



NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A COMPONENT UNIT OF THE CITY OF NEW YORK)

**Financial Statements
(Together with Independent Auditors' Report)**

June 30, 2023 and 2022

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
New York City Transitional Finance Authority
New York, NY

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and governmental funds of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and the governmental funds of the Authority as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann CPAs

New York, NY
September 29, 2023

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited)

The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority" or "TFA") as of June 30, 2023 and 2022, and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of the Authority's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital, and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which are recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and reconciliations of the governmental funds statements of revenues, expenditures and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

Future Tax Secured Bonds

The Authority's original authorizing legislation limited the amount of Authority debt issued for The City of New York's (the "City") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") at \$7.5 billion (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds), the ability to issue additional FTS 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. At the end of fiscal year 2023, the City's and the Authority's remaining combined debt-incurring capacity was approximately \$31 billion.

In fiscal years 2023 and 2022, the Authority issued \$3.8 billion and \$3.7 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Future Tax Secured Bonds (continued)

In fiscal year 2023, the Authority issued \$2.1 billion of FTS Bonds to refund \$2.5 billion of outstanding FTS Bonds. The refunding resulted in an accounting gain of \$7 million. The Authority in effect reduced its aggregate FTS debt service by \$234 million and obtained an economic benefit of \$222 million.

In fiscal year 2022, the Authority issued \$2.0 billion of FTS Bonds to refund \$2.5 billion of outstanding FTS Bonds. The refunding resulted in an accounting loss of \$29 million. The Authority in effect reduced its aggregate FTS debt service by \$418 million and obtained an economic benefit of \$393 million.

In fiscal year 2023, the Authority reoffered \$72 million of FTS Bonds. The proceeds from the reoffering provided for the redemption and conversion of \$75 million of outstanding FTS variable rate demand bonds to fixed rate bonds.

As of June 30, 2023 and 2022, the Authority's outstanding senior FTS Bonds were \$100 million and \$175 million and subordinate FTS Bonds (excluding Recovery Bonds) were \$45.5 billion and \$43.3 billion, respectively.

The Authority is also authorized to have outstanding up to \$2.5 billion of bonds and notes to pay costs arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). In fiscal year 2023, the Authority retired all of its outstanding Recovery Bonds. The Recovery Bonds outstanding as of June 30, 2022, were \$143 million.

Build America Bonds ("BABs") and Qualified School Construction Bonds ("QSCBs") are taxable bonds that were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act") whereby the Authority receives a cash subsidy from the United States Treasury to pay related bond interest. In fiscal years 2023 and 2022, the Authority recognized subsidy payments of \$40 million and \$39 million on its BABs, respectively, and \$50 million and \$48 million on its QSCBs, respectively. Subsidy payments have been discounted due to the federal budget sequestration; the latest discount was 5.7% beginning in October 2021. The proceeds of the BABs were used to finance the City's capital expenditures and the QSCBs proceeds were used to finance the City's educational facilities.

The following summarizes the changes in debt service activity for FTS Bonds in fiscal years 2023 and 2022:

	Balance at June 30, 2022	Issued/ Converted	Retired/ Converted	Defeased	Balance at June 30, 2023	Total Interest Payments FY 2023
	(in thousands)					
Senior FTS Bonds	\$ 175,400	\$ -	\$ (75,400)	\$ -	\$ 100,000	\$ 3,471
Subordinate FTS Bonds:						
Recovery Bonds	142,550	-	(142,550)	-	-	811
Parity Bonds	40,082,795	6,002,535	(1,318,640)	(2,413,025)	42,353,665	1,656,892
Build America Bonds	2,127,995	-	(91,975)	-	2,036,020	116,230
Qualified School Construction Bonds	1,137,340	-	-	-	1,137,340	51,335
Subtotal - Subordinate FTS Bonds	43,490,680	6,002,535	(1,553,165)	(2,413,025)	45,527,025	1,825,268
Total FTS Bonds Payable	\$ 43,666,080	\$ 6,002,535	\$ (1,628,565)	\$ (2,413,025)	\$ 45,627,025	\$ 1,828,739

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022 (unaudited) (continued)

Future Tax Secured Bonds (continued)

	Balance at June 30, 2021	Issued/ Converted	Retired/ Converted	Defeased	Balance at June 30, 2022	Total Interest Payments FY 2022
	(in thousands)					
Senior FTS Bonds	\$ 312,900	\$ -	\$ -	\$ (137,500)	\$ 175,400	\$ 5,017
Subordinate FTS Bonds:						
Recovery Bonds	278,320	-	(135,770)	-	142,550	2,263
Parity Bonds	37,674,410	5,721,735	(985,830)	(2,327,520)	40,082,795	1,473,683
Build America Bonds	2,150,840	-	(22,845)	-	2,127,995	118,870
Qualified School Construction Bonds	1,137,340	-	-	-	1,137,340	51,335
Subtotal - Subordinate FTS Bonds	41,240,910	5,721,735	(1,144,445)	(2,327,520)	43,490,680	1,646,151
Total FTS Bonds Payable	\$ 41,553,810	\$ 5,721,735	\$ (1,144,445)	\$ (2,465,020)	\$ 43,666,080	\$ 1,651,168

Debt service requirements to maturity for FTS Bonds at June 30, 2023, are as follows:

	SENIOR			SUBORDINATE			Total	Total	Total
	Principal	Interest (a)	Total	Principal	Interest (a)	Total	Principal	Interest	Debt Service
	(in thousands)								
Year ending June 30,									
2024	\$ -	\$ 2,395	\$ 2,395	\$ 1,671,910	\$ 1,910,473	\$ 3,582,383	\$ 1,671,910	\$ 1,912,868	\$ 3,584,778
2025	-	2,395	2,395	1,710,425	1,853,205	3,563,630	1,710,425	1,855,600	3,566,025
2026	6,125	2,322	8,447	1,791,315	1,787,385	3,578,700	1,797,440	1,789,707	3,587,147
2027	24,840	1,951	26,791	2,006,105	1,714,854	3,720,959	2,030,945	1,716,805	3,747,750
2028	24,795	1,356	26,151	2,104,050	1,619,703	3,723,753	2,128,845	1,621,059	3,749,904
2029 to 2033	44,240	931	45,171	9,752,060	6,861,479	16,613,539	9,796,300	6,862,410	16,658,710
2034 to 2038	-	-	-	10,519,045	4,616,601	15,135,646	10,519,045	4,616,601	15,135,646
2039 to 2043	-	-	-	9,904,880	2,215,830	12,120,710	9,904,880	2,215,830	12,120,710
2044 to 2048	-	-	-	4,799,030	658,911	5,457,941	4,799,030	658,911	5,457,941
2049 to 2053	-	-	-	1,268,205	74,279	1,342,484	1,268,205	74,279	1,342,484
Total	\$ 100,000	\$ 11,350	\$ 111,350	\$ 45,527,025	\$ 23,312,720	\$ 68,839,745	\$ 45,627,025	\$ 23,324,070	\$ 68,951,095

(a) The variable interest rates used in this table were 2.27% on tax-exempt bonds, 3.00% on index bonds, and 2.97% on auction bonds.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Building Aid Revenue Bonds

The Authority is also authorized to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from the State of New York (the "State") that is received by the Authority pursuant to an assignment with the City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs for the City's school system's five-year educational facilities capital plans and to pay the Authority's administrative expenses.

In fiscal year 2023, the Authority issued \$564 million of BARBs to refund \$646 million of outstanding BARBs. The refunding resulted in an accounting loss of \$4 million. The Authority in effect reduced its aggregate BARBS debt service by \$74 million and obtained an economic benefit of \$68 million.

In fiscal year 2022, the Authority issued \$813 million of BARBs to refund \$956 million of outstanding BARBs. The refunding resulted in an accounting loss of \$31 million. The Authority in effect reduced its aggregate debt service by \$224 million and obtained an economic benefit of \$216 million.

BARBs outstanding as of June 30, 2023 and 2022 were \$7.9 billion and \$8.2 billion, respectively.

In fiscal years 2023 and 2022, the Authority recognized subsidy payments of \$5 million and \$6 million on its BABs and \$4 million and \$9 million on its QSCBs, respectively.

The following summarizes the changes in debt service activity for BARBs in fiscal years 2023 and 2022:

	Balance at June 30, 2022	Issued/ Converted	Retired/ Converted	Defeased	Balance at June 30, 2023	Total Interest Payments FY 2023
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,684,380	\$ 563,750	\$ (183,235)	\$ (646,285)	\$ 7,418,610	\$ 346,368
Build America Bonds	269,165	-	(8,590)	-	260,575	18,000
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
Total BARBs Payable	\$ 8,153,545	\$ 563,750	\$ (191,825)	\$ (646,285)	\$ 7,879,185	\$ 374,168

	Balance at June 30, 2021	Issued/ Converted	Retired/ Converted	Defeased	Balance at June 30, 2022	Total Interest Payments FY 2022
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,908,645	\$ 813,015	\$ (97,785)	\$ (939,495)	\$ 7,684,380	\$ 365,760
Build America Bonds	294,310	-	(8,145)	(17,000)	269,165	19,105
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
Total BARBs Payable	\$ 8,402,955	\$ 813,015	\$ (105,930)	\$ (956,495)	\$ 8,153,545	\$ 394,665

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Building Aid Revenue Bonds (continued)

Debt service requirements to maturity for BARBs at June 30, 2023 are as follows:

Year ending June 30,	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	(in thousands)				
2024	\$	214,360	\$	365,317	\$ 579,677
2025		222,955		357,381	580,336
2026		230,760		348,529	579,289
2027		390,050		334,593	724,643
2028		357,225		317,456	674,681
2029 to 2033		2,061,265		1,307,107	3,368,372
2034 to 2038		2,465,520		728,984	3,194,504
2039 to 2043		1,302,395		269,088	1,571,483
2044 to 2048		578,670		54,129	632,799
2049 to 2053		55,985		1,916	57,901
Total	\$	7,879,185	\$	4,084,500	\$ 11,963,685

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. Under the criteria established by GASB, the assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City — future State building aid) for the cumulative amount it has distributed to the City for the educational facilities capital plan, offset by the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are reported as other financing (uses) of funds.

The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses in accordance with the TFA's Trust Indenture ("Indenture"). Building aid retained by the Authority is treated as other financing sources, as the amount retained is accounted for as a repayment of the amounts treated as loaned to the City.

Below is a table summarizing the total building aid revenues from the State, remittances to the City and the balances retained by the Authority for the fiscal years ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(in thousands)		
Building aid received from New York State	\$ 1,487,322	\$ 1,353,103	\$ 1,321,008
Building aid remitted to New York City	(514,460)	(515,379)	(520,223)
Total retained for debt service and operating expenses	\$ 972,862	\$ 837,724	\$ 800,785

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Financial Highlights and Overall Analysis — Government-Wide Financial Statements

The following summarizes the activities of the Authority for the years ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Variance</u>	
				<u>2023/2022</u>	<u>2022/2021</u>
	(in thousands)				
Revenues:					
Personal income tax retained	\$ 1,282,472	\$ 174,654	\$ 276,012	\$ 1,107,818	\$ (101,358)
Unrestricted grants	2,166,387	1,964,686	2,740,000	201,701	(775,314)
Federal interest subsidy	104,340	102,944	109,705	1,396	(6,761)
Investment earnings (loss)	54,535	(19,257)	(2,181)	73,792	(17,076)
Other	-	118	91	(118)	27
Total revenues	<u>3,607,734</u>	<u>2,223,145</u>	<u>3,123,627</u>	<u>1,384,589</u>	<u>(900,482)</u>
Expenses:					
Distributions to New York City for general capital program	3,940,386	4,113,031	3,824,011	(172,645)	289,020
Bond interest	1,829,064	1,655,128	1,679,932	173,936	(24,804)
Other	167,153	153,883	176,259	13,270	(22,376)
Total expenses	<u>5,936,603</u>	<u>5,922,042</u>	<u>5,680,202</u>	<u>14,561</u>	<u>241,840</u>
Change in net position (deficit)	(2,328,869)	(3,698,897)	(2,556,575)	1,370,028	(1,142,322)
Net position (deficit) - beginning of year	<u>(50,736,548)</u>	<u>(47,037,651)</u>	<u>(44,481,076)</u>	<u>(3,698,897)</u>	<u>(2,556,575)</u>
Net position (deficit) - end of year	<u>\$ (53,065,417)</u>	<u>\$ (50,736,548)</u>	<u>\$ (47,037,651)</u>	<u>\$ (2,328,869)</u>	<u>\$ (3,698,897)</u>

In fiscal years 2023, 2022 and 2021, the Authority received unrestricted grants in the amount of \$2.2 billion, \$2.0 billion, and \$2.7 billion, respectively. These funds were used to fund FTS Bonds' future years debt service requirements which reduced the amount of personal income tax ("PIT") retained for such purpose.

In fiscal years 2023, 2022 and 2021, the Authority earned subsidy payments on its BABs and QSCBs, which fluctuate each year due to the changes in the amount of bonds outstanding and changes on the discounted rate from federal budget sequestration.

Investment earnings are primarily determined by capital projects fund holdings, debt service fund holdings, interest rates and market value fluctuations during the fiscal year. The negative amounts for the fiscal years ended June 30, 2022 and 2021, primarily resulted from the changes in market value on U.S. Treasury Strip in the sinking fund accounts. Generally, all investments held by the Authority are expected to be held to maturity and, as such, will not realize losses on market valuations.

The amount of distributions to the City fluctuates each year depending on the capital funding needs of the City and related issuance of debt.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Financial Highlights and Overall Analysis — Government-Wide Financial Statements (continued)

Interest expense fluctuated each fiscal year due to the amount of outstanding bonds and the interest rates paid on those bonds.

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to the City, and costs of issuance and fluctuate each year due to: changes in liquidity fees payments on outstanding variable debt, changes in the amount of BABs and QSCBs outstanding, and changes in the amount of new bond issuances during the year, respectively.

The following summarizes the Authority's assets, liabilities, and net position (deficits) as of June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Variance</u>	
				<u>2023/2022</u>	<u>2022/2021</u>
	(in thousands)				
Assets	\$ 7,238,947	\$ 7,036,963	\$ 9,565,285	\$ 201,984	\$ (2,528,322)
Liabilities:					
Current liabilities	3,950,139	3,075,518	3,803,778	874,621	(728,260)
Non-current liabilities	56,050,186	54,575,483	52,786,666	1,474,703	1,788,817
Total liabilities	<u>60,000,325</u>	<u>57,651,001</u>	<u>56,590,444</u>	<u>2,349,324</u>	<u>1,060,557</u>
Deferred inflows of resources	<u>304,039</u>	<u>122,510</u>	<u>12,492</u>	<u>181,529</u>	<u>110,018</u>
Net position (deficit):					
Restricted	10,322	42	73,172	10,280	(73,130)
Unrestricted	<u>(53,075,739)</u>	<u>(50,736,590)</u>	<u>(47,110,823)</u>	<u>(2,339,149)</u>	<u>(3,625,767)</u>
Total net position (deficit)	<u>\$ (53,065,417)</u>	<u>\$ (50,736,548)</u>	<u>\$ (47,037,651)</u>	<u>\$ (2,328,869)</u>	<u>\$ (3,698,897)</u>

Total assets increased in fiscal year 2023 when compared to fiscal year 2022 primarily due to an increase of debt service funds, an increase in PIT receivable as of year-end, an increase of unrestricted grants received, offset by a decrease in future State building aid due from the City. Total assets decreased in fiscal year 2022 when compared to fiscal year 2021 primarily due to the decrease in future State building aid due from the City, a decrease of debt service funds, and a decrease in PIT receivable as of year-end.

The deferred outflows of resources and deferred inflows of resources represent the difference between removing the carrying amount of refunded bonds and the recording of the new bonds. The deferred outflows of resources fluctuate each year based on the amount of bonds refunded and the amortization scheduled.

Total liabilities increased in fiscal years 2023, 2022 and 2021 primarily due to the issuance of new bonds.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements

The Authority uses five governmental funds for reporting its activities: (1) a general fund (“GF”), (2) a building aid revenue bonds capital projects fund (“BARBs CPF”), (3) a future tax secured bonds capital projects fund (“FTS Bonds CPF”), (4) a building aid revenue bonds debt service fund (“BARBs DSF”), and (5) a future tax secured bonds debt service fund (“FTS Bonds DSF”).

The following summarizes the GF activities of the Authority for the years ended June 30,

	2023	2022	2021	Variance	
				2023/2022	2022/2021
			(in thousands)		
Revenues	\$ 131,975	\$ 127,623	\$ 150,879	\$ 4,352	\$ (23,256)
Expenditures	136,758	123,811	144,167	12,947	(20,356)
Other financing sources	382	338	323	44	15
Net change in fund balances	(4,401)	4,150	7,035	(8,551)	(2,885)
Fund balance (deficit) - beginning of year	9,921	5,771	(1,264)	4,150	7,035
Fund balance (deficit) - end of year	\$ 5,520	\$ 9,921	\$ 5,771	\$ (4,401)	\$ 4,150

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. Expenditures fluctuate each year for administrative expenses and the amount of federal subsidies transferred to the City.

The following summarizes the BARBs CPF activities of the Authority for the years ended June 30,

	2023	2022	2021	Variance	
				2023/2022	2022/2021
			(in thousands)		
Revenues	\$ 4	\$ 23	\$ 48	\$ (19)	\$ (25)
Expenditures	-	-	1,274	-	(1,274)
Other financing sources (uses)	-	(72,727)	73,882	72,727	(146,609)
Net change in fund balances	4	(72,704)	72,656	72,708	(145,360)
Fund balance - beginning of year	-	72,704	48	(72,704)	72,656
Fund balance - end of year	\$ 4	\$ -	\$ 72,704	\$ 4	\$ (72,704)

BARBs CPF revenues are interest earnings and fluctuate each year based on the amount on deposit at year-end, interest rates, and market value fluctuations.

BARBs proceeds and distributions to the City are reported as other financing sources (uses), respectively, in the governmental funds and the expenditures represent cost of issuance paid by the Authority. In fiscal years 2022 and 2021, BARBs proceeds were transferred to the City to pay certain educational facilities capital program expenditures.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the FTS Bonds CPF activities of the Authority for the years ended June 30,

	2023	2022	2021	Variance	
				2023/2022	2022/2021
			(in thousands)		
Revenues	\$ 8,808	\$ 240	\$ 393	\$ 8,568	\$ (153)
Expenditures	3,958,196	4,130,491	3,840,015	(172,295)	290,476
Other financing sources (uses)	3,959,664	4,129,825	3,612,329	(170,161)	517,496
Net change in fund balances	10,276	(426)	(227,293)	10,702	226,867
Fund balance - beginning of year	42	468	227,761	(426)	(227,293)
Fund balance - end of year	\$ 10,318	\$ 42	\$ 468	\$ 10,276	\$ (426)

FTS Bonds CPF revenues are mainly interest earnings and fluctuate each year based on the amount on deposit at year-end, interest rates, and market value fluctuations.

FTS Bonds CPF expenditures mainly represent the amount of bond proceeds transferred to the City and other financing sources (uses) represent proceeds from bond issuances. Expenditures and other financing sources (uses) fluctuate each year depending on the capital funding needs of the City.

The following summarizes the BARBs DSF activities of the Authority for the years ended June 30,

	2023	2022	2021	Variance	
				2023/2022	2022/2021
			(in thousands)		
Revenues	\$ 9,237	\$ (5,305)	\$ (997)	\$ 14,542	\$ (4,308)
Expenditures	1,147,549	1,257,685	497,674	(110,136)	760,011
Other financing sources (uses)	1,162,043	1,307,630	545,815	(145,587)	761,815
Net change in fund balances	23,731	44,640	47,144	(20,909)	(2,504)
Fund balance - beginning of year	660,503	615,863	568,719	44,640	47,144
Fund balance - end of year	\$ 684,234	\$ 660,503	\$ 615,863	\$ 23,731	\$ 44,640

Revenues in the BARBs DSF fluctuate each year based on the amount on deposit at year-end, changes in interest rates and market valuation, as previously discussed. Expenditures are primarily the debt service payments on outstanding BARBs and payment of refunded bonds. In fiscal years 2023 and 2022, other financing sources (uses) consisted primarily of proceeds from refunding issues and State building aid retained by the Authority. Other financing sources (uses) consisted primarily of State building aid retained by the Authority in fiscal year 2021.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022 (unaudited) (continued)

Financial Highlights and Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the FTS Bonds DSF activities of the Authority for the years ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Variance</u>	
				<u>2023/2022</u>	<u>2022/2021</u>
			(in thousands)		
Revenues	\$ 3,470,132	\$ 2,101,305	\$ 2,983,704	\$ 1,368,827	\$ (882,399)
Expenditures	5,721,906	5,295,681	7,323,743	426,225	(2,028,062)
Other financing sources (uses)	2,680,808	2,686,060	4,291,676	(5,252)	(1,605,616)
Net change in fund balances	429,034	(508,316)	(48,363)	937,350	(459,953)
Fund balance - beginning of year	2,831,978	3,340,294	3,388,657	(508,316)	(48,363)
Fund balance - end of year	<u>\$ 3,261,012</u>	<u>\$ 2,831,978</u>	<u>\$ 3,340,294</u>	<u>\$ 429,034</u>	<u>\$ (508,316)</u>

In fiscal years 2023, 2022 and 2021, the FTS Bonds DSF revenues primarily consisted of grants from the City and PIT retained by the Authority. The DSF revenues fluctuate each fiscal year based on the amount of unrestricted grants received from the City and PIT retained for debt service.

Expenditures are primarily the debt service payments on outstanding FTS bonds and defeasances. The expenditures fluctuate each fiscal year based on the amount of principal and interest payments as well as amounts deposited to defeasance escrows. Other financing sources (uses) consist primarily of the proceeds from refunding and reoffering of FTS Bonds and payments of refunded FTS bonds and fluctuate each year based on the size of the refunding.

Ratings

As of June 30, 2023, TFA FTS Senior Bonds were rated Aaa, AAA, and AAA by Moody's, S&P, and Fitch, respectively. TFA FTS Subordinate Bonds were rated Aa1, AAA, and AAA. TFA BARBs were rated Aa2, AA, and AA.

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, the New York City Transitional Finance Authority, 255 Greenwich Street, New York, NY 10007.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION (DEFICIT)

AS OF JUNE 30, 2023 AND 2022

	2023	2022
	(in thousands)	
ASSETS:		
Unrestricted cash and cash equivalents	\$ 8,393	\$ 13,190
Restricted cash and cash equivalents	879,578	639,424
Unrestricted investments	2,171,683	1,961,816
Restricted investments	884,305	887,488
Interest receivable	815	43
Due from New York City - future State building aid	1,860,881	2,833,744
Personal income tax receivable from New York State	1,400,153	669,193
Federal interest subsidy receivable	13,691	26,113
Other	19,448	5,952
	7,238,947	7,036,963
LIABILITIES:		
Personal income tax payable to New York City	1,400,153	669,193
Building aid payable to New York City	-	1,253
Accrued expenses	3,134	4,216
Accrued interest payable	705,737	665,431
Bonds payable:		
Portion due within one year	1,841,115	1,735,425
Portion due after one year	56,050,186	54,575,483
	60,000,325	57,651,001
DEFERRED INFLOWS OF RESOURCES:		
Unamortized gain on refunding	304,039	122,510
	304,039	122,510
NET POSITION (DEFICIT):		
Restricted for capital projects	10,322	42
Unrestricted (deficit)	(53,075,739)	(50,736,590)
	\$ (53,065,417)	\$ (50,736,548)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
(in thousands)		
REVENUES:		
Personal income tax revenue	\$ 17,715,050	\$ 15,520,563
Less remittances to New York City	(16,432,578)	(15,345,909)
Personal income tax revenue retained	1,282,472	174,654
Unrestricted grants	2,166,387	1,964,686
Federal interest subsidy	104,340	102,944
Investment earnings (loss)	54,535	(19,257)
Other revenue	-	118
Total revenues	3,607,734	2,223,145
EXPENSES:		
General and administrative expenses	19,996	20,126
Distribution to New York City for general capital program	3,940,386	4,113,031
Distribution of federal interest subsidy to New York City	116,762	103,685
Cost of debt issuance	30,395	30,072
Bond interest	1,829,064	1,655,128
Total expenses	5,936,603	5,922,042
Change in net position (deficit)	(2,328,869)	(3,698,897)
NET POSITION (DEFICIT) - beginning of year	(50,736,548)	(47,037,651)
NET POSITION (DEFICIT) - end of year	\$ (53,065,417)	\$ (50,736,548)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2023

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
ASSETS:						
Unrestricted cash and cash equivalents	\$ 8,022	\$ -	\$ -	\$ -	\$ 371	\$ 8,393
Restricted cash and cash equivalents	-	3	10,392	11,324	857,859	879,578
Restricted investments	-	-	-	653,682	230,623	884,305
Unrestricted investments	-	-	-	-	2,171,683	2,171,683
Interest receivable	40	1	1	162	611	815
Personal income tax receivable from New York State	-	-	-	-	1,400,153	1,400,153
Other	382	-	-	19,448	-	19,830
Total assets	<u>\$ 8,444</u>	<u>\$ 4</u>	<u>\$ 10,393</u>	<u>\$ 684,616</u>	<u>\$ 4,661,300</u>	<u>\$ 5,364,757</u>
LIABILITIES:						
Accrued expenses payable	\$ 2,924	\$ -	\$ 75	\$ 382	\$ 135	\$ 3,516
Personal income tax payable to New York City	-	-	-	-	362,153	362,153
Total liabilities	<u>2,924</u>	<u>-</u>	<u>75</u>	<u>382</u>	<u>362,288</u>	<u>365,669</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable personal income tax revenue	-	-	-	-	1,038,000	1,038,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038,000</u>	<u>1,038,000</u>
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	4	10,318	-	-	10,322
Debt service	-	-	-	684,234	1,088,956	1,773,190
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,172,056	2,172,056
Unassigned	5,520	-	-	-	-	5,520
Total fund balances	<u>5,520</u>	<u>4</u>	<u>10,318</u>	<u>684,234</u>	<u>3,261,012</u>	<u>3,961,088</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,444</u>	<u>\$ 4</u>	<u>\$ 10,393</u>	<u>\$ 684,616</u>	<u>\$ 4,661,300</u>	<u>\$ 5,364,757</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2022

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
ASSETS:						
Unrestricted cash and cash equivalents	\$ 12,685	\$ -	\$ -	\$ -	\$ 505	\$ 13,190
Restricted cash and cash equivalents	-	-	739	58,416	580,269	639,424
Restricted investments	-	-	-	597,714	289,774	887,488
Unrestricted investments	-	-	-	-	1,961,816	1,961,816
Interest receivable	12	-	1	12	18	43
Personal income tax receivable from New York State	-	-	-	-	669,193	669,193
Other	338	-	-	5,952	-	6,290
Total assets	\$ 13,035	\$ -	\$ 740	\$ 662,094	\$ 3,501,575	\$ 4,177,444
LIABILITIES:						
Accrued expenses payable	\$ 3,114	\$ -	\$ 698	\$ 338	\$ 404	\$ 4,554
Personal income tax payable to New York City	-	-	-	-	115,193	115,193
Building aid payable to New York City	-	-	-	1,253	-	1,253
Total liabilities	3,114	-	698	1,591	115,597	121,000
DEFERRED INFLOWS OF RESOURCES:						
Unavailable personal income tax revenue	-	-	-	-	554,000	554,000
Total deferred inflows of resources	-	-	-	-	554,000	554,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	-	42	-	-	42
Debt service	-	-	-	660,503	776,354	1,436,857
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,055,624	2,055,624
Unassigned	9,921	-	-	-	-	9,921
Total fund balances	9,921	-	42	660,503	2,831,978	3,502,444
Total liabilities, deferred inflows of resources and fund balances	\$ 13,035	\$ -	\$ 740	\$ 662,094	\$ 3,501,575	\$ 4,177,444

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2023 AND 2022

	2023	2022
	(in thousands)	
Total fund balances - governmental funds	\$ 3,961,088	\$ 3,502,444
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(4,385,091)	(4,491,283)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	13,691	26,113
BARBs proceeds are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position (deficit), they are reported as due from the City.	1,860,881	2,833,744
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(53,506,210)	(51,819,625)
Accrued interest payable	(705,737)	(665,431)
The governmental funds financial statements recognize refunding bond proceeds and payments to the refunding escrow agent in the year the refunding occurs, however, in the statements of net position (deficit), the gain or loss as a result of the refunding is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	(304,039)	(122,510)
Net position (deficit) of governmental activities	\$ (53,065,417)	\$ (50,736,548)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
REVENUES:						
Personal income tax revenue	\$ 14,600	\$ -	\$ -	\$ -	\$ 17,216,450	\$ 17,231,050
Less remittances to New York City	-	-	-	-	(15,948,578)	(15,948,578)
Personal income tax revenue retained	14,600	-	-	-	1,267,872	1,282,472
Unrestricted grants	-	-	-	-	2,166,387	2,166,387
Federal interest subsidy	116,762	-	-	-	-	116,762
Investment earnings	613	4	8,808	9,237	35,873	54,535
Total revenues	131,975	4	8,808	9,237	3,470,132	3,620,156
EXPENDITURES:						
Bond interest	-	-	-	374,168	1,828,738	2,202,906
Costs of debt issuance	-	-	17,810	2,855	9,730	30,395
Distributions to New York City for general capital program	-	-	3,940,386	-	-	3,940,386
Distributions of federal interest subsidy to New York City	116,762	-	-	-	-	116,762
Defeasance escrow	-	-	-	578,701	2,254,873	2,833,574
Principal amount of bonds retired	-	-	-	191,825	1,628,565	1,820,390
General and administrative expenses	19,996	-	-	-	-	19,996
Total expenditures	136,758	-	3,958,196	1,147,549	5,721,906	10,964,409
Excess (deficiency) of revenues over expenditures	(4,783)	4	(3,949,388)	(1,138,312)	(2,251,774)	(7,344,253)
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	-	3,800,000	-	-	3,800,000
Refunding bond proceeds	-	-	-	563,750	2,202,535	2,766,285
Bond premium, net of discount	-	-	166,466	75,220	281,143	522,829
Payments of refunded bonds	-	-	-	(72,940)	(186,139)	(259,079)
Transfer from New York City - building aid	-	-	-	972,862	-	972,862
Transfers in (out)	382	-	(6,802)	(376,849)	383,269	-
Total other financing sources (uses)	382	-	3,959,664	1,162,043	2,680,808	7,802,897
Net changes in fund balances	(4,401)	4	10,276	23,731	429,034	458,644
FUND BALANCES (DEFICIT) - beginning of year	9,921	-	42	660,503	2,831,978	3,502,444
FUND BALANCES - end of year	\$ 5,520	\$ 4	\$ 10,318	\$ 684,234	\$ 3,261,012	\$ 3,961,088

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects		Debt Service		Total Governmental Funds
		Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
REVENUES:						
Personal income tax revenue	\$ 23,912	\$ -	\$ -	\$ -	\$ 16,709,651	\$ 16,733,563
Less remittances to New York City	-	-	-	-	(16,558,909)	(16,558,909)
Personal income tax revenue retained	23,912	-	-	-	150,742	174,654
Unrestricted grants	-	-	-	-	1,964,686	1,964,686
Federal interest subsidy	103,685	-	-	-	-	103,685
Investment earnings (loss)	26	9	156	(5,305)	(14,143)	(19,257)
Other revenue	-	14	84	-	20	118
Total revenues	<u>127,623</u>	<u>23</u>	<u>240</u>	<u>(5,305)</u>	<u>2,101,305</u>	<u>2,223,886</u>
EXPENDITURES:						
Bond interest	-	-	-	394,665	1,651,168	2,045,833
Costs of debt issuance	-	-	17,460	3,474	9,138	30,072
Distributions to New York City for general capital program	-	-	4,113,031	-	-	4,113,031
Distributions of federal interest subsidy to New York City	103,685	-	-	-	-	103,685
Defeasance escrow	-	-	-	753,616	2,490,930	3,244,546
Principal amount of bonds retired	-	-	-	105,930	1,144,445	1,250,375
General and administrative expenses	20,126	-	-	-	-	20,126
Total expenditures	<u>123,811</u>	<u>-</u>	<u>4,130,491</u>	<u>1,257,685</u>	<u>5,295,681</u>	<u>10,807,668</u>
Excess (deficiency) of revenues over expenditures	<u>3,812</u>	<u>23</u>	<u>(4,130,251)</u>	<u>(1,262,990)</u>	<u>(3,194,376)</u>	<u>(8,583,782)</u>
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	-	3,650,000	-	-	3,650,000
Distributions to New York City for educational facilities capital programs	-	(72,574)	-	-	-	(72,574)
Refunding bond proceeds	-	-	-	813,015	2,071,735	2,884,750
Bond premium, net of discount	-	-	480,531	155,073	381,295	1,016,899
Payments of refunded bonds	-	-	-	(234,984)	(30,689)	(265,673)
Transfer from New York City - building aid	-	-	-	837,724	-	837,724
Transfers in (out)	338	(153)	(706)	(263,198)	263,719	-
Total other financing sources (uses)	<u>338</u>	<u>(72,727)</u>	<u>4,129,825</u>	<u>1,307,630</u>	<u>2,686,060</u>	<u>8,051,126</u>
Net changes in fund balances	4,150	(72,704)	(426)	44,640	(508,316)	(532,656)
FUND BALANCES (DEFICIT) - beginning of year	5,771	72,704	468	615,863	3,340,294	4,035,100
FUND BALANCES (DEFICIT) - end of year	<u>\$ 9,921</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 660,503</u>	<u>\$ 2,831,978</u>	<u>\$ 3,502,444</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
	(in thousands)	
Net change in fund balances - total governmental funds	\$ 458,644	\$ (532,656)
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(3,800,000)	(3,650,000)
Refunding bond proceeds and payments to refunded bond escrows are reported as other financing sources (uses) in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	(2,507,206)	(2,619,077)
The governmental funds financial statements recognize refunding bond proceeds and payments to refunding bond escrow agent in the year the refunding occurs, however, in the statements of activities the gain or loss as a result of the refunding is amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	20,610	3,970
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statements of net position (deficit).	4,653,964	4,494,921
The governmental funds financial statements report bond premiums/discounts as other financing sources (uses). However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	(92,706)	(584,998)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as other financing sources (uses) in governmental funds financial statements. However, in the statements of net position (deficit), distributions of BARBs proceeds are reported as due from New York City-future State building aid.	-	72,574
Retention of building aid is reported similar to a transfer from the City, as other financing sources (uses) in the governmental funds financial statements. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(972,862)	(837,724)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statements of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	(12,422)	(741)
Interest is reported on the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	(76,891)	(45,166)
Change in net position (deficit) - governmental activities	\$ (2,328,869)	\$ (3,698,897)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. Organization and Nature of Activities

The New York City Transitional Finance Authority (the “Authority” or “TFA”) is a corporate governmental entity constituting a public benefit corporation and an instrumentality of the State of New York (the “State”). The Authority is governed by a Board of Directors (the “Board”) of five directors, consisting of the following officials of The City of New York (the “City”): the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the City Comptroller, and the Speaker of the City Council. Although legally separate from the City, the Authority is a financing instrumentality of the City and is included in the City’s financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board (“GASB”) standards.

The Authority was created by State legislation enacted in 1997 to issue and sell bonds and notes (“Future Tax Secured Bonds” or “FTS Bonds”) to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City, and to pay the Authority’s administrative expenses.

The Authority’s original authorizing legislation limited the amount of Authority debt issued for the City’s general capital purposes (FTS Bonds) at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds) the ability to issue additional FTS 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. At the end of fiscal year 2023, the City’s and the Authority’s remaining combined debt incurring capacity was approximately \$31 billion.

In addition, on September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional \$2.5 billion of bonds and notes (“Recovery Bonds”) to fund the City’s costs related to and arising from events on September 11, 2001, at the World Trade Center, notwithstanding the limits discussed above.

In addition, State legislation enacted in April 2006 enabled the Authority to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds (“BARBs”), notes or other obligations for purposes of funding the City school system’s costs of its five-year educational facilities capital plan and pay the Authority’s administrative expenses.

The Authority does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which the Authority pays a management fee and overhead based on its allocated share of personnel and overhead costs.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. Summary of Significant Accounting Policies

- A. The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital projects and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which are recognized when due.

The Authority uses five governmental funds for reporting its activities: (1) a general fund ("GF"), (2) a building aid revenue bonds capital projects fund ("BARBs CPF"), (3) a future tax secured bonds capital projects fund ("FTS Bonds CPF"), (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds DSF"). The two capital project funds account for resources to be transferred to the City's capital programs in satisfaction of amounts due to the City and the two debt service funds account for the accumulation of resources for payment of principal and interest on outstanding debts. The general fund accounts for and reports all financial resources not accounted for in the capital and debt service funds, including the Authority's administrative expenses.

- B. The fund balances are classified as either: 1) nonspendable, 2) restricted, or 3) unrestricted. Unrestricted fund balance is further classified as: (a) committed, (b) assigned, or (c) unassigned.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with TFA's Trust Indenture, (the "Indenture") are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board constitutes the Authority's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. Authorized officers allowed to assign funds are comprised of the Executive Director, Comptroller, Treasurer, Secretary, Deputy Comptroller, Assistant Secretaries and Assistant Treasurer.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for use for a specific purpose, it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

- C. Premiums and discounts are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs are recognized in the period incurred both on the government-wide and governmental funds financial statements.
- D. Deferred bond refunding costs represent the accounting gain/loss incurred in a current or advance refunding of outstanding bonds and are reported as a deferred inflows/outflows of resources on the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt.
- E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental funds financial statements.
- F. The Authority receives the City personal income taxes ("PIT"), imposed pursuant to State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. In fiscal year 2023, the Authority began to receive the City's portion of Pass-Through Entity Tax ("PTET") on certain partnerships and S corporations that elect to pay such tax and whose partners and shareholders receive a corresponding credit against their PIT liabilities. All PTET revenues received by the Authority will be treated as PIT revenues under the Indenture, and run through the flow of funds as PIT revenues. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. PIT in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. In fiscal years 2023 and 2022, the Authority received unrestricted grants for future debt service payments and reduced the amount of PIT retained for such purpose as described in Note 6.
- G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Due to the City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between the City and the Authority pursuant to GASB standards. The Authority reports, on its statements of net position (deficit), an asset (Due from New York City — future State building aid) representing the cumulative amount it has distributed to the City for the

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. Summary of Significant Accounting Policies (continued)

educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are reported as other financing (uses) of funds. Building aid retained by the Authority is treated as other financing sources as the amount retained is accounted for as a repayment of the amounts loaned to the City. During the years ended June 30, 2023 and 2022, the Authority retained \$973 million and \$838 million, respectively, of State building aid to be used for BARBs debt service and its administrative expenses.

- H. To maintain the exemption from Federal income tax on interest of bonds issued by the Authority, the Authority is required to rebate amounts to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. The Authority was not required to make an arbitrage rebate payment in fiscal years 2023 and 2022.

The Authority receives a subsidy from the United States Treasury due to the Authority’s issuance of taxable Build America Bonds (“BABs”) and taxable Qualified School Construction Bonds (“QSCBs”) under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, a subsidy receivable is not reported.

- I. As a component unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact the Authority in future years:
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (“GASB 94”). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”) and also provides guidance for accounting and financial reporting for availability payment arrangements (“APAs”). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The adoption of GASB 94 did not have an impact on TFA’s financial statements as it does not enter into PPPs or APAs.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. Summary of Significant Accounting Policies (continued)

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The adoption of GASB 96 did not have an impact on TFA’s financial statements as it does not enter into SBITAs.
 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, (“GASB 99”). GASB 99 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing 1) several practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. The requirements for GASB 99 are effective for reporting periods ranging from immediate to fiscal years beginning after June 15, 2023. As of fiscal year ending June 30, 2023, TFA has adopted all requirements for GASB 99. The adoption of GASB 99 did not have an impact on TFA’s financial statements as the practice issues and the accounting and financial reporting for financial guarantees addressed in GASB 99 are not applicable to TFA.
 - In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment to GASB Statement No. 62*, (“GASB 100”). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements for GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early application is encouraged. TFA has not completed the process of evaluating GASB 100 but does not expect it to have an impact on TFA’s financial statements.
 - In June 2022, GASB issued Statement No. 101, *Compensated Absences*, (“GASB 101”). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early application is encouraged. TFA has not completed the process of evaluating GASB 101 but does not expect it to have an impact on TFA’s financial statements as it does not have employees.
- J. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority’s management to make estimates and assumptions in determining the reported amounts of assets, deferred outflow of resources, liabilities and deferred inflow of resources, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

3. Cash and Cash Equivalents

The Authority's cash and cash equivalents consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	\$ 222	\$ 87
Cash equivalents	<u>879,356</u>	<u>639,337</u>
Total restricted cash and cash equivalents	<u>879,578</u>	<u>639,424</u>
Unrestricted cash and cash equivalents:		
Cash	250	250
Cash equivalents	<u>8,143</u>	<u>12,940</u>
Total unrestricted cash and cash equivalents	<u>8,393</u>	<u>13,190</u>
Total cash and cash equivalents	<u>\$ 887,971</u>	<u>\$ 652,614</u>

As of June 30, 2023 and 2022, the Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2023 and 2022, the Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2023 and 2022, the carrying amounts and bank balances of bank deposits were \$472 thousand and \$337 thousand, respectively. As of June 30, 2023 and 2022, \$222 thousand and \$87 thousand were uninsured and uncollateralized, respectively.

The Authority's investments classified as cash equivalents included U.S. Government Securities that have an original maturity date of 90 days or less from the date of purchase. The Authority values those investments at fair value (see Note 4 below for a discussion of the Authority's investment policy).

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4. Investments

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

The Authority's investments, including cash equivalents, consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
	(in thousands)	
Restricted investments and cash equivalents:		
Money market funds	\$ 25,037	\$ 4,222
Federal Home Loan Bank discount notes (Maturing within one year)	1,203,176	1,254,541
Federal Home Loan Mortgage Corporation discount notes (Maturing within one year)	166,910	-
Federal National Mortgage Association discount notes (Maturing within one year)	50,177	-
U.S. Treasuries (Maturing within one year)	10,271	-
U.S. Treasuries (Maturing within one to five years)	<u>308,090</u>	<u>268,062</u>
Total restricted investments and cash equivalents	1,763,661	1,526,825
Less: amounts reported as restricted cash equivalents	<u>(879,356)</u>	<u>(639,337)</u>
Total restricted investments	<u>\$ 884,305</u>	<u>\$ 887,488</u>
Unrestricted investments and cash equivalents:		
Money market funds	\$ 8,143	\$ 12,940
Federal Home Loan Bank discount notes (Maturing within one year)	<u>2,171,683</u>	<u>1,961,816</u>
Total unrestricted investments and cash equivalents	2,179,826	1,974,756
Less: amounts reported as unrestricted cash equivalents	<u>(8,143)</u>	<u>(12,940)</u>
Total unrestricted investments	<u>\$ 2,171,683</u>	<u>\$ 1,961,816</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4. Investments (continued)

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2023 and 2022:

- Money Market Funds of \$33 million and \$17 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$318 million and \$268 million, respectively, are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies securities of \$3.6 billion and \$3.2 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).

Custodial Credit Risk — Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held in the Trustee's name by the Trustee.

Credit Risk — The Authority's investments are primarily government-sponsored enterprise discount notes and treasuries.

Interest Rate Risk — Substantially all of the Authority's investments mature in one year or less. Investments with longer term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2023, 100% of TFA's investments were in eligible U.S. Government sponsored entities.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. Long-Term Liabilities

Debt Program

Pursuant to the New York City Transitional Finance Authority Act (the “Act”), the Authority issues FTS Bonds payable from PIT imposed by the City and, if such PIT revenues are insufficient, from sales taxes imposed by the City. The Authority is authorized to have outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds and BARBs as described below) and to issue additional FTS Bonds provided that the amount of such additional FTS Bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of June 30, 2023, the City’s and the Authority’s remaining combined debt-incurring capacity was approximately \$31 billion. The Authority is also authorized to have outstanding \$2.5 billion of Recovery Bonds to pay costs arising from the World Trade Center attack on September 11, 2001.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses from PIT collected on its behalf by the State and, if necessary, sales taxes. Sales taxes are only available to the Authority if PIT revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ended June 30, 2023 and 2022. The Authority remits excess PIT not required for its debt service payments and its administrative expenses to the City.

In addition, the Authority is permitted to have outstanding up to \$9.4 billion of BARBs or other obligations for purposes of funding the City school system’s five-year educational facilities capital plan. As of June 30, 2023 and 2022, the Authority had \$7.9 billion and \$8.2 billion, respectively, of BARBs outstanding. The BARBs are secured by the building aid payable by the State to the City and assigned to the Authority. These State building aid payments are subject to annual appropriation by the State. BARBs are not payable from PIT revenues or sales tax revenues. However, in the event of a payment default, BARBs are payable from an intercept of State education aid otherwise payable to the City.

The Authority’s Indenture includes events of default, certain of which (relating to failure to pay debt service, insolvency, State actions impacting security for the bonds and failure to meet specified coverage levels) could result in acceleration of TFA bonds if so directed by a majority in interest of Senior bondholders.

Changes in Long-term Liabilities – FTS Bonds

The Indenture permits the Authority to issue both Senior and Subordinate FTS Bonds. FTS Bonds include Recovery Bonds, BABs, QSCBs, and other forms of debt obligations. As of June 30, 2023 and 2022, the Authority had \$100 million and \$175 million, respectively, of senior FTS Bonds outstanding. Subordinate FTS Bonds outstanding as of June 30, 2023 and 2022, were \$45.5 billion and \$43.5 billion, respectively. Total FTS Bonds outstanding at June 30, 2023 and 2022, were \$45.6 billion and \$43.7 billion, respectively.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

Outstanding Authority bonds are payable from all money and securities in any of the Accounts defined in and established by the Indenture, subject to the priority of application of such money and securities to FTS Bonds and BARBs, as specified in the Indenture.

As of June 30, 2023, the interest rates on the Authority's outstanding fixed-rate FTS Bonds ranged from 2.00% to 5.50% on tax-exempt bonds and 0.35% to 5.80% on taxable bonds.

In fiscal years 2023 and 2022, the changes in FTS long-term debt were as follows:

	Balance at <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2023</u>	Due within <u>one year</u>
	(in thousands)				
Senior Bonds	\$ 175,400	\$ -	\$ (75,400)	\$ 100,000	\$ -
Subordinate Bonds	43,132,180	6,002,535	(3,957,690)	45,177,025	1,633,730
Subordinate Bonds from Direct Borrowings	358,500	-	(8,500)	350,000	-
Total before premiums/discounts	43,666,080	6,002,535	(4,041,590)	45,627,025	1,633,730
Premiums/(discounts)(net)	3,693,395	447,608	(511,496)	3,629,507	
Total FTS Debt	\$ 47,359,475	\$ 6,450,143	\$ (4,553,086)	\$ 49,256,532	\$ 1,633,730

	Balance at <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2022</u>	Due within <u>one year</u>
	(in thousands)				
Senior Bonds	\$ 212,900	\$ -	\$ (37,500)	\$ 175,400	\$ -
Senior Bonds from Direct Borrowings	100,000	-	(100,000)	-	-
Subordinate Bonds	40,874,310	5,721,735	(3,463,865)	43,132,180	1,535,100
Subordinate Bonds from Direct Borrowings	366,600	-	(8,100)	358,500	8,500
Total before premiums/discounts	41,553,810	5,721,735	(3,609,465)	43,666,080	1,543,600
Premiums/(discounts)(net)	3,308,160	861,826	(476,591)	3,693,395	
Total FTS Debt	\$ 44,861,970	\$ 6,583,561	\$ (4,086,056)	\$ 47,359,475	\$ 1,543,600

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

Issuances - FTS

In fiscal years 2023 and 2022, the Authority issued \$3.8 billion and \$3.7 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

In fiscal year 2023, as further detailed below, the Authority issued \$2.1 billion of FTS Bonds to refund \$2.4 billion of outstanding FTS Bonds. The refunding resulted in an accounting gain of \$7 million. The Authority in effect reduced its aggregate FTS debt service by \$234 million and obtained an economic benefit of \$222 million.

- On September 7, 2022, the Authority issued \$900 million of fixed-rate tax-exempt and taxable FTS Bonds, Series 2023 B and C. The proceeds from the sale of the 2023 B&C bonds refunded \$1.0 billion of outstanding FTS Bonds. As a result of this transaction, the Authority reduced its FTS debt service by \$96 million and obtained an economic benefit of \$88 million.
- On February 28, 2023, the Authority issued \$1.2 billion of fixed-rate tax-exempt and taxable FTS Bonds, Series 2023 E. The proceeds from the sale of the 2023 E bonds refunded \$1.4 billion of outstanding FTS Bonds. As a result of this transaction, the Authority reduced its FTS debt service by \$138 million and obtained an economic benefit of \$134 million.

In fiscal year 2022, the Authority issued \$2.0 billion of FTS Bonds to refund \$2.5 billion of outstanding FTS Bonds. The refunding resulted in an accounting loss of \$29 million. The Authority in effect reduced its aggregate FTS debt service by \$418 million and obtained an economic benefit of \$393 million. In fiscal year 2023, the Authority reoffered \$72 million of FTS Bonds. The proceeds from the reoffering provided for the redemption and conversion of \$75 million of outstanding FTS Variable Rate Demand Bonds ("VRDBs") to fixed rate bonds.

Defeasances - FTS

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. The Authority had FTS Bonds refunded with defeasance collateral that are held in escrow accounts on deposit with the Authority's Trustee. As of June 30, 2023 and 2022, \$209 million and \$57 million, respectively, of the Authority's defeased bonds were still outstanding.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

Annual Requirements - FTS

Debt service requirements to maturity for FTS Bonds at June 30, 2023 are as follows:

	<u>FTS Bonds</u>			<u>FTS Bonds from Direct Borrowings</u>			<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	(in thousands)								
Year ending June 30,									
2024	\$ 1,671,910	\$ 1,904,485	\$ 3,576,395	\$ -	\$ 8,383	\$ 8,383	\$ 1,671,910	\$ 1,912,868	\$ 3,584,778
2025	1,710,425	1,847,218	3,557,643	-	8,382	8,382	1,710,425	1,855,600	3,566,025
2026	1,797,440	1,781,324	3,578,764	-	8,383	8,383	1,797,440	1,789,707	3,587,147
2027	2,030,945	1,708,422	3,739,367	-	8,383	8,383	2,030,945	1,716,805	3,747,750
2028	2,128,845	1,612,677	3,741,522	-	8,382	8,382	2,128,845	1,621,059	3,749,904
2029 to 2033	9,796,300	6,820,497	16,616,797	-	41,913	41,913	9,796,300	6,862,410	16,658,710
2034 to 2038	10,519,045	4,574,688	15,093,733	-	41,913	41,913	10,519,045	4,616,601	15,135,646
2039 to 2043	9,774,255	2,178,226	11,952,481	130,625	37,604	168,229	9,904,880	2,215,830	12,120,710
2044 to 2048	4,579,655	652,479	5,232,134	219,375	6,432	225,807	4,799,030	658,911	5,457,941
2049 to 2053	1,268,205	74,279	1,342,484	-	-	-	1,268,205	74,279	1,342,484
	<u>\$ 45,277,025</u>	<u>\$ 23,154,295</u>	<u>\$ 68,431,320</u>	<u>\$ 350,000</u>	<u>\$ 169,775</u>	<u>\$ 519,775</u>	<u>\$ 45,627,025</u>	<u>\$ 23,324,070</u>	<u>\$ 68,951,095</u>

(a) The variable interest rates used in this table were 2.27% on tax-exempt bonds, 3.00% on index bonds, and 2.97% on auction bonds.

Changes in Long-term Liabilities – BARBs

As of June 30, 2023, the interest rates on the Authority's outstanding fixed-rate BARBs ranged from 1.00% to 5.25% on tax-exempt bonds and 0.38% to 6.83% on taxable bonds.

In fiscal years 2023 and 2022, the changes in BARBs long-term debt were as follows:

	<u>Balance at</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u>	<u>Due within</u>
	<u>June 30, 2022</u>			<u>June 30, 2023</u>	<u>one year</u>
	(in thousands)				
Building Aid Revenue Bonds	\$ 7,684,380	\$ 563,750	\$ (829,520)	\$ 7,418,610	\$ 198,795
Build America Bonds	269,165	-	(8,590)	260,575	8,590
Qualified School Construction Bonds	200,000	-	-	200,000	-
Total before premiums/discounts	<u>8,153,545</u>	<u>563,750</u>	<u>(838,110)</u>	<u>7,879,185</u>	<u>207,385</u>
Premiums/(discounts)(net)	797,888	75,220	(117,524)	755,584	
Total BARBs Debt	<u>\$ 8,951,433</u>	<u>\$ 638,970</u>	<u>\$ (955,634)</u>	<u>\$ 8,634,769</u>	<u>\$ 207,385</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

	Balance at			Balance at			Due within
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>one year</u>		
	(in thousands)						
Building Aid Revenue Bonds	\$ 7,908,645	\$ 813,015	\$ (1,037,280)	\$ 7,684,380	\$	183,235	
Build America Bonds	294,310	-	(25,145)	269,165		8,590	
Qualified School Construction Bonds	200,000	-	-	200,000		-	
Total before premiums/discounts	8,402,955	813,015	(1,062,425)	8,153,545		191,825	
Premiums/(discounts)(net)	772,116	155,073	(129,301)	797,888			
Total BARBs Debt	\$ 9,175,071	\$ 968,088	\$ (1,191,726)	\$ 8,951,433	\$	191,825	

Issuances - BARBs

In fiscal year 2023, the Authority issued \$564 million of Series 2023 S-1 BARBs. The proceeds from the sale of the 2023 S-1 bonds refunded \$646 million of outstanding BARBs. As a result of this transaction, the Authority reduced its BARBs debt service by \$74 million and obtained an economic benefit of \$68 million.

In fiscal year 2022, the Authority issued \$813 million of Series 2022 S-1 BARBs. The proceeds from the sale of the 2022 S-1 bonds refunded \$956 million of outstanding BARBs. As a result of this transaction, the Authority reduced its BARBs debt service by \$224 million and obtained an economic benefit of \$216 million.

Defeasances - BARBs

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. The Authority had BARBs refunded with defeasance collateral that are held in escrow accounts on deposit with the Authority's Trustee. As of June 30, 2023 and 2022, \$275 million and \$266 million, of the Authority's defeased bonds, respectively, were still outstanding.

Annual Requirements - BARBs

Debt service requirements to maturity for BARBs at June 30, 2023 are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	(in thousands)				
Year ending June 30,					
2024	\$	214,360	\$	365,317	\$ 579,677
2025		222,955		357,381	580,336
2026		230,760		348,529	579,289
2027		390,050		334,593	724,643
2028		357,225		317,456	674,681
2029 to 2033		2,061,265		1,307,107	3,368,372
2034 to 2038		2,465,520		728,984	3,194,504
2039 to 2043		1,302,395		269,088	1,571,483
2044 to 2048		578,670		54,129	632,799
2049 to 2053		55,985		1,916	57,901
Total	\$	7,879,185	\$	4,084,500	\$ 11,963,685

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

Variable Rate Demand Bonds – FTS

As of June 30, 2023, the Authority had 23 series of Variable Rate Demand Bonds (“VRDBs”) outstanding that may be tendered at the option of their holders (see below).

Series	Outstanding		Provider	Expiration Date
	Principal Amount			
2003A-4	100,000,000		TD Bank	October 15, 2024
2010G-6	55,275,000		Barclays Bank PLC	April 12, 2024
2011A-4	100,000,000		Barclays Bank PLC	April 12, 2024
2013A-4	50,000,000		JPMorgan Chase Bank, N.A.	August 10, 2026
2013A-7	111,075,000		State Street Bank and Trust Company	August 13, 2026
2013C-4	74,005,000		JPMorgan Chase Bank, N.A.	November 29, 2024
2013C-5	148,000,000		Sumitomo Mitsui Banking Corporation	November 17, 2025
2014B-3	75,000,000		Barclays Bank PLC	March 29, 2024
2014D-3	100,000,000		Mizuho Bank, Ltd.	April 15, 2024
2014D-4	100,000,000		Mizuho Bank, Ltd.	April 15, 2024
2015A-3	100,000,000		Mizuho Bank, Ltd.	July 3, 2024
2015A-4	100,000,000		Mizuho Bank, Ltd.	July 3, 2024
2015-E3	100,000,000		JPMorgan Chase Bank, N.A.	April 21, 2028
2015-E4	90,000,000		Bank of America, N.A.	April 21, 2026
2016A-4	100,000,000		Bank of America, N.A.	September 25, 2026
2016-E4	150,000,000		JPMorgan Chase Bank, N.A.	February 24, 2028
2018C-6	100,000,000		Sumitomo Mitsui Banking Corporation	May 4, 2028
2019A-4	200,000,000		JPMorgan Chase Bank, N.A.	August 10, 2026
2019B-4	200,000,000		JPMorgan Chase Bank, N.A.	September 24, 2026
2019B-5	75,000,000		U.S. Bank National Association	September 24, 2024
2019C-4	150,000,000		Barclays Bank PLC	April 12, 2024
2023A-2	200,000,000		UBS AG	July 30, 2027
2023A-3	100,000,000		The Bank of New York Mellon	August 4, 2025
Total	\$ 2,578,355,000			

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

As of June 30, 2023 and 2022, the Authority had \$2.6 billion and \$2.4 billion, respectively, of VRDBs outstanding. The VRDBs are remarketed by remarketing agents on a daily or weekly basis. Interest rates determined by such remarketing agents for such periods represent the lowest rate of interest that would cause the VRDBs to have a market value equal to par. Interest rates cannot exceed 9% on tax-exempt bonds. In fiscal years 2023 and 2022, the VRDBs rates averaged 2.27% and 0.16%, respectively, on tax-exempt bonds.

The VRDBs are backed by either a Standby Bond Purchase Agreement (“SBPA”) or a Letter of Credit (“LOC”), providing for the purchase of the VRDBs by a bank in the event they cannot be remarketed. In such case, the interest rate on the VRDBs would typically increase and would be determined by reference to specified index rates plus a spread (in some cases, with a minimum rate), up to a maximum rate of 25%. No VRDBs were held by such banks during the fiscal years ended June 30, 2023 or June 30, 2022. SBPAs and LOCs may be terminated by the respective banks upon the occurrence of specified events of default.

Index Bonds

As of June 30, 2023 and 2022, the Authority had \$350 million and \$359 million, respectively, of Index Rate Bonds outstanding, which were not publicly offered but were purchased by banks through direct placements. The Authority’s Index Rate Bonds pay interest based on a specified index. Some Index Rate Bonds continue to pay interest based on such index through maturity. Other Index Rate Bonds provide for an increased rate of interest commencing on an identified step-up date if such bonds are not converted or refunded in advance of such date. Such increased rate of interest is, in some cases, 9% and, in other cases, based on a specified index rate plus a spread. In fiscal years 2023 and 2022, interest rates on the Index bonds averaged 3.00% and 0.87%, respectively.

Auction Bonds

As of June 30, 2023 and 2022, the Authority had \$103 million and \$137 million, respectively, of Auction Rate Securities (“ARS”) outstanding. The interest rate on the ARS is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARS cannot exceed 12%. In fiscal years 2023 and 2022, the interest rate on the ARS averaged 2.98% and 0.34%, respectively.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

5. Long-Term Liabilities (continued)

Retention Requirements

As of June 30, 2023 and 2022, the Authority was required to hold in its debt service accounts the following:

	June 30, 2023			June 30, 2022		
	Principal	Interest	(in thousands) Total	Principal	Interest	Total
Required for FTS	\$ 387,920	\$ 472,503	\$ 860,423	\$ 256,165	\$ 440,529	\$ 696,694
Required for BARBs	214,360	365,317	579,677	198,800	377,166	575,966
Total	<u>\$ 602,280</u>	<u>\$ 837,820</u>	<u>\$ 1,440,100</u>	<u>\$ 454,965</u>	<u>\$ 817,695</u>	<u>\$ 1,272,660</u>

The Authority held \$2.2 billion and \$1.9 billion in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2023 and 2022, respectively. The Authority held \$8.0 million and \$9.0 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2023 and 2022, respectively.

6. Unrestricted Grants

In fiscal years 2023 and 2022, the Authority received unrestricted grants in the amount of \$2.2 billion and \$2.0 billion, respectively. These grants were used to fund future year's debt service requirements for FTS Bonds and reduced the amount of PIT retained for such purpose. These grants are reported as assigned for debt service in the governmental funds balance sheets.

7. Administrative Costs

The Authority's management fee, overhead and expenditures related to carrying out the Authority's duties, including remarketing and liquidity fees not funded from bond proceeds or investment earnings, are funded from the personal income taxes, building aid revenue and grant revenue.

8. Subsequent Events

On July 27, 2023, the Authority issued \$950 million of tax-exempt Fiscal 2024 Series A-1 FTS Bonds and \$130 million of taxable Fiscal 2024 Series A-2 FTS Bonds. The proceeds from Fiscal 2024 Series A-1 and A-2 FTS Bonds will be used for the City's capital programs.

On August 31, 2023, the Authority issued \$1.0 billion of tax-exempt Fiscal 2024 Series B FTS Bonds. The proceeds from Fiscal 2024 Series B FTS Bonds will be used for the City's capital programs.

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