, 2008 and 2007 OPEB actuarial valuations are classified as those used in the New York City Retirement Systems (NYCRS) valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System; (ii) Teachers' Retirement System of the City of New York Qualified Pensions Plan; (iii) New York City Board of Education Retirement System Qualified Pension Plan; (iv) New York City Police Pension Fund; and (v) New York City Fire Pension Fund. The OPEB actuarial valuations for NYCRS incorporate only the use of certain demographic and salary increase assumptions. The demographic assumptions requiring NYCRS Board approval were adopted by each respective Board of Trustees during fiscal year 2006. Those actuarial assumptions and methods that required New York State legislation were enacted, effective for fiscal year 2006 and later, as Chapter 152 of the Laws of 2006 (Chapter 152/06). These demographic assumptions are unchanged from the June 30, 2007 OPEB actuarial valuation but have been supplemented by probabilities of retirement adopted by the TRS Retirement Board applicable to active participants in the optional 55/25 Plan established under Chapter 19 of the Laws of 2008. The OPEB-specific actuarial assumptions used in the June 30, 2008 OPEB actuarial valuation of the Plan are as follows:

Valuation Date	June 30, 2008.
Discount Rate	4.0% per annum.[1]

Per Capita Claims Costs . . . . HIP HMO and GHI/EBCBS benefit costs reflect age adjusted premiums. Age adjustments from assumed average age of covered population for non-Medicare retirees and HIP HMO Medicare retirees. Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population. Insured premiums without age adjustment for other coverage. Premiums assumed to include administrative costs.

Employer premium contribution schedules by month were reported by the Mayor's Office of Labor Relations. In most cases, the premium contributions remained the same throughout the year. HIP HMO Medicare rates varied by month 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.

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

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

	Monthly Rate	
Plan	**FY '09[1]**	**FY '08[2]**
HIP HMO		
Non-Medicare Single	$372.99	$340.84
Non-Medicare Family	913.83	835.05
Medicare	44.98	50.94
GHI/EBCBS		
Non-Medicare Single	347.59	327.31
Non-Medicare Family	902.09	849.37
Medicare	153.28	152.35
Others		
Non-Medicare Single	372.99	340.84
Non-Medicare Family	913.83	835.05
Medicare	153.28	152.35

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

(2) Used in June 30, 2007 actuarial valuation.

Welfare Funds . . . . Welfare Fund contributions have been updated to reflect a three year trended average of reported annual contribution amounts for current retirees. A trended average is used instead of a single reported Welfare Fund amount to smooth out negotiated variations. The Welfare Fund rates reported for the previous two valuations were trended to current levels based on a historic increase rate of 3.8% for fiscal year 2008 and 4.3% for fiscal year 2007 and earlier, approximating overall recent growth of Welfare Fund contributions.

Reported annual contribution amounts for the last three years shown in Appendix B, Tables 2a to 2e of the Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 24, 2009, for fiscal year 2009 used for current retirees.

Weighted average annual contribution rates used for future retirees:

	Annual Rate	
	FY'09	**FY'08**
NYCERS	$1,695	$1,677
TRS	1,687	1,661
BERS	1,709	1,689
POLICE	1,583	1,599
FIRE	1,696	1,679

Contributions were assumed to increase by Medicare Plans trend rates.

For Welfare Fund contribution amounts reflected in the June 30, 2007 actuarial valuation, see Report on the Third Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 25, 2008.

Medicare Part B Premiums . . . .

Calendar Year	Monthly Premium
2007	$93.50
2008	96.40
2009	96.40*

* Reflected only in the June 30, 2008 actuarial valuation.

2009 Medicare Part B premium assumed to increase by Medicare Part B trend rates.

Overall Medicare Part B premium amounts assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B premiums effective 2007 and later:

	Income-related Part B Increase’	
Fiscal Year	June 30, 2008 Valuation	June 30, 2007 Valuation
2008	1.5%	2.2%
2009	2.6%	3.7%
2010	3.3%	4.5%
2011	3.4%	4.6%
2012 and later	Increasing by .1% per year to a maximum of 5.0%	Increasing by .1% per year thereafter, no maximum

The actual 2010 Medicare Part B premium was not announced at the time these caculations were prepared and, thus, was not reflected in the valuation.

Medicare Part B Reimbursement Assumption . . . . For the June 30, 2008 actuarial valuation, 90% of Medicare participants are assumed to claim reimbursement. For the June 30, 2007 actuarial valuation, 100%.

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

	HCCTR Assumptions		
Year Ending(1)	Pre-Medicare Plans	Medicare Plans	Part B Premium
2009(2)	9.0%	6.0%	9.0%
2010	8.5	5.0	8.5
2011	8.0	5.0	8.0
2012	7.5	5.0	7.5
2013	7.0	5.0	7.0
2014	6.5	5.0	6.5
2015	6.0	5.0	6.0
2016	5.5	5.0	5.5
2017 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, 2008 actuarial valuation, rates shown for 2009 were not reflected since actual values for the fiscal year 2009 per capita costs, fiscal year 2009 Welfare Fund contributions, and calendar year 2009 Medicare Part B premium amounts were used.

Age-Related Morbidity . . . . Assumed increases in premiums per year of age for HIP HMO and GHI/EBCBS consistent with those set forth in a July, 2005 article in the North American Actuarial Journal by Jeffrey R. Petertil.

Age	Annual Increase
Under 40	0.0%
40 – 49	3.0
50 – 54	3.3
55 – 59	3.6
60 – 64	4.2
65 – 69	3.0
70 – 74	2.5
75 – 79	2.0
80 – 84	1.0
85 – 89	0.5
90 and over	0.0

The premiums are age adjusted for HIP HMO and GHI/EBCBS participants. The age adjustments were based on assumed age 40 for non-Medicare-eligible retirees and assumed age 73 for HIP HMO Medicare-eligible retirees. An actual age distribution based on reported census information was used for Medicare-eligible GHI/EBCBS retirees and dependents.

For the June 30, 2008 actuarial valuation, the age adjustment for the non-Medicare GHI/EBCBS premium reflects a 6% reduction in the GHI portion of the premium for the estimated margin anticipated to be returned. GHI represents $171.40 of the $347.59 single non-Medicare GHI/EBCBS monthly rate.

In addition to age adjustment, the premiums for HIP HMO Medicare-eligible retirees were multiplied by the following factors to reflect anticipated changes in Medicare Advantage reimbursement rates. The adjustment factors used as of June 30, 2007 are shown for comparative purposes:

	Factor	
Fiscal Year	6/30/08 Valuation	6/30/07 Valuation
2008	NA	1.0000
2009	1.0000	0.8333
2010	1.1800	0.8333
2011	1.3700	0.9167
2012	1.5600	1.0833
2013	1.7500	1.2500
2014	1.9300	1.4167
2015	2.1200	1.5833
2016	2.3000	1.7500
2017	2.4000	1.9167
Thereafter	2.4000	2.0000

Medicare . . . . Medicare is assumed to be the primary payer over age 65 and for retirees currently on Medicare. For future disability retirements, Medicare is assumed to start 2.5 years after retirement in the June 30 actuarial valuations for the following portion of retirees:

	Valuation as of June 30	
	2008	2007
NYCERS	35%	35%
TRS	45	45
BERS	45	45
POLICE	15	15
FIRE	20	20

Participation . . . . Active participation assumptions based on current retiree elections. Actual elections for current retirees. Portions of current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees. Detailed assumptions appear in the following table:

Plan Participation Assumptions

Benefits	June 30, 2008 and June 30, 2007 Valuations				
	NYCERS	TRS	BERS	POLICE	FIRE
Pre-Medicare					
–GHI/EBCBS	65%	83%	73%	76%	71%
–HIP HMO	22	6	16	13	16
–Other HMO	8	4	3	9	12
–Waiver	5	7	8	2	1
Medicare					
–GHI	72	87	78	82	77
–HIP HMO	21	9	16	12	16
–Other HMO	4	2	2	4	6
–Waiver	3	2	4	2	1
Post-Medicare Migration					
–Other HMO to GHI	50	0	33	50	50
–HIP HMO to GHI	0	0	0	0	0
–Pre-Med. Waiver					
** to GHI @ 65	13	35	50	0	0
** to HIP @ 65	13	35	0	0	0

Dependent Coverage . . . . Dependent coverage is assumed to terminate when a retiree dies except in the following situations:

(i) Lifetime coverage is provided to the surviving spouse or domestic partner and to children (coverage to age 19 or 23 if full-time student) of uniformed members of the Police or Fire Departments who died in the Line-of-Duty.

(ii) Effective November 13, 2001, other surviving spouses of retired uniformed members of the Police and Fire Departments may elect to continue coverage for life by paying 102% of stated premium.

For survivors of POLICE and FIRE members who die other than in the Line-of-Duty (assumed to be all who terminate with Accidental Death Benefits), the valuation assumes that 30% of spouses eligible for survivor continuation will elect the benefit, with costs equal to 30% greater than the age-adjusted premiums for surviving spouses for HIP HMO and GHI/EBCBS participants. The valuation includes the entire cost of additional surviving spouse benefits, although the Office of the Actuary understands that some of this amount may be reimbursed through welfare funds. This assumption is unchanged from last year.

Dependents . . . . Dependent assumptions based on distribution of coverage of recent retirees which are shown in the following table. Wives assumed to be three years younger than husbands. Actual spouse data for current retirees. Child dependents of current retirees assumed to receive coverage until age 23. Child dependents of future retirees assumed to receive coverage for five years after retirement.

Dependent Coverage Assumptions

Group	June 30, 2008 and June 30, 2007 Valuations				
	NYCERS	TRS	BERS	POLICE	FIRE
Male					
–Single Coverage	30%	45%	35%	15%	10%
–Spouse	40	35	55	15	20
–Child/No Spouse	5	5	2	5	5
–Spouse and Child	25	15	8	65	65
Total	100%	100%	100%	100%	100%
Female					
–Single Coverage	70%	60%	60%	45%	10%
–Spouse	20	32	35	10	20
–Child/No Spouse	5	3	2	25	5
–Spouse and Child	5	5	3	20	65
Total	100%	100%	100%	100%	100%

For accidental death, 80% of POLICE and FIRE members are assumed to have family coverage.

Demographic Assumptions . . . . The same assumptions that were used to value the pension benefits of NYCRS for determining employer contributions for fiscal years beginning 2006 adopted by each respective Board of Trustees, with the addition of supplemental assumptions adopted by TRS to value the optional TRS 55/25 plan.

COBRA Benefits . . . . Although COBRA beneficiaries pay 102% of "premiums," typical claim costs for COBRA participants run about 50% greater than other participants. There is no cost to the City for COBRA beneficiaries in community-rated HMOs, including HIP, since these individuals pay their full community rate. However, the City's costs under the experience-rated GHI/EBCBS coverage are affected by the claims for COBRA-covered individuals.

In order to reflect the cost of COBRA coverage, the cost of excess claims for GHI covered individuals and families is estimated assuming 15% of employees not eligible for other benefits included in the valuation elect COBRA coverage for 15 months. These assumptions are based on experience of other large employers. This percentage is applied to the overall enrollment in the active plan and reflects a load for individuals not yet members of the retirement systems who are still eligible for COBRA benefits. This results in an assumption in the June 30, 2008 actuarial valuation of a lump sum COBRA cost of $575 for terminations during fiscal year 2009 ($550 lump sum cost during fiscal year 2008 was assumed in the June 30, 2007 actuarial valuation). The $575 ($550) lump sum amount is increased by the HCCTR for future years but is not adjusted for age-related morbidity.

Stabilization Fund . . . . A 1.6% load is applied on all City obligations (1.6% on all City GASB45 obligations last valuation). The load is not applicable to Component Units.

Educational Construction Fund . . . . The actuarial assumptions used for determining obligations for ECF are shown in Appendix E of the Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 24, 2009. The Report was prepared as of June 30, 2008 in accordance with

GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, NY 10007.

CUNY TIAA . . . . The actuarial assumptions used for determining obligations for CUNY TIAA are shown in Appendix F of the Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 24, 2009. The Report was prepared as of June 30, 2008 in accordance with GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, NY 10007.

6. Pension and Other Employee Benefit Trust Funds

Pension Systems

Plan Descriptions

The City sponsors or participates in pension systems providing benefits to its employees. The pension systems function in accordance with existing State statutes and City laws. Each system combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employers and the members.

The majority of City employees are members of one of the following five major actuarially-funded pension systems collectively known as the New York City Retirement Systems (NYCRS):

1. New York City Employees' Retirement System (NYCERS) is a cost-sharing, multiple-employer public employee retirement system, for employees of the City not covered by one of the other pension systems and employees of certain component units of the City and certain other government units.

2. New York City Teachers' Retirement System-Qualified Pension Plan (TRS) is a cost-sharing, multiple-employer public employee retirement system, for pedagogical employees in the public schools of the City and Charter Schools and certain other specified school and college employees.

3. New York City Board of Education Retirement System-Qualified Pension Plan (BERS) is a cost-sharing, multiple-employer public employee retirement system, for nonpedagogical employees of the Department of Education and Charter Schools and certain employees of the School Construction Authority.

4. New York City Police Pension Fund (POLICE) is a single-employer public employee retirement system, for full-time uniformed employees of the Police Department. Note: In conjunction with the establishment of an administrative staff separate from the New York City Police Department in accordance with Chapter 292 of the Laws of 2001, the New York City Police Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Police Pension Fund as set forth in the Administrative Code of The City of New York (ACNY) Section 13-214.1.

5. New York City Fire Pension Fund (FIRE) is a single-employer public employee retirement system, for full-time uniformed employees of the Fire Department. Note: The New York City Fire Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Fire 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. Except for NYCERS, 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 are required to become members within six months of their permanent employment status but may elect to become members earlier. Other employees who are eligible to participate in NYCERS and BERS may become members at their option. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances.

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

There is an agreement between the City and the United Federation of Teachers (UFT) to support legislation that would modify some of the Plan provisions of TRS for future members. These modifications are expected to reduce future employer pension contributions.

Plan Membership

As of June 30, 2008, June 30, 2007 and June 30, 2006, the membership of NYCRS[1] consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2008:						
Retirees and Beneficiaries Receiving Benefits	130,664	69,775	13,006	44,290	17,404	275,139
Terminated Vested Members Not Yet Receiving Benefits	8,774	7,080	283	813	32	16,982
Other Inactives*	24,265	10,891	4,019	2,168	53	41,396
Active Members	183,654	112,472	22,702	35,337	11,574	365,739
Total Plan Membership	347,357	200,218	40,010	82,608	29,063	699,256

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

[1] Effective with Fiscal Year 2006, Employer Contributions are determined under One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. Therefore, the June 30, 2007 (Lag) valuation date was used for determining the Fiscal Year 2009 Employer Contributions.

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2007:						
Retirees and Beneficiaries Receiving Benefits	129,281	68,492	12,991	43,731	17,479	271,974
Terminated Vested Members Not Yet Receiving Benefits	7,896	6,004	323	777	35	15,035
Other Inactives*	29,753	10,666	4,019	2,636	28	47,102
Active Members	180,482	109,868	21,947	34,956	11,528	358,781
Total Plan Membership	347,412	195,030	39,280	82,100	29,070	692,892

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

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2006:						
Retirees and Beneficiaries Receiving Benefits	128,863	67,576	12,573	42,474	17,485	268,971
Terminated Vested Members Not Yet Receiving Benefits	7,302	5,801	265	752	24	14,144
Other Inactives*	29,119	10,604	3,185	2,405	31	45,344
Active Members	178,741	109,992	23,095	35,194	11,641	358,663
Total Plan Membership	344,025	193,973	39,118	80,825	29,181	687,122

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

Funding Policy

The City's funding policy is to contribute statutorily-required contributions (Statutory Contributions). Together with member contributions and investment income, these Statutory Contributions would ultimately be sufficient to pay benefits when due.

Statutory Contributions for the NYCRS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate fiscal year.

Member contributions are established by law and vary by Plan. In general, Tier I and Tier II member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees, are not required to make contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December, 2000, certain Transit Authority Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of NYCERS, TRS and BERS also make additional member contributions.

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws which provided Supplementation benefits and COLA for retirees (Chapter 125 of the Laws of 2000), additional service credits for certain Tier I and Tier II members, reduced member contributions for certain Tier III and Tier IV members (Chapter 126 of the Laws of 2000), and several other changes in benefits for various groups.

Chapter 152 of the Laws of 2006 (Chapter 152/06) implemented changes in the actuarial procedures for determining Employer Contributions beginning Fiscal Year 2006. In particular Chapter 152/06 provided the One-Year Lag Methodology (OYLM) and Chapter 152/06 also eliminated the use of the ten-year phase-in of Chapter 278 of the Laws of 2002 (Chapter 278/02) for funding the additional actuarial liabilities created by Chapter 125 of the Laws of 2000 (Chapter 125/00).

Annual Pension Costs

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

The annual pension costs for NYCRS, for the Fiscal Years ended June 30, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
		(in millions)	
NYCERS	$2,150.4	$1,874.2	$1,471.0
TRS	2,223.6	1,916.5	1,600.9
BERS	134.2	143.1	129.8
POLICE	1,905.4	1,770.0	1,513.7
FIRE	837.0	773.6	676.4
Total annual pension costs	$7,250.6	$6,477.4	$5,391.8

For Fiscal Year 2009, the City's Statutory Contributions for the NYCRS, based on the actuarial valuations performed as of June 30, 2007 (Lag), plus other pension expenditures, were approximately $6,389.2 million.

For Fiscal Years 2009, 2008 and 2007, the annual pension costs for NYCERS, TRS and BERS, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are greater than the Statutory Contributions paid by the City, primarily because the City is only one of the participating employers in NYCERS, TRS, and BERS.

For Fiscal Years 2009, 2008 and 2007, the annual pension costs for POLICE and FIRE, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are less than the Statutory Contributions, primarily because of the interest on and amortization of the Net Pension Obligations for POLICE and FIRE.

The City's Statutory Contributions for the Fiscal Years ended June 30, 2009, 2008 and 2007 were as follows:

	2009	2008 (in millions)	2007
NYCERS*	$1,186.4	$1,037.8	$ 824.1
TRS*	2,196.2	1,891.9	1,581.3
BERS*	127.8	136.9	124.5
POLICE	1,932.2	1,797.8	1,544.3
FIRE	843.8	780.2	683.2
OTHER**	102.8	95.9	98.9
Total actual pension contributions	$6,389.2	$5,740.5	$4,856.3

* 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, 2009, 2008 and 2007 were:

	2009	2008	2007
NYCERS	55.17%	55.37%	56.02%
TRS	98.77	98.71	98.78
BERS	95.22	95.69	95.87

In accordance with GASB27, the City's obligation for NYCERS, TRS, and BERS is fulfilled by paying its portion of the total Statutory Contributions determined.

** Other pension expenditures represent contributions to other actuarial and pay-as-you-go pension systems for certain employees, retirees, and beneficiaries not covered by any of the NYCRS. The City also contributes per diem amounts into certain union-administered annuity funds.

Net Pension Obligations

NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems and the City has no net pension obligations to these systems. Note: The annual pension costs for these systems are the Statutory Contributions. For Fiscal Year 2009 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 2009 are as follows:

	POLICE	FIRE (in millions)	TOTAL
(1) Annual Required Contribution	$1,932.2	$843.8	$2,776.0
(2) Interest on Net Pension Obligation	38.8	16.5	55.3
(3) Adjustment to Annual Required Contribution	65.6	23.3	88.9
(4) Annual Pension Cost=(1)+(2)-(3)	1,905.4	837.0	2,742.4
(5) Statutory Contribution	1,932.2	843.8	2,776.0
(6) Decrease in Net Pension Obligation=(4)-(5)	(26.8)	(6.8)	(33.6)
(7) Net Pension Obligation Beginning of Year	485.5	206.7	692.2
(8) Net Pension Obligation End of Year=(6)+(7)	$ 458.7	$199.9	$ 658.6

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

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
		(in millions)		
POLICE	6/30/09	$1,905.4	101%	$458.7
	6/30/08	1,770.0	102	485.5
	6/30/07	1,513.7	102	513.3
FIRE	6/30/09	837.0	101	199.9
	6/30/08	773.6	101	206.7
	6/30/07	676.4	101	213.3

Additional information as of the latest actuarial valuation follows:

	NYCERS	TRS	BERS	POLICE	FIRE
Valuation Date[1]	June 30, 2007 (Lag)	June 30, 2007 (Lag)	June 30, 2007 (Lag)	June 30, 2007 (Lag)	June 30, 2007 (Lag)
Actuarial Cost Method[2]	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Frozen Entry Age)
Amortization Method					
Initial Unfunded	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar
Remaining Amortization Period					
Initial Unfunded	NA	NA	NA	NA	2-Years
Asset Valuation Method	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market

Actuarial Assumptions and Methods

The more significant actuarial assumptions and methods used in the calculations of Employer Contributions to the actuarially-funded pension systems for the Fiscal Years ending June 30, 2009 and 2008 are as follows:

	2009	2008
Valuation Date	*June 30, 2007 (Lag).*[(1)]	*June 30, 2006 (Lag).*[(1)]
Actuarial Cost Method	*Frozen Initial Liability.*[(2)]	*Frozen Initial Liability.*[(2)]
Amortization Method for Unfunded Actuarial Accrued Liabilities (UAAL)	*Increasing dollar for FIRE.*[(3)] *All outstanding components of UAAL are being amortized over closed periods.*	*Increasing dollar for FIRE.*[(3)] *Level dollar for UAAL attributable to NYCERS, TRS and BERS 2002 ERI (Part A only).*[(4)] *All outstanding components of UAAL are being amortized over closed periods.*
Remaining Amortization Period	*2 years for FIRE*[(3)].	*3 years for FIRE*[(3)] *and 1 year for 2002 ERI (Part A only).*
Actuarial Asset Valuation Method	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*
Investment Rate of Return	*8.0% per annum*[(5)] *(4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*	*8.0% per annum*[(5)] *(4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*
Post-Retirement Mortality	*Tables adopted by Boards of Trustees during Fiscal Year 2006.*	*Tables adopted by Boards of Trustees during Fiscal Year 2006.*
Active Service: Withdrawal Death, Disability, Retirement	*Tables adopted by Board of Trustees during Fiscal Year 2006.*	*Tables adopted by Board of Trustees during Fiscal Year 2006.*
Salary Increases	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*[(5)]	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*[(5)]
Cost-of-Living Adjustments	*1.3% per annum.*[(5)]	*1.3% per annum.*[(5)]

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

(2) *Under the Frozen Initial Liability Actuarial Cost Method, the excess of the Actuarial Present Value (APV) of projected benefits of the membership as of the valuation date, over the sum of the Actuarial Value of Assets plus the UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 30, 1999 but with the UAAL not less than $0. Actuarial gains and losses are reflected in the employer normal contribution rate. For NYCERS, TRS and BERS, the financial results for Fiscal Years 2008 and 2009 using this Frozen Initial Liability Actuarial Cost Method differ minimally from those that would be produced using the Aggregate Actuarial Cost Method. For POLICE the financial results for Fiscal Years 2008 and 2009 using this Frozen Initial Liability Actuarial Cost Method are identical to those that would be produced using the Aggregate Cost Method. For FIRE, for Fiscal Years 2008 and 2009 the financial results using this Frozen Initial Liability Actuarial Cost Method are the same as those that would be produced using the Frozen Entry Age Actuarial Cost Method.*

(3) *In conjunction with Chapter 85 of the Laws of 2000 (Chapter 85/00), there is an amortization method. However, the initial UAAL of NYCERS, TRS, BERS and POLICE equal $0 and no amortization periods are required.*

(4) *Laws established UAAL for Early Retirement Incentive Programs to be amortized on a level dollar basis over periods of 5 years. These UAAL were fully amortized in Fiscal Year 2009.*

(5) *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 2002 through 2005. In a report dated November 2006 the independent actuarial auditor made recommendations to the actuarial assumptions and methods. The Actuary is reviewing these recommendations. A study of Fiscal Years 2006 and 2007 is underway.

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

In August 2005, based upon a review of an October 2003 experience study, the Actuary issued reports for the NYCRS proposing changes in actuarial assumptions and methods for determining Employer Contributions for Fiscal Years beginning on and after July 1, 2005 (August 2005 Reports). Where required, the Boards of Trustees of the NYCRS adopted those changes to actuarial assumptions that required Board approval and the State Legislature and the Governor enacted Chapter 152/06 to provide for those changes to the actuarial assumptions and methods that required legislation, including the Actuarial Interest Rate (AIR) assumption of 8.0% per annum.

Chapter 152/06 provides effective for Fiscal Years 2006 and after for the changes in actuarial assumptions and methods that require legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability (FIL) Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability (UAAL). In addition, Chapter 152/06 provides for elimination of the use of the ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities created by the benefits provided by Chapter 125/00.

Chapter 152/06 also established the One-Year Lag Methodology (OYLM). Under this methodology a Fiscal Year 20XX Employer Contribution is determined using a June 20XX-2 valuation date. This methodology requires technical adjustments to certain components determined as of a valuation date used to compute a Fiscal Year Employer Contribution.

Beginning with the June 30, 2004 (Lag) actuarial valuations, the Actuarial Asset Valuation Method (AAVM) was changed to a method which reset the Actuarial Asset Values (AAV) to Market Values (ie., Market Value Restart) as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns (UIR) for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for Fiscal Years 2000 to 2004.

For Fiscal Years 2000 through 2005, the AAVM was changed as of June 30, 1999 to reflect a market basis for investments held and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

Under this prior AAVM, any UIR for Fiscal Years 2000 through 2005 inclusive were phased into AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70% and 100% over five years).

Chapter 85/00 reestablished UAAL and eliminated the Balance Sheet Liability (BSL) for actuarial purposes as of June 30, 1999. The schedule of payments toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first equals 103% of its preceding annual payment.

Chapter 86 of the Laws of 2000 established UAAL as of June 30, 2001 for an Early Retirement Incentive Program to be amortized on a level basis over a period of 5 years beginning in Fiscal Year 2002.

Chapter 69 of the Laws of 2002 established UAAL as of June 30, 2003 for an Early Retirement Incentive Program (Part A only) to be amortized on a level basis over a period of 5 years beginning in Fiscal Year 2004.

Chapter 211 of the Laws of 2009 extended the Actuarial Interest Rate (AIR) for one year, through June 30, 2010.

Other Employee Benefit Trust Funds

Fund Descriptions

Per enabling State legislation, certain retirees of POLICE, FIRE, and NYCERS are eligible to receive scheduled supplemental benefits from certain Variable Supplements Funds (VSFs).

Under current state law, VSFs are not to be construed as constituting pension or retirement system funds. Instead, they provide scheduled supplemental payments, in accordance with applicable statutory provisions. While a portion of these payments are guaranteed by the City, the Legislature has reserved to itself and the State of New York, the right and power to amend, modify, or repeal VSFs and the payments they provide.

POLICE administers the Police Officers' Variable Supplements Fund (POVSF) and the Police Superior Officers' Variable Supplements Fund (PSOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 2 of the ACNY.

1. POVSF provides supplemental benefits to members who retire from POLICE for service (with 20 or more years) as police officers and who retired on or after October 1, 1968.

2. PSOVSF provides supplemental benefits to members who retire from POLICE for service (with 20 or more years) holding the rank of sergeant or higher, or detective and who retired on or after October 1, 1968.

FIRE administers the Firefighters' Variable Supplements Fund (FFVSF) and the Fire Officers' Variable Supplements Fund (FOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 3 of the ACNY.

3. FFVSF provides supplemental benefits to members who retire from FIRE for service (with 20 or more years) as firefighters (or wipers) and who retired on or after October 1, 1968.

4. FOVSF provides supplemental benefits to members who retire from FIRE for service (with 20 or more years) holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) and who retired on or after October 1, 1968.

NYCERS administers the Transit Police Officers' Variable Supplements Fund (TPOVSF), the Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF), the Housing Police Officers' Variable Supplements Fund (HPOVSF), the Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF), and the Correction Officers' Variable Supplements Fund (COVSF). These funds operate pursuant to the provisions of Title 13, Chapter 1 of the ACNY.

5. TPOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Transit Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of calculations performed by the Actuary during November 1993. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPOVSF whenever the assets of TPOVSF are not sufficient to pay benefits.

6. TPSOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Transit Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPSOVSF whenever the assets of TPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2004, NYCERS is required to transfer assets so that TPSOVSF can meet its benefit obligations when due.

7. HPOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Housing Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of Chapter 719 of the Laws of 1994. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPOVSF whenever the assets of HPOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2006, NYCERS is required to transfer assets so that HPOVSF can meet its benefit obligations when due.

8. HPSOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Housing Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPSOVSF whenever the assets of HPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2001, NYCERS is required to transfer assets so that HPSOVSF can meet its benefit obligations when due.

9. COVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or 25 years of service, depending upon the plan) as members of the Uniformed Correction Force on or after July 1, 1999. Prior to calendar year 2019, total supplemental benefits paid are limited to the assets of COVSF. For calendar years 2019 and later, the plan provides for a schedule of defined supplemental benefits that are guaranteed by the City. Scheduled benefits to COVSF participants were paid for calendar years 2000 to 2005. Due to insufficient assets, no benefits were paid to COVSF participants after Calendar Year 2005.

Funding Policy and Contributions

The Administrative Code of The City of New York 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 2009 and 2008, 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, 2009 and June 30, 2008, respectively.

For Fiscal Years 2009 and 2008, required transfers from NYCERS of approximately $2.4 million and $2.4 million, respectively, were made to HPOVSF.

For Fiscal Years 2009 and 2008, required transfers from NYCERS of approximately $2.9 million and $3.0 million, respectively, were made to HPSOVSF.

For Fiscal Years 2009 and 2008, required transfers from NYCERS of approximately $3.2 million and $3.2 million, respectively, were made to TPSOVSF.

As of June 30, 2009, NYCERS has accrued approximately $1.2 million, $1.4 million, and $1.6 million toward the amounts expected to be transferred to HPOVSF, HPSOVSF and TPSOVSF, respectively, to meet the December 2009 benefit obligations of those funds.

The funded status of each NYCRS as of June 30, 2007, the date of the most recent actuarial valuation under One-Year Lag Methodology, where the Actuarial Accrued Liability is defined using the Entry Age Actuarial Cost Method, is as follows:

Funded Status
Entry Age Accrued Liability Basis
(in millions)

	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)
NYCERS	$38,925.7	$49,253.2	$10,327.5	79.0%	$10,762.0	96.0%
TRS	33,854.2	48,625.2	14,771.0	69.6	7,222.5	204.5
BERS	1,983.7	2,591.8	608.1	76.5	777.6	78.2
POLICE	19,800.6	28,728.9	8,928.3	68.9	2,961.6	301.5
FIRE	6,459.1	11,731.1	5,272.0	55.1	1,000.4	527.0

F. Required Supplementary Information (Unaudited)

The schedule of funding progress presents the following information for each of the past ten consecutive Fiscal Years for each of the NYCRS. All actuarially determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

	Actuarial Valuation Date	(1) Actuarial Asset Value (AAV) (a)	(2) Actuarial Accrued Liability (AAL)* (a) & (b)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(4) Funded Ratio (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
				(in millions)			
NYCERS	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	6/30/07(Lag)	33,854.2	33,856.7	2.5	100.0	7,222.5	0.0
	6/30/06(Lag)	32,405.5	32,410.5	5.0	100.0	6,978.7	0.1
	6/30/05(Lag)	32,865.1	32,872.3	7.2	100.0	6,273.9	0.1
	6/30/04(Lag)	33,149.3	33,159.7	10.4	100.0	6,175.9**	0.2
	6/30/04	32,817.1	32,827.5	10.4	100.0	6,219.8	0.2
	6/30/03	33,169.2	33,182.7	13.5	100.0	5,828.8	0.2
	6/30/02	34,177.8	34,181.1	3.3	100.0	5,469.2	0.1
	6/30/01	35,410.2	35,414.5	4.3	100.0	5,015.4	0.1
	6/30/00	36,142.4	36,147.6	5.2	100.0	4,721.5	0.1
	6/30/99	34,626.1	34,626.1	0.0	100.0	4,217.7	0.0
BERS	6/30/07(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	6/30/07(Lag)	19,800.6	19,800.6	0.0	100.0	2,961.6	0.0
	6/30/06(Lag)	18,689.5	18,689.5	0.0	100.0	2,816.9	0.0
	6/30/05(Lag)	18,767.3	18,767.3	0.0	100.0	2,812.9	0.0
	6/30/04(Lag)	18,735.1	18,735.1	0.0	100.0	2,757.7**	0.0
	6/30/04	18,510.6	18,510.6	0.0	100.0	2,460.8	0.0
	6/30/03	18,781.4	18,781.4	0.0	100.0	2,433.9	0.0
	6/30/02	18,913.6	18,913.6	0.0	100.0	2,496.2	0.0
	6/30/01	18,141.7	18,141.7	0.0	100.0	2,500.1	0.0
	6/30/00	17,601.9	17,601.9	0.0	100.0	2,465.7	0.0
	6/30/99	16,877.8	16,877.8	0.0	100.0	2,332.0	0.0

	Actuarial Valuation Date	(1) Actuarial Asset Value (AAV) (a)	(2) Actuarial Accrued Liability (AAL)* (a) & (b)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1) (in millions)	(4) Funded Ratio (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
FIRE	6/30/07(Lag)	6,459.1	6,520.7	61.6	99.1	1000.4	6.2
	6/30/06(Lag)	6,174.1	6,252.0	77.9	99.8	932.7	8.4
	6/30/05(Lag)	6,169.2	6,261.6	92.4	98.5	908.3	10.2
	6/30/04(Lag)	6,277.3	6,382.5	105.2	98.4	864.8**	12.2
	6/30/04	6,185.8	6,290.9	105.1	98.3	805.0	13.1
	6/30/03	6,441.5	6,558.0	116.5	98.2	748.8	15.6
	6/30/02	6,612.3	6,738.7	126.4	98.1	789.7	16.0
	6/30/01	6,525.7	6,660.8	135.1	98.0	799.2	16.9
	6/30/00	6,388.1	6,530.6	142.5	97.8	741.5	19.2
	6/30/99	6,179.8	6,328.7	148.9	97.6	729.7	20.4

* Based on the Frozen Initial Liability Actuarial Cost Method.

** The annualized covered payrolls as of June 30, 2004 under the One-Year Lag Methodology used to compute Fiscal Year 2006 Employer Contributions differ from that as of June 30, 2004 to compute Fiscal Year 2005 Employer Contributions due to changes in actuarial assumptions and more recent information on labor contract settlements.

(a) Beginning with the June 30, 2004 (Lag) actuarial valuation the Actuarial Asset Valuation Method ("AAVM") was changed to a method that reset the AAV to Market Value (i.e., "Market Value Restart") as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns ("UIR") for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at rates of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for Fiscal Years 2000 to 2004.

This revised AAVM was utilized for the first time in the June 30, 2004 (Lag) actuarial valuation to determine the Fiscal Year 2006 Employer Contribution in conjunction with the One-Year Lag Methodology and the revised economic and noneconomic assumptions. As of June 30, 1999 the economic and noneconomic assumptions were revised due to experience review. The AAVM was changed as of June 30, 1999 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

Under the AAVM used for the June 30, 1999 to June 30, 2004 actuarial valuations, any UIR for Fiscal Years 2000 and later were phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or cumulative rates of 10%, 25%, 45%, 70% and 100% over a period of five years).

(b) To effectively assess the funding progress of a Plan, it is usually appropriate to compare AAV and AAL calculated in a manner consistent with the Plan's funding method over a period of time. AAL is the portion of the actuarial present value of pension plan benefits and expenses which is not provided for by future employer normal costs and future member contributions.

Note, however, that UAAL is the excess of AAL over AAV. Under the FIL Actuarial Cost Method, the initial UAAL is frozen at date of establishment and amortized over time. That UAAL is not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

Schedule of Employer Contributions

Total Employer Contributions to the NYCRS

(in millions)

	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**
2009	$2,150.4	100.0%	$2,223.6	100.0%	$134.2	100.0%	$1,932.2	100.0%	$843.8	100.0%
2008	1,874.2	100.0	1,916.5	100.0	143.1	100.0	1,797.8	100.0	780.2	100.0
2007	1,471.0	100.0	1,600.9	100.0	129.8	100.0	1,544.3	100.0	683.2	100.0
2006	1,024.4	100.0	1,316.6	100.0	90.8	100.0	1,337.7	100.0	608.8	100.0
2005	1,020.4	80.6	1,304.0	94.2	106.4	90.9	1,123.9	91.9	518.4	94.4
2004	542.2	57.3	1,015.3	90.6	95.0	88.5	917.7	88.5	427.7	91.8
2003	197.8	54.6	805.8	79.4	87.9	79.9	821.4	76.1	389.5	81.4
2002	105.7	100.0	607.8	83.9	66.7	84.8	636.5	84.0	346.2	87.3
2001	100.0	100.0	572.0	77.8	52.1	75.3	543.8	76.0	298.9	80.7
2000	68.6	100.0	181.8	100.0	9.5	100.0	250.0	100.0	182.9	100.0

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FOUNDED 1866

March 30, 2010

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

Dear Comptroller Liu:

We have acted as counsel to The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), in the issuance of its General Obligation Bonds, Fiscal 2010 Subseries G-1 (Build America Bonds), Fiscal 2010 Subseries G-2, Fiscal 2010 Subseries G-3 and Fiscal 2010 Subseries G-4 (Adjustable Rate Bonds) (collectively, 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. The City has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Fiscal 2010 Subseries G-3 Bonds and the Fiscal 2010 Subseries G-4 (Adjustable Rate Bonds) (collectively, the "Tax-Exempt Bonds") for purposes of federal income taxation. Assuming compliance by the City with such provisions of the Code, interest on the Tax-Exempt Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the City to comply with such applicable requirements may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds. Further, we render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of this opinion without our approval.

4. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax and is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum income tax liability. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of (i) ownership of such Tax-Exempt Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

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

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

Very truly yours,