NEW ISSUE

DASNY

$340,390,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM
LEASE REVENUE BONDS (NEW YORK CITY ISSUE)
2018 SERIES 1

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

Payment: The 2018 Series 1 Bonds (the "2018 Bonds") will be special limited obligations of the Dormitory Authority of the State of New York ("DASNY"). Principal and Redemption Price of and interest on the 2018 Bonds are payable primarily from the Basic Rent to be paid by The City of New York (the "City") under the Amended and Restated Lease and Agreement between DASNY and the City, dated as of June 20, 2018 (the "Agreement"). The 2018 Bonds are being issued pursuant to DASNY's Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue), adopted on June 20, 2018 (the "Resolution") and DASNY's Municipal Health Facilities Improvement Program 2018 Series Resolution (New York City Issue) Authorizing Up To $395,000,000 2018 Bonds (the "2018 Resolution"), adopted on June 20, 2018. The obligation of the City to pay the Rentals, including the Basic Rent, is subject to the annual appropriation of moneys by the City for such purpose. In the event the City fails to pay to DASNY when due all or any part of the Rentals, the Act directs the State Comptroller, upon receipt of a certificate from DASNY, to make such payment out of the next payment of State aid to the City pursuant to Section 368-a of the Social Services Law or funds appropriated for the purpose of making payment on behalf of the City pursuant to Section 367-b of the Social Services Law, as more fully described herein.

The 2018 Bonds will not be a debt of the State of New York (the "State") or of the City nor will the State be liable thereon. DASNY has no taxing power. The 2018 Bonds will not be secured by the Debt Service Reserve Fund and the 2018 Bonds will not be secured by any security interest in Health Facilities financed by Bonds.

The maturities and interest rates for the 2018 Bonds are set forth on the inside cover page hereof.

Description: The 2018 Bonds are issuable only as fully registered bonds, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Interest on the 2018 Bonds (payable January 15, 2019 and each July 15 and January 15 thereafter) and principal of the 2018 Bonds will be payable by The Bank of New York Mellon, as trustee (the "Trustee") to Cede & Co., as nominee for DTC. Individual purchases of beneficial interests in the 2018 Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple thereof.

So long as Cede & Co. is the registered owner of the 2018 Bonds, references herein to the Holders or registered owners of the 2018 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2018 Bonds, and payments of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the 2018 Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants. (See "Part 3—The 2018 Bonds—Book-Entry Only System" herein.)

Redemption: The 2018 Bonds are subject to redemption or mandatory tender prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Orrick, Herrington & Sutcliffe LLP, interest on the 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Orrick, Herrington & Sutcliffe LLP is also of the opinion that interest on the 2018 Bonds is exempt from personal income taxes imposed by the State and any political subdivision thereof (including The City of New York). Orrick, Herrington & Sutcliffe LLP and Golden Holley James LLP, Co-Bond Counsel, express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds. See "Part 10—Tax Matters" herein.

The 2018 Bonds are offered when, as and if issued and delivered to the Underwriters. The offer of the 2018 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the City by its Corporation Counsel and by Orrick, Herrington & Sutcliffe LLP, New York, New York, the City's Disclosure Counsel, and for the Underwriters by their co-counsel, Katten Muchin Rosenman LLP, New York, New York, and Lewis & Munday, A Professional Corporation, New York, New York. DASNY expects to deliver the 2018 Bonds in definitive form in New York, New York, on or about July 13, 2018.

Raymond James

Citigroup **Loop Capital Markets**

Academy Securities, Inc.	**Blaylock Van, LLC**	**Drexel Hamilton, LLC**
FTN Financial Capital Markets	**Morgan Stanley**	**Oppenheimer & Co.**
Ramirez & Co., Inc.	**RBC Capital Markets**	**Rice Financial Products Company**
Siebert Cisneros Shank & Co., LLC		**The Williams Capital Group, L.P.**

June 28, 2018

DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM
LEASE REVENUE BONDS
(NEW YORK CITY ISSUE)

$340,390,000 2018 SERIES 1

MATURITIES, AMOUNTS, RATES AND YIELDS

Due January 15	Amount	Interest Rate	Yield	CUSIP[1]
2019	$6,675,000	4.000%	1.330%	64990GEK4
2023	2,345,000	4.000	2.070	64990GEL2
2023	18,460,000	5.000	2.070	64990GEM0
2024	1,675,000	4.000	2.220	64990GEP3
2024	21,630,000	5.000	2.220	64990GEN8
2025	2,935,000	3.000	2.370	64990GEQ1
2025	21,075,000	5.000	2.370	64990GER9
2026	3,040,000	4.000	2.500	64990GET5
2026	37,830,000	5.000	2.500	64990GES7
2027	1,625,000	4.000	2.610	64990GEV0
2027	40,215,000	5.000	2.610	64990GEU2
2028	45,095,000	5.000	2.700	64990GEW8
2029	47,130,000	5.000	2.750[2]	64990GEX6
2030	29,005,000	5.000	2.790[2]	64990GEY4
2031	30,095,000	5.000	2.840[2]	64990GEZ1
2032	5,000,000	3.125	3.230	64990GFB3
2032	26,560,000	5.000	2.920[2]	64990GFA5

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(1) Copyright, American Bankers Association ("ABA"). CUSIP is a registered trademark of the ABA. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP numbers have been assigned by an organization not affiliated with DASNY or the City and are included solely for the convenience of the holders of the 2018 Bonds. Neither DASNY nor the City is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to the correctness of the CUSIP numbers as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2018 Bonds.

(2) Priced to the first optional par call on January 15, 2028.

THE 2018 BONDS ARE BEING ISSUED AS MULTI-MODAL BONDS IN THE FIXED RATE MODE. THIS OFFICIAL STATEMENT DOES NOT DESCRIBE TERMS SPECIFICALLY APPLICABLE TO SUCH 2018 BONDS BEARING INTEREST AT RATES OTHER THAN A FIXED RATE. SEE "PART 3 - THE 2018 BONDS—REDEMPTION OR MANDATORY TENDER PROVISIONS."

No dealer, broker, salesperson or other person has been authorized by DASNY, the City or the Department of Health of the State of New York ("DOH") to give any information or to make any representations with respect to the 2018 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY or the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the City, DOH and other sources that DASNY believes are reliable. DASNY does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY. DASNY does not directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the City, (2) the sufficiency of the security for the 2018 Bonds or (3) the value or investment quality of the 2018 Bonds.

The City reviewed the parts of this Official Statement describing the City and Appendix A of this Official Statement. It is a condition to the sale and the delivery of the 2018 Bonds that the City certify as of the dates of sale and delivery of the 2018 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The City makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

DOH reviewed the parts of this Official Statement relating to DOH and DOH's participation in the transactions contemplated by the Resolution and the 2018 Resolution, and the information under the headings "Part 2 – Sources of Payment and Security for the 2018 Bonds – Payment of the 2018 Bonds – The State Medicaid Program and State Appropriations and Payments for Medicaid." It is a condition to the sale and the delivery of the 2018 Bonds that DOH certify as of the dates of sale and delivery of the 2018 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. DOH makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

Grant Thornton LLP, the City's Independent Auditor, has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the City's financial statements for the fiscal years ended June 30, 2017 and 2016, which is a matter of public record, is included in Appendix A to this Official Statement. However, Grant Thornton LLP has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

References in this Official Statement to the Act, the Resolution, the 2018 Resolution, the Continuing Disclosure Agreement, and the Agreement do not purport to be complete. Refer to the Act, the Resolution, the 2018 Resolution, the Continuing Disclosure Agreement and the Agreement for full and complete details of their provisions. A copy of the Agreement in substantially final form is attached hereto as Appendix B. A copy of the Resolution and a summary of the Proposed Amendments (herein *defined) to become effective upon the issuance of the 2018 Bonds is attached hereto as Appendix C. A copy of the form of the Continuing Disclosure Agreement is attached hereto as Appendix E. The 2018 Resolution is on file with DASNY and the Trustee.*

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY, the City or DOH have remained unchanged after the date of this Official Statement.

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DORMITORY AUTHORITY – STATE OF NEW YORK – 515 BROADWAY, ALBANY, N.Y. 12207
GERRARD P. BUSHELL – PRESIDENT ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO DORMITORY AUTHORITY OF THE STATE OF NEW YORK MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM LEASE REVENUE BONDS (NEW YORK CITY ISSUE)

$340,390,000 2018 SERIES 1

Part 1—INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about DASNY and the City in connection with the offering by DASNY of $340,390,000 principal amount of its Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2018 Series 1 (the “2018 Bonds”).

The following is a brief description of certain information concerning the 2018 Bonds, DASNY and the City. A more complete description of such information and additional information that may affect decisions to invest in the 2018 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in the Agreement, a substantially final form of which is attached hereto as Appendix B, and in the Resolution, a copy of which, together with a summary of the Proposed Amendments (herein defined) to become effective upon the issuance of the 2018 Bonds, is attached hereto as Appendix C.

The 2018 Bonds are being issued as multi-modal bonds in the fixed rate mode. This Official Statement does not describe terms specifically applicable to such 2018 Bonds bearing interest at rates other than a fixed rate. See “Part 3—The 2018 Bonds—Redemption or Mandatory Tender Provisions.”

Purpose of the Issue

The 2018 Bonds are being issued (i) to refund certain outstanding bonds (the “Refunded Bonds”) issued by DASNY pursuant to the Resolution and further described herein and in Appendix F hereto and (ii) to pay the Costs of Issuance of the 2018 Bonds. See “Part 4—The Refunding Plan” and “Part 6—Estimated Sources and Uses of Funds.” The Health Facilities financed with the Refunded Bonds include the Queens County Medical Center in Queens, the Kings County Hospital Center in Brooklyn, the Bellevue Hospital Center (including a forensic biology laboratory building operated by the Office of the Chief Medical Examiner) in Manhattan, Coney Island Hospital in Brooklyn and the Jacobi Medical Center in the Bronx.

Authorization of Issuance

The 2018 Bonds will be issued pursuant to the Resolution, the 2018 Resolution and the Act. In addition to the 2018 Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay the Costs of one or more Health Facilities, to make deposits to the Debt Service Reserve Fund (except as described below), to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds of DASNY issued under the Resolution.

As of the date hereof, $512,740,000 of Bonds were issued and are Outstanding under the Resolution, including $425,890,000 of the Refunded Bonds intended to be defeased upon the issuance of the 2018 Bonds. Additional series of Bonds may be issued in the future. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other except that the Resolution permits the issuance of Bonds not secured by the Debt Service Reserve Fund. The 2018 Bonds will not be secured by the Debt Service Reserve Fund. Bonds issued prior to the issuance of the 2018 Bonds and remaining Outstanding after the refunding of the Refunded Bonds are and will continue to be secured by the Debt Service Reserve Fund. See "Part 2—Sources of Payment and Security for the 2018 Bonds—Security for the 2018 Bonds and Proposed Amendments to the Resolution."

DASNY

DASNY is a public benefit corporation of the State created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. DASNY has no taxing power. See "Part 7— DASNY."

The City

The City, with a population of approximately 8.6 million, has a diversified economic base, with a substantial volume of business activity in the financial, professional service, education, health care, hospitality, wholesale and retail trade, technology, information services, and manufacturing industries, and is the location of many securities, banking, law, accounting, new media, and advertising firms.

The City is a major seaport and focal point for international business. Many of the major corporations headquartered in the City are multinational in scope and have extensive foreign operations. Numerous foreign-owned companies in the United States are also headquartered in the City. These firms, which have increased substantially in number over the past decade, are found in all sectors of the City's economy, but are concentrated in trade, professional and business services, tourism, and finance. The City is the location of the headquarters of the United Nations and several affiliated organizations maintain their principal offices in the City. A large diplomatic community exists in the City to staff the missions to the United Nations and the foreign consulates. See "Appendix A—The City of New York."

The 2018 Bonds

The 2018 Bonds will be dated and bear interest from their date of delivery, payable each January 15 and July 15, commencing January 15, 2019. The 2018 Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement, and are issued in authorized denominations of $5,000 or any integral multiple thereof. See "Part 3—The 2018 Bonds—General Description."

The 2018 Bonds are being issued as multi-modal bonds in the fixed rate mode. This Official Statement does not describe terms specifically applicable to such 2018 Bonds bearing interest at rates other than a fixed rate.

Payment of the 2018 Bonds

The City leased certain health facilities financed with the proceeds of Bonds (the "Health Facilities") to DASNY pursuant to the Amended and Restated Agreement of Lease, dated as of June 20, 2018 (the "Lease"), for an annual rental of $1 per year. DASNY has leased such Health Facilities back to the City pursuant to the Amended and Restated Lease and Agreement, dated as of June 20, 2018 (the "Agreement") for an annual rental sufficient to pay debt service on the Bonds, including the 2018 Bonds (the "Basic Rent") and other costs (collectively with the Basic Rent, the "Rentals"). The principal and Redemption Price of and interest on the Bonds, including the 2018 Bonds, are payable primarily from the Basic Rent to be paid by the City under the Agreement. The City has subleased the Health Facilities to the New York City Health + Hospitals Corporation ("H+H"), which operates the Health Facilities.

The Bonds, including the 2018 Bonds, have no lien on, and are not secured by, the Health Facilities, the Leased Property, H+H sublease payments or any revenues derived from the operation of the Health Facilities or other revenues of H+H. Payment of Rentals is not dependent upon the financial or operational performance of H+H.

The City's obligation to pay the Rentals, which includes the Basic Rent, is subject to annual appropriation by the City. The Agreement and the City's obligation to pay the Rentals do not constitute a debt of the City under or within the meaning of the State Constitution or the Local Finance Law of the State. See "Part 2—Sources of Payment and Security for the 2018 Bonds—Payment of the 2018 Bonds." In the event the City fails to pay the Rentals to DASNY when due, the Act directs the State Comptroller, upon receipt of a certificate from DASNY, to pay to DASNY the amount of unpaid Rentals out of the next payment of State aid to the City pursuant to Section 368-a of the Social Services Law or funds appropriated for the purpose of making payment on behalf of the City pursuant to Section 367-b of the Social Services Law. See "Part 2—Sources of Payment and Security for the 2018 Bonds—Payment of the 2018 Bonds—Payment of Rentals Out of State Aid."

Neither the State nor the City may make any payment except pursuant to an appropriation and neither the State nor the City is legally required to make any such appropriations.

Security for the 2018 Bonds

The Bonds issued under the Resolution are secured by (i) the pledge of the Revenues, which include the Basic Rent payable by the City under the Agreement and amounts, if any, paid to DASNY by the State Comptroller from certain moneys appropriated by the State for purposes of the State Medicaid Program, (ii) the proceeds of all Bonds, including the 2018 Bonds, subject to their application in accordance with the terms of the Resolution, and (iii) certain funds and accounts established under the Resolution. The 2018 Bonds will not be secured by the Debt Service Reserve Fund. Bonds issued prior to the issuance of the 2018 Bonds and remaining Outstanding after the refunding of the Refunded Bonds are and will continue to be secured by the Debt Service Reserve Fund. See "Part 2—Sources of Payment and Security for the 2018 Bonds—Payment of the 2018 Bonds," "—Security for the 2018 Bonds and Proposed Amendments to the Resolution" and "Appendix C— The Resolution and Summary of Proposed Amendments."

Part 2—SOURCES OF PAYMENT AND SECURITY FOR THE 2018 BONDS

Below is a description of certain contractual and legislative provisions relating to the sources of payment and security for the Bonds and for the Rentals. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution and the Agreement for a more complete description of such provisions. A copy of the Agreement in substantially *final form is attached hereto as Appendix B. A copy of the Resolution and a summary of the Proposed Amendments (herein defined) to become effective upon the issuance of the 2018 Bonds is attached hereto as Appendix C.*

Payment of the 2018 Bonds

Special Obligations

The Bonds issued under the Resolution, including the 2018 Bonds, are special obligations of DASNY payable solely from the Revenues and certain funds and accounts established by the Resolution in the manner provided therein. The Revenues consist of the Basic Rent payable by the City under the Agreement and amounts, if any, paid to DASNY by the State Comptroller under the Act from certain moneys appropriated by the State for purposes of the State Medicaid Program. The Revenues and the right to receive them have been pledged for the benefit of the Holders of the Bonds, including the 2018 Bonds.

DASNY has no taxing power and the 2018 Bonds are not a debt of the State nor will the State be liable thereon.

Payment of the Rentals

The Rentals are to be paid to DASNY by the City in accordance with the Agreement pursuant to which the City leased from DASNY the Health Facilities. DASNY acquired a leasehold interest in the Health Facilities from the City pursuant to the Lease. The Rentals include, among other amounts, the Basic Rent which is comprised of annual payments in amounts which are sufficient to pay the interest on and principal and Sinking Fund Installments, if any, of the Bonds as the same become due and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement with respect to Bonds secured by the Debt Service Reserve Fund. Payment of the Rentals by the City is subject to annual appropriation, as hereinafter described.

The Basic Rent is to be paid directly to the Trustee in semi-annual installments payable on November 15 and May 15 of each Bond Year. Basic Rent is at least equal to an amount sufficient to pay the interest on, and principal and Sinking Fund Installments, if any, of the Outstanding Bonds on January 15 and July 15, respectively, and the amount, if any, certified by the Trustee as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement with respect to Bonds secured by the Debt Service Reserve Fund. Amounts required to be paid for the fees, costs and expenses of DASNY and the Trustee are to be paid to DASNY as Rentals. The Agreement permits the timing and amount of Basic Rent payments to be modified, provided that certain conditions set forth in the Agreement are first met. See “Appendix B—Form of the Agreement—Payment of Rentals.”

The City has subleased the Health Facilities to H+H, which operates the Health Facilities, pursuant to a sublease (the “Sublease”). The Lease, Agreement and the Sublease may be amended from time to time in connection with the issuance of additional Bonds to add Health Facilities to be financed with the proceeds of such Bonds. *HOLDERS OF THE BONDS, INCLUDING THE 2018 BONDS, HAVE NO LIEN ON, AND ARE NOT SECURED BY THE HEALTH FACILITIES, THE LEASED PROPERTY, H+H SUBLEASE PAYMENTS OR ANY REVENUES DERIVED FROM THE OPERATION OF THE LEASED PROPERTY OR OTHER REVENUES OF H+H. PAYMENT OF RENTALS IS NOT DEPENDENT UPON THE FINANCIAL OR OPERATIONAL PERFORMANCE OF H+H.*

THE CITY’S OBLIGATIONS UNDER THE AGREEMENT ARE PAYABLE OUT OF ANY MONEYS OF THE CITY LEGALLY AVAILABLE THEREFOR, SUBJECT, HOWEVER, TO ANNUAL

APPROPRIATION BY THE CITY. THE CITY CANNOT BE COMPELLED TO APPROPRIATE MONEYS. HOWEVER, ONCE THE CITY HAS APPROPRIATED AMOUNTS TO PAY RENTALS UNDER THE AGREEMENT, THE OBLIGATION OF THE CITY TO PAY AMOUNTS SO APPROPRIATED SHALL BE ABSOLUTE AND UNCONDITIONAL. THE CITY'S OBLIGATIONS UNDER THE AGREEMENT ARE NOT SUBJECT TO ABATEMENT OR OTHERWISE CONDITIONED ON THE STATUS OF THE HEALTH FACILITIES INCLUDING SUCH FACILITIES' DESTRUCTION OR SALE.

Payment of Rentals Out of State Aid

In the event of a failure or inability of the City to pay all or any part of the Rentals due, the Act provides that DASNY shall make and deliver to the appropriate chief fiscal officer of the City a certificate setting forth the amount, if any, due and not paid to DASNY under the Agreement within five days of the due date. The Act requires that, in the event of a failure or inability of the City to pay over the stated amount to DASNY within ten days of receipt of such certificate, DASNY shall forthwith make and deliver to the State Comptroller, the Director of the Budget of the State of New York and the Commissioner of Health of the State of New York a further certificate restating the amount due and not paid and such amount shall be paid over to DASNY, upon the warrant of the State Comptroller on vouchers certified as correct by the Commissioner of Health, out of the next payment of State aid to the City pursuant to Section 368-a of the Social Services Law of the State or funds appropriated for the purpose of making payments on behalf of the City pursuant to Section 367-b of the Social Services Law. To the extent any such payments to DASNY are made from State aid payments pursuant to Section 368-a of the Social Services Law, the Act requires that the amount of such payments shall be deducted from the corresponding apportionment of State aid otherwise credited to the City. To the extent any payments are made from funds appropriated for the purpose of making payments on behalf of the City pursuant to Section 367-b, the Act provides that the State Comptroller may deduct the amount of such payments from any other payments of State assistance otherwise payable to the City under the Social Services Law, subject to any rights of the holders of any bonds or notes issued by the State or its agencies or political subdivisions to payment by recourse to such assistance monies. See "Part 2—Sources of Payment and Security for the 2018 Bonds," under the headings "The State Medicaid Program" and "State Appropriations and Payments for Medicaid."

Pursuant to the Act, DASNY is authorized to issue up to $2 billion of certain health facilities bonds (excluding refunding bonds) secured by the intercept of State aid under Section 7418-(2)(b) of the Act. As of the date hereof, $779,475,000 of such bonds (consisting of $709,055,000 of Bonds (other than refunding Bonds) under the Resolution and $70,420,000 of bonds, which were not issued under the Resolution, with respect to other health facilities, (other than refunding bonds) have been issued by DASNY pursuant to the Act. There are currently $512,740,000 of Bonds Outstanding under the Resolution including the $425,890,000 of the Refunded Bonds intended to be defeased upon the issuance of the 2018 Bonds) and $25,080,000 of bonds with respect to other health facilities outstanding. Under State law, the New York State Housing Finance Agency ("HFA") is also authorized to issue up to $1 billion of certain health facilities bonds and, in connection with such bonds, has the same statutory intercept provision regarding the next payment of State aid to the City pursuant to Section 368-a of the Social Services Law or funds appropriated for the purpose of making payment on behalf of the City pursuant to Section 367-b of the Social Services Law. No such HFA bonds are outstanding. There can be no assurance that the State will not provide additional statutory intercepts of payments of State aid pursuant to Section 368-a or Section 367-b of the Social Services Law to other agencies, political subdivisions or municipalities of the State or amend the Act to increase the bond issuance limitation in excess of $2 billion.

The State Medicaid Program

Under the State Social Services Law, the State and local social services districts, such as the City, share the responsibility of ensuring adequate medical assistance for the needy. Pursuant to Part C, Chapter 58, of the Laws of 2005, each social services district, including the City, makes weekly contributions directly to the State, which represents such social services district's maximum local share Medicaid liability. Under Section 1 of this law, each social services district's local share Medicaid spending was capped based on its 2005 Medicaid spending levels and was increased thereafter by a statutory trend factor. The Medicaid Local Share Cap is constructed on a calendar year basis and then converted into a State fiscal year (April to March 31) basis by adding ¾ of the beginning calendar year plus ¼ of the ending calendar year. The calendar year 2006 local share cap increased by 3.50% over the calendar year 2005 base year. The calendar year 2007 local share cap increased by 6.75% over the calendar year 2005 base year (3.25% plus the prior year's 3.50%). The calendar year 2008 through calendar year 2012 local share cap increased by 3.00% per year over the calendar year 2005 base year (plus the prior year's trend factor percentage). Part F, Chapter 56, of the Laws of 2012 changed this prior local share cap methodology by implementing a phased-in State takeover of the annual growth in the local share of Medicaid expenditures. Starting with State fiscal year 2013-2014, the calendar year 2013 local share cap increased by 2.00% above calendar year 2012, the calendar year 2014 local share cap increased by 1.00% above calendar year 2013 and the calendar year 2015 local share cap and beyond were not increased. This resulted in State fiscal year 2014-2015 having the last increase in the State fiscal year local share cap amounts.

Currently, most State Medicaid payments are made by the State to Medicaid managed care plans pursuant to Section 367-b of the Social Services Law; however, certain administrative expenses and certain healthcare services provided within the social services district associated with Medicaid continue to be paid by social services districts, with the State directly reimbursing the social services districts pursuant to Section 368-a of such Law. State payments are made on behalf of social services districts to Medicaid managed care plans pursuant to Section 367-b of the Social Services Law continuously during each year, as bills are received by the State from Medicaid managed care plans. State payments are made to social services districts pursuant to Section 368-a periodically during each year, subject to audit.

Various proposals to limit or restrict the amounts provided for financing health care have been discussed at the State level, and a number of related bills have been introduced in the State legislature. In the future, similar proposals and bills, which could impact, among other things, the method of reimbursing social services districts and the reimbursement rates for health related care and services with respect to the State Medicaid program, may be discussed, introduced, and enacted in the State legislature. There can be no assurance as to the amounts of State aid to be paid to the City or on behalf of the City with respect to the Medicaid program or the availability of such amounts.

State Appropriations and Payments for Medicaid

State Medicaid payments made to the City as State aid or on behalf of the City to Medicaid providers are funded through annual appropriations from the State Legislature for the support of the State Medicaid program and are therefore dependent upon the availability of financial resources and the allocation thereof. The Medicaid program may also be affected by State or Federal legislation relating to the health care system in general. The total annual amount of State aid paid to the City pursuant to Section 368-a of the Social Services Law and funds appropriated for the purpose of making payment on behalf of the City pursuant to section 367-b of such Law for the period ended March 31, 2012 through March 31, 2016 (the most recent fiscal year for which data is available) were as follows:

Annual Amount of State Medicaid Payments to or on behalf of the City

For State Fiscal Year Ending March 31	Total Amount [1] [2]
2012	$ 9,526,565
2013	10,114,058
2014	9,934,605
2015	10,586,137
2016	11,218,292

Amounts in thousands.

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(1) Due to a lengthy adjustment period during which Medicaid claims can be revised, there is typically a two-year lag in assembling these numbers.

(2) Additional Federal funding associated with the American Recovery and Reinvestment Act (ARRA) and the Education Jobs and Medicaid Assistance Act (EJMAA) expired in June 2011, resulting in increased financial responsibility to the State. Additional Federal funding associated with the Patient Protection and Affordable Care Act (PPACA) is included beginning January 2014.

In addition, the State reimburses the City for certain administrative expenses continuously each year and, pursuant to the statutory Medicaid Cap methodology described under the heading "The State Medicaid Program" (above), the City would be reimbursed by the State for amounts, if any, by which its yearly Medicaid Cap amount exceeds the amount the City would have owed under the old formula. This reimbursement, however, is also subject to a cap on the non-federal share of administrative expenses beginning in State Fiscal Year 2013-2014, pursuant to Section 4-a of Part C of Chapter 58 of the Laws of 2005 and as added by Section 4 of Part F of Chapter 56 of the Laws of 2012. The City has never exceeded the cap on the non-federal share of its administrative expenses.

The overall viability of the State Medicaid program and the making of payments by the State to and on behalf of the City are dependent upon the ability and willingness of the State Legislature to continue making appropriations in the amounts required to sustain the State Medicaid program and the making of such payments, and there can be no assurance of the availability of such State funds.

Certain general factors, such as a delay in the adoption of the State's budget, or a shortfall in State personal and business tax receipts or Federal tax law changes, together with future unforeseen calls on its fiscal resources could affect the State's ability or willingness to make appropriations for Medicaid payments to the City or on behalf of the City or could delay the making of payments by the State to or on behalf of the City. The Medicaid Program may also be affected by State or Federal legislation relating to the healthcare system in general.

Limitations on Appropriations

The City's obligation to pay Rentals is dependent upon an annual appropriation by the City. The City is not legally obligated to make any such appropriation and the failure to make an appropriation will not constitute an event of default under the Resolution or the Agreement. However, if the City appropriates moneys for the payment of Rentals and the appropriation has not lapsed or been repealed, the City's obligation to pay Rentals will be absolute and unconditional up to the amount appropriated and the failure of the City to pay the appropriated Rentals will be an event of default under the Agreement. The City has never failed to appropriate or timely pay all Rentals due under the Agreement. The Agreement provides that the expense budget submitted by the Mayor to the City Council for the City's next ensuing fiscal year shall include either as a separate unit of appropriation or as an expenditure within a unit of appropriation the amount of the Rentals projected by the City to be payable during such fiscal year, but in no event in an amount less than the Basic Rent payable during such fiscal year; provided, however, that if said Rentals are included within a unit of appropriation out of which payments other than the Rentals may be paid, the amount set forth in said expenses budget for such unit of appropriation shall not be less than the amount of all payments, including the Basic Rent payable from such unit of appropriation. The Agreement also provides that the Mayor will seek to increase such appropriation during a fiscal year through a budget modification if necessary to pay amounts due under the Agreement.

The Agreement and the City's obligation to pay the Rentals do not constitute a debt of the City under or within the meaning of the State Constitution or the Local Finance Law of the State.

The determination of the amount of State Medicaid funds to be appropriated by the State, and the apportionment of such funds to the City, are legislative acts and the State is not legally obligated to appropriate moneys for the payment of State Medicaid funds to or on behalf of the City. Under the State Constitution, no money may be paid by the State except pursuant to an appropriation. The State is not required to maintain any particular level of State Medicaid funds to or on behalf of the City or to continue to provide such funds. Neither the reduction of the amount of such Medicaid funds appropriated or apportioned to or on behalf of the City nor the discontinuance of any such funds will constitute an event of default under the Resolution or the Agreement.

Security for the 2018 Bonds and Proposed Amendments to the Resolution

The 2018 Bonds will be secured by the payments described above to be made under the Agreement, the Act and by certain funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund and the Debt Service Reserve Fund). The security for the 2018 Bonds will also be for the benefit of all other Bonds issued under the Resolution, which Bonds rank on a parity and are or are to be secured equally and ratably with each other and with the 2018 Bonds (except as described herein with respect to the Debt Service Reserve Fund). The Resolution authorizes the issuance of other Series of Bonds in addition to the 2018 Bonds for such purposes as the financing of additional Health Facilities and the refunding of all or a portion of the Outstanding Bonds. See "Part 2—Issuance of Additional Bonds" and "Appendix C— The Resolution and Summary of Proposed Amendments — Additional Bonds and Other Obligations."

Bonds issued prior to the date hereof (but not the 2018 Bonds) are also secured by the Debt Service Reserve Fund established under the Resolution. After the issuance of the 2018 Bonds, the Debt Service Reserve Fund Requirement relating to the Bonds other than the 2018 Bonds will be met in whole with an existing surety bond issued on January 14, 2002 by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. The Resolution, as amended and restated on June 20, 2018, contains certain proposed amendments (the "Proposed Amendments"), including that the Debt Service Reserve Fund and amounts transferred from the Debt Service Reserve Fund to the Debt Service Fund are to be pledged to the Trustee solely as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Bonds issued prior to the date of the amendment of the Resolution. The Debt Service Reserve Fund is not security for the 2018 Bonds. Other proposed amendments include changes to the permitted investments of amounts held under the Resolution, changes to certain redemption provisions and other clarifications and corrections. See "Appendix C – The Resolution and Summary of Proposed Amendments."

The consent of the holders of a majority in principal amount of Outstanding Bonds under the 1998 Resolution is required for the Proposed Amendments to become effective. The 1998 Resolution provides that purchasers of the Bonds, whether purchasing as underwriters, for resale or otherwise, upon such purchase may consent to an amendment, change, modification, termination or waiver permitted by the 1998 Resolution with the same effect as a consent given by the Holder of such Bonds, which provision was disclosed in the official statements relating to the Outstanding Bonds issued under the 1998 Resolution. Simultaneously with the issuance of the 2018 Bonds and the defeasance of the Refunded

Bonds, the Representative, on behalf of the Underwriters, will consent to the proposed amendments on behalf of the holders of the 2018 Bonds. *All purchasers of the 2018 Bonds will be bound by the consent of the Representative, on behalf of the Underwriters, and by their purchase of the 2018 Bonds and acceptance of the delivery thereof, will be deemed to have consented to the Proposed Amendments contained in the Resolution.* In addition, DASNY will also seek the consent of the holders of all other Bonds issued prior to the issuance of the 2018 Bonds and which will remain Outstanding upon the issuance of the 2018 Bonds. However, since the principal amount of 2018 Bonds will constitute more than a majority of the principal amount of Outstanding Bonds, the Proposed Amendments will become effective upon the issuance of the 2018 Bonds. See "Appendix C – The Resolution and Summary of Proposed Amendments – Section 10.02."

Defaults and Remedies under the Agreement

Among the events which would constitute an "event of default" under the Agreement are the failure by the City to pay, from moneys appropriated by it, the Rentals within seven days after they become due or to observe or perform any of the covenants, conditions or agreements contained in the Agreement which continues for the applicable grace period after notice of such failure has been given to the City. Upon the failure of the City to pay Basic Rent, DASNY has covenanted in the Resolution to exercise its rights under Section 7418-(2)(b) of the Act (i) to certify to the City and to State officials the amount of Rentals which the City has failed to pay, and (ii) to be paid such amount from certain State aid that would otherwise have been paid to or on behalf of the City. See "Part 2—Sources of Payment and Security for the 2018 Bonds—Payment of the 2018 Bonds—Payment of Rentals Out of State Aid" herein. In addition, the Agreement provides that DASNY may exercise any other remedies available at law or in equity (other than termination of the Agreement or eviction of the City) upon the occurrence of any event of default under the Agreement. For a more complete description of the defaults and remedies under the Agreement, see "Appendix B—Form of the Agreement—Defaults and Remedies."

The failure or inability of the City to pay the amount, if any due and not paid under the Agreement or to observe and perform its other obligations under the Agreement, which results from the failure by the City to appropriate moneys for such purpose, will not constitute an "event of default" under the Agreement. However, upon such failure, DASNY may exercise its rights under Section 7418-(2)(b) of the Act in the same manner as described in the prior paragraph as if an event of default had occurred. **The occurrence of an "event of default" under the Agreement does not permit the 2018 Bonds or the City's obligations under the Agreement to be accelerated.** See "Appendix B—Form of the Agreement—Events of Default" and "Appendix C— The Resolution and Summary of Proposed Amendments —No Acceleration of Maturity."

Defaults and Remedies under the Resolution

The occurrence of an event of default under the Agreement does not constitute an event of default under the Resolution. A failure by the State Comptroller to make payment to DASNY of unpaid Rentals out of the next payment of State aid to the City pursuant to Section 368-a of the Social Services Law of the State or funds appropriated for the purpose of making payments on behalf of the City pursuant to Section 367-b of the Social Services Law constitutes an "event of default" under the Resolution. Other "events of default" under the Resolution include the failure to pay the principal, Sinking Fund Installments, if any, or Redemption Price of, and interest on, the Bonds when due, as well as failure to comply with the provisions of the Code applicable to the 2018 Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code, with the result that interest on the 2018 Bonds is no longer excludable from the gross income of the holders thereof.

Remedies available to holders of the Bonds, including the 2018 Bonds, upon the occurrence of an "event of default" under the Resolution, are limited. See "Appendix C – The Resolution and Summary of Proposed Amendments." **The 2018 Bonds cannot be accelerated upon the occurrence of an "event of default" under the Resolution.** The Bonds, including the 2018 Bonds, are not secured by the Health Facilities, the Leased Property or revenues derived from the operation of the Leased Property or other revenues of H+H; hence, no remedy of foreclosure exists against the Health Facilities or the Leased Property. Payment of Rentals is not dependent upon the financial or operational performance of H+H.

Issuance of Additional Bonds

The Resolution authorizes the issuance of other Series of Bonds to finance Health Facilities and to refund all or a portion of Outstanding Bonds. There are no limitations on the principal amount of additional Bonds that may be issued under the Resolution; however, the Act includes limitations on the amount of Bonds permitted to be secured by the intercept of Medicaid under Section 7418-(2)(b). See "Part 2—Sources of Payment and Security for the 2018 Bonds—Payment of the 2018 Bonds—Payment of Rentals out of State Aid." As described above, such additional Bonds would be secured on a parity with the 2018 Bonds and with all other Bonds except that the Proposed Amendments provide that, like the 2018 Bonds, any additional Bonds would not be secured by the Debt Service Reserve Fund. However, the Resolution also permits amendments to the Resolution without the consent of the Bondholders to provide that a future Series of Bonds may be secured by the Debt Service Reserve Fund. See "Appendix C – The Resolution and Summary of Proposed Amendments – Section 9.02." The Resolution also permits DASNY to issue bonds, notes or other obligations or incur other indebtedness pursuant to other separate resolutions or agreements of DASNY so long as such other indebtedness is not entitled to a lien prior or equal to the lien of the Holders of Bonds. See "Appendix C – The Resolution and Summary of Proposed Amendments – Section 2.05."

Part 3—THE 2018 BONDS

General Description

The 2018 Bonds

The 2018 Bonds will be issued pursuant to the Resolution and the 2018 Resolution as fully registered bonds in the aggregate principal amount set forth on the cover page hereof. The 2018 Bonds will be dated their date of delivery and will bear interest from such date payable on January 15, 2019, and on each July 15 and January 15 thereafter and will bear interest at the rates and mature on the dates set forth on the inside cover page hereof. Interest on the 2018 Bonds will accrue based upon a 360-day year of twelve 30-day months.

The 2018 Bonds will be issued as fully registered bonds. The 2018 Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The 2018 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the 2018 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the 2018 Bonds, the 2018 Bonds will be exchangeable for other fully registered 2018 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" herein and "Appendix C— The Resolution and Summary of Proposed Amendments."

Interest on the 2018 Bonds will be paid to the registered owners thereof. The principal or redemption price of the 2018 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, the Trustee and Paying Agent. As long as the 2018 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

The 2018 Bonds are being issued as multi-modal bonds in the fixed rate mode. This Official Statement does not describe terms specifically applicable to such 2018 Bonds bearing interest at rates other than a fixed rate.

Redemption or Mandatory Tender Provisions

Optional Redemption or Mandatory Tender

The 2018 Bonds maturing on or after January 15, 2029 are subject to optional redemption or mandatory tender prior to maturity, in each case, at the election or direction of DASNY, on or after January 15, 2028, in any order, in whole or in part at any time, at par plus accrued interest to the redemption or tender date.

Multi-Modal Bonds in the Fixed Rate Mode

The 2018 Bonds are being issued as multi-modal bonds in the fixed rate mode. DASNY may cause a mandatory tender of such 2018 Bonds at the optional redemption price on any date such 2018 Bonds are subject to optional redemption, subject to DASNY's providing a source of payment therefor in accordance with the Resolution. If notice of mandatory tender has been given and funds prove insufficient, the 2018 Bonds not purchased shall continue in the fixed rate mode, without change in interest rate, maturity date or other terms. Other modes to which such 2018 Bonds may be converted are not described in this Official Statement.

See "—Notice of Redemption or Tender; Selection of Bonds to be Redeemed or Tendered" below for information on the manner of selection of the 2018 Bonds to be redeemed.

Selection of Bonds to be Redeemed or Tendered

In the case of 2018 Bonds to be redeemed or called for mandatory tender by DASNY, DASNY, upon direction of the City, will select the principal amounts and maturities of the 2018 Bonds to be redeemed or called for mandatory tender. If less than all of the 2018 Bonds of a maturity with identical terms are to be redeemed or called for mandatory tender, the 2018 Bonds of such maturity to be redeemed or called for mandatory tender will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion. DTC has informed DASNY that so long as DTC acts as securities depository for the 2018 Bonds, if less than all of the 2018 Bonds of a maturity within a Series are called for redemption or called for mandatory tender by lot, the particular 2018 Bonds or portions thereof to be redeemed or tendered will be selected by lot by DTC and the DTC Participants in accordance with their procedures. See "Part 3—The 2018 Bonds—Book-Entry Only System" herein.

Notice of Redemption or Tender

The Trustee is to give notice of the redemption or call for mandatory tender of the 2018 Bonds in the name of DASNY by mailing a copy of such notice, postage prepaid, not less than 20 days nor more than 45 days prior to the redemption or tender date, to the registered owners of any 2018 Bonds which are to be redeemed or tendered, as applicable, at their last known addresses appearing on the registration books not more than ten Business Days prior to the date such notice is given, but failure of any Holder to receive such notice will not affect the validity of the proceedings for the redemption or tender of 2018 Bonds. If DASNY's obligation to redeem or tender the 2018 Bonds is subject to conditions, such notice will describe the conditions to such redemption or tender.

If on the redemption date moneys for the redemption of the 2018 Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, then interest on the 2018 Bonds to be redeemed will cease to accrue from and after the redemption date and such 2018 Bonds will no longer be considered to be Outstanding under the Resolution. If on the tender date moneys for the tender of the 2018 Bonds to be tendered, together with interest thereon to the tender date, are held by the Trustee so as to be available for payment of the mandatory tender price, then interest on the 2018 Bonds to be tendered will cease to accrue from and after the successful tender date and such 2018 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption or tender and other provisions relating to the 2018 Bonds, see "Appendix C— The Resolution and Summary of Proposed Amendments."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2018 Bond certificate will be issued for each maturity of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are; however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2018 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The requirement for physical delivery of 2018 Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the 2018 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2018 Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as securities depository with respect to the 2018 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the 2018 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2018 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's Book-Entry Only System has been obtained from sources that DASNY believes to be reliable, but DASNY takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or the Indirect Participants.

Each person for whom a Participant acquires an interest in the 2018 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2018 BONDS.

So long as Cede & Co. is the registered owner of the 2018 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2018 Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2018 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of 2018 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2018 Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the 2018 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by DASNY, 2018 Bond certificates will be delivered as described in the Resolution.

NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2018 BONDS UNDER THE RESOLUTION; (iii) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR A TENDER OF THE 2018 BONDS; (iv) THE

PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2018 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2018 BONDS; OR (vi) ANY OTHER MATTER.

Part 4—THE REFUNDING PLAN

A portion of the proceeds of the 2018 Bonds will be used to provide for the payment of the Refunded Bonds, as more particularly described in "Appendix F—Bonds to be Refunded." Such proceeds and other available funds including excess funds in the Debt Service Reserve Fund will be deposited with the Trustee and used to purchase direct non-callable obligations of the United States of America (the "Defeasance Securities"), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the interest on, and the principal or redemption price of, the respective Refunded Bonds on the redemption date of August 17, 2018. Amounts on deposit in the Debt Service Fund allocable to the Refunded Bonds will be segregated and used to purchase Defeasance Securities, the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay interest on the Refunded Bonds when due on July 15, 2018. See "Part 14—Verification of Mathematical Computations." DASNY will give the Trustee irrevocable instructions to give notice of redemption of the respective Refunded Bonds and to apply the maturing principal of and interest on the applicable Defeasance Securities, together with any uninvested cash, held in trust solely for the payment of the interest and principal or redemption price coming due on such Refunded Bonds.

In the opinion of Co-Bond Counsel to DASNY, the Refunded Bonds will, under the terms of the Resolution, be deemed to have been paid, will no longer be Outstanding and the pledge of the Revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the Resolution to the Refunded Bonds shall be discharged and satisfied.

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Part 5—PRINCIPAL AND INTEREST REQUIREMENTS

The following table sets forth the principal, interest and total debt service to be paid on the 2018 Bonds and other Outstanding Bonds during each twelve-month period ending December 31 of the years shown.

12-Month Period Ending December 31,	2018 Bonds Debt Service Principal	Interest	Total	Outstanding Debt Service(1)	Total Debt Service(1)
2018(2)	-	-	-	$1,737,000	$1,737,000
2019	$6,675,000	$16,672,803	$23,347,803	4,120,800	27,468,603
2020	-	16,446,450	16,446,450	16,187,600	32,634,050
2021	-	16,446,450	16,446,450	16,167,400	32,613,850
2022	-	16,446,450	16,446,450	16,161,100	32,607,550
2023	20,805,000	15,938,050	36,743,050	16,142,800	52,885,850
2024	23,305,000	14,855,400	38,160,400	16,141,500	54,301,900
2025	24,010,000	13,710,250	37,720,250	16,126,200	53,846,450
2026	40,870,000	12,132,800	53,002,800	-	53,002,800
2027	41,840,000	10,088,375	51,928,375	-	51,928,375
2028	45,095,000	7,923,125	53,018,125	-	53,018,125
2029	47,130,000	5,617,500	52,747,500	-	52,747,500
2030	29,005,000	3,714,125	32,719,125	-	32,719,125
2031	30,095,000	2,236,625	32,331,625	-	32,331,625
2032	31,560,000	742,125	32,302,125	-	32,302,125
TOTAL	**$340,390,000**	**$152,970,528**	**$493,360,528**	**$102,784,400**	**$596,144,928**

Note: Totals may not add due to rounding.
(1) Figures do not include debt service on bonds to be refunded with proceeds of the 2018 Bonds.
(2) Figures reflect amounts remaining to be paid in 2018.

Part 6—ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds	
Par Amount of 2018 Bonds	$340,390,000
Net Premium	56,153,926
Monies in Debt Service Reserve Fund	35,348,478
Monies in Debt Service Fund	10,563,608
Total Sources	$442,456,012
Uses of Funds	
Defeasance of Refunded Bonds	$437,283,422
Cost of Issuance[1]	3,516,313
Underwriters' Discount	1,656,277
Total Uses	$442,456,012

1 Includes a State bond issuance charge and various other costs of issuance.

Part 7—DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2018, DASNY had approximately $50.5 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson

University. Mr. Johnson's term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

PAUL S. ELLIS, ESQ., New York

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016. Mr. Ellis is the Managing Member of Paul Ellis Law Group LLC, a law firm with a corporate/ securities/capital markets practice with emphasis on private placements, mergers and acquisitions, venture capital/ private equity transactions and joint ventures. He previously worked for Donovan Leisure Newton & Irvine and Winston & Strawn and served in staff positions in the U.S. Senate and the Massachusetts House of Representatives. He co-founded the New York Technology Council and serves on the Board of the NY Tech Alliance and as Chairman of the Housing Committee of Bronx Community Board 8. He holds a Bachelor of Arts degree from Harvard University and a Juris Doctor degree from Georgetown University Law Center.

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

HOWARD A. ZUCKER, M.D., J.D., *Commissioner of Health of the State of New York*, Albany; *ex-officio*.

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, he served as First Deputy Commissioner leading the State Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the State Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York,* Albany; *ex-officio*.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, insurance and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York

State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, real property, sustainability and engineering, as well as other technical services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by DASNY and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2018. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

Part 8—LEGALITY OF THE 2018 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the 2018 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the 2018 Bonds.

The 2018 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

Part 9—NEGOTIABLE INSTRUMENTS

The 2018 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the 2018 Bonds.

Part 10—TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Co–Bond Counsel to DASNY, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Orrick, Herrington & Sutcliffe LLP, interest on the 2018 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Orrick, Herrington & Sutcliffe LLP is also of the opinion that interest on the 2018 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Orrick, Herrington & Sutcliffe LLP is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the 2018 Bonds is less than the amount to be paid at maturity of such 2018 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2018 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2018 Bonds is the first price at which a substantial amount of such maturity of the 2018 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2018 Bonds accrues daily over the term to maturity of such 2018 Bonds on the basis of a constant interest rate compounded semiannually (with straight–line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2018 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2018 Bonds. Beneficial Owners of the 2018 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2018 Bonds in the original offering to the public at the first price at which a substantial amount of such 2018 Bonds is sold to the public.

2018 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax–exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Bonds. DASNY, the City and H+H have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2018 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2018 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2018 Bonds. The opinion of Orrick, Herrington & Sutcliffe LLP assumes the accuracy of these representations and compliance with these covenants. Orrick, Herrington & Sutcliffe LLP has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to the attention of Orrick, Herrington & Sutcliffe LLP after the date of issuance of the 2018 Bonds may adversely affect the value of, or the tax status of interest on, the 2018 Bonds. Accordingly, the opinion of Orrick, Herrington & Sutcliffe LLP is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Orrick, Herrington & Sutcliffe LLP is of the opinion that interest on the 2018 Bonds is excluded from gross income for federal income tax purposes and exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2018 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Orrick, Herrington & Sutcliffe LLP expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2018 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the expected tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2018 Bonds. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Orrick, Herrington & Sutcliffe LLP is expected to express no opinion.

The opinion of Orrick, Herrington & Sutcliffe LLP is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents the judgment of Orrick, Herrington & Sutcliffe LLP as to the proper treatment of the 2018 Bonds for federal income tax purposes. Such opinion is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Orrick, Herrington & Sutcliffe LLP cannot give and has not given any opinion or assurance about the future activities of DASNY, the City or H+H, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. DASNY, the City and H+H have covenanted; however, to comply with the requirements of the Code.

The engagement of Orrick, Herrington & Sutcliffe LLP with respect to the 2018 Bonds ends with the issuance of the 2018 Bonds, and, unless separately engaged, Orrick, Herrington & Sutcliffe LLP is not obligated to defend DASNY, the City, H+H or the Beneficial Owners regarding the tax–exempt status of the 2018 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than DASNY, the City and H+H, and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax–exempt bonds is difficult, obtaining an independent review of IRS positions with which DASNY, the City or H+H legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2018 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2018 Bonds, and may cause DASNY, the City, H+H or the Beneficial Owners to incur significant expense.

Part 11—STATE NOT LIABLE ON THE 2018 BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the 2018 Bonds shall not be a debt of the State nor shall the State be liable thereon.

Part 12—COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to fulfill the terms of any agreements made with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with DASNY and with the holders of DASNY's notes or bonds.

Part 13—LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the 2018 Bonds by DASNY are subject to approval by Orrick, Herrington & Sutcliffe LLP, New York, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to DASNY, whose approving opinion will be delivered with the 2018 Bonds. The proposed form of Co-Bond Counsel's opinions are set forth in Appendix D hereto.

Certain legal matters will be passed upon for the City by its Corporation Counsel and by Orrick, Herrington & Sutcliffe LLP, New York, New York, the City's Disclosure Counsel and for the Underwriters by their co-counsel, Katten Muchin Rosenmen LLP, New York, New York and Lewis & Munday, A Professional Corporation, New York, New York.

There is not now pending any litigation seeking to restrain or enjoin the issuance or delivery of the 2018 Bonds or questioning or affecting the validity of the 2018 Bonds or the proceedings and authority under which they are to be issued.

Part 14—VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, will deliver to DASNY its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by DASNY and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Defeasance Securities deposited with the Trustee to pay the principal, interest and redemption price coming due on the Refunded Bonds on and prior to their redemption date as described in "Part 4—The Refunding Plan." Samuel Klein and Company, Certified Public Accountants, will express no opinion on the reasonableness of the assumptions provided to it, the likelihood that the principal of and interest on the 2018 Bonds will be paid as described in the schedules provided to it, or the exclusion of the interest on the 2018 Bonds from gross income for federal income tax purposes.

Part 15—FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the City in connection with the issuance of the 2018 Bonds.

Part 16—UNDERWRITING

The Underwriters for the 2018 Bonds, including their Representative, Raymond James & Associates, Inc., have jointly and severally agreed, subject to certain conditions, to purchase the 2018 Bonds from DASNY and to make an initial public offering of the 2018 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The purchase price for the 2018 Bonds shall be $394,887,648.92 (consisting of the principal amount of the 2018 Bonds plus net premium of $56,153,926.05 less underwriters' discount of $1,656,277.13).

The 2018 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the City and/or DASNY, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

Such investment and securities activities may involve securities and instruments of the City and/or DASNY.

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

Part 17—CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the City will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the 2018 Bonds with the Trustee, DASNY and the Division of Budget of the State of New York. The proposed form of the Continuing Disclosure Agreement is attached as Appendix E hereto.

Part 18—RATINGS

The 2018 Bonds are rated "Aa2" and "AA-" by Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P"), respectively. Such ratings reflect only the views of Moody's and S&P from whom an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be withdrawn entirely. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the 2018 Bonds.

Part 19—MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the 2018 Resolution, the Continuing Disclosure Agreement, the Lease and Agreement, the Agreement and the Sublease do not purport to be complete. Refer to the Act, the Resolution, the 2018 Resolution, the Continuing Disclosure Agreement, the Lease and Agreement, the Agreement and the Sublease for full and complete details of their provisions. Copies of the Resolution, the 2018 Resolution, the Continuing Disclosure Agreement, the Lease and Agreement, the Agreement and the Sublease are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the 2018 Bonds are fully set forth in the Resolution and the 2018 Resolution. Neither any advertisement of the 2018 Bonds nor this Official Statement is to be construed as a contract with purchasers of the 2018 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

The information regarding the City was supplied by the City. DASNY believes that information is reliable, but DASNY makes no representations or warranties whatsoever as to the accuracy or completeness of that information.

The information regarding DOH and DOH's participation in the transactions contemplated by the Resolution and the 2018 Resolution, and the information under the headings "Part 2 – Sources of Payment and Security for the 2018 Bonds – Payment of the 2018 Bonds – The State Medicaid Program and State Appropriations and Payments for Medicaid" was reviewed by DOH. DASNY believes that information is reliable, but DASNY makes no representations or warranties whatsoever as to the accuracy or completeness of that information.

The information regarding DTC and DTC's Book-Entry Only System has been furnished by DTC. DASNY believes that information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of that information.

"Appendix B—Form of the Agreement," "Appendix C— The Resolution and Summary of Proposed Amendments" and "Appendix D—Forms of Approving Opinions of Co-Bond Counsel" have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to DASNY.

The City's financial statements for the fiscal years ended June 30, 2017 and 2016 are included in Appendix A hereto. Grant Thornton LLP, the City's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the City's financial statements for the fiscal years ended June 30, 2017 and 2016, which is a matter of public record, is included in Appendix A to this Official Statement. However, Grant Thornton LLP has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

The City has reviewed the parts of this Official Statement describing the City and Appendix A. It is a condition to the sale and delivery of the 2018 Bonds that the City certify as of the dates of sale and delivery of the 2018 Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by DASNY.

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

By: /s/ Gerrard P. Bushell
Authorized Officer

Appendix A

THE CITY OF NEW YORK

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THE CITY OF NEW YORK

This Appendix consists of information which was furnished to DASNY by The City of New York (the "City"). Although DASNY considers the sources to be reliable, DASNY has made no independent verification of the information presented herein and does not warrant its accuracy. The obligation of the City to pay the Rentals, including the Basic Rent, is subject to annual appropriation of moneys by the City for such purpose. The Agreement and the City's obligation to pay the Rentals do not constitute a debt of the City under or within the meaning of the State Constitution or the Local Finance Law of the State. References in this Appendix to Appendix A refer to Appendix A to this Appendix, references in this Appendix to Appendix B refer to Appendix B to this Appendix and references in this Appendix to Appendix C refer to Appendix C to this Appendix.

SECTION I: INTRODUCTORY STATEMENT

The purpose of this Appendix is to provide information on certain factors affecting the City and its general economic background to those considering purchasing the 2018 Bonds.

This Appendix contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City, the inclusion in this Appendix of such forecasts, projections and estimates should not be regarded as a representation by the City or its independent auditors that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. If and when included in this Appendix, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date they were prepared. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based between modifications to the City's financial plan required by law.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Appendix for purposes of Rule 15c2-12 adopted by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934.

The City, with an estimated population of approximately 8.6 million, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking, securities, insurance, technology, information, publishing, fashion, design, retailing, education and health care industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is a leading tourist destination. Manufacturing activity in the City is conducted primarily in apparel and printing.

For each of the 1981 through 2017 fiscal years, the City's General Fund had an operating surplus, before discretionary and other transfers, and achieved balanced operating results as reported in accordance with then applicable generally accepted accounting principles ("GAAP"), after discretionary and other transfers and except for the application of Governmental Accounting Standards Board ("GASB") Statement No. 49 ("GASB 49"), as described below. City fiscal years end on June 30 and are referred to by the calendar year in which they end. The City has been required to close substantial gaps between forecast revenues and forecast expenditures in order to maintain balanced operating results. There can be no assurance that the City will continue to maintain balanced operating results as required by New York State (the "State") law without proposed tax or other revenue increases or reductions in City services or entitlement programs, which could adversely affect the City's economic base.

As required by the New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act") and the New York City Charter (the "City Charter"), the City prepares a four-year annual financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections and outlines proposed gap-closing programs for years with projected budget gaps. The City's current financial plan projects budget balance in the 2018 and 2019 fiscal years in accordance with GAAP except for the application of GASB 49. In 2010, the Financial Emergency Act was amended to waive the budgetary impact of GASB 49 by enabling the City to continue to finance with bond proceeds certain pollution remediation costs. The City's current financial plan projects budget gaps for the 2020 through 2022 fiscal years. A pattern of current year balance and projected future year budget gaps has been consistent through the entire period since 1982, during which the City has achieved an excess of revenues over expenditures, before discretionary transfers, for each fiscal year. For information regarding the current financial plan, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: FINANCIAL PLAN." For information regarding the June 2010 amendment of the Financial Emergency Act with respect to the application of GASB 49 to the City budget, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS." The City is required to submit its financial plans to the New York State Financial Control Board (the "Control Board"). For further information regarding the Control Board, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Review and Oversight.*"

For its normal operations, the City depends on aid from the State both to enable the City to balance its budget and to meet its cash requirements. There can be no assurance that there will not be delays or reductions in State aid to the City from amounts currently projected; that State budgets for future State fiscal years will be adopted by the April 1 statutory deadline, or interim appropriations will be enacted; or that any such reductions or delays will not have adverse effects on the City's cash flow or expenditures. In addition, the City has made various assumptions with respect to federal aid. Future federal actions or inactions could have adverse effects on the City's cash flow or revenues. See "SECTION II: RECENT FINANCIAL DEVELOPMENTS—2018-2022 Financial Plan."

The Mayor is responsible for preparing the City's financial plan which relates to the City and certain entities that receive funds from the City. The financial plan is modified quarterly. The City's projections set forth in the financial plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Such assumptions and contingencies include the condition of the international, national, regional and local economies, the provision of State and federal aid, the impact on City revenues and expenditures of any future federal or State legislation and policies affecting the City and the cost of pension structures and healthcare. See "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

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

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

The factors affecting the City's financial condition described throughout this Appendix are complex and are not intended to be summarized in this Introductory Statement. The economic and financial condition of the City may be affected by various changes in laws, including tax law, financial, social, economic, political, geo-political and environmental factors, cybersecurity threats, terrorist events, hostilities or war, and other factors which could have a material effect on the City. For a discussion of additional factors affecting the City's financial condition, see "INTRODUCTORY STATEMENT" and "SECTION VII: FINANCIAL PLAN—Assumptions." This Appendix should be read in its entirety.

SECTION II: RECENT FINANCIAL DEVELOPMENTS

For the 2017 fiscal year, the City's General Fund had a total surplus of $4.185 billion, before discretionary and other transfers, and achieved balanced operating results in accordance with GAAP, except for the application of GASB 49 as described above, after discretionary and other transfers. The 2017 fiscal year is the thirty-seventh consecutive year that the City has achieved balanced operating results when reported in accordance with GAAP, except for the application of GASB 49.

2018-2022 Financial Plan

On June 7, 2017, the City submitted to the Control Board the financial plan for the 2018 through 2021 fiscal years (the "June 2017 Financial Plan"), which was consistent with the City's capital and expense budgets as adopted for the 2018 fiscal year. Subsequently, the June 2017 Financial Plan was modified during the 2018 fiscal year. On June 14, 2018, the City submitted to the Control Board the financial plan for the 2019 through 2022 fiscal years, which is consistent with the City's capital and expense budgets as adopted for the 2019 fiscal year, and a modification to the June 2017 Financial Plan with respect to the 2018 fiscal year (together, the "Financial Plan").

The Financial Plan projects revenues and expenses for the 2018 and 2019 fiscal years balanced in accordance with GAAP, except for the application of GASB 49, and projects gaps of approximately $3.26 billion, $2.89 billion and $2.29 billion in fiscal years 2020 through 2022, respectively. The June 2017 Financial Plan had projected revenues and expenses for the 2018 fiscal year balanced in accordance with GAAP, except for the application of GASB 49, and had projected gaps of approximately $3.47 billion, $2.81 billion and $2.33 billion in fiscal years 2019 through 2021, respectively.

The Financial Plan reflects, since the June 2017 Financial Plan, increases in projected net revenues of $2.61 billion, $626 million, $100 million and $180 million in fiscal years 2018 through 2021, respectively. Changes in projected revenues include: (i) increases in real property tax revenues of $402 million, $250 million, $390 million and $683 million in fiscal years 2018 through 2021, respectively (inclusive of increases of $53 million in fiscal years 2019 through 2021, respectively, which are included in the Citywide savings program described below); (ii) increases in personal income tax revenues of $1.52 billion, $305 million, $345 million and $224 million in fiscal years 2018 through 2021, respectively; (iii) decreases in business tax revenues of $414 million, $360 million, $397 million and $507 million in fiscal years 2018 through 2021, respectively; (iv) an increase in sales tax revenues of $92 million in fiscal year 2018 and decreases in sales tax revenues of $119 million, $78 million and $101 million in fiscal years 2019 through 2021, respectively; (v) increases in real estate transaction taxes of $178 million and $38 million in fiscal years 2018 and 2019, respectively, and decreases in real estate transaction taxes of $103 million and $73 million in fiscal years 2020 and 2021, respectively; (vi) decreases in State School Tax Relief Program ("STAR Program") revenues of $13 million, $15 million, $16 million and $16 million in fiscal years 2018 through 2021, respectively; (vii) increases in hotel tax revenues of $14 million, $14 million, $6 million and $7 million in fiscal years 2018 through 2021, respectively; and (viii) a decrease in other tax revenues of $10 million in fiscal year 2018 and increases in other tax revenues of $122 million, $117 million and $108 million in fiscal years 2019 through 2021, respectively. Changes in projected revenues also include: (i) increases in tax audit revenues of $449 million and $335 million in fiscal years 2018 and 2019, respectively; and

(ii) net increases in other revenues of $395 million and $56 million in fiscal years 2018 and 2019, respectively, and net decreases in other revenues of $164 million and $145 million in fiscal years 2020 and 2021, respectively (inclusive of additional increases of $24 million, $29 million, $14 million and $13 million in fiscal years 2018 through 2021, respectively, which are included in the Citywide Savings Program described below).

The Financial Plan also reflects, since the June 2017 Financial Plan, a decrease in projected net expenditures of $1.96 billion in fiscal year 2018 and increases in projected net expenditures of $1.73 billion, $553 million and $739 million in fiscal years 2019 through 2021, respectively. Changes in projected expenditures include: (i) increases in agency expenses of $871 million, $1.74 billion, $1.23 billion and $1.33 billion in fiscal years 2018 through 2021, respectively; (ii) an increase of $388 million in fiscal year 2019 as a result of City Council initiatives; (iii) an increase of $106 million in fiscal year 2019 reflecting funding for the Fair Fares program through the City's Human Resources Administration to provide reduced fares to low income subway and bus riders for the period from January through June 2019; (iv) decreases in debt service of $91 million, $37 million and $47 million in fiscal years 2018, 2020 and 2021, respectively, and an increase in debt service of $24 million in fiscal year 2019, in addition to debt service reductions in the Citywide Savings Program described below; (v) decreases in the labor reserve of $40 million in fiscal year 2018 and $75 million in each of fiscal years 2019 through 2021; (vi) increases in pension contributions of $61 million and $156 million in fiscal years 2018 and 2021, respectively, and decreases in pension contributions of $20 million and $39 million in fiscal years 2019 and 2020, respectively, primarily as a result of strong investment earnings in fiscal year 2017 offset by establishment of a reserve for potential costs associated with future audit recommendations; (vii) a decrease of $1 million in fiscal year 2018 and increases of $531 million, $295 million and $296 million in fiscal years 2019 through 2021, respectively, primarily reflecting the impact of the State Enacted Budget (as defined below); (viii) a decrease in the general reserve of $1.18 billion in fiscal year 2018 and an increase in the general reserve of $125 million in fiscal year 2019; (ix) a decrease in the capital stabilization reserve of $250 million in fiscal year 2018; (x) a decrease of $400 million in fiscal year 2018 reflecting a re-estimate of prior years' expenses and receivables; and (xi) an increase of $100 million in contributions to the Retiree Health Benefits Trust in fiscal year 2018. Changes in projected net expenditures also include decreases in net expenditures (which reflect certain increases in revenues described above) of $1.03 billion, $1.09 billion, $817 million and $925 million in fiscal years 2018 through 2021, respectively, as a result of the Citywide Savings Program.

The Financial Plan reflects, since the June 2017 Financial Plan, provision for $4.58 billion for the prepayment in fiscal year 2018 of fiscal year 2019 expenses and an expenditure reduction of $4.58 billion in fiscal year 2019.

The Financial Plan also reflects the financial impact of a recent Consent Decree relating to lead-based paint and other health and safety concerns in New York City Housing Authority ("NYCHA") properties. The Consent Decree, which has been agreed to by the U.S. Attorney for the Southern District of New York, NYCHA and the City but has not yet been entered by the court, includes the appointment of a monitor to oversee NYCHA's progress toward complying with regulations relating to such health and safety concerns. In addition, the Consent Decree includes the City's commitment to provide a total of $1 billion of capital funds in fiscal years 2019 through 2022, and $200 million in capital funds in each subsequent fiscal year until such health and safety concerns have been addressed. Such funds are in addition to funding previously provided in the City's financial plan and Capital Commitment Plan. The Consent Decree also contemplates that $550 million of funding from the State will be available to NYCHA to address such health and safety concerns.

Contracts with unions for the 2010-2017 round of collective bargaining, including with the District Council 37 of AFSME ("DC 37") and the Patrolmen's Benevolent Association ("PBA"), representing approximately 50% of the City's workforce, have expired. Nearly all remaining contracts will have expired by the end of fiscal year 2019. The Financial Plan includes a reserve for collective bargaining containing funding for the settlements from the period beyond the 2010-2017 round of collective bargaining, assuming annual increases of 1% per year. The Financial Plan does not reflect a tentative contract settlement with DC 37 (representing approximately 25% of the City's workforce) announced on June 26, 2018, which covers the period from September 26, 2017 through May

25, 2021. Such settlement provides for a retroactive increase of 2% effective September 26, 2017, followed by increases of 2.25% effective September 26, 2018 and 3% effective October 26, 2019. Such settlement also includes health insurance savings as part of a new Municipal Labor Committee ("MLC") agreement, in addition to those previously agreed upon, which are contractually enforceable through arbitration. The gross costs of such settlement, without reflecting the current reserve for labor settlements of 1% per year or such health insurance savings, are approximately $66 million, $171 million, $333 million, $413 million and $464 million in fiscal years 2018 through 2022, respectively. The net costs of such settlement, after reflecting the labor reserve and health insurance savings, are approximately $33 million, $48 million, $131 million, $95 million and $118 million in fiscal years 2018 through 2022, respectively. The application of the DC 37 pattern to all City employees would result in gross costs, without reflecting the current reserve for labor settlements or the health insurance savings, of approximately $255 million, $781 million, $1.7 billion, $2.7 billion, and $3.4 billion in fiscal years 2018 through 2022, respectively. The application of the DC 37 pattern to all City employees would result in net costs, after reflecting the labor reserve and health insurance savings, of $142 million, $227 million, $704 million, $929 million and $1.3 billion in fiscal years 2018 through 2022, respectively. For further information, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. PERSONAL SERVICE COSTS" and "SECTION V: CITY SERVICES AND EXPENDITURES—Employees and Labor Relations—*Labor Relations*."

The Financial Plan does not reflect potential increases to City tax revenues as a direct result of the recently enacted Federal Tax Cuts and Jobs Act of 2017 ("TCJA") which, among other provisions, lowered corporate and personal income tax rates but limited the deductibility of state and local taxes and mortgage interest. Similarly, the Financial Plan does not reflect the impact of tax reform legislation included in the State Enacted Budget in response to the TCJA which is expected to offset, in whole or in part, potential increases in tax revenues to the City described above. Such legislation includes decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes.

The Financial Plan does not currently include funding for the Fair Fares program beyond fiscal year 2019; however, it is expected that, prior to its expiration, funding sources will be identified for the continuation of the program.

The Financial Plan does not reflect future increases in the charter school per-pupil tuition rate, which if not offset by changes to State education aid to the City that occur each year during the State budget process, are preliminarily estimated to have no cost to the City in fiscal year 2019 and to cost the City $119 million in fiscal year 2020, $281 million in fiscal year 2021 and $478 million in fiscal year 2022. These figures are based on preliminary data. Final figures that would determine the actual costs to the City will not be finalized until the time of the State budget process for the applicable year.

The Financial Plan assumes that the City's direct costs (including costs of New York City Health and Hospitals ("NYCHH") and NYCHA) as a result of Superstorm Sandy ("Sandy") will largely be paid from non-City sources, primarily the federal government. For further information, see "SECTION X: OTHER INFORMATION—Environmental Matters."

The City receives significant funding from the federal government for community development, social services, education and other purposes pursuant to various federal programs. The federal government has made and discussed a number of proposals which would lead to reductions in existing federal spending programs, including Medicaid, the repeal of the Affordable Care Act, reduction of funding for housing, including public housing, and changes to regulations affecting numerous industries in the City, including the financial services industry. The TCJA and other federal actions and proposed legislation could also affect the State budget and economy, which could have an impact on the City. It is not possible at this time to predict the form such proposals will ultimately take and, when taken as a whole, the effect they will have on the City's economy and the Financial Plan.

In January 2017, GASB issued Statement No. 84, Fiduciary Activities, effective for fiscal years beginning after December 15, 2018 (City Fiscal Year 2020). For a description, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Reporting and Control Systems*."

From time to time, the City Comptroller, the Control Board staff, the Office of the State Deputy Comptroller for the City of New York ("OSDC"), the Independent Budget Office ("IBO") and others issue reports and make public statements regarding the City's financial condition, commenting on, among other matters, the City's financial plans, projected revenues and expenditures and actions by the City to eliminate projected operating deficits. It is reasonable to expect that reports and statements will continue to be issued and may contain different perspectives on the City's budget and economy and may engender public comment. For information on reports issued on the April 2018 Financial Plan (the "April Financial Plan") and to be issued on the Financial Plan by the City Comptroller and others reviewing, commenting on and identifying various risks therein, see "SECTION VII: FINANCIAL PLAN—Certain Reports."

The State

The State ended its 2018 fiscal year with a balance of $4.4 billion in its general fund (the "General Fund"), excluding the impact of $5.0 billion in monetary settlements with financial institutions. The State Legislature completed action on the $168.3 billion State budget for its 2019 fiscal year (the "State Enacted Budget") on March 30, 2018. The State Enacted Budget provides for balanced operations on a cash basis in the General Fund, as required by law. The State released the State Enacted Budget financial plan (the "State Financial Plan") in May 2018. The State expects to release its Annual Information Statement, which will reflect the State Financial Plan, in June 2018.

In the State Financial Plan, the State projects a balanced budget, on a cash basis, in fiscal year 2019, and potential gaps in fiscal years 2020, 2021 and 2022 of $4.0 billion, $6.9 billion and $7.0 billion, respectively. The State's projections for fiscal year 2019 and thereafter reflect an assumption that the Governor will continue to propose, and the State Legislature will continue to enact, balanced budgets in future years that limit annual growth in State operating funds to no greater than 2 percent.

The State Enacted Budget and the State Financial Plan identify a number of risks inherent in the implementation of the State Enacted Budget and the State Financial Plan. Such risks include, but are not limited to, the performance of the national and State economies; national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; cybersecurity threats; major terrorist events, hostilities or war; climate change and extreme weather events; federal statutory and regulatory changes concerning financial sector activities; federal tax law and other programmatic purposes; changes concerning financial sector bonus payouts and any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; the outcome of litigation and other claims affecting the State; wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the federal government to provide the aid expected in the State Financial Plan; the ability of the State to implement cost reduction initiatives and the success with which the State controls expenditures; and the ability of the State and public authorities to market securities successfully in the public credit markets.

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

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

— *The Mayor.* Bill de Blasio, the Mayor of the City, took office on January 1, 2014 and was elected to a second term commencing on January 1, 2018. The Mayor is elected in a general election for a four-year term and is the chief executive officer of the City. The Mayor has the power to appoint the commissioners of the City's various departments. The Mayor is responsible for preparing and administering the City's annual Expense and Capital Budgets (as defined below) and financial plan. The Mayor has the power to veto local laws enacted by the City Council, but such a veto may be overridden by a two-thirds vote of the City Council. The Mayor has powers and responsibilities relating to land use and City contracts and all residual powers of the City government not otherwise delegated by law to some other public official or body. The Mayor is also a member of the Control Board.

— *The City Comptroller.* Scott M. Stringer, the Comptroller of the City, took office on January 1, 2014 and was elected to a second term commencing on January 1, 2018. The City Comptroller is elected in a general election for a four-year term and is the chief fiscal officer of the City. The City Comptroller has extensive investigative and audit powers and responsibilities which include keeping the financial books and records of the City. The City Comptroller's audit responsibilities include a program of performance audits of City agencies in connection with the City's management, planning and control of operations. In addition, the City Comptroller is required to evaluate the Mayor's budget, including the assumptions and methodology used in the budget. The Office of the City Comptroller is responsible under the City Charter and pursuant to State law and City investment guidelines for managing and investing City funds for operating and capital purposes. The City Comptroller is also a member of the Control Board and is a trustee, the custodian and the delegated investment advisor of the City's five pension systems.

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

— *The Public Advocate.* Letitia James, the Public Advocate, took office on January 1, 2014 and was elected to a second term commencing on January 1, 2018. The Public Advocate is elected in a general election for a four-year term. The Public Advocate is first in the line of succession to the Mayor in the event of the disability of the Mayor or a vacancy in the office, pending an election to fill the vacancy. The Public Advocate appoints a member of the City Planning Commission and has various responsibilities relating to, among other things, monitoring the activities of City agencies, the investigation and resolution of certain complaints made by members of the public concerning City agencies and ensuring appropriate public access to government information and meetings.

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

On November 2, 2010, the City Charter was amended to provide that no person shall be eligible to be elected to or serve in the office of Mayor, Public Advocate, City Comptroller, Borough President or Council member if that person has previously held such office for two or more consecutive full terms, unless one full term or more has elapsed since that person last held such office. Such term limit applies only to officials first elected to office on or after November 2, 2010.

City Financial Management, Budgeting and Controls

The Mayor is responsible under the City Charter for preparing the City's annual expense and capital budgets (as adopted, the "Expense Budget" and the "Capital Budget," respectively, and collectively, the "Budgets") and for submitting the Budgets to the City Council for its review and adoption. The Expense Budget covers the City's annual operating expenditures for municipal services, while the Capital Budget covers expenditures for capital projects, as defined in the City Charter. Operations under the Expense Budget must reflect the aggregate expenditure limitations contained in financial plans.

The City Council is responsible for adopting the Expense Budget and the Capital Budget. Pursuant to the City Charter, the City Council may increase, decrease, add or omit specific units of appropriation in the Budgets submitted by the Mayor and add, omit or change any terms or conditions related to such appropriations. The City Council is also responsible, pursuant to the City Charter, for approving modifications to the Expense Budget and adopting amendments to the Capital Budget beyond certain latitudes allowed to the Mayor under the City Charter. However, the Mayor has the power to veto any increase or addition to the Budgets or any change in any term or condition of the Budgets approved by the City Council, which veto is subject to an override by a two-thirds vote of the City Council, and the Mayor has the power to implement expenditure reductions subsequent to adoption of the Expense Budget in order to maintain a balanced budget. In addition, the Mayor has the power to determine the non-property tax revenue forecast on which the City Council must rely in setting the property tax rates for adopting a balanced City budget.

Office of Management and Budget

The City's Office of Management and Budget ("OMB"), with a staff of approximately 340, is the Mayor's primary advisory group on fiscal issues and is also responsible for the preparation, monitoring and control of the City's Budgets and four-year financial plans. In addition, OMB is responsible for the preparation of a Ten-Year Capital Strategy.

State law and the City Charter require the City to maintain its Expense Budget balanced when reported in accordance with GAAP. For fiscal years 2009 and 2010, the City was authorized to phase in implementation of GASB 49 for budgetary purposes. In June 2010, the Financial Emergency Act was amended to permanently waive the budgetary impact of GASB 49 by allowing the City to include certain pollution remediation costs in its capital budget and to finance such costs with the issuance of bonds. In addition to the Budgets, the City prepares a four-year financial plan which encompasses the City's revenue, expenditure, cash flow and capital projections. All Covered Organizations (as defined below) are also required to maintain budgets that are balanced when reported in accordance with GAAP. From time to time certain Covered Organizations have had budgets providing for operations on a cash basis but not balanced under GAAP.

To assist in achieving the goals of the financial plan and budget, the City reviews its financial plan periodically and, if necessary, prepares modifications to incorporate actual results and revisions to projections and assumptions to reflect current information. The City's revenue projections are continually reviewed and periodically updated with the benefit of discussions with a panel of private economists analyzing the effects of changes in economic indicators on City revenues and information from various economic forecasting services.

Office of the Comptroller

The City Comptroller is the City's chief fiscal officer and is responsible under the City Charter for reviewing and commenting on the City's Budgets and financial plans, including the assumptions and methodologies used in their preparation. The City Comptroller, as an independently elected public official, is required to report annually to the City Council on the state of the City's economy and finances and periodically to the Mayor and the City Council on the financial condition of the City and to make recommendations, comments and criticisms on the operations, fiscal policies and financial transactions of the City. Such reports, among other things, have differed with certain of the economic, revenue and expenditure assumptions and projections in the City's financial plans and Budgets. See "SECTION VII: FINANCIAL PLAN—Certain Reports."

The Office of the City Comptroller establishes the City's accounting and financial reporting practices and internal control procedures. The City Comptroller is also responsible for the preparation of the City's annual financial statements, which, since 1978, have been required to be reported in accordance with GAAP.

The Comprehensive Annual Financial Report of the Comptroller (the "CAFR") for the 2017 fiscal year, which includes, among other things, the City's financial statements for the 2017 and 2016 fiscal years, was issued on October 30, 2017. The CAFR for the 2017 fiscal year received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the thirty-eighth consecutive year the CAFR has won such award.

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

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

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

Financial Reporting and Control Systems

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

In fiscal year 2014, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"). The adoption of GASB 68 resulted in the restatement of the City's fiscal year 2013 government-wide financial statements. The City implemented GASB 68 concurrently with the implementation by the five major actuarial pension systems of GASB Statement No. 67 ("GASB 67"), Financial Reporting for Pension Plans. For further information about the implementation of GASB 67 and GASB 68 and the resulting impact on the City's financial statements, see "SECTION IX: PENSION SYSTEMS AND OPEB."

In January 2017, GASB issued Statement No. 84, Fiduciary Activities ("GASB 84"), effective for fiscal years beginning after December 15, 2018 (City Fiscal Year 2020), with early implementation encouraged. Implementation of GASB 84 could affect the City's financial statements by requiring that certain activities currently accounted for as fiduciary activities be reported as governmental activities going forward. This might result in certain resources being reported as operating revenue in periods prior to the related expenditures being incurred, negatively affecting the City's ability to meet its obligation to balance each year's operating budget in accordance with GAAP unless there is a change in applicable law. The City has not completed the process of evaluating the impact of GASB 84 on its financial statements.

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

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

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

City funds held for operating and capital purposes are managed by the Office of the City Comptroller, with specific guidelines as to investment vehicles. The City invests primarily in obligations of the United States Government, its agencies and instrumentalities, high grade commercial paper and repurchase agreements with primary dealers. The repurchase agreements are collateralized by United States Government treasuries, agencies and instrumentalities, held by the City's custodian bank and marked to market daily.

More than 97% of the aggregate assets of the City's five defined benefit pension systems are managed by outside managers, supervised by the Office of the City Comptroller, and the remainder is held in cash or managed by the City Comptroller. Allocations of investment assets are determined by each fund's board of trustees. As of April 30, 2018, aggregate pension assets were allocated approximately as follows: 30% U.S. equity; 27% fixed income; 21% international equity; 9% alternative credit; 6% private equity; 5% private real estate; 1% hedge funds; 1% real estate investment trusts; 1% infrastructure investments; and less than 1% cash (percentages do not add to 100% due to rounding).

Financial Emergency Act and City Charter

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

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

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

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

While the State Legislature amended the Act to extend the termination date of the Control Board, the power to impose or continue a Control Period terminated July 1, 2008. The power to impose or continue a Control Period is covered by a section of the Act that provides that no Control Period shall continue beyond the earlier of July 1, 2008 or the date on which all bonds containing the State Covenant are discharged. The State Legislature did not amend this provision. Therefore, under current law, although the Act continues in effect beyond July 1, 2008, no Control Period may be imposed after July 1, 2008.

Financial Review and Oversight

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

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

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

SECTION IV: SOURCES OF CITY REVENUES

The City derives its revenues from a variety of local taxes, user charges and miscellaneous revenues, as well as from federal and State unrestricted and categorical grants. State aid as a percentage of the City's revenues has remained relatively constant over the period from 1980 to 2017, while federal aid has been sharply reduced. The City projects that local revenues will provide approximately 73.4% of total revenues in the 2018 fiscal year, while federal aid, including categorical grants, will provide 10.0%, and State aid, including unrestricted aid and categorical grants, will provide 16.6%. Adjusting the data for comparability, local revenues provided approximately 60% of total revenues in 1980, while federal and State aid each provided approximately 20%. A discussion of the City's principal revenue sources follows. For additional information regarding assumptions on which the City's revenue projections are based, see "SECTION VII: FINANCIAL PLAN—Assumptions." For information regarding the City's tax base, see "APPENDIX A—ECONOMIC AND DEMOGRAPHIC INFORMATION."

Real Estate Tax

The real estate tax, the single largest source of the City's revenues, is the primary source of funds for the City's General Debt Service Fund. The City expects to derive approximately 44.4% of its total tax revenues and 29.3% of its total revenues for the 2018 fiscal year from the real estate tax. For information concerning tax revenues and total revenues of the City for prior fiscal years, see "SECTION VI: FINANCIAL OPERATIONS—2013-2017 Summary of Operations."

The State Constitution authorizes the City to levy a real estate tax without limit as to rate or amount (the "debt service levy") to cover scheduled payments of the principal of and interest on indebtedness of the City. However, the State Constitution limits the amount of revenue which the City can raise from the real estate tax for operating purposes (the "operating limit") to 2.5% of the average full value of taxable real estate in the City for the current and the last four fiscal years, which amount may be further limited by the State Constitution or laws. On June 24, 2011 the Governor signed into law the State's tax levy limitation law which restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a municipality in a particular year. Such law does not apply to the City. Although legislation applying such law to the City has been proposed in each year since it was enacted, it has never passed. Were it to be enacted into law, it would have a material adverse impact on projected City revenues. The table below sets forth the percentage the debt service levy represents of the total levy. The City Council has adopted a distinct tax rate for each of the four categories of real property established by State legislation.

On April 24, 2017, a lawsuit was filed challenging the City's real property tax system and valuation methodology. See "SECTION X: OTHER INFORMATION—Litigation—*Taxes*."

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

Fiscal Year	Total Levy(1)	Levy Within Operating Limit	Debt Service Levy(2)	Debt Service Levy as a Percentage of Total Levy	Operating Limit	Levy Within Operating Limit as a Percentage of Operating Limit	Rate Per $100 of Full Valuation(3)	Average Tax Rate Per $100 of Assessed Valuation
				(Dollars in Millions, except for Tax Rates)				
2014	$21,285.5	$18,779.8	$1,435.8	6.7%	$19,601.7	95.8%	$2.36	$12.28
2015	22,591.5	17,923.1	3,623.5	16.0	20,164.1	88.9	2.43	12.28
2016	24,145.0	20,761.2	2,310.6	9.6	21,130.6	98.3	2.45	12.28
2017	25,794.1	22,303.5	2,353.6	9.1	22,377.8	99.7	2.45	12.28
2018	27,726.2	24,005.2	2,599.9	9.4	24,448.7	98.2	2.38	12.28
2019	29,574.7	26,274.6	2,095.6	7.1	26,437.7	99.4	2.36	12.28

(1) As approved by the City Council.

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

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

Assessment

The City has traditionally assessed real property at less than market value. The State Office of Real Property Tax Services (the "State Office") is required by law to determine annually the relationship between taxable assessed value and market value which is expressed as the "special equalization ratio." The special equalization ratio is used to compute full value for the purpose of measuring the City's compliance with the operating limit and general debt limit. For a discussion of the City's debt limit, see "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*" The ratios are calculated by using the most recent market value surveys available and a projection of market value based on recent survey trends, in accordance with methodologies established by the State Office from time to time. Ratios, and therefore full values, may be revised when new surveys are completed. The ratios and full values shown in the table below, which were used to compute the 2019 fiscal year operating limit and general debt limit, have been established by the State Office and include the results of the fiscal year 2017 market value survey.

Billable Assessed and Full Value of Taxable Real Estate(1)

Fiscal Year	Billable Assessed Valuation of Taxable Real Estate(2)	÷	Special Equalization Ratio	=	Full Valuation(2)
2015	$184,059,201,523		0.2065		$ 891,327,852,412
2016	196,710,908,548		0.2005		981,101,788,269
2017	210,130,499,481		0.1982		1,060,194,245,616
2018	225,863,036,909		0.2008		1,124,815,920,862
2019	240,777,862,121		0.1919		1,254,704,857,327
				Average:	$1,062,428,932,897

(1) Also assessed by the City, but excluded from the computation of taxable real estate, are various categories of property exempt from taxation under State law. For the 2018 fiscal year, the billable assessed value of all real estate (taxable and exempt) was $382.4 billion, comprised of $174.3 billion of fully exempt real estate, $73.9 billion of partially taxable real estate and $134.2 billion of fully taxable real estate.

(2) Figures are based on estimates of the special equalization ratio which are revised annually. These figures are derived from official City Council Tax Resolutions adopted with respect to the 2019 fiscal year. These figures differ from the assessed and full valuation of taxable real estate reported in the CAFR, which excludes veterans' property subject to tax for school purposes and is based on estimates of the special equalization ratio which are not revised annually.

State law provides for the classification of all real property in the City into one of four statutory classes. Class one primarily includes one-, two- and three-family homes; class two includes certain other residential property not included in class one; class three includes most utility real property; and class four includes all other real property. The total tax levy consists of four tax levies, one for each class. Once the tax levy is set for each class, the tax rate for each class is then fixed annually by the City Council by dividing the levy for such class by the billable assessed value for such class.

Assessment procedures differ for each class of property. For fiscal year 2018, class one was assessed at approximately 6% of market value and classes two, three and four were each assessed at 45.0% of market value. In addition, individual assessments on class one parcels cannot increase by more than 6% per year or 20% over a five-year period. Market value increases and decreases for most of class two and all of class four are phased in over a period of five years. Increases in class one market value in excess of applicable limitations are not phased in over subsequent years. There is also no phase in for class three property.

Class two and class four real property have three assessed values: actual, transitional and billable. Actual assessed value is established for all tax classes without regard to the five-year phase-in requirement applicable to most class two and all class four properties. The transitional assessed value reflects this phase-in. Billable assessed value is the basis for tax liability and is the lower of the actual or transitional assessment.

The share of the total levy that can be borne by each class is regulated by the provisions of the State Real Property Tax Law. Each class share of the total tax levy is updated annually to reflect new construction, demolition, alterations or changes in taxable status and is subject to limited adjustment to reflect market value changes among the four classes. Class share adjustments are limited to a 5% maximum increase per year. Maximum class increases below 5% must be, and typically are, approved by the State legislature. Fiscal year 2018 tax rates were set on June 6, 2017 and reflect a 5% limitation on the market value adjustment for 2017. The average tax rate for fiscal year 2017 was maintained at $12.28 per $100 of assessed value. For fiscal year 2018, at the request of the City, the State approved an adjustment of the maximum rate of increase to 0%. The tax rates were amended and a revised property tax bill with the new tax rates for fiscal year 2018 was sent to taxpayers in November 2017.

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

Trend in Taxable Assessed Value

State law provides for increases in assessed values of most properties to be phased into property tax bills over five-year periods. The billable assessed valuation, as determined by the City Department of Finance and as reported in the CAFR, rose to $171.7 billion, $182.5 billion, $195.2 billion, $208.6 billion and $224.5 billion for fiscal years 2014 through 2018, respectively. The Department of Finance released the final roll for fiscal year 2019 on May 25, 2018, reflecting a billable assessed value of $239.7 billion. With moderate growth forecast in the class two and class four market values combined with a deflated level of existing pipeline of deferred assessment increases yet to be phased in, the billable assessed valuations are forecast to grow by 5.7%, 4.7% and 3.6% in fiscal years 2020 through 2022, respectively.

Collection of the Real Estate Tax

Real estate tax payments are due each July 1 and January 1. Owners of all properties assessed at $250,000 or less are eligible to make tax payments in quarterly installments on July 1, October 1, January 1 and April 1. An annual interest rate of 9% compounded daily is imposed upon late payments on properties with an assessed value of $250,000 or less except in the case of (i) any parcel with respect to which the real estate taxes are held in escrow and paid by a mortgage escrow agent and (ii) parcels consisting of vacant or unimproved land. An interest rate of 18% compounded daily is imposed upon late payments on all other properties. These interest rates are set annually.

The City primarily uses two methods to enforce the collection of real estate taxes. The City has been authorized to sell real estate tax liens on class one properties which are delinquent for at least three years and class two, three and four properties which are delinquent for at least one year. The authorization to sell real estate tax liens was extended through December 31, 2020. In addition, the City is entitled to foreclose delinquent tax liens by *in rem* proceedings after one year of delinquency with respect to properties other than one- and two-family dwellings and condominium apartments for which the annual tax bills do not exceed $2,750, as to which a three-year delinquency rule is in effect.

The real estate tax is accounted for on a modified accrual basis in the General Fund. Revenue accrued is limited to prior year payments received, offset by refunds made, within the first two months of the following fiscal year. In deriving the real estate tax revenue forecast, a reserve is provided for cancellations or abatements of taxes and for nonpayment of current year taxes owed and outstanding as of the end of the fiscal year.

The following table sets forth the amount of delinquent real estate taxes (owed and outstanding as of the end of the fiscal year of levy) for each of the fiscal years indicated. Delinquent real estate taxes do not include real estate taxes subject to cancellation or abatement under various exemption or abatement programs. Delinquent real estate taxes generally increase during a recession and when the real estate market deteriorates. Delinquent real estate taxes generally decrease as the City's economy and real estate market recover.

From time to time, the City sells tax liens to separate statutory trusts. In fiscal years 2013 through 2017, the City's tax lien program resulted in net proceeds of approximately $86.7 million, $81.2 million, $96.0 million, $80 million and $95.5 million, respectively. The Financial Plan reflects receipt of $95 million in fiscal year 2018 from the tax lien program.

REAL ESTATE TAX COLLECTIONS AND DELINQUENCIES

Fiscal Year	Tax Levy(1)	Tax Collections on Current Year Levy	Tax Collections as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of End of Fiscal Year	Delinquency as a Percentage of Tax Levy	Lien Sale Program
				(Dollars In Millions)					
2013	$20,133.2	$18,710.4	92.9%	$305.9	$(352.5)	$(1,119.0)	$(303.7)	1.51%	$86.7
2014	21,285.5	19,909.2	93.5	280.5	(293.5)	(1,070.6)	(305.5)	1.44	81.2
2015	22,591.5	21,107.2	93.4	318.5	(204.5)	(1,129.7)	(354.6)	1.57	96.0
2016	24,145.0	22,835.8	94.6	281.0	(222.9)	(975.4)	(333.8)	1.38	80.0
2017	25,794.1	24,283.6	94.1	317.1	(220.7)	(1,185.9)	(324.6)	1.26	95.5
2018(2)	27,726.2	26,182.1	94.4	320.0	(383.0)	(1,189.5)	(354.6)	1.28	95.0
2019(2)	29,574.7	27,799.2	94.0	310.0	(400.0)	(1,313.6)	(461.9)	(1.56)	80.0

(1) As approved by the City Council.

(2) Forecast.

Other Taxes

The City expects to derive 55.6% of its total tax revenues for the 2018 fiscal year from a variety of taxes other than the real estate tax, such as: (i) the 4.5% sales and compensating use tax, which commenced August 1, 2009, in addition to the 4% sales and use tax imposed by the State upon receipts from retail sales of tangible personal property and certain services in the City; (ii) the personal income tax on City residents; (iii) a general corporation tax levied on the income of corporations doing business in the City; and (iv) a banking corporation tax imposed on the income of banking corporations doing business in the City.

For local taxes other than the real estate tax, the City may adopt and amend local laws for the levy of local taxes to the extent authorized by the State. This authority can be withdrawn, amended or expanded by State legislation.

Revenues from taxes other than the real estate tax in the 2017 fiscal year decreased by $457 million from the 2016 fiscal year. The following table sets forth, by category, revenues from taxes, other than the real estate tax, for each of the City's 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017
			(In Millions)		
Personal Income(1)	$ 9,778	$10,152	$11,264	$11,340	$11,230
General Corporation	2,692	2,766	2,873	3,354	3,527
Banking Corporation	1,357	1,227	1,214	268	(82)
Unincorporated Business Income	1,808	1,882	1,962	2,040	2,005
Sales(2)	6,132	6,494	6,742	6,911	7,017
Commercial Rent	664	710	735	779	816
Real Property Transfer	1,086	1,527	1,765	1,775	1,415
Mortgage Recording	742	961	1,155	1,234	1,118
Utility	385	405	384	354	371
Cigarette	61	54	50	45	37
Hotel	505	536	556	565	579
All Other(3)	533	548	591	614	654
Audits	1,009	911	1,132	1,161	1,296
Total	$26,752	$28,173	$30,423	$30,440	$29,983

Note: Totals may not add due to rounding.

(1) Personal Income includes the personal income tax revenues of $1.006 billion, $1.641 billion, $556 million, $180 million and $297 million in fiscal years 2013 through 2017, respectively, retained by the TFA for funding requirements associated with TFA Future Tax Secured Bonds. Personal income taxes flow directly from the State to the TFA, and from the TFA to the City only to the extent not required by the TFA for debt service, operating expenses and contractual and other obligations incurred pursuant to the TFA indenture. In fiscal years 2013 through 2017, Personal Income includes $610 million, $613 million, $635 million, $607 million and $166 million, respectively, which was provided to the City by the State as a reimbursement for the reduced personal income tax revenues resulting from the STAR Program.

(2) A portion of sales tax revenues payable to the City would be paid to the TFA if personal income tax revenues did not satisfy specified debt service ratios.

(3) All Other includes, among others, beer and liquor taxes and the automobile use tax, but excludes the STAR Program aid of $829 million, $838 million, $835 million, $814 million and $340 million in fiscal years 2013 through 2017, respectively.

Miscellaneous Revenues

Miscellaneous revenues include revenue sources such as charges collected by the City for the issuance of licenses, permits and franchises, interest earned by the City on the investment of City cash balances, tuition and fees at the Community Colleges, reimbursement to the City from the proceeds of water and sewer rates charged by the New York City Water Board (the "Water Board") for costs of delivery of water and sewer services and paid to the City by the Water Board for its lease interest in the water and sewer system, rents collected from tenants in City-owned property and from The Port Authority of New York and New Jersey (the "Port Authority") with respect to airports and the collection of fines. The following table sets forth amounts of miscellaneous revenues for each of the City's 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017
			(In Millions)		
Licenses, Permits and Franchises	$ 593	$ 648	$ 703	$ 728	$ 770
Interest Income	16	16	30	79	73
Charges for Services	872	951	974	1,001	1,033
Water and Sewer Payments	1,361	1,491	1,439	1,297	1,385
Rental Income	297	311	284	279	253
Fines and Forfeitures	815	892	959	995	985
Other	703	1,313	1,828	725	565
Total	$4,657	$5,622	$6,217	$5,104	$5,064

Note: Totals may not add due to rounding.

Rental income in fiscal years 2013 through 2017 includes approximately $128.5 million, $128.5 million, $128.5 million, $128.5 million and $144.5 million, respectively, in Port Authority lease payments for the City airports.

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

Other miscellaneous revenues for fiscal years 2013 through 2017 include $117.1 million, $132.5 million, $113.4 million, $229 million and $100.3 million, respectively, of tobacco settlement revenues ("TSRs") from the settlement of litigation with certain cigarette manufacturers that were not retained by TSASC. Other miscellaneous revenues for fiscal years 2013 through 2017 do not include TSRs retained by TSASC for debt service and operating expenses totaling $70 million, $79 million, $68 million, $137 million and $60 million, respectively. Pursuant to the TSASC indenture, less than 40% of the TSRs are pledged to the TSASC bondholders and the remainder flow to the City. For further information see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—4. MISCELLANEOUS REVENUES" and "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

Other miscellaneous revenues for fiscal year 2014 include $338 million from the sale of taxi medallions, a payment of $50 million from Verizon to settle cost overruns caused by delays on the Emergency Communications Transformation Program, $214 million from the sale of two City office buildings and $103 million from the reconciliation of prior years health insurance premiums. Other miscellaneous revenues for fiscal year 2015 include $174 million from the sale of a former City Department of Sanitation site and $82 million from a deferred prosecution agreement under the Manhattan District Attorney's Office and the US Department of Justice related to sanctions violations against Commerzbank. Other miscellaneous revenues for fiscal year 2016 include $74 million from a deferred prosecution agreement under the Manhattan District Attorney's Office and the US Department of Justice related to sanctions violations against Credit Agricole and Investment Bank. Other miscellaneous revenues for fiscal year 2017 include $78 million from the Department of Education and $30 million from the sale of the Brooklyn Heights library development rights.

Unrestricted Intergovernmental Aid

Unrestricted federal and State aid are not subject to any substantial restriction as to their use and are used by the City as general support for its Expense Budget. For a further discussion of federal and State aid, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—5. FEDERAL AND STATE CATEGORICAL GRANTS."

The following table sets forth amounts of unrestricted federal and State aid received by the City in each of its 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017
			(In Millions)		
Unrestricted Intergovernmental Aid	—	$1	$1	$6	$59

Federal and State Categorical Grants

The City makes certain expenditures for services required by federal and State mandates which are then wholly or partially reimbursed through federal and State categorical grants. State categorical grants are received by the City primarily in connection with City welfare, education, higher education, health and mental health expenditures. The City also receives substantial federal categorical grants in connection with the federal Community Development Block Grant Program ("Community Development"). The federal government also provides the City with substantial public assistance, social service and education grants as well as reimbursement for all or a portion of certain costs incurred by the City in maintaining programs in a number of areas, including housing, criminal justice and health. All City claims for federal and State grants are subject to subsequent audit by federal and State authorities. Certain claims submitted to the State Medicaid program by the City are the subject of investigation by the Office of the Inspector General of the United States Department of Health and Human Services ("OIG"). For a discussion of claims for which a final audit report has been issued by OIG, see "SECTION X: OTHER INFORMATION—Litigation—*Miscellaneous*." The City provides a reserve for disallowances resulting from these audits which could be asserted in subsequent years. Federal grants are also subject to audit under the Single Audit Act Amendments of 1996. For a further discussion of federal and State categorical grants, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—5. FEDERAL AND STATE CATEGORICAL GRANTS." For information regarding certain recent developments, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

On January 25, 2017, President Trump signed an executive order, among other things, directing the United States Attorney General and the Secretary of Homeland Security to ensure that state and local jurisdictions that willfully refuse to comply with federal law concerning the provision of information on individuals' immigration status will not be eligible to receive federal grants except as deemed necessary for law enforcement purposes. On April 25, 2017, the United States District Court for the Northern District of California issued a nationwide preliminary injunction enjoining enforcement of this provision of the executive order, finding it unconstitutional. On November 20, 2017, that court issued a nationwide permanent injunction on the same grounds. The court's injunction is consistent with the City's position that controlling legal authority limits the executive branch's authority to condition federal funding. The federal government is appealing the ruling to the Court of Appeals for the Ninth Circuit. The City expects that the Court of Appeals will affirm the injunction; however, if it does not, the City would challenge any attempt to reduce the City's funding.

The United States Attorney General has also sought to condition grants under the Department of Justice's Edward Byrne Justice Assistance Grant program on compliance with the same federal law concerning the provision of information on individuals' immigration status. The City demonstrated its compliance with that federal law and that it cooperates with immigration officials to the extent required under federal law in a letter to the Justice Department on June 28, 2017. The Justice Department has indicated that it does not agree that the City complies with the federal law, but has not issued a final determination and on January 24, 2018 requested additional documentation from the City. The City will vigorously defend its policies, its compliance with federal law, and its right to the approximately $4 million it annually receives through the Edward Byrne Justice Assistance Grant program.

The following table sets forth amounts of federal and State categorical grants received by the City for each of the City's 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017
			(In Millions)		
Federal(1)					
Community Development(2)	$ 566	$ 337	$ 537	$ 780	$ 1,108
Social Services	3,315	3,206	3,076	3,225	3,454
Education	1,873	1,672	1,677	1,698	1,709
Other(3)	2,866	1,747	1,692	1,691	1,656
Total	$ 8,620	$ 6,962	$ 6,982	$ 7,394	$ 7,927
State					
Social Services	$ 1,509	$ 1,415	$ 1,410	$ 1,490	$ 1,709
Education	7,933	7,907	9,131	9,612	10,250
Higher Education	200	221	227	239	248
Health and Mental Health	495	454	364	535	573
Other	890	919	965	1,126	1,210
Total	$11,027	$10,916	$12,097	$13,002	$13,990

(1) Federal funding includes amounts received under the American Recovery and Reinvestment Act of $377.6 million, $296 million, $230 million, $203 million and $874.8 million in fiscal years 2013 through 2017, respectively.

(2) Amounts represent actual funds received and may be lower or higher than the appropriation of funds actually provided by the federal government for the particular fiscal year due either to underspending or the spending of funds carried forward from prior fiscal years. Community Development includes $367.2 million, $145.5 million, $338.7 million and $669.4 million in fiscal years 2013 through 2016, respectively, in disaster recovery funding for storm damage remediation as a result of Superstorm Sandy.

(3) Other includes $1.228 billion, $154.4 million, $48.0 million, $74.5 million and $51.7 million in fiscal years 2013 through 2017, respectively, of FEMA funding for expenditures for storm damage remediation as a result of Superstorm Sandy.

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

Three types of governmental agencies provide public services within the City's borders and receive financial support from the City. One category is the mayoral agencies established by the City Charter which include, among others, the Police, Fire and Sanitation Departments. Another is the independent agencies which are funded in whole or in part through the City Budget by the City but which have greater independence in the use of appropriated funds than the mayoral agencies. Included in this category are certain Covered Organizations such as NYCHH and the Transit Authority. A third category consists of certain public benefit corporations ("PBCs") which were created to finance the construction of housing, hospitals, dormitories and other facilities and to provide other governmental services in the City. The legislation establishing this type of agency contemplates that annual payments from the City, appropriated through its Expense Budget, may or will constitute a substantial part of the revenues of the agency. Included in this category is, among others, the City University Construction Fund ("CUCF"). For information regarding expenditures for City services, see "SECTION VI: FINANCIAL OPERATIONS—2013-2017 Summary of Operations."

Federal and State laws require the City to provide certain social services for needy individuals and families who qualify for such assistance. The City receives federal Temporary Assistance for Needy Families ("TANF") block grant funds through the State for the Family Assistance Program. The Family Assistance Program provides benefits for households with minor children subject, in most cases, to a five-year time limit. The Safety Net Assistance Program provides benefits for adults without minor children, families who have reached the Family Assistance Program time limit, and others, including certain immigrants, who are ineligible for the Family Assistance Program but are eligible for public assistance. Historically, the cost of the Safety Net Assistance Program was borne equally by the City and the State. In the 2011-2012 State Budget the State implemented new funding formulas, increasing the City share of the Safety Net Assistance Program to 71% and eliminating the City Share of 25% for the Family Assistance Program by fully funding it with TANF block grant funds.

The City also provides funding for many other social services, such as day care, foster care, family planning, services for the elderly and special employment services for welfare recipients, some of which are mandated, and may be wholly or partially subsidized, by either the federal or State government. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—5. FEDERAL AND STATE CATEGORICAL GRANTS."

In July 2002, the Board of Education was replaced by the City's Department of Education (the "DOE") which is overseen by a Chancellor, appointed by the Mayor, and the 13-member Panel for Educational Policy where the Mayor appoints eight members including the Chancellor, and the Borough Presidents each appoint one member. The number of pupils in the school system is estimated to be approximately 1.1 million in each of the 2018 through 2022 fiscal years. Actual enrollment in fiscal years 2013 through 2017 has been 1,051,653, 1,062,275, 1,073,445, 1,081,324 and 1,086,672, respectively. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. OTHER THAN PERSONAL SERVICES COSTS—*Department of Education.*" The City's system of higher education, consisting of its Senior Colleges and Community Colleges, is operated under the supervision of the City University of New York ("CUNY"). The City is projected to provide approximately 41% of the costs of the Community Colleges in the 2018 fiscal year. The State has full responsibility for the costs of operating the Senior Colleges, although the City is required initially to fund these costs which are then reimbursed by the State.

The City administers health services programs for the care of the physically and mentally ill and the aged. NYCHH maintains and operates the City's 11 municipal acute care hospitals, five long-term care facilities, six free standing diagnostic and treatment centers, a certified home health-care program, many hospital-based and neighborhood clinics and a health maintenance organization. NYCHH is funded primarily by third party reimbursement collections from Medicare and Medicaid and by payments from bad debt/charity care pools, with significant contributions from the City. See "SECTION VII: FINANCIAL PLAN—Assumptions—*New York City Health and Hospitals*."

Medicaid provides basic medical assistance to needy persons. The City is required by State law to furnish medical assistance through Medicaid to all City residents meeting eligibility requirements established by the State. Prior to State legislation in fiscal year 2006 capping City Medicaid payments, the State had assumed 81.2% of the non-federal share of long-term care costs, all of the costs of providing medical assistance to the mentally disabled, and 50% of the non-federal share of Medicaid costs for all other clients. As a result of State legislation in fiscal years 2006 and 2012 capping City Medicaid payments, the State percentage of the non-federal share may vary. The federal government pays 50% of Medicaid costs for federally eligible recipients and a higher share for federally eligible childless adults.

The City's Expense Budget increased during the five-year period ended June 30, 2017, due to, among other factors, the increasing costs of pensions and Medicaid, the costs of labor settlements and the impact of inflation on various other than personal services costs.

Employees and Labor Relations

Employees

The following table presents the number of full-time and full-time equivalent employees of the City, including the mayoral agencies, the DOE and CUNY, at the end of each of the City's 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017
Education	132,469	134,426	137,078	141,311	144,740
Police	50,549	50,565	50,851	51,929	52,976
Social Services, Homeless and Children's Services	21,738	21,341	21,639	21,805	22,047
City University Community Colleges and Hunter Campus Schools	8,399	8,633	8,749	8,979	9,184
Environmental Protection and Sanitation	14,824	14,890	15,258	15,710	16,000
Fire	15,512	15,565	16,301	16,845	17,463
All Other	52,403	51,929	53,527	56,513	59,997
Total	295,894	297,349	303,403	313,092	322,407

The following table presents the number of full-time employees of certain Covered Organizations, as reported by such Organizations, at the end of each of the City's 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017
Transit Authority	45,300	46,271	46,862	47,354	48,495
Housing Authority	11,398	11,311	11,251	10,796	10,737
NYCHH	35,455	35,554	36,691	37,650	36,213
Total(1)	92,153	93,136	94,804	95,800	95,445

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

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

Labor Relations

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

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

For information regarding the City's assumptions with respect to the current status of the City's agreements with its labor unions, the cost of future labor settlements and related effects on the Financial Plan, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—1. PERSONAL SERVICES COSTS."

Pensions

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

Capital Expenditures

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

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

On April 26, 2017, the City published the Ten-Year Capital Strategy for fiscal years 2018 through 2027. The Ten-Year Capital Strategy totals $95.8 billion, of which approximately 93% would be financed with City funds. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*"

The Ten-Year Capital Strategy includes, among other items: (i) $20.9 billion to construct new schools and improve existing educational facilities; (ii) $18.1 billion for improvements to the water and sewer system; (iii) $10.9 billion for expanding and upgrading the City's housing stock; (iv) $5.9 billion for reconstruction or resurfacing of City streets; (v) $655.0 million for continued City-funded investment in mass transit; (vi) $8.2 billion for the continued reconstruction and rehabilitation of all four East River bridges and 108 other bridge structures; (vii) $2.0 billion to expand current jail capacity; and (viii) $1.8 billion for construction and improvement of court facilities.

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

The City's capital expenditures, including expenditures funded by State and federal grants, totaled $41.0 billion during the 2013 through 2017 fiscal years. City-funded expenditures, which totaled $34.4 billion during the 2013 through 2017 fiscal years, have been financed through the issuance of bonds by the City, the TFA and the Water Authority. The following table summarizes the major categories of capital expenditures in the City's 2013 through 2017 fiscal years.

	2013	2014	2015	2016	2017	Total
			(In Millions)			
Education	$1,803	$2,107	$2,631	$2,475	$2,706	$11,723
Environmental Protection	1,844	1,578	1,373	1,378	1,454	7,627
Transportation	1,031	902	758	1,032	1,139	4,862
Transit Authority(1)	123	36	115	231	91	596
Housing	414	428	561	753	950	3,106
Hospitals	286	197	136	104	130	853
Sanitation	353	264	246	324	324	1,510
All Other(2)	2,531	2,391	2,016	1,784	2,032	10,753
Total Expenditures(3)	$8,385	$7,903	$7,836	$8,080	$8,826	$41,030
City-funded Expenditures(4)	$6,888	$7,468	$5,949	$6,676	$7,444	$34,425

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

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

(3) Total Expenditures for the 2013 through 2017 fiscal years include City, State and federal funding and represent amounts which include an accrual for work-in-progress. These figures are derived from the CAFR.

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

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

SECTION VI: FINANCIAL OPERATIONS

The City's Basic Financial Statements and the independent auditors' opinion thereon are presented in "APPENDIX B—FINANCIAL STATEMENTS." Further details are set forth in the CAFR for the fiscal year ended June 30, 2017, which is available for inspection at the Office of the Comptroller and at www.comptroller.nyc.gov. For a summary of the City's significant accounting policies, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A." For a summary of the City's operating results for the previous five fiscal years, see "2013-2017 Summary of Operations" below.

Except as otherwise indicated, all of the financial data relating to the City's operations contained herein, although derived from the City's books and records, are unaudited. In addition, neither the City's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the Financial Plan or other estimates or projections contained elsewhere herein, nor have they expressed any opinion or any other form of assurance on such prospective financial information or its achievability, and assume no responsibility for, and disclaim any association with, all such prospective financial information.

The Financial Plan is prepared in accordance with standards set forth in the Financial Emergency Act and the City Charter. The Financial Plan contains projections and estimates that are based on expectations and assumptions which existed at the time such projections and estimates were prepared. The estimates and projections contained in this Section and elsewhere herein are based on, among other factors, evaluations of historical revenue and expenditure data, analyses of economic trends and current and anticipated federal and State legislation affecting the City's finances. The City's financial projections are based upon numerous assumptions and are subject to certain contingencies and periodic revisions which may involve substantial change. This prospective information is not fact and should not be relied upon as being necessarily indicative of future results. The City makes no representation or warranty that these estimates and projections will be realized. The estimates and projections contained in this Section and elsewhere herein were not prepared with a view towards compliance with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information.

2013-2017 Summary of Operations

The following table sets forth the City's results of operations for its 2013 through 2017 fiscal years in accordance with GAAP.

The information regarding the 2013 through 2017 fiscal years has been derived from the City's audited financial statements and should be read in conjunction with the notes accompanying this table and the City's 2016 and 2017 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS." The 2013 through 2015 financial statements are not separately presented herein. For further information regarding the City's revenues and expenditures, see "SECTION IV: SOURCES OF CITY REVENUES" and "SECTION V: CITY SERVICES AND EXPENDITURES."

	Fiscal Year(1)				
	Actual				
	2013	2014	2015	2016	2017
	(In Millions)				
Revenues and Transfers					
Real Estate Tax(2)	$18,970	$20,202	$21,518	$23,181	$24,679
Other Taxes(3)(4)	26,752	28,173	30,423	30,440	29,983
Miscellaneous Revenues(3)	4,657	5,622	6,216	5,104	5,064
Other Categorical Grants	1,062	1,023	908	861	1,208
Unrestricted Federal and State Aid	—	1	1	6	59
Federal Categorical Grants	8,620	6,962	6,982	7,394	7,927
State Categorical Grants	11,027	10,916	12,097	13,002	13,990
Disallowances Against Categorical Grants	(59)	(18)	(110)	(1)	558
Total Revenues and Transfers(5)	$71,029	$72,881	$78,035	$79,987	$83,468
Expenditures and Transfers					
Social Services	$13,433	$13,473	$13,844	$13,801	$14,485
Board of Education	19,129	18,672	20,458	21,974	23,318
City University	802	853	904	956	1,067
Public Safety and Judicial	8,385	8,472	8,827	9,326	9,694
Health Services	1,856	1,622	1,708	2,667	2,233
Pensions(6)	8,054	8,141	8,490	9,171	9,281
Debt Service(3)(7)	6,333	4,798	7,421	5,874	5,890
All Other(8)	13,032	16,845	16,378	16,213	17,495
Total Expenditures and Transfers(5)	$71,024	$72,876	$78,030	79,982	$83,463
Surplus(9)	$ 5	$ 5	$ 5	$ 5	$ 5

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

(2) In fiscal years 2013 through 2017, Real Estate Tax includes $219.1 million, $224.6 million, $201 million, $207 million and $204 million, respectively, which was provided to the City by the State as a reimbursement for the reduced property tax revenues resulting from the State's STAR Program.

(3) Other Taxes includes as revenues to the City the personal income tax revenues retained by the TFA of $1.006 billion, $1.641 billion, $556 million, $180 million and $297 million in fiscal years 2013 through 2017, respectively. Debt Service includes as a debt service expense the funding requirements associated with TFA Future Tax Secured Bonds of $1.006 billion, $1.641 billion, $556 million, $180 million and $297 million in fiscal years 2013 through 2017, respectively. Debt Service does not include debt service on TSASC bonds. Miscellaneous Revenues includes TSRs that are not retained by TSASC for debt service and operating expenses.

(4) Other Taxes includes tax audit revenues. For further information regarding the City's revenues from Other Taxes, see "SECTION IV: SOURCES OF CITY REVENUES—Other Taxes."

(5) Total Revenues and Transfers and Total Expenditures and Transfers exclude Inter-Fund Revenues.

(6) For information regarding pension expenditures, see "SECTION X: OTHER INFORMATION."

(7) Debt Service includes discretionary transfers of $2.727 billion, $621 million, $1.976 billion, $1.760 billion, and $1.560 billion into the General Debt Service Fund in fiscal years 2013 through 2017, respectively, and grants from the City to the TFA of $1.362 billion, $1.578 billion, $1.734 billion and $1.909 billion in fiscal years 2014, 2015, 2016 and 2017, respectively, which were used by the TFA to pay debt service in the following fiscal year thereby decreasing the TFA funding requirements.

(8) All Other includes payments into the Retiree Health Benefits Trust Fund of $955 million, $500 million and $100 million in fiscal years 2015, 2016 and 2017, respectively.

(9) Surplus is the surplus after discretionary and other transfers and expenditures. The City had general fund operating revenues exceeding expenditures of $2.812 billion, $2.011 billion, $3.606 billion, $4.043 billion and $4.185 billion before discretionary and other transfers and expenditures for the 2013 through 2017 fiscal years, respectively. Discretionary and other transfers are included in Debt Service and All Other.

Forecast of 2018 Results

The following table compares the forecast for the 2018 fiscal year contained in the financial plan, submitted to the Control Board in June 2017 (the "June 2017 Forecast"), with the forecast contained in the Financial Plan, which was submitted to the Control Board on June 14, 2018 (the "June 2018 Forecast"). Each forecast was prepared on a basis consistent with GAAP except for the application of GASB 49. For information regarding recent developments, see "SECTION I: RECENT FINANCIAL DEVELOPMENTS."

	June 2017 Forecast	June 2018 Forecast	Increase/(Decrease) from June 2017 Forecast
	(In Millions)		
REVENUES			
Taxes			
General Property Tax	$25,812	$26,214	$ 402(1)
Other Taxes	30,138	31,504	1,366(2)
Tax Audit Revenue	850	1,299	449(3)
Subtotal — Taxes	$56,800	$59,017	$ 2,217
Miscellaneous Revenues	6,488	7,206	718(4)
Less: Intra-City Revenues	(1,815)	(2,238)	(423)
Disallowances Against Categorical Grants	(15)	85	100
Subtotal – City Funds	$61,458	$64,070	$ 2,612
Other Categorical Grants	880	1,072	192(5)
Inter-Fund Revenues	671	637	(34)
Federal Categorical Grants	7,811	8,964	1,153(6)
State Categorical Grants	14,419	14,854	435(7)
Total Revenues	$85,239	$89,597	$ 4,358
EXPENDITURES			
Personal Services			
Salaries and Wages	$27,250	$27,151	$ (99)
Pensions	9,572	9,632	60
Fringe Benefits	10,111	10,008	(103)(8)
Retiree Health Benefits Trust	—	100	100(9)
Total – Personal Services	$46,933	$46,891	$ (42)
Other Than Personal Services			
Medical Assistance	5,915	5,915	—
Public Assistance	1,594	1,583	(11)
All Other	28,803	30,925	2,122(10)
Total – Other Than Personal Services	$36,312	$38,423	$ 2,111
General Obligation, Lease and TFA Debt Service	6,528	6,105	(423)(11)
FY 2017 Budget Stabilization	(4,169)	(4,180)	(11)
FY 2018 Budget Stabilization	—	4,576	4,576(12)
Capital Stabilization Reserve	250	—	(250)(13)
General Reserve	1,200	20	(1,180)
Total Expenditures	$87,054	$91,835	$ 4,781
Less: Intra-City Expenses	(1,815)	(2,238)	(423)
Net Total Expenditures	$85,239	$89,597	$ 4,358

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(1) The increase in General Property Tax is from a reduction in the reserve for uncollectible taxes of $355 million, a reduction in refunds of $17 million, an increase in collections from the lien sale of $15 million and an increase in collections from prior year delinquencies of $15 million.

(2) The increase in Other Taxes is due to an increase of $1.519 billion in personal income tax, $140 million in mortgage recording tax, $128 million in unincorporated business tax, $92 million in sales tax, $38 million in real property transfer tax, $14 million in hotel tax, and $3 million in all other taxes, offset by a decrease of $542 million in general corporation tax, $13 million in STAR program aid, $7 million in utility tax and $6 million in cigarette tax.

(3) The increase in Tax Audit Revenue is primarily from increases in banking corporation tax audit revenues of $400 million and general corporation tax audit revenues of $49 million.

(4) The increase in Miscellaneous Revenues is due to increases of $85 million in fines and forfeitures, $53 million in miscellaneous other revenues, $38 million in permit revenues, $38 million in charges for services, $26 million in licenses, $19 million in water and sewer charges, $14 million in franchises, $12 million in rental charges, $10 million in interest income and $423 million in intra-city revenues.

(5) The increase in Other Categorical Grants is due to increases of $71 million in health and mental hygiene funding, $58 million in miscellaneous agency funding, $32 million in housing preservation and development funding, $19 million in police department funding, $18 million in parks department funding, $10 million in information technology and telecommunications department funding, and $36 million in other agencies funding offset by decreases of $15 million in fire department funding and $37 million in debt service funding.

(6) The increase in Federal Categorical Grants is due to increases of $323 million in community development funding, primarily disaster recovery funding, $206 million in police funding, $201 million in homeless services funding, $59 million in fire department funding, $49 million in social services funding, $45 million in transportation funding, $42 million in housing preservation and development funding, $36 million in education funding, $34 million in youth and community development funding, $33 million in health and mental hygiene funding $25 million in mayoral agency funding, $25 million in small business services funding, $15 million in children services funding, and $60 million in other agencies funding.

(7) The increase in State Categorical Grants is due to increases of $83 million in health and mental hygiene funding, $79 million in miscellaneous agency funding, $70 million in police funding, $66 million in education funding, $44 million in children services funding, $29 million in homeless services funding, $16 million in social services funding, $15 million in district attorney funding, and $33 million in other agencies funding.

(8) The reduction in Fringe Benefits is mainly due to baseline reductions in active and retiree health insurance expenses to reflect a lower estimate of the number of eligible actives and retirees.

(9) The increase in fiscal year 2018 Retiree Health Benefits Trust reflects a contribution of an additional $100 million into its Retiree Health Benefits Trust in fiscal year 2018.

(10) The increase in Other Than Personal Services – All Other is primarily due to an increase of $1.312 billion in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, and by a decrease of $3 million in net agency spending.

(11) The decrease in General Obligation, Lease and TFA Debt Service is primarily due to lower actual interest rates on floating rate obligations.

(12) FY 2018 Budget Stabilization reflects the discretionary transfer of $1.902 billion into the General Debt Service Fund, $300 million into the Retiree Health Benefits Trust, payment of $200 million of subsidies to NYCHH in fiscal year 2018 otherwise due in fiscal year 2019 and a grant of $2.174 billion to the TFA in fiscal year 2018 for debt service due in fiscal year 2019.

(13) The decrease in the Capital Stabilization Reserve reflects the reallocation of such funds from fiscal year 2018 to fiscal year 2019.

SECTION VII: FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP, except for the application of GASB 49, for the 2018 through 2022 fiscal years as contained in the Financial Plan. This table should be read in conjunction with the accompanying notes, "Actions to Close the Remaining Gaps" and "Assumptions" below. For information regarding recent developments, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

	Fiscal Years(1)(2)				
	2018	2019	2020	2021	2022
		(In Millions)			
REVENUES					
Taxes					
General Property Tax(3)	$26,214	$27,789	$29,295	$30,711	$ 31,702
Other Taxes(4)	31,504	31,231	32,333	33,330	34,072
Tax Audit Revenue	1,299	1,056	721	721	721
Subtotal – Taxes	$59,017	$60,076	$62,349	$64,762	$ 66,495
Miscellaneous Revenues(5)	7,206	6,792	6,731	6,737	6,716
Less: Intra-City Revenues	(2,238)	(1,825)	(1,771)	(1,776)	(1,776)
Disallowances Against Categorical Grants	85	(15)	(15)	(15)	(15)
Subtotal – City Funds	$64,070	$65,028	$67,294	$69,708	$ 71,420
Other Categorical Grants	1,072	880	872	867	861
Inter-Fund Revenues(6)	637	682	641	638	638
Federal Categorical Grants	8,964	7,592	7,129	7,108	7,092
State Categorical Grants	14,854	14,976	15,302	15,763	16,246
Total Revenues	$89,597	$89,158	$91,238	$94,084	$ 96,257
EXPENDITURES					
Personal Services					
Salaries and Wages	$27,151	$28,746	$29,620	$30,368	$ 30,069
Pension	9,632	9,852	9,903	10,162	10,367
Fringe Benefits	10,008	10,737	11,643	12,414	13,094
Retiree Health Benefits Trust	100	—	—	—	—
Subtotal – Personal Services	$46,891	$49,335	$51,166	$52,944	$ 53,530
Other Than Personal Services					
Medical Assistance	5,915	5,915	5,915	5,915	5,915
Public Assistance	1,583	1,605	1,617	1,617	1,617
All Other(7)	30,925	30,342	28,848	29,167	29,446
Subtotal – Other Than Personal Services	$38,423	$37,862	$36,380	$36,699	$ 36,978
General Obligation, Lease and TFA Debt Service(8)	6,105	6,987	7,473	7,856	8,560
FY 2017 Budget Stabilization(9)	(4,180)	—	—	—	—
FY 2018 Budget Stabilization(10)	4,576	(4,576)	—	—	—
Capital Stabilization Reserve(11)	—	250	250	250	250
General Reserve	20	1,125	1,000	1,000	1,000
Subtotal	$91,835	$90,983	$96,269	$98,749	$100,318
Less: Intra-City Expenses	(2,238)	(1,825)	(1,771)	(1,776)	(1,776)
Total Expenditures	$89,597	$89,158	$94,498	$96,973	$ 98,542
Gap to be Closed	$ —	$ —	$ (3,260)	$ (2,889)	$ (2,285)

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(1) The four year financial plan for the 2018 through 2021 fiscal years, as submitted to the Control Board on June 7, 2017, contained the following projections for the 2018-2021 fiscal years: (i) for 2018, total revenues of $85.239 billion and total expenditures of $85.239 billion; (ii) for 2019, total revenues of $87.820 billion and total expenditures of $91.293 billion, with a gap to be closed of $3.473 billion; (iii) for 2020, total revenues of $90.941 billion and total expenditures of $93.748 billion, with a gap to be closed of $2.807 billion; and (iv) for 2021, total revenues of $93.614 billion and total expenditures of $95.944 billion, with a gap to be closed of $2.330 billion.

The four year financial plan for the 2017 through 2020 fiscal years, as submitted to the Control Board on June 14, 2016, contained the following projections for the 2017-2020 fiscal years: (i) for 2017, total revenues of $82.116 billion and total expenditures of $82.116 billion; (ii) for 2018, total revenues of $84.456 billion and total expenditures of $87.272 billion, with a gap to be closed of $2.816 billion; (iii) for 2019, total revenues of $87.479 billion and total expenditures of $90.454 billion, with a gap to be closed of $2.945 billion; and (iv) for 2020, total revenues of $90.363 billion and total expenditures of $92.689 billion, with a gap to be closed of $2.326 billion.

The four year financial plan for the 2016 through 2019 fiscal years, as submitted to the Control Board on June 26, 2015, contained the following projections for the 2016-2019 fiscal years: (i) for 2016, total revenues of $78.528 billion and total expenditures of $78.528 billion; (ii) for 2017, total revenues of $80.729 billion and total expenditures of $82.194 billion, with a gap to be closed of $1.465 billion; (iii) for 2018, total revenues of $82.699 billion and total expenditures of $84.606 billion, with a gap to be closed of $1.907 billion; and (iv) for 2019, total revenues of $85.015 billion and total expenditures of $87.868 billion, with a gap to be closed of $2.853 billion.

The four year financial plan for the 2015 through 2018 fiscal years, as submitted to the Control Board on June 26, 2014, contained the following projections for the 2015-2018 fiscal years: (i) for 2015, total revenues of $75.027 billion and total expenditures of $75.027 billion; (ii) for 2016, total revenues of $76.595 billion and total expenditures of $79.220 billion, with a gap to be closed of $2.625 billion; (iii) for 2017, total revenues of $78.937 billion and total expenditures of $80.808 billion, with a gap to be closed of $1.871 billion; and (iv) for 2018, total revenues of $80.933 billion and total expenditures of $84.026 billion, with a gap to be closed of $3.093 billion.

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

(3) For a description of the STAR Program, and other real estate tax assumptions, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—2. REAL ESTATE TAX."

(4) Personal income taxes flow directly from the State to the TFA, and from the TFA to the City only to the extent not required by the TFA for debt service, reserves, operating expenses and contractual and other obligations incurred pursuant to the TFA indenture. Sales taxes will flow directly from the State to the TFA to the extent necessary to provide statutory coverage. Other Taxes includes amounts that are expected to be retained by the TFA for its funding requirements associated with TFA Future Tax Secured Bonds.

(5) Miscellaneous Revenues reflects the receipt by the City of TSRs not used by TSASC for debt service and other expenses. For information on TSASC, see "SECTION IV: SOURCES OF CITY REVENUES—Miscellaneous Revenues."

(6) Inter-Fund Revenues represents General Fund expenditures, properly includable in the Capital Budget, made on behalf of the Capital Projects Fund pursuant to inter-fund agreements.

(7) For a discussion of the categories of expenditures in Other Than Personal Services—All Other, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. OTHER THAN PERSONAL SERVICES COSTS."

(8) For a discussion of the debt service in General Obligation, Lease and TFA Debt Service, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—3. GENERAL OBLIGATION, LEASE AND TFA DEBT SERVICE."

(9) FY 2017 Budget Stabilization reflects the discretionary transfer of $1.560 billion into the General Debt Service Fund, $400 million into the Retiree Health Benefits Trust, payments of $300 million of subsidies to NYCHH in fiscal year 2017 otherwise due in fiscal year 2018, a grant of $1.909 billion to the TFA in fiscal year 2017 for debt service due in fiscal year 2018 and a net equity contribution in bond refundings of $11 million.

(10) FY 2018 Budget Stabilization reflects the discretionary transfer of $1.902 billion into the General Debt Service Fund, $300 million into the Retiree Health Benefits Trust, payment of $200 million of subsidies to NYCHH in fiscal year 2018 otherwise due in fiscal year 2019 and a grant of $2.174 billion to the TFA in fiscal year 2018 for debt service due in fiscal year 2019.

(11) The Capital Stabilization Reserve reflects a capital reserve which will be available to make capital projects more efficient or for debt retirement in an economic downturn.

Implementation of various measures in the Financial Plan may be uncertain. If these measures cannot be implemented, the City will be required to take actions to decrease expenditures or increase revenues to maintain a balanced financial plan. See "Assumptions" and "Certain Reports" below.

Actions to Close the Remaining Gaps

Although the City has maintained balanced budgets in each of its last 37 fiscal years, except for the application of GASB 49 with respect to fiscal years 2010 through 2017, and is projected to achieve balanced operating results for the 2018 fiscal year, except for the application of GASB 49, there can be no assurance that the Financial Plan or future actions to close projected outyear gaps can be successfully implemented or that the City will maintain a balanced budget in future years without additional State aid, revenue increases or expenditure reductions. Additional tax increases and reductions in essential City services could adversely affect the City's economic base.

Assumptions

The Financial Plan is based on numerous assumptions, including the condition of the City's and the region's economies and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for City employees exceed the annual wage costs assumed; realization of projected earnings for pension fund assets and current assumptions with respect to wages for City employees affecting the City's required pension fund contributions; the willingness and ability of the State to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City; the ability of NYCHH and other such entities to maintain balanced budgets; the willingness of the federal government to provide the amount of federal aid contemplated in the Financial Plan; the impact on City revenues and expenditures of federal and State legislation affecting Medicare or other entitlement programs; adoption of the City's budgets by the City Council in substantially the forms submitted by the Mayor; the ability of the City to implement cost reduction initiatives, and the success with which the City controls expenditures; the impact of conditions in the real estate market on real estate tax revenues; and the ability of the City and other financing entities to market their securities successfully in the public credit markets. See "SECTION II: RECENT FINANCIAL DEVELOPMENTS." Certain of these assumptions are reviewed in reports issued by the City Comptroller and other public officials. See "SECTION VII: FINANCIAL PLAN—Certain Reports."

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

Revenue Assumptions

1. GENERAL ECONOMIC CONDITIONS

The Financial Plan assumes faster growth in economic activity in calendar year 2018 compared to calendar year 2017. The following table presents a forecast of the key economic indicators for the calendar years 2017 through 2022. This forecast is based upon information available in April 2018.

FORECAST OF KEY ECONOMIC INDICATORS

	Calendar Years					
	2017	2018	2019	2020	2021	2022
U.S. ECONOMY						
Economic Activity and Income						
Real GDP (billions of 2009 dollars)	17,096	17,558	18,065	18,482	18,825	19,146
Percent Change	2.3	2.7	2.9	2.3	1.9	1.7
Non-Agricultural Employment (millions)	146.6	149.0	151.7	153.7	155.0	155.8
Percent Change	1.6	1.6	1.8	1.3	0.8	0.5
CPI-All Urban (1982-84=100)	245	251	255	262	268	275
Percent Change	2.1	2.2	1.7	2.7	2.5	2.4
Wage Rate ($ per year)	56,955	58,539	60,472	62,828	65,529	68,337
Percent Change	1.7	2.8	3.3	3.9	4.3	4.3
Personal Income ($ billions)	16,427	17,109	18,043	19,020	19,990	20,922
Percent Change	3.1	4.1	5.5	5.4	5.1	4.7
Pre-Tax Corp Profits ($ billions)	2,248	2,275	2,378	2,479	2,538	2,622
Percent Change	4.1	0.2	4.6	4.2	2.4	3.3
Unemployment Rate (Percent)	4.4	3.9	3.5	3.5	3.5	3.6
10-Year Treasury Bond Rate	2.3	3.1	3.8	3.9	4.0	3.9
Federal Funds Rate	1.0	1.8	2.8	3.3	3.4	3.5
NEW YORK CITY ECONOMY						
Real Gross City Product (billions of 2009 dollars)	784	806	819	830	836	839
Percent Change	4.5	2.8	1.7	1.3	0.7	0.4
Non-Agricultural Employment (thousands)	4,427	4,487	4,540	4,592	4,642	4,678
Percent Change	1.9	1.3	1.2	1.1	1.1	0.8
CPI-All Urban NY-NJ Area (1982-84=100)	269	274	279	287	294	301
Percent Change	2.0	1.9	2.0	2.7	2.5	2.4
Wage Rate ($ per year)	89,190	92,023	94,753	97,406	100,230	103,058
Percent Change	3.7	3.2	3.0	2.8	2.9	2.8
Personal Income ($ billions)	568	591	617	644	670	695
Percent Change	3.7	4.1	4.5	4.3	4.1	3.7
NEW YORK REAL ESTATE MARKET						
Manhattan Primary Office Market						
Asking Rental Rate ($ per square foot)	79.05	77.71	81.03	83.21	84.92	86.53
Percent Change	0.8	-1.7	4.3	2.7	2.1	1.9
Vacancy Rate – Percent	9.1	10.1	11.9	11.9	12.1	13.3

Source: OMB.

2. REAL ESTATE TAX

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

Projections of real estate tax revenues include net revenues from the sale of real property tax liens of $95 million in fiscal year 2018 and $80 million in each of fiscal years 2019 through 2022. Projections of real estate tax revenues include the effects of the STAR Program which will reduce the real estate tax revenues by an estimated $189 million in fiscal year 2018. Projections of real estate tax revenues reflect the estimated cost of extending the current tax reduction for owners of cooperative and condominium apartments amounting to $528 million, $546 million, $577 million, $606 million and $631 million in fiscal years 2018 through 2022, respectively.

The delinquency rate was 1.5% in fiscal year 2013, 1.4% in fiscal year 2014, 1.6% in fiscal year 2015, 1.4% in fiscal year 2016 and 1.3% in fiscal year 2017. The Financial Plan projects delinquency rates of 1.3% in fiscal year 2018, 1.6% in fiscal year 2019 and 1.8% in each of fiscal year 2020 and 2021, respectively, and 1.9% in fiscal year 2022. For information concerning the delinquency rates for prior years, see "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax—*Collection of the Real Estate Tax.*" For a description of proceedings seeking real estate tax refunds from the City, see "SECTION X: OTHER INFORMATION—Litigation—*Taxes.*"

On April 24, 2017, a lawsuit was filed challenging the City's real property tax system and valuation methodology. See "SECTION X: OTHER INFORMATION—Litigation—*Taxes*."

3. OTHER TAXES

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

	2018	2019	2020	2021	2022
			(In Millions)		
Personal Income(1)	$13,360	$12,378	$12,969	$13,390	$13,722
General Corporation	3,348	3,593	3,606	3,640	3,604
Unincorporated Business Income	2,265	2,271	2,372	2,468	2,490
Sales(2)	7,411	7,762	8,167	8,491	8,779
Commercial Rent	848	867	893	916	949
Real Property Transfer	1,402	1,459	1,435	1,485	1,532
Mortgage Recording	1,074	938	924	952	979
Utility	375	387	396	410	421
Cigarette	36	35	34	33	32
Hotel(3)	584	606	605	615	630
All Other(4)	801	935	932	930	934
Total	$31,504	$31,231	$32,333	$33,330	$34,072

Note: Totals may not add due to rounding.

(1) Personal Income includes $187 million, $674 million, $3.071 billion, $3.316 billion and $3.677 billion of personal income tax revenues projected to be retained by the TFA for debt service and other expenses in the 2018 through 2022 fiscal years, respectively. The State has amended the STAR Program such that starting in fiscal year 2018, the program will be a credit against State personal income taxes and will no longer be a tax rate reduction of City personal income taxes. As a result, there will be no STAR reimbursement payment from the State to the City starting in fiscal year 2018.

(2) Sales tax includes the payment to the State pursuant to the State Enacted Budget of $150 million in fiscal year 2018 and $200 million in fiscal year 2019 that would otherwise be payable to the City, in order to provide the State with the benefit of savings from the refinancing of debt by STAR Corp.

(3) Hotel includes the impact of an additional temporary hotel occupancy tax of 0.875 percent resulting in additional revenues of $85 million, $89 million, $92 million, $92 million and $92 million in fiscal years 2018 through 2022, respectively.

(4) All Other includes, among others, beer and liquor taxes and the automobile use tax. All Other also includes $189 million, $185 million, $182 million, $180 million and $178 million in fiscal years 2018 through 2022, respectively, to be provided to the City by the State as reimbursement for the reduced property tax and personal income tax revenues resulting from the STAR Program.

The Financial Plan reflects the following assumptions regarding projected baseline revenues from Other Taxes: (i) with respect to the personal income tax, high growth in fiscal year 2018 reflecting the impact of changes in State law, stronger than expected bonus growth, and continued employment and wage gains, revenue declines in fiscal year 2019 reflecting a return to more typical levels, and growth in fiscal years 2020 through 2022 reflecting steady economic growth; (ii) with respect to the business corporation tax, a decline in growth in fiscal year 2018 resulting from lower than expected collections through April, rebounding growth in fiscal year 2019 supported by increasing corporate profits and high levels of Wall Street profitability, and weak and/or nearly flat growth for fiscal years 2020 through 2022 reflecting a slowdown in corporate profits; (iii) with respect to the unincorporated business tax, strong growth in fiscal year 2018 reflecting the continued high levels of hedge funds assets under management and a positive business environment, nearly flat growth in fiscal year 2019 reflecting the continued healthy levels of tax payments in both the finance and non-finance sectors, and trend growth for fiscal year 2020 through fiscal year 2022 reflecting steady economic growth; (iv) with respect to the sales tax, moderate growth in fiscal year 2018 reflecting employment and wage growth reduced by the payment to the State of $200 million in sales tax otherwise payable to the City in order to provide the State with the benefit of savings from the refinancing of debt by STAR Corp., moderate growth in fiscal year 2019 reflecting employment gains and wage growth reduced by the payment to the State of $150 million in sales tax otherwise payable to the City in order to provide the State with the benefit of savings from the refinancing of debt by STAR Corp., and moderate growth in fiscal years 2020 through 2022 reflecting employment gains and wage growth as well as continued healthy levels of tourist consumption; (v) with respect to the real property transfer tax, a slight decline in fiscal year 2018, as the volume of large commercial transactions drops from the high levels seen in the prior years and returning growth in fiscal years 2019 through 2022 reflecting steady economic growth; (vi) with respect to the mortgage recording tax, declines in fiscal years 2018 through 2020 as the volume of large commercial transactions drops from the high levels seen in the prior years and the commercial loan refinancing activity wanes, and growth in fiscal years 2021 through 2022 reflecting steady economic growth; and (vii) with respect to the commercial rent tax, growth in fiscal year 2018 reflecting employment gains and slower growth in fiscal year 2019 reflecting a recently enacted tax program that increased the base rent subject to tax providing relief for taxpayers and growth in fiscal years 2020 through 2022, as the local office market improves with employment gains.

4. Miscellaneous Revenues

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

	2018	2019	2020	2021	2022
			(In Millions)		
Licenses, Permits and Franchises	$ 752	$ 689	$ 719	$ 716	$ 725
Interest Income	120	190	252	282	284
Charges for Services	1,027	1,005	1,007	1,006	1,006
Water and Sewer Payments (1)	1,421	1,452	1,449	1,436	1,416
Rental Income	263	254	251	250	250
Fines and Forfeitures	999	943	938	928	917
Other	386	434	344	343	342
Intra-City Revenues	2,238	1,825	1,771	1,776	1,776
	$7,206	$6,792	$6,731	$6,737	$6,716

(1) Received from the Water Board. The City is no longer requesting the rental payment due to the City from the Water Board in the years of the Financial Plan. For further information regarding the Water Board, see "SECTION VII: FINANCIAL PLAN—Financing Program."

Rental Income reflects approximately $153.6 million in each of fiscal years 2018 through 2022 for lease payments for the City's airports.

Other reflects $108.6 million, $112.0 million, $128.3 million, $127.8 million and $127.5 million of projected resources in fiscal years 2018 through 2022, respectively, from the receipt by the City of TSRs. For more information, see "SECTION IV: SOURCES OF CITY REVENUES—Miscellaneous Revenues." Economic and legal uncertainties relating to the tobacco industry and the settlement may significantly affect the receipt of TSRs by TSASC and the City.

5. FEDERAL AND STATE CATEGORICAL GRANTS

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

	2018	2019	2020	2021	2022
			(In Millions)		
Federal					
Community Development	$ 1,333	$ 591	$ 304	$ 280	$ 274
Social Services	3,818	3,605	3,473	3,481	3,481
Education	1,825	1,944	2,042	2,044	2,044
Other	1,988	1,452	1,310	1,303	1,293
Total	$ 8,964	$ 7,592	$ 7,129	$ 7,108	$ 7,092
State					
Social Services	$ 1,822	$ 1,781	$ 1,796	$ 1,803	$ 1,795
Education	10,749	11,108	11,419	11,851	12,291
Higher Education	297	297	297	297	297
Health and Mental Hygiene	631	549	545	529	529
Other	1,355	1,241	1,245	1,283	1,334
Total	$14,854	$14,976	$15,302	$15,763	$16,246

The Financial Plan assumes that all existing federal and State categorical grant programs will continue, unless specific legislation provides for their termination or adjustment, and assumes increases in aid where increased costs are projected for existing grant programs. For information concerning federal and State aid and the possible impacts on the Financial Plan, see “INTRODUCTORY STATEMENT” and “SECTION II: RECENT FINANCIAL DEVELOPMENTS.”

As of April 30, 2018, approximately 15.3% of the City’s full-time and full-time equivalent employees (consisting of employees of the mayoral agencies and the DOE) were paid by Community Development funds, water and sewer funds and from other sources not funded by unrestricted revenues of the City.

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

The City’s receipt of categorical aid is contingent upon the satisfaction of certain statutory conditions and is subject to subsequent audits, possible disallowances and possible prior claims by the State or federal governments. The general practice of the State and federal governments has been to deduct the amount of any disallowances against the current year’s payment, although in some cases the City remits payment for disallowed amounts to the grantor. Substantial disallowances of aid claims may be asserted during the course of the Financial Plan. The City estimates probable amounts of disallowances of recognized grant revenues and makes the appropriate adjustments to recognized grant revenue for each fiscal year. The amounts of such downward adjustments to revenue for disallowances attributable to prior years increased from $124 million in the 1977 fiscal year to $542 million in the 2006 fiscal year. The amounts of such disallowances were $103 million and $114 million in fiscal years 2007 and 2008, respectively. There were no adjustments for estimated disallowances in fiscal years 2009 and 2010. In fiscal year 2011 the downward adjustment for disallowances was $113 million and in fiscal year 2012 an upward adjustment of $166 million was made, reflecting a reduced estimate of disallowances attributable to prior years as of June 30, 2012. In fiscal years 2013, 2014, 2015, 2016 and 2017 downward adjustments of $59 million, $18 million, $110 million, $1 million and $558 million, respectively, were made. As of June 30, 2017, the City had an accumulated reserve of $553 billion for all disallowances of categorical aid.

Expenditure Assumptions

1. Personal Services Costs

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

	2018	2019	2020	2021	2022
			(In Millions)		
Wages and Salaries	$27,089	$27,302	$27,835	$28,110	$28,371
Pensions	9,632	9,852	9,903	10,162	10,367
Other Fringe Benefits	10,008	10,737	11,643	12,414	13,094
Retiree Health Benefits Trust	100	—	—	—	—
Reserve for Collective Bargaining	62	1,444	1,785	2,258	1,698
Total	$46,891	$49,335	$51,166	$52,944	$53,530

The Financial Plan projects that the authorized number of City-funded full-time and full-time equivalent employees will increase from an estimated level of 278,440 as of June 30, 2018 to an estimated level of 281,449 by June 30, 2022.

Other Fringe Benefits includes $2.405 billion, $2.503 billion, $2.661 billion, $2.832 billion and $2.975 billion in fiscal years 2018 through 2022, respectively, for post-employment benefits other than pensions ("OPEB") expenditures for current retirees, which costs are currently paid by the City on a pay-as-you-go basis. For information on deposits to the Retiree Health Benefits Trust to fund a portion of the future cost of OPEB for current and future retirees, see "Section VI: Financial Operations—2013-2017 Summary of Operations."

The City has now reached settlements with all of its uniformed unions and over 99% of its workforce through the 2010-2017 round of collective bargaining. The Financial Plan reflects funding to cover the cost of settling the remaining unsettled unions through the 2010-2017 round of collective bargaining based on the pattern set by the settled contracts. Certain contracts with unions for the 2010-2017 round of collective bargaining, including with DC 37 and the PBA, representing approximately 50% of the City's workforce, have expired. Nearly all remaining contracts will have expired by the end of fiscal year 2019. Negotiations with municipal unions concerning the next round of contracts are ongoing. The PBA has already filed for arbitration with the City over new contract terms. The Financial Plan includes a reserve for collective bargaining containing funding for the period beyond the 2010-2017 round of collective bargaining, assumed to be 1% per year. The Financial Plan does not reflect a tentative contract settlement with DC 37 (representing approximately 25% of the City's workforce) announced on June 26, 2018, which covers the period from September 26, 2017 through May 25, 2021. Such settlement provides for a retroactive increase of 2% effective September 26, 2017, followed by increases of 2.25% effective September 26, 2018 and 3% effective October 26, 2019. Such settlement also includes health insurance savings as part of a new MLC agreement, in addition to those previously agreed upon, which are contractually enforceable through arbitration. See "Section II: Recent Financial Developments."

The amounts in the Financial Plan reflect the offsets from health insurance savings of $1.3 billion in fiscal year 2018 and thereafter. The City achieved $1 billion of health insurance savings in fiscal year 2017. These savings are pursuant to a collective bargaining agreement between the City and the MLC. The City has the right to enforce the agreement through a binding arbitration process. If total health insurance savings through fiscal year 2018 are greater than $3.4 billion, the first $365 million of such additional savings is payable to union members as a one-time bonus or may be used for other purposes subject to negotiation. Any additional savings beyond such $365 million is to be divided equally between the City and the unions.

For a discussion of the City's pension systems, see "Section IX: Pension Systems and OPEB" and "Appendix B—Financial Statements—Notes to Financial Statements—Note E.5."

2. Other Than Personal Services Costs

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

	2018	2019	2020	2021	2022
			(In Millions)		
Administrative OTPS and Energy	$25,654	$24,806	$23,596	$23,854	$24,059
Public Assistance	1,583	1,605	1,617	1,617	1,617
Medical Assistance	5,915	5,915	5,915	5,915	5,915
NYCHH Support	969	918	919	920	920
Other	4,302	4,618	4,333	4,393	4,467
Total	$38,423	$37,862	$36,380	$36,699	$36,978

Administrative OTPS and Energy

The Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services, and the impact of agency gap-closing actions relating to such expenditures in the 2018 fiscal year. Thereafter, to account for inflation, administrative OTPS expenditures are projected to rise by 2.5% annually in fiscal years 2019 through 2022. Energy costs for each of the 2018 through 2022 fiscal years are assumed to vary annually, with total energy expenditures projected at $907 million in fiscal year 2018 and increasing to $974 million by fiscal year 2022.

Public Assistance

Of total cash assistance expenditures in the City, the City-funded portion is projected to be $699 million, $713 million in fiscal years 2018 and 2019, respectively, and $719 million in each of fiscal years 2020 through 2022.

Medical Assistance

Medical assistance payments projected in the Financial Plan consist of payments to voluntary hospitals, skilled nursing facilities, intermediate care facilities, home care providers, pharmacies, managed care organizations, physicians and other medical practitioners. The City-funded portion of medical assistance payments is estimated at $5.8 billion for the 2018 fiscal year.

The City-funded portion of medical assistance payments is expected to be $5.8 billion in each of fiscal years 2019 through 2022. Such payments include the City's capped share of local Medicaid expenditures as well as Supplemental Medicaid payments to NYCHH.

New York City Health and Hospitals

NYCHH, which provides essential services to over 1.1 million New Yorkers annually, faces near- and long-term financial challenges resulting from, among other things, changes in hospital reimbursement under the Affordable Care Act and the statewide transition to managed care. On April 26, 2016, the City released "One New York: Health Care for Our Neighborhoods," a report outlining the City's plan to address NYCHH's financial shortfall.

In May 2018, NYCHH released a cash-based financial plan, which projected City-funded expenditures of $666 million, $917 million, $919 million, $920 million and $920 million in fiscal years 2018 through 2022, respectively, in addition to the forgiveness of debt service and the City's contribution to supplemental Medicaid payments. The financial plan projected, before implementation of a gap closing program, total receipts of $7.6 billion, $7.1 billion, $6.8 billion, $6.6 billion and $6.6 billion and total disbursements of $8.5 billion, $8.2 billion, $8.4 billion, $8.3 billion, and $8.4 billion in fiscal years 2018 through 2022, respectively, resulting in projected operating gaps of $900 million, $1.1 billion, $1.6 billion, $1.7 billion and $1.8 billion in those respective fiscal years. The financial plan also projects gap-closing initiatives that both generate revenue and reduce expenses. Revenue-generating initiatives total $617 million, $628 million, $890 million, $1.0 billion, and $1.0 billion and expense-reducing initiatives total $345 million, $430 million, $530 million, $585 million and $585 million in fiscal years 2018 through 2022, respectively.

NYCHH relies on significant projected revenue from Medicaid, Medicare and other third-party payor programs. Future changes to such programs could have adverse impacts on NYCHH's financial condition.

For more information regarding NYCHH and City financial support thereof, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

Other

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

New York City Transit

NYCT operates under its own section of the Financial Plan as a Covered Organization. The financial plan for NYCT covering its 2017 through 2021 fiscal years was prepared in February 2018. The NYCT fiscal year coincides with the calendar year. The NYCT financial plan projects City assistance to the NYCT operating budget of $350.4 million in 2017, increasing to $403.4 million in 2021, in addition to real estate transfer tax revenue dedicated for NYCT use of $602.8 million in 2017, increasing to $623.0 million in 2021.

The NYCT financial plan includes additional revenues from a fare increase in 2019, the impact of labor settlements, updated inflation assumptions and initiatives to improve maintenance/operations and customer experience, including the Subway Action Plan, the MTA's emergency plan to address subway delays. After reflecting such revenues and changes, the NYCT financial plan projects $10.3 billion in revenues and $13.4 billion in expenses for 2017, leaving a budget gap of $3.1 billion. After accounting for accrual adjustments and cash carried over from 2016, NYCT projects an operating budget surplus of $47.2 million in 2017, and operating budget gaps of $550.1 million in 2018, $1.3 billion in 2019, $2.4 billion in 2020 and $3.9 billion in 2021.

In 2009, a Payroll Mobility Tax ("PMT") was enacted into State law to provide $0.34 for every $100 of payroll in the MTA's twelve-county service area. The PMT is currently expected to raise revenues for the MTA in the amount of $1.0 billion in 2017, declining to $878.8 million in 2021.

In September 2014, the MTA proposed the 2015-2019 Capital Program. The proposed plan included $32.0 billion for all MTA agencies, including $17.1 billion to be invested in the NYCT core system, and $1.5 billion for NYCT network expansion. On October 2, 2014, the Capital Program Review Board ("CPRB") vetoed the proposed program without prejudice to permit additional time to resolve issues related to fully funding the program. On October 28, 2015, the MTA Board voted on and approved a revised 2015-2019 Capital Program. The revised plan included $29.0 billion for all MTA agencies, including $15.8 billion to be invested in the NYCT core system and $535 million for NYCT network expansion. On April 20, 2016, the MTA Board voted on and approved another revised 2015-2019 Capital Program, which included $29.5 billion for all MTA agencies, including $15.8 billion to be invested in the NYCT core system and $1.0 billion for NYCT network expansion. The additional City capital funding will be provided concurrently with the additional State capital funding. On May 24, 2017, the MTA Board voted on and approved a revised 2015-2019 Capital Program. The revised plan includes $32.5 billion for all MTA agencies, including $16.3 billion to be invested in the NYCT core system and $1.7 billion for NYCT network expansion. This amendment was approved by the CPRB in July 2017. On December 13, 2017 the MTA Board voted on and approved a further revised 2015-2019 Capital Program. The revised plan includes $32.8 billion for all MTA agencies, including $16.7 billion to be invested in the NYCT core system and $1.7 billion for NYCT network expansion. This amendment was not subject to CPRB approval. The 2015-2019 Capital Program expects $8.5

billion from the State. On April 25, 2018 the MTA Board voted on and approved a further revised 2015-2019 Capital Program. The revised plan includes $33.3 billion for all MTA agencies, including $16.7 billion to be invested in the NYCT core system and $1.7 billion for NYCT network expansion. This amendment was approved by the CPRB in May 2018.

The State has agreed to contribute $8.6 billion towards the 2015-2019 Capital Program, which has not yet been fully reflected in the State's capital plan. The City has agreed to contribute $2.7 billion (which has not yet been fully reflected in the City's capital plan), including $164 million for the Subway Action Plan. The additional City capital funding will be provided concurrently with the additional State capital funding.

On June 29, 2017 Governor Cuomo announced the State would be increasing its contribution to the 2015-2019 Capital Program by $1 billion and signed an Executive Order declaring a State-wide disaster emergency related to the MTA. The Order temporarily suspends provisions of Public Authority, State Finance, and Environmental Conservation Laws if compliance "would prevent, hinder or delay action necessary to cope with the disaster." The Governor has not provided additional details or identified additional funding for the $1 billion.

Various actions have been taken to increase funding to the MTA for NYCT. The State Enacted Budget, adopted on March 30, 2018, includes a requirement for the City to provide payments totaling an additional $418 million to the MTA through calendar year 2018 to fund the Subway Action Plan described above, which is reflected in the Financial Plan, including $164 million in capital funding, as discussed above, and $254 million in expense funding. The State Enacted Budget also imposes an additional surcharge, starting in January 2019, on for-hire vehicles and taxis traveling below 96th Street in Manhattan, to be used to fund the Subway Action Plan and other MTA projects.

Department of Education

State law requires the City to provide City funds for the DOE each year in an amount not less than the amount appropriated for the preceding fiscal year, excluding amounts for debt service and pensions for the DOE. Such City funding must be maintained, unless total City funds for the fiscal year are estimated to be lower than in the preceding fiscal year, in which case the mandated City funding for the DOE may be reduced by an amount up to the percentage reduction in total City funds.

Judgments and Claims

In the fiscal year ended on June 30, 2017, the City expended $750.3 million for judgments and claims. The Financial Plan includes provisions for judgments and claims of $711.6 million, $697.0 million, $711.9 million, $727.1 million and $742.3 million for the 2018 through 2022 fiscal years, respectively. These projections incorporate a substantial amount of claims costs attributed to NYCHH, estimated to be $140 million in each year of the Financial Plan, for which NYCHH reimburses the City unless otherwise forgiven by the City, which was the case in fiscal years 2013 and 2016. The City is a party to numerous lawsuits and is the subject of numerous claims and investigations. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 2017 amounted to approximately $6.9 billion. This estimate was made by categorizing the various claims and applying a statistical model, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and by supplementing the estimated liability with information supplied by the City's Corporation Counsel. For further information regarding certain of these claims, see "SECTION X: OTHER INFORMATION—Litigation."

In addition to the above claims, numerous real estate tax *certiorari* proceedings involving allegations of inequality of assessment, illegality and overvaluation are currently pending against the City. The City's Financial Statements for the fiscal year ended June 30, 2017 include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2017, could amount to approximately $1,073 million. Provision has been made in the Financial Plan for estimated refunds of $383 million in fiscal year 2018 and $400 million in fiscal years 2019 through 2022, respectively. For further information concerning these claims, certain remedial legislation related thereto and the City's estimates of potential liability, see "SECTION X: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

3. GENERAL OBLIGATION, LEASE AND TFA DEBT SERVICE

Debt service estimates for fiscal years 2018 through 2022 include debt service on outstanding general obligation bonds and conduit debt, and the funding requirements associated with outstanding TFA Future Tax Secured Bonds, and estimates of debt service costs of, or funding requirements associated with, future general obligation, conduit and TFA Future Tax Secured debt issuances based on projected future market conditions. Such debt service estimates also include estimated payments pursuant to interest rate exchange agreements but do not reflect receipts pursuant to such agreements.

In July 2009, the State amended the New York City Transitional Finance Authority Act to expand the borrowing capacity of the TFA by providing that it may have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and may issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. The City currently expects to continue to finance approximately half of its capital program through the TFA, exclusive of Department of Environmental Protection capital budget items financed by the Water Authority.

The Financial Plan reflects general obligation debt service of $3.80 billion, $3.99 billion, $4.25 billion, $4.39 billion and $4.73 billion in fiscal years 2018 through 2022, respectively, conduit debt service of $213 million, $148 million, $150 million, $150 million and $149 million in fiscal years 2018 through 2022, respectively, and TFA debt service of $2.10 billion, $2.85 billion, $3.07 billion, $3.32 billion and $3.68 billion in fiscal years 2018 through 2022, respectively, in each case prior to giving effect to prepayments, defeasances and redemptions. Such debt service requirements are projected to be below 15% of projected City tax revenues for each year of the Financial Plan.

Certain Reports

On May 24, 2018, the City Comptroller released a report entitled "Comments on New York City's Fiscal Year 2019 Executive Budget," commenting on the April Financial Plan. In the report, the City Comptroller projects net additional resources of $636 million, $213 million and $52 million in fiscal years 2018, 2019 and 2022, respectively, and net risks of $270 million and $128 million in fiscal years 2020 and 2021, respectively, which, when added to the results projected in the April Financial Plan, would result in surpluses of approximately $636 million and $213 million in fiscal years 2018 and 2019, respectively, and gaps of approximately $3.49 billion, $2.99 billion and $2.2 billion in fiscal years 2020 through 2022, respectively.

The differences from the April Financial Plan projections result in part from the City Comptroller's net expenditure projections, which are higher than the April Financial Plan projections by $70 million, $411 million, $498 million, $660 million and $857 million in fiscal years 2018 through 2022, respectively, as a result of: (i) additional overtime expenditures of $100 million in fiscal year 2018, $153 million in fiscal year 2019, and $150 million in each of fiscal years 2020 through 2022; (ii) increased expenditures associated with increases in charter school tuition rates of $119 million, $281 million and $478 million in fiscal years 2020 through 2022, respectively; (iii) uncertainty of federal Medicaid reimbursement for special education services of $50 million in each of fiscal years 2018 through 2022; (iv) increased expenditures associated with payments to parents who legally seek reimbursement for placing special needs children in non-public schools of $60 million in each of fiscal years 2019 through 2022; (v) increased homeless shelter operation expenditures of $33 million in fiscal year 2019 and $42 million in each of fiscal years 2020 through 2022; and (vi) increased expenditures to support NYCHH of $165 million in each of fiscal years 2019 through 2022. The report also projects (i) anticipated savings of $38 million in each of fiscal years 2020 through 2022 due to expanded participation in the federal Community Eligibility Provision school food program; (ii) anticipated debt service savings from low interest rates on variable rate bonds of $30 million in fiscal year 2018 and $50 million in each of fiscal years 2019 through 2022; and (iii) decreased expenditures of $50 million in fiscal year 2018 due to the assumption that the $50 million fiscal year 2018 general reserve in the April Financial Plan will not be needed for budget balance.

The differences from the April Financial Plan projections also result from the City Comptroller's net revenue projections, which are higher than the April Financial Plan projections by $706 million, $624 million, $228 million, $532 million and $909 million in fiscal years 2018 through 2022, respectively. The report identifies certain offsets to projected revenues: (i) property tax revenues will be higher by $76 million, $303 million, $785 million and $883 million in fiscal years 2019 through 2022, respectively; (ii) personal income tax revenues will be higher by $730 million and $182 million in fiscal years 2018 and 2019, respectively; (iii) business tax revenues will be higher by $169 million, $20 million, $44 million and $53 million in fiscal years 2019 through 2022, respectively; (iv) sales tax revenues will be higher by $91 million, $179 million, $149 million and $85 million in fiscal years 2019 through 2022, respectively; (v) real estate-related tax revenues will be higher by $26 million in fiscal year 2018; (vi) revenues from audit collections will be higher by $100 million in fiscal year 2019 and $200 million in each of fiscal years 2020 through 2022; (vii) Environmental Control Board fine revenues will be higher by $20 million in each of fiscal years 2019 through 2022; (viii) Department of Buildings penalty revenues will be higher by $4 million in each of fiscal years 2019 through 2022; and (ix) motor vehicle fine revenues will be higher by $5 million in fiscal year 2019 and $3 million in each of fiscal years 2020 through 2022. The report also identifies certain risks to projected revenues: (i) personal income tax revenues will be lower by $117 million, $190 million and $260 million in fiscal years 2020 through 2022, respectively; (ii) real estate-related tax revenues will be lower by $23 million, $384 million, $483 million and $79 million in fiscal years 2019 through 2022, respectively; and (iii) revenues from audit collections will be lower by $50 million in fiscal year 2018.

The City Comptroller expects to issue a report on the Financial Plan in July 2018.

On June 1, 2018, the OSDC released a report on the April Financial Plan. The report states that projected outyear budget gaps are larger than those projected in February, primarily due to higher agency spending and State actions, but are still relatively small as a share of City fund revenue. The report notes that the City's economy is strong and the outyear budget gaps appear manageable under current conditions, but there are budgetary risks over the next few years. The outyear budget gaps assume uninterrupted economic growth and do not reflect the potential impact of future federal or State budget cuts; growing federal deficits may increase pressure to cut federal programs during the April Financial Plan period, which would adversely affect City residents and the City budget; the City has set aside resources to fund annual wage increases of 1 percent after expiration of current labor agreements but the actual cost will be determined through negotiation or arbitration; and the City could be called upon to increase financial support of NYCHH or provide additional funding for NYCHA for emergency repairs and other costs.

The OSDC report quantifies certain risks and offsets to the April Financial Plan. The report identifies net offsets of $567 million and $154 million in fiscal years 2018 and 2019, respectively, and net risks of $99 million in each of fiscal years 2020 through 2022. When combined with the results projected in the April Financial Plan, the report estimates budget surpluses of $567 million and $154 million in fiscal years 2018 and 2019, respectively, and budget gaps of $3.32 billion, $2.96 billion and $2.35 billion in fiscal years 2020 through 2022, respectively. The risks to the April Financial Plan identified in the report include: (i) increased homeless shelter operation expenditures of $33 million in each of fiscal years 2019 through 2022; (ii) decreased federal Medicaid reimbursement for special education services of $63 million in each of fiscal years 2018 through 2022; and (iii) increased uniformed services overtime costs of $125 million in each of fiscal years 2019 through 2022. The report also identifies: (i) increased personal income tax revenues of $525 million and $200 million in fiscal years 2018 and 2019, respectively; (ii) increased business tax revenues of $75 million in fiscal year 2018; (iii) increased real estate-related tax revenues of $30 million in fiscal year 2018; (iv) additional debt service savings of $75 million in fiscal year 2019 and $22 million in each of fiscal years 2020 through 2022; and (v) additional miscellaneous revenues (including recurring resources such as fines and fees and nonrecurring resources such as proceeds from the sale of taxi medallions or City property) of $100 million in each of fiscal years 2019 through 2022.

The OSDC expects to issue a report on the Financial Plan in July 2018.

On May 30, 2018, the staff of the Control Board issued a report reviewing fiscal year 2018 and examining changes in the City's budget during the fiscal year. The report states that since the adoption of the fiscal year 2018 budget, the forecast for City fund revenues increased by $1.8 billion, with growth in nearly all major revenue components. The report notes that some of this unexpected growth is potentially nonrecurring due to behavioral reactions to federal tax reform and further notes that the City continues to use conservative revenue forecasts for fiscal years 2019 through 2022. With respect to expenditures, the City has identified over $1 billion in savings since the adoption of the fiscal year 2018 budget, mostly from cost efficiencies and cost reestimates. Expenditures have increased by just over $1 billion during fiscal year 2018 to fund new needs, the largest being in homeless services. The report also identifies certain risks. It states that the projected budget gaps of $3.2 billion, $2.9 billion and $2.3 billion in fiscal years 2020 through 2022, respectively, could be understated if costs from the next round of collective bargaining are higher than assumed. Uncertainties in federal and State aid and continued pressure to support non-City agencies such as NYCHH, NYCHA and the New York City Transit Authority could also increase the outyear gaps. The report recommends that the City should continue its conservative revenue estimates and high level of reserves, continue to implement agency savings programs, limit new needs as much as possible, and, to the extent revenues continue to grow, make an additional contribution to the Retiree Health Benefits Trust.

The Control Board expects to issue a report on the Financial Plan on or about July 20, 2018.

Long-Term Capital Program

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

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy, the four-year capital plan and the current-year Capital Budget. The Ten-Year Capital Strategy is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The four-year capital plan, which is updated three times a year as required by the City Charter, translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion. On April 26, 2018, the City released the five-year capital commitment plan for fiscal years 2018 through 2022 which covers the current fiscal year and the four-year capital plan for fiscal years 2019 through 2022 (the "2018-2022 Capital Commitment Plan").

City-funded commitments, which were $344 million in fiscal year 1979, are projected to reach $15.2 billion in fiscal year 2018. City-funded expenditures are forecast at $9.0 billion in fiscal year 2018; total expenditures are forecast at $9.5 billion in fiscal year 2018. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 2018 through 2027, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures."

The following table sets forth the major areas of capital commitment projected in the 2018-2022 Capital Commitment Plan.

2018-2022 CAPITAL COMMITMENT PLAN

	2018		2019		2020		2021		2022		TOTALS	
	City Funds	**All Funds**	**City Funds**	**All Funds**	**City Funds**	**All Funds**	**City Funds**	**All Funds**	**City Funds**	**All Funds**	**City Funds**	**All Funds**
Mass Transit(1)	$ 504	$ 522	$ 204	$ 204	$ 40	$ 40	$ 40	$ 40	$ 40	$ 40	$ 828	$ 846
Roadway, Bridges	1,883	2,058	1,639	2,093	2,241	2,551	2,870	3,138	2,542	2,780	$11,176	$12,620
Environmental Protection(2)	2,142	2,150	2,628	2,845	3,013	3,078	2,681	2,684	3,530	3,535	$13,995	$14,292
Education	3,476	4,196	3,198	3,786	1,971	1,971	1,296	2,041	2,166	2,166	$12,106	$14,159
Housing	1,243	1,291	1,232	1,264	1,195	1,227	1,283	1,315	1,152	1,184	$ 6,105	$ 6,281
Sanitation	350	355	482	495	635	635	433	433	327	327	$ 2,228	$ 2,246
City Operations/Facilities	5,142	5,734	6,371	7,107	5,837	6,911	4,203	4,671	2,445	2,708	$23,999	$27,130
Economic Development	510	595	1,168	1,280	960	1,031	962	1,039	458	480	$ 4,057	$ 4,425
Subtotal Commitments	15,249	16,901	16,923	19,073	15,893	17,445	13,769	15,361	12,660	13,219	$74,494	$81,999
Reserve for Unattained Commitments	(4,587)	(4,587)	(2,021)	(2,021)	(1,267)	(1,267)	300	300	493	493	(7,082)	(7,082)
Total Commitments(3)	$10,662	$12,314	$14,902	$17,052	$14,626	$16,178	$14,069	$15,661	$13,153	$13,712	$67,412	$74,917
Total Expenditures(4)	$ 8,990	$ 9,547	$ 8,810	$ 9,905	$10,575	$11,881	$11,794	$13,424	$12,527	$13,892	$52,696	$58,649

Note: Individual items may not add to totals due to rounding.

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

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

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

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

The 2018-2022 Capital Commitment Plan is expected to be updated in September 2018 to reflect increases in the Capital Budget adopted in June 2018.

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

On November 15, 2017, the Mayor issued Housing New York 2.0, which updates and revises the Mayor's previously announced affordable housing initiatives. The updated plan, inclusive of prior commitments, proposes to build and preserve 300,000 affordable units by 2026, reflecting an increase of 100,000 units above what was previously announced. The expected costs associated with these revisions are reflected in the 2018-2022 Capital Commitment Plan, with additional resources as necessary to be reflected in future commitment plans.

On February 4, 2016, the Mayor announced a plan to build the Brooklyn-Queens Connector, a streetcar line which would run along the East River waterfront between Astoria, Queens and Sunset Park, Brooklyn. Construction is not expected to begin prior to 2019. The direct costs of the project, which are estimated to be $2.5 billion, are not reflected in the Financial Plan or the Ten-Year Capital Strategy. The City is currently performing an in-depth study of this project and will be revising cost estimates as well as funding alternatives for the project.

In December 2017, the City issued an Asset Information Management System Report (the "AIMS Report"), which is its annual assessment of the asset condition and a proposed maintenance schedule for its assets and asset systems which have a replacement cost of $10 million or more and a useful life of at least ten years, as required by the City Charter. This report does not reflect any policy considerations which could affect the appropriate amount of investment, such as whether there is a continuing need for a particular facility or whether there have been changes in the use of a facility. The AIMS Report estimated that $8.9 billion in capital investment would be needed for fiscal years 2019 through 2022 to bring the assets to a state of good repair. The report also estimated that $475 million, $222 million, $261 million and $262 million should be spent on maintenance in fiscal years 2019 through 2022, respectively.

The recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the 2018-2021 Capital Commitment Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the 2018-2021 Capital Commitment Plan is allocated to specifically identified assets, and funding in the subsequent years of the Ten-Year Capital Strategy is even less identifiable with individual assets. Therefore, there is a substantial difference between the amount of investment recommended in the report for all inventoried City assets and amounts allocated to the specifically identified inventoried assets in the 2018-2021 Capital Commitment Plan. The City also issues an annual report (the "Reconciliation Report") that compares the recommended capital investment with the capital spending allocated by the City in the four-year capital plan to the specifically identified inventoried assets.

The most recent Reconciliation Report, issued in July 2017, concluded that the capital investment in the four-year capital plan, for fiscal years 2018 through 2021, for the specifically identified inventoried assets funded 74% of the total investment recommended in the preceding AIMS Report issued in December 2016. Capital investment allocated in the Ten-Year Capital Strategy published in April 2017 funded an additional portion of the recommended investment. In the same Reconciliation Report, OMB estimated that 64% of the expense maintenance levels recommended were included in the financial plan.

Financing Program

The following table sets forth the amount of bonds issued and expected to be issued during the 2018 through 2022 fiscal years (as set forth in the Financial Plan) to implement the 2018-2022 Capital Commitment Plan and fiscal year 2022 of the Ten-Year Capital Strategy. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities." From time to time, the City and its related issuers also issue bonds to refinance existing debt for economic savings. Such refunding bonds are not included in the following table.

2018-2022 FINANCING PROGRAM

	2018	2019	2020	2021	2022	Total
			(In Millions)			
City General Obligation Bonds	$3,300	$2,400	$ 4,270	$ 4,850	$ 5,070	$19,890
TFA Future Tax Secured Bonds	3,615	3,700	4,270	4,850	5,070	21,505
Water Authority Bonds(1)	1,549	1,454	1,641	1,695	1,989	8,328
Total	$8,464	$7,554	$10,181	$11,395	$12,129	$49,723

Note: Totals may not add due to rounding.

(1) Water Authority Bonds includes commercial paper but does not include bonds that defease commercial paper.

The City's financing program includes the issuance of water and sewer revenue bonds by the Water Authority which is authorized to issue bonds to finance capital investment in the City's water and sewer system. Pursuant to State law, debt service on Water Authority indebtedness is secured by water and sewer fees paid by users of the water and sewer system. Such fees are revenues of the Water Board, which holds a lease interest in the City's water and sewer system. After providing for debt service on obligations of the Water Authority and certain incidental costs, the revenues of the Water Board are paid to the City to cover the City's costs of operating the water and sewer system and as rental for the system. Beginning in fiscal year 2017, the City has not requested the rental payment due to the City from the Water Board. The City's Ten-Year Capital Strategy applicable to the City's water and sewer system covering fiscal years 2018 through 2027, projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $19.1 billion. The 2018-2022 Capital Commitment Plan reflects total anticipated City-funded water and sewer commitments of $14.0 billion which are expected to be financed with the proceeds of Water Authority debt.

The TFA is authorized to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA may have outstanding Future Tax Secured Bonds in excess of $13.5 billion provided that the amount of the Future Tax Secured Bonds, together with the amount of indebtedness contracted by the City, do not exceed the debt limit of the City. Future Tax Secured Bonds are issued for general City capital purposes and are secured by the City's personal income tax revenues and, to the extent such revenues do not satisfy specified debt ratios, sales tax revenues. In addition, the TFA is authorized to have outstanding $9.4 billion of Building Aid Revenue Bonds to pay for a portion of the City's five-year educational facilities capital plan. Building Aid Revenue Bonds are secured by State building aid, which the Mayor has assigned to the TFA. The TFA expects to issue $500 million, $78 million, $168 million and $104 million of Building Aid Revenue Bonds in fiscal years 2019 through 2022, respectively.

Implementation of the financing program is dependent upon the ability of the City and other financing entities to market their securities successfully in the public credit markets which will be subject to prevailing market conditions at the times of sale. No assurance can be given that the credit markets will absorb the projected amounts of public bond sales. A significant portion of bond financing is used to reimburse the City's General Fund for capital expenditures already incurred. If the City and such other entities are unable to sell such amounts of bonds, it would have an adverse effect on the City's cash position. In addition, the need of the City to fund future debt service costs from current operations may also limit the City's capital program. The Ten-Year Capital Strategy for fiscal years 2018 through 2027 totals $95.8 billion, of which approximately 93% is to be financed with funds borrowed by the City and such other entities. See "INTRODUCTORY STATEMENT" and "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness*." Congressional developments affecting federal taxation generally could reduce the market value of tax-favored investments and increase the debt-service costs of carrying out the major portion of the City's capital plan which is currently eligible for tax-exempt financing.

Interest Rate Exchange Agreements

In an effort to reduce its borrowing costs over the life of its bonds, the City began entering into interest rate exchange agreements commencing in fiscal year 2003. For a description of such agreements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A.12." As of March 31, 2018, the aggregate notional amount of the City's interest rate exchange agreements was $1,183,030,000 and the total marked-to-market value of such agreements was ($61,882,035).

In addition, in connection with its Courts Facilities Lease Revenue Bonds (The City of New York Issue) Series 2005A and B, the Dormitory Authority of the State of New York ("DASNY") entered into interest rate exchange agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P. and JPMorgan Chase Bank, National Association. The City is obligated, subject to appropriation, to make lease payments to DASNY reflecting DASNY's obligations under these interest rate exchange agreements. Under such agreements, with a notional amount of $125,500,000, an effective date of June 15, 2005 and a termination date of May 15, 2039, DASNY pays a fixed rate of 3.017% and receives payments based on a LIBOR-indexed variable rate. As of March 31, 2018, the total marked-to-market value of the DASNY agreements was ($23,528,192).

Seasonal Financing Requirements

The City since 1981 has fully satisfied its seasonal financing needs, when necessary, in the public credit markets, repaying all short-term obligations within their fiscal year of issuance. The City has not issued short-term obligations to finance projected cash flow needs since fiscal year 2004. The City regularly reviews its cash position and the need for short-term borrowing. The Financial Plan does not reflect the issuance of short-term obligations.

SECTION VIII: INDEBTEDNESS

Indebtedness of the City and Certain Other Entities

Outstanding City and PBC Indebtedness

The following table sets forth outstanding City and PBC indebtedness as of March 31, 2018. "City indebtedness" refers to general obligation debt of the City, net of reserves. "PBC indebtedness" refers to obligations of the City, net of reserves, to the following PBCs: the New York City Educational Construction Fund ("ECF"), and DASNY (for health facilities, court facilities and CUCF as described below). PBC indebtedness is not debt of the City. However, the City has entered into agreements to make payments, subject to appropriation, to PBCs to be used for debt service on certain obligations constituting PBC indebtedness. Neither City indebtedness nor PBC indebtedness includes outstanding debt of the TFA, TSASC, Fiscal Year 2005 Securitization Corp. or STAR Corp., which are not obligations of, and are not paid by, the City; nor does such indebtedness include obligations of the Hudson Yards Infrastructure Corporation ("HYIC"), for which the City has agreed to pay, as needed and subject to appropriation, interest on but not principal of such obligations.

	(In Thousands)	
Gross City Long-Term Indebtedness(1)	$37,762,084	
Less: Assets Held for Debt Service(2)	(52,565)	
Net City Long-Term Indebtedness		$37,709,519
PBC Indebtedness		
Bonds Payable	281,802	
Capital Lease Obligations	965,745	
Gross PBC Indebtedness	1,247,547	
Less: Assets Held for Debt Service	(51,097)	
Net PBC Indebtedness		1,196,450
Combined Net City and PBC Indebtedness		$38,905,969

(1) Reflects capital appreciation bonds at accreted values as of June 30, 2017.

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

Trend in Outstanding Net City and PBC Indebtedness

The following table shows the trend in the outstanding net City and PBC indebtedness as of June 30 of each of the fiscal years 2008 through 2017 and at March 31, 2018.

	City Indebtedness		PBC	
	Long-Term	Short-Term	Indebtedness(1)	Total
		(In Millions)		
2008	$33,129	—	$1,558	$34,687
2009	38,648	—	1,484	40,131
2010	41,490	—	1,395	42,885
2011	41,737	—	1,550	43,287
2012	40,913	—	1,486	42,399
2013	38,844	—	1,413	40,257
2014	41,033	—	1,347	42,380
2015	38,497	—	1,261	39,758
2016	36,147	—	1,236	37,383
2017	36,324	—	1,182	37,506
March 31, 2018	37,710	—	1,196	38,906

(1) Includes obligations of New York State Urban Development Corporation ("UDC") through June 30, 2016.

Rapidity of Principal Retirement

The following table details, as of March 31, 2018, the cumulative percentage of total City indebtedness that is scheduled to be retired in accordance with its terms in each prospective five-year period.

Period	Cumulative Percentage of Debt Scheduled for Retirement
5 years	23.89%
10 years	52.82
15 years	73.55
20 years	88.64
25 years	96.86
30 years	100.00

City and PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of March 31, 2018, on City and PBC indebtedness.

	City Long-Term Debt		PBC		
Fiscal Years	Principal	Interest	Indebtedness	Interest	Total
		(In Thousands)			
2018	$ 226,470	$ 352,178	$ 36,870	$ 10,610	$ 626,128
2019	2,072,402	1,640,600	73,647	58,578	3,845,227
2020	2,241,617	1,547,258	77,919	55,104	3,921,898
2021 through 2147	33,221,595	12,883,021	1,059,111	420,661	47,584,389
Total	$37,762,084	$16,423,057	$1,247,547	$544,954	$55,977,642

Certain Debt Ratios

The following table sets forth the approximate ratio of City net general obligation bonded debt to assessed taxable property value as of June 30 of each of the fiscal years 2008 through 2017.

Fiscal Year	City General Obligation Bonded Debt(1)	Debt Service Restricted Cash(2)	City General Obligation Bonded Debt Net of Debt Service Restricted Cash	City Net General Obligation Bonded Debt as a Percentage of Assessed Taxable Value of Property(3)	Per Capita
	(in millions)	(in millions)	(in millions)		
2008	$36,100	$5,117	$30,983	21.28%	$3,840
2009	39,991	3,376	36,615	24.09	4,503
2010	41,555	2,926	38,629	24.46	4,715
2011	41,785	2,818	38,967	24.40	4,704
2012	42,286	1,374	40,912	23.88	4,893
2013	41,592	2,766	38,826	21.68	4,610
2014	41,665	639	41,026	21.57	4,843
2015	40,460	1,970	38,490	18.97	4,519
2016	38,073	1,775	36,298	16.68	4,252
2017	37,891	1,583	36,308	15.48	4,253

Source: CAFR for the fiscal year ended June 30, 2017; New York City Comptroller's Office.

(1) General Obligation Bonded Debt is presented at par value and does not reflect GASB 44 reporting methodology netting premium and discount. See "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5—*Changes in Long-term liabilities*."

(2) Primarily comprised of restricted cash and investments held in the General Debt Service Fund.

(3) Based on full valuations for each fiscal year derived from the application of the special equalization ratio reported by the State Office of Real Property Tax Services for such fiscal year.

Indebtedness of the City and Related Issuers

The following table sets forth obligations of the City and other issuers as of June 30 of each of the fiscal years 2008 through 2017. General obligation bonds are debt of the City. Although IDA Stock Exchange bonds and PBC indebtedness are not debt of the City, the City has entered into agreements to make payments, subject to appropriation, to the respective issuers to be used for debt service on the indebtedness included in the following table. ECF bonds are also not debt of the City. ECF bonds are expected to be paid from revenues of ECF, provided, however, that if such revenues are insufficient, the City has agreed to make payments, subject to appropriation, to ECF for debt service on its bonds. Indebtedness of the TFA, TSASC and STAR Corp. does not constitute debt of, and is not paid by, the City.

Fiscal Year	General Obligation Bonds	ECF	TFA	TSASC	STAR	HYIC	PBC Indebtedness and Other(1)	IDA Stock Exchange
				(In Millions)				
2008	$36,100	$109	$14,828	$1,297	$2,339	$2,067	$2,025	$101
2009	39,991	102	16,913	1,274	2,253	2,033	1,937	99
2010	41,555	150	20,094	1,265	2,178	2,000	1,859	99
2011	41,785	281	23,820	1,260	2,117	2,000	1,895	98
2012	42,286	274	26,268	1,253	2,054	3,000	1,818	95
2013	41,592	268	29,202	1,245	1,985	3,000	1,739	93
2014	41,665	266	31,038	1,228	1,975	3,000	1,701	90
2015	40,460	264	33,850	1,222	2,035	3,000	1,639	87
2016	38,073	240	37,358	1,145	1,961	3,000	1,571	84
2017	37,891	236	40,696	1,089	1,884	2,751	1,549	80

Source: CAFR for the fiscal year ended June 30, 2017; New York City Comptroller's Office.

(1) PBC Indebtedness and Other includes capital lease obligations of the City and excludes Fiscal Year 2005 Securitization Corporation, ECF and Tax Lien Collateralized Bonds.

As of March 31, 2018, approximately $37.65 billion of City general obligation bonds were outstanding. For information regarding the City's variable rate bonds, see APPENDIX C hereto.

As of March 31, 2018, $2.72 billion aggregate principal amount of HYIC bonds were outstanding. Such bonds were issued to finance the extension of the Number 7 subway line and other public improvements. They are secured by and payable from payments in lieu of taxes and other revenues generated by development in the Hudson Yards area. To the extent such payments in lieu of taxes and other revenues are insufficient to pay interest on the HYIC bonds, the City has agreed to pay the amount of any shortfall in interest on such bonds, subject to appropriation. The Financial Plan provides $0 in fiscal years 2018 through 2022 for such interest support payments. The City has no obligation to pay the principal of such bonds.

Certain Provisions for the Payment of City Indebtedness

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

The City's debt service appropriation would provide for the interest on, but not the principal of, short-term indebtedness, if any. If such principal were not provided for from the anticipated sources, it would be, like debt service on City bonds, a general obligation of the City.

Pursuant to the Financial Emergency Act, a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for the purpose of paying Monthly Debt Service, as defined in the Act. In addition, as required under the Act, accounts have been established by the State Comptroller within the Fund to pay the principal of City TANs and RANs when outstanding. For the expiration date of the Financial Emergency Act, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act and City Charter.*"

Limitations on the City's Authority to Contract Indebtedness

The Financial Emergency Act imposes various limitations on the issuance of City indebtedness. No TANs may be issued by the City which would cause the principal amount of such issue of TANs to exceed 90% of the "available tax levy," as defined in the Act, with respect to such issue; TANs and renewals thereof must mature not later than the last day of the fiscal year in which they were issued. No RANs may be issued by the City which would cause the principal amount of RANs outstanding to exceed 90% of the "available revenues," as defined in the Act, for that fiscal year; RANs must mature not later than the last day of the fiscal year in which they were issued; and in no event may renewals of RANs mature later than one year subsequent to the last day of the fiscal year in which such RANs were originally issued. No bond anticipation notes ("BANs") may be issued by the City in any fiscal year which would cause the principal amount of BANs outstanding, together with interest due or to become due thereon, to exceed 50% of the principal amount of bonds issued by the City in the twelve months immediately preceding the month in which such BANs are to be issued.

The State Constitution provides that, with certain exceptions, the City may not contract indebtedness, including contracts for capital projects to be paid with the proceeds of City bonds ("contracts for capital projects"), in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years (the "general debt limit"). See "SECTION IV: SOURCES OF CITY REVENUES—Real Estate Tax—*Assessment*." Certain indebtedness ("excluded debt") is excluded in ascertaining the City's authority to contract indebtedness within the constitutional limit. TANs, RANs and BANs, and long-term indebtedness issued for specified purposes are considered excluded debt. The City's authority for variable rate bonds is currently limited, with statutory exceptions, to 25% of the general debt limit. The State Constitution also provides that, subject to legislative implementation, the City may contract indebtedness for low-rent housing, nursing homes for persons of low income and urban renewal purposes in an amount not to exceed 2% of the average assessed valuation of the taxable real estate of the City for the most recent five years (the "2% debt limit"). Excluded from the 2% debt limit, after approval by the State Comptroller, is indebtedness for certain self-supporting programs aided by City guarantees or loans.

Water Authority and TSASC indebtedness and the City's commitments with other PBCs or related issuers are not chargeable against the City's constitutional debt limit. The TFA and TSASC were created to provide financing for the City's capital program. Without the TFA and TSASC, or other legislative relief, new contractual commitments for the City's general obligation financed capital program would have been virtually brought to a halt during the financial plan period beginning early in the 1998 fiscal year. TSASC has approximately \$1.1 billion of bonds outstanding that are payable from TSRs. The TFA is permitted to have outstanding \$13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA may have outstanding Future Tax Secured Bonds in excess of \$13.5 billion, provided that the amount of the Future Tax Secured Bonds, together with the amount of indebtedness contracted by the City, do not exceed the debt limit of the City. Future Tax Secured Bonds are secured by the City's personal income tax revenues and sales tax revenues, if personal income tax revenues do not satisfy specified debt ratios. The TFA, as of May 31, 2018, has outstanding approximately \$34.7 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA is authorized to have outstanding \$9.4 billion of Building Aid Revenue Bonds, which are secured by State building aid and are not chargeable against the City's constitutional debt limit.

The following table sets forth the calculation of debt-incurring power as of May 31, 2018.

		(In Thousands)
Total City Debt-Incurring Power under General Debt Limit		$98,241,450
Gross Debt-Funded[1]	$38,414,732	
Less: Excluded Debt	(47,501)	
	38,367,231	
Less: Appropriations for Payment of Principal	(28,371)	
	38,338,859	
Contracts and Other Liabilities, Net of Prior Financings Thereof	9,722,587	
Less: Total City Indebtedness		48,061,446
Less: TFA Debt Outstanding above $13.5 billion		21,175,160
Debt-Incurring Power		$29,004,844

Note: Numbers may not add due to rounding.

(1) Debt issued at an original issue discount is reflected at the discounted amount rather than the par amount.

Federal Bankruptcy Code

Under the Federal Bankruptcy Code, a petition may be filed in the federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. The filing of such a petition would operate as a stay of any proceeding to enforce a claim against the City. Under such circumstances, the Federal Bankruptcy Code requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and may provide for the municipality to issue indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. Pursuant to authorization by the State, each of the City and the Control Board, acting on behalf of the City pursuant to the Financial Emergency Act, has the legal capacity to file a petition under the Federal Bankruptcy Code. For the expiration date of the Financial Emergency Act, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Emergency Act and City Charter*."

Public Benefit Corporation Indebtedness

City Financial Commitments to PBCs

PBCs are corporate governmental agencies created by or under State law to finance and operate projects of a governmental nature or to provide governmental services. Generally, PBCs issue bonds and notes to finance construction of housing, hospitals, dormitories and other facilities and receive revenues from the collection of fees, charges or rentals for the use of their facilities, including subsidies and other payments from the governmental entity whose residents have benefited from the services and facilities provided by the PBC. These bonds and notes do not constitute debt of the City.

The City has undertaken various types of financial commitments with certain PBCs which, although they do not represent City indebtedness, have a similar budgetary effect. The principal forms of the City's financial commitments with respect to PBC debt obligations are as follows:

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

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

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

Certain PBCs are further described below.

New York City Educational Construction Fund

As of May 31, 2018, $231.2 million principal amount of ECF bonds to finance costs related to the school portions of combined occupancy structures was outstanding. Under ECF's leases with the City, debt service on the ECF bonds is payable by the City to the extent third party revenues are not sufficient to pay such debt service.

Dormitory Authority of the State of New York

As of May 31, 2018, $395.7 million principal amount and $537.8 million principal amount of DASNY bonds issued to finance the design, construction and renovation of court facilities and health facilities, respectively, in the City were outstanding. The court facilities and health facilities are leased to the City by DASNY, with lease payments made by the City in amounts sufficient to pay debt service on DASNY bonds and certain fees and expenses of DASNY.

City University Construction Fund

As of May 31, 2018, approximately $91.8 million principal amount of DASNY bonds, relating to Community College facilities, subject to capital lease arrangements was outstanding. The City and the State are each responsible for approximately one-half of the CUCF's annual rental payments to DASNY for Community College facilities which are applied to the payment of debt service on the DASNY's bonds issued to finance the leased projects plus related overhead and administrative expenses of DASNY.

For further information regarding the particular PBCs included in the City's financial statements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A."

SECTION IX: PENSION SYSTEMS AND OPEB

Pension Systems

The City maintains five actuarial pension systems, providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). Such systems consist of the New York City Employees' Retirement System ("NYCERS"), the Teachers' Retirement System of the City of New York ("TRS"), the New York City Board of Education Retirement System ("BERS"), the New York City Police Pension Fund ("PPF") and the New York City Fire Pension Fund ("FPF") (together, the New York City Retirement Systems, "NYCRS"). Members of these actuarial pension systems are categorized into tiers depending on date of membership. The systems combine features of defined benefit pension plans with those of defined contribution pension plans. Three of the five actuarial pension systems (NYCERS, TERS and BERS) are cost-sharing multiple employer systems that include public employees who are not City employees. Each public employer in these multiple employer systems has primary responsibility for funding and reporting in the employer's financial statements on its share of the systems' liabilities. Total membership in the City's five actuarial pension systems on June 30, 2015 consisted of 370,528 active employees, 332,853 retirees and beneficiaries receiving benefits and other vested members terminated but not receiving benefits, and 29,728 other inactives. Of the total membership of 733,109, City membership was 559,210. The City also contributes to three other pension systems, maintains a closed non-actuarial retirement program for certain retired individuals not covered by the five actuarial pension systems, provides other supplemental benefits to retirees and makes contributions to certain union annuity funds.

Each of the City's five actuarial pension systems is managed by a board of trustees which includes representatives of the City and the employees covered by such system. The City Comptroller is the custodian of, and has been delegated investment responsibilities for, the actuarial pension systems, subject to the policies established by the boards of trustees of the systems and State law. The City Actuary (the "Actuary"), an independent professional who is also the Chief Actuary of each of the five actuarial pension systems, determines annual employer contributions and prepares other actuarial analyses and reports that are used by the City for Financial Plan and financial reporting purposes, as further described below. The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. Constitutional protection applies only to the basic pension benefits provided through each pension system's Qualified Pension Plan ("QPP") and does not extend to the Variable Supplements Funds ("VSFs") or Tax-Deferred Annuity Programs ("TDA Programs") that are also administered by some of the pension systems, as discussed below.

City Pension Contributions

The City has consistently made its full statutorily required pension contributions based on then-current actuarial valuations. For fiscal years 2016 and 2017, the City's pension contributions for the five actuarial pension systems, plus other pension expenditures, were approximately $9.3 billion and $9.4 billion, respectively, and were in addition to employee contributions. For fiscal years 2016 and 2017, 57% of the City pension contributions for such years were attributable to the amortizations of Unfunded Actuarial Accrued Liability ("UAAL") described herein, see "—*Actuarial Assumptions and Methods*" below.

For the 2017 fiscal year, the City's total annual pension contribution expenditures, including pension costs not associated with the five actuarial pension systems, plus Social Security tax payments by the City for the year, were approximately 44% of total wage and salary costs. In addition, contributions are made by certain component units of the City and other government units directly to the three cost-sharing multiple employer actuarial pension systems on behalf of their participating employees and retirees.

Annual pension contributions for each system are determined by the Actuary using actuarial methods and assumptions that provide for orderly budgeting and planning, and that differ from the assumptions and methodologies used in financial reporting. The annual statutorily required pension contribution has four major cost components: (i) the service or normal cost, which is the cost of the future liability associated with pension benefits earned that year; (ii) scheduled amortization of the initial UAAL established as of June 30, 2011; (iii) amortization of positive or negative adjustments to UAAL from factors such as net investment returns above or below the assumed rate of return, changes in or deviations from actuarial assumptions and methods, and changes in benefits; and (iv) administrative expenses. Investment earnings reflect the impact of transfers within each pension system between the QPP and other employee benefit funds, including TDA Programs and VSFs, and within each QPP with regard to certain supplemental, voluntary member contribution accounts, as discussed below.

For further information on phasing in of changes in UAAL, see "—*Actuarial Assumptions and Methods*" below. For further information on potential transfers within the pension systems, see "—*Fiduciary Fund Reporting*" below.

Each year, the Actuary provides each NYCRS with preliminary and final appropriation amounts equal to the statutorily required pension contribution for its respective QPP. For the NYCRS that are multi-employer plans, the Actuary also provides a schedule of allocations among the participating employers. The Boards of Trustees of each QPP vote to adopt the appropriation amount and the participating employers are billed. Interest is charged on late payments, if any.

The New York City Off-Track Betting Corporation ("OTB") is a participating employer in NYCERS. OTB, which operated off-track betting facilities in the City, functioned under the direction of a board appointed by the Governor with input from leaders of the State legislature at the time it ceased operations in December 2010. The pension obligations of OTB have continued to accrue since it ceased operations, and the cumulative unfunded liability for fiscal year 2019 is approximately $132 million. In March 2018 NYCERS identified the State as a successor obligor to OTB. The State's position with respect to the pension obligations of OTB is not known at this time.

The following tables summarize the components of City pension contributions by system for fiscal years 2016, 2017 and 2018.

New York City Retirement Systems
Components of Employer Contribution—City Share

Fiscal Year 2016
(In Millions)

	NYCERS[1]	TRS[2]	BERS[3]	POLICE	FIRE
Entry Age Normal Cost	$ 860.8	$1,056.7	$123.0	$1,266.0	$ 421.2
Initial UAAL Contribution	$ 936.9	$1,692.5	$110.9	$1,117.2	$ 600.0
Subsequent UAAL Contribution	$ 16.6	$ 803.1	$ 20.4	$ (9.3)	$ 33.3
Administrative Expenses	$ 29.0	$ 42.0	$ 11.2	$ 20.0	N/A
Interest on Late Employer Contributions	$ —	$ —	$ —	$ —	$ —
Total	$1,843.3	$3,594.3	$265.5	$2,393.9	$1,054.5

Fiscal Year 2017
(In Millions)

	NYCERS[1]	TRS[2]	BERS[3]	POLICE	FIRE
Entry Age Normal Cost	$ 837.5	$1,097.2	$125.9	$1,236.1	$ 409.4
Initial UAAL Contribution	$ 965.0	$1,743.4	$114.3	$1,150.7	$ 618.1
Subsequent UAAL Contribution	$ (25.7)	$ 903.5	$ 35.4	$ (113.5)	$ 33.7
Administrative Expenses	$ 31.3	$ 51.6	$ 12.5	$ 20.5	N/A
Interest on Late Employer Contributions	$ —	$ —	$ —	$ —	$ —
Total	$1,808.1	$3,795.7	$288.1	$2,293.8	$1,061.2

Fiscal Year 2018
(In Millions)

	NYCERS[(1)]	TRS[(2)]	BERS[(3)]	POLICE	FIRE
Entry age Normal Cost	$ 837.2	$1,138.4	$137.9	$1,271.5	$ 414.1
Initial UAAL Contribution	$ 994.0	$1,795.8	$117.7	$1,185.2	$ 636.6
Subsequent UAAL Contribution	$ (26.0)	$ 793.2	$ 48.3	$ (62.7)	$ 149.7
Administrative Expenses	$ 33.4	$ 52.8	$ 14.7	$ 21.2	N/A
Interest on Late Employer Contributions	$ —	$ —	$ —	$ —	$ —
Total	$1,838.6	$3,780.2	$318.6	$2,415.2	$1,200.4

(1) Includes the New York City School Construction Authority, Transit Police and CUNY Community Colleges.

(2) Includes CUNY Community Colleges.

(3) Includes the New York City School Construction Authority and CUNY Community Colleges.

The Financial Plan reflects projected City pension contributions of $9.632 billion, $9.852 billion, $9.903 billion, $10.162 billion and $10.367 billion for fiscal years 2018 through 2022, respectively. These projections are based on the valuation from the Actuary as of June 30, 2017. The pension contributions projected in the Financial Plan reflect changes to funding assumptions and methods first implemented in 2012 as recommended by the Actuary and adopted by the boards of trustees of each of the City's five actuarial pension systems. The Financial Plan also reflects amortization of subsequent positive or negative adjustments to UAAL as described above, including the phase-in of QPP investment earnings in fiscal years 2011 – 2017, as calculated by the Actuary. Investment earnings varied by system and are calculated differently from the investment performance reported by the Comptroller's office, as described below. The adjustments to UAAL reflected in the Financial Plan also include increased pension contributions resulting, in part, from recommendations of an independent actuarial auditor engaged, pursuant to the City Charter, to review actuarial methods and assumptions every two years, as described below. Such changes to actuarial methods and assumptions resulted in an annual increase of approximately $600 million to the City's annual pension contribution starting in fiscal year 2016.

The Comptroller's office reports investment returns using the time-weighted calculation methodology, which facilitates measurement of relative performance across systems. Using this methodology, aggregate returns on investment assets advised by the Comptroller's office for fiscal years 2011 to 2017 were 23.23%, 1.37%, 12.12%, 17.48%, 3.15%, 1.46%, and 12.95%, respectively. Returns in fiscal years 2011 through 2014 were gross of public market fees and net of private market fees. Returns for fiscal years 2015 to 2017 were net of all investment fees. These returns varied by pension system. These reported returns refer only to those investment assets of the pension systems for which the City Comptroller's office is the investment advisor. These investment assets exclude certain QPP funds advised outside the Comptroller's office, and include pension system assets outside the QPPs. The returns do not reflect the impact of transfers within each pension system between the QPP and other employee benefit funds, such as TDAs and VSFs, or within each QPP with regard to certain supplemental, voluntary member contribution accounts. Such transfers can be material, and, as such, the earnings used by the Actuary in determining required City contributions may differ materially from the earnings implied by the investment-only rates of return above.

Actuarial Assumptions and Methods

This section describes the actuarial assumptions and methods used for determining the City's pension contributions. As mentioned previously, these actuarial assumptions and methods may differ from those used for financial reporting, or for other pension system administrative purposes.

An actuarial valuation requires an initial set of information and assumptions about future events. Pursuant to the City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarial pension systems are conducted by an independent actuarial firm every two years. Such studies assess the reasonableness of the Actuary's calculations of the employer contributions and make recommendations about actuarial methods and assumptions. The Actuary may recommend changes to methods and assumptions based on these studies. In addition, every four to seven years, the Actuary conducts a full review of the actuarial assumptions and methods used to fund the NYCRS. These reviews lead to recommendations that are set forth in formal reports. Based on the results of these reviews, from time to time the Actuary makes changes to the actuarial assumptions and methods that are set forth in formal reports. The most recent of these reports are referred to as the "Silver Books" and were published during February 2012. The Silver Books presented the recommendations of the Actuary for determining employer contributions to the NYCRS, and where applicable, Net Pension Liabilities of the NYCRS, beginning in fiscal year 2012.

The implementation of the Actuary's Silver Books recommendations involved adoption of the tabular (i.e., demographic) assumptions by the Boards of Trustees of the NYCRS; enactment of legislation by the New York State Legislature and Governor for the Actuarial Interest Rate, Actuarial Cost Method, and Amortization Period and Method for any UAAL; and establishment of an Actuarial Asset Value ("AAV") by the Actuary. The AAV is calculated as a modified six-year moving average of the market value of assets, starting with the market value reset as of June 30, 2011.

The actuarial methods and assumptions adopted in 2012 included an Actuarial Interest (discount) Rate assumption of 7% per annum which is based on investment earnings net of investment expenses, updated mortality tables (which were updated again in December 2015, as discussed below) to account for longer life expectancy, and the use of the Entry Age Actuarial Cost Method. The initial UAAL recognized as a result of such changes in assumptions and methods, excluding the December 2015 mortality change, is being amortized, with interest of 7% through City contributions over a 22-year period that commenced in fiscal year 2012 with dollar payments increasing at a rate of 3% per year.

Under the 2012 methods and assumptions, emerging unfunded liabilities are recognized and amortized over closed, fixed periods using level dollar payments. Future UAAL attributable to actuarial gains and losses is amortized over 15 years; future UAAL attributable to changes in actuarial assumptions and methods is amortized over 20 years; and future changes in UAAL attributed to benefit improvements is amortized over periods reasonably consistent with the remaining working lifetimes of those impacted. Investment earnings above or below expectation are reflected in City pension contributions in two stages: first, the annual earnings above or below expectation are phased in to the actuarial value of assets over a six-year period, with 15% of the total recognized per year in years 1-4 and 20% per year in years 5 and 6. Second, the portion recognized in each year is then amortized over a 15-year period for the purpose of calculating the City's annual pension contributions. The Actuary uses investment earnings in this calculation and does not calculate an investment rate of return.

The 2012 methods and assumptions included continued use of the One Year Lag methodology, where census data and asset information as of the June 30 second preceding a fiscal year is used to determine the employer contribution for that fiscal year. For example, for the fiscal year 2017 pension contribution calculation, employee data and the AAV as of June 30, 2015 were used. On March 12, 2018, an independent actuarial auditor released a report analyzing experience for the four-year and ten-year periods ending June 30, 2015. Such report confirmed that the Actuary's calculations of employer contributions for fiscal year 2015 were reasonable, but recommended the consideration of certain changes to the calculations, including a recommendation to prefund the cost of providing a guaranteed return of 8.25% on the TDA fixed fund accounts for certain members of TRS and BERS. Previously, this cost was treated as an actuarial loss and amortized in future years' contributions. This change increased the final fiscal year 2018 contribution and contributions for future years by approximately $50 million per year. For further information on TDAs, see "—Fiduciary Fund Reporting" below. The Financial Plan also includes reserves of $100 million beginning in fiscal year 2019 for additional costs that may result from changes to the current lag methodology, also recommended by the auditor. Additionally, the Financial Plan reflects reserves of $300 million for each of fiscal years 2021 and 2022 to address the potential costs resulting from other pending recommendations by the auditor. The report also confirmed that changes to the current actuarial assumptions are not required at this time.

In December 2015, the Actuary proposed updated post-retirement mortality assumptions for use in determining employer QPP contributions beginning in fiscal year 2016. The Boards of Trustees of each of the five actuarial pension systems adopted the proposed assumptions. In addition, beginning in fiscal year 2016, the Actuary revised the Actuarial Asset Valuation Method to constrain the Actuarial Asset Value to be no more than 120% and no less than 80% of the market value of assets, known as a 20% corridor.

The Actuary continues to review the report's other findings and recommendations and continues to monitor the appropriateness of all actuarial assumptions.

The Silver Books are available on the web site of the New York City Office of the Actuary (www.nyc.gov/actuary). Such website, and the information and links contained therein, are not incorporated into, and are not part of, this section.

Financial Reporting

City Pension Fund Financial Reporting

The City accounts for its pensions consistent with the requirements of GASB. In fiscal year 2014, the City implemented GASB 68. The GASB 68 standards apply to actuarial calculations for financial reporting but not to the actuarial calculation of annual City employer pension contributions, which continue to be determined as described above. The City implemented GASB 68 concurrently with the implementation by the five major actuarial pension systems of GASB 67.

GASB 68 changed many but not all aspects of calculating the City's reported pension fund assets and liabilities. In broad terms, GASB 68 separates pension accounting in the City's government-wide financial statements from the phased or smoothed asset and liability figures that the Actuary uses in determining the City's annual pension contributions, as described above. For financial reporting purposes, most changes in assets and liabilities are reflected in the year in which they occur. The City expects that pension fund accounting under GASB 68 could increase year-to-year volatility in reported net pension liability. Under GASB 68, net pension liabilities are reported on employers' Government-Wide Statements of Net Assets when the fair value of pension assets falls short of actuarially calculated liabilities, when both are measured as of the same date (fiscal year end). For the cost-sharing multiple employer pension systems, only the City share of net pension liabilities is reported in the Government-Wide Statement of Net Assets. As reported in the Government-Wide financial statements for fiscal years 2014 through 2017, the City membership (active, inactive and retired) and the City's share of total pension liability, Plan fiduciary net position, net pension liability, and plan fiduciary net position as a percent of total pension liability, aggregated across the five pension systems, were as follows:

Summary of City Pension Information, Fiscal Years 2014-2017 (1)
(Dollars in billions)

	2014	2015	2016	2017
City Membership (active, inactive, retired)(2)	546,519	545,646	551,080	559,210
Total Pension Liability (TPL)	$169.7	$177.3	$188.2	$195.2
Less Plan Fiduciary Net Position (PFNP)	123.1	124.2	123.4	138.9
Net Pension Liability (NPL)	$ 46.6	$ 53.1	$ 64.8	$ 56.3
PFNP as percent of TPL	72.5%	70.1%	65.6%	71.2%

Source: NYC CAFRs

(1) Data is aggregated across the five pension systems. Funding amounts and percentages vary between systems. Data for NYCERS, PPF and FPF includes the QPP and VSFs, and data for TRS and BRS is QPP only.

(2) Membership data for fiscal year 2014 is as of June 30, 2012; for fiscal year 2015, as of June 30, 2013; for fiscal year 2016, as of June 30, 2014; and for fiscal year 2017, as of June 30, 2015.

The reported net pension liabilities do not include future payments on fixed return TDA funds, described below, where the statutory rate of interest for members is higher than the assumed 7% return on QPP assets.

For further information see "APPENDIX B—FINANCIAL STATEMENTS."

Fiduciary Fund Reporting

The fiscal year 2017 CAFR contains Fiduciary Funds financial statements for each of the five actuarial pension systems. These financial statements report on the entirety of the five systems, not just the City share. Each of the five actuarial pension systems administers programs in addition to its respective QPP, and these programs are also reported as part of each system's financial statements in the Fiduciary Fund financial statements. The City CAFRs for fiscal years 2014 through 2017 report a net position (assets plus deferred outflows, less liabilities and deferred inflows), for the five actuarial pension systems, in aggregate, restricted for QPPs, restricted for TDAs, and restricted for VSFs as shown in the following chart. For further information, see "APPENDIX B—FINANCIAL STATEMENTS—Pension and Other Employee Benefit Trust Funds Combining Statement of Fiduciary Net Position."

New York City Retirement Systems
Aggregate Net Position,

Fiscal Years 2013-2017
(In Millions)

	2013	2014	2015	2016	2017
Net Position:					
Restricted for QPPs	$124,818.9	$144,537.9	$145,769.3	$146,917.9	$163,025.5
Restricted for VSFs	989.4	3,540.8	3,775.1	2,642.2	4,911.9
Restricted for TDAs	24,467.7	27,311.0	28,844.9	30,074.4	32,851.8
Total Net Position	$150,276.0	$175,389.7	$178,389.3	$179,634.5	$200,789.2

Source: City CAFRs

In addition to the QPPs, TRS and BERS administer TDA Programs. Benefits provided under the TDA programs are derived from members' accumulated contributions. No direct contributions are provided by employers. However certain investment and benefit options, if selected by TDA members, may indirectly affect employer financial obligations, as described below. As of June 30, 2016 and 2017, the total fiduciary net position restricted for TDA benefits was $30.1 billion and $32.9 billion, respectively. Each of the TDA Programs has at least two investment options, broadly categorized as a fixed return fund and one or more variable return funds.

Deposits from members' TDA Program accounts into the fixed return funds are used by the respective QPP to purchase investments, and such TDA Program accounts are credited with a statutory rate of interest, currently 7% for United Federation of Teachers members and 8.25% for all other members. If earnings on the respective QPP are less than the amount credited to the TDA Program members' accounts, the higher cost to the QPP could require additional payments by the City to the pension funds. If the earnings are higher, then lower payments by the City to the pension funds could be required. The City's pension fund contribution methodology described above incorporates these effects.

All investment securities purchased and invested by the QPPs with TDA Programs' fixed return funds' balances are owned and reported by the QPP. A receivable due from the respective QPP equal in amount to the aggregate original principal amounts contributed by TDA Programs' members to the respective fixed return funds, plus accrued interest at the statutory rate, is owned by each of the TDA Programs. The balances of TDA Program fixed return funds held by the TRS QPP as of June 30, 2016 and 2017 were $20.3 billion and $22.0 billion, respectively, and interest paid on TDA Program fixed return funds by the TRS QPP for the years then ended were $1.4 billion and $1.5 billion, respectively. The balances of TDA Program fixed return funds held by the BERS QPP as of June 30, 2016 and 2017 were $1.3 billion and $1.4 billion, respectively, and interest paid on TDA Program fixed return funds by the BERS QPP for the years then ended were $94.8 million and $106.6 million, respectively. Deposits from members' TDA Program accounts into the variable return funds are credited with actual returns on the underlying investments of the specific fund selected. Members may reallocate all or a part of their TDA Program contributions between the fixed and variable return funds on a quarterly basis. Retired TDA members may make withdrawals from their TDA accounts or elect to take the balance in the form of an annuity that is calculated based on a statutory rate of interest and mortality assumptions, which are separate and different from the mortality assumptions used in pension liability calculations. Once an annuity has been selected by a member, the payment of those benefits is guaranteed by the QPP.

In addition, certain Tier I and Tier II pension plan members have the right to make supplemental, voluntary member contributions into the QPPs. These contributions are credited with interest at rates set by statute or, for certain employees that may choose variable return investments, the actual return, and may be withdrawn or annuitized at retirement. In general, the assets and liabilities associated with these member contributions are included in the reported assets and actuarially-determined net pension obligations of the respective plans. Ultimately, investment earnings of the fixed rate funds that are less than the amounts credited to the members could result in additional required contributions by the City to the pension funds and investment earnings that are greater than the amounts credited to the members could result in lower required contributions by the City to the pension funds.

Pursuant to State law, certain retirees of NYCERS, PPF and FPF are eligible to receive scheduled supplemental benefits from VSFs. Under some circumstances where assets in the VSFs are insufficient, NYCERS, PPF and FPF are required to transfer assets to their respective VSFs to fund those payments that are statutorily guaranteed. The effects of these transfers are included by the Office of the Actuary in calculating required employer contributions to the pension funds. However under current State law, the VSFs are not pension funds or retirement systems and are subject to change by the State legislature.

For information regarding the amount and investment allocation of investments in the pension systems see "SECTION III: GOVERNMENTAL AND FINANCIAL CONTROLS." For further information regarding the City's pension systems see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note E.5," "—Pension and Other Employee Benefit Trust Funds—Combining Statement of Fiduciary Net Position" and "—Required Supplementary Information."

Other Post-Employment Benefits

Post-Employment benefits other than pensions provided to eligible retirees of the City and their eligible beneficiaries and dependents include health insurance, Medicare Part B premium reimbursements and welfare fund contributions.

In June 2015, GASB issued Statement No. 74 ("GASB 74") and Statement No. 75 ("GASB 75"), which update financial reporting standards for state and local government OPEB Plans. GASB 74 applies to financial reporting by post-employment benefit plans and GASB 75 covers reporting on post-employment benefit plans by employers. The City implemented GASB 74 and GASB 75 for its financial statements beginning in fiscal year 2017. The fiscal year 2017 CAFR reported the City's net OPEB liabilities as $94.5 billion and $88.4 billion as of June 30, 2016 and 2017, respectively. See "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note E.4." The City is not required by law or contractual agreement to fund the OPEB obligation other than the pay-as-you-go amounts necessary to provide current benefits to eligible retirees of the City and their eligible beneficiaries and dependents.

SECTION X: OTHER INFORMATION

Litigation

The following paragraphs describe certain material legal proceedings and claims involving the City and Covered Organizations other than routine litigation incidental to the performance of their governmental and other functions and certain other litigation arising out of alleged constitutional violations, torts, breaches of contract and other violations of law and condemnation proceedings. While the ultimate outcome and fiscal impact, if any, on the City of the proceedings and claims described below are not currently predictable, adverse determinations in certain of them might have a material adverse effect upon the City's ability to carry out the Financial Plan. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 2017 amounted to approximately $6.9 billion. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. OTHER THAN PERSONAL SERVICES COSTS—*Judgments and Claims.*"

Taxes

1. Numerous real estate tax *certiorari* proceedings alleging overvaluation, inequality and illegality are pending against the City. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding *certiorari* proceedings to be $750 million at June 30, 2017. For a discussion of the City's accounting treatment of its inequality and overvaluation exposure, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

2. Con Edison has challenged the City's method of valuation for determining assessments of certain of its properties in two separate actions. Con Edison has challenged the City's tax assessments on its Manhattan power plants and equipment for tax years 1994/1995 through 2016/2017 and the special franchise assessments on its electric, gas and steam equipment located in the public right of way for tax years 2009/2010 through 2016/2017. In March 2018, the City's and State's motions to dismiss challenges to the special franchise assessments for tax years 2009/10 through 2012/13 were granted, leaving four tax years before the court. Con Edison filed Notices of Appeal to this decision on April 10, 2018. With respect to the East 74th Street power plant, a monetary settlement was finalized and paid in the approximate amount of $31,000,000 from City monies appropriated for such expenditures, and a monetary settlement in the approximate amount of $20,000,000 was finalized and paid from City monies appropriated for such expenditures for the West 59th Street power plant. Con Edison and the City are presently negotiating a settlement for the East 60th Street Steam Plant. Disbursements will be made from City monies appropriated for such expenditures. The remaining challenges could result in substantial real property tax refunds in fiscal years 2019 and beyond.

3. Tax Equity Now New York LLC (composed of certain advocacy groups and owners and tenants of properties in the City) commenced an action on April 24, 2017 against the City and the State. The action alleges that the City's real property tax system violates the State and federal constitutions as well as the Fair Housing Act. The action further alleges the valuation methodology as mandated by certain provisions of the State Real Property Tax Law results in a disparity and inequality in the amount of taxes paid by black and hispanic Class 1 property owners and renters. The City and State defendants moved to dismiss the case. Several groups made motions in November 2017 to appear in the case as amici curiae for the plaintiff. In February 2018, the court concluded its review of the amici motions and issued orders both granting and denying this status to the various movants. Oral argument took place on June 13, 2018 to hear the City's and State's respective motions to dismiss the complaint.

Miscellaneous

1. Complaints on behalf of approximately 11,900 plaintiffs alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill were commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police

officers, construction workers and building clean-up workers. The actions were consolidated in federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive federal jurisdiction for all claims related to or resulting from the September 11 attack. A not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the "WTC Insurance Company") was formed to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The WTC Insurance Company was funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. On June 10, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. On November 19, 2010, District Court Judge Hellerstein announced that more than the required 95% of plaintiffs agreed to the settlement, thus making it effective. Approximately $700 million has been paid under the settlement, leaving residual funds of approximately $290 million to insure and defend the City and its contractors against any new claims. Since the applicable statute of limitations runs from the time a person learns of his or her injury or should reasonably be aware of the injury, additional plaintiffs may bring lawsuits in the future for late emerging cancers, which could result in substantial damages. No assurance can be given that the remaining insurance will be sufficient to cover all liability that might arise from such claims.

2. In 1996, a class action was brought against the City Board of Education and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. In 2006, the United States Court of Appeals for the Second Circuit dismissed the claims against the State. In December 2012, the District Court decided a controlling legal question against the City. On February 4, 2013, the Second Circuit affirmed the District Court's decision. The District Court has appointed a Special Master to oversee claimants' individualized hearings both as to damages and eligibility for Board of Education employment. The hearings relate to members of the class that took the Liberal Arts and Science Test ("LAST") from 1996 to 2004. Currently, 3,916 such individuals have submitted claim forms and may be eligible for damages. On June 5, 2015, the Court ruled that a second version of LAST, LAST-2, that was administered from 2004 to 2014, violated Title VII because it did not measure skills necessary to do the job. Currently, up to 700 potential LAST-2 class members have submitted claim forms and may be eligible for damages. In August 2015, the Court found that the State's new teacher certification test, the Academic Literacy Skills Test (ALST), administered since Spring 2014, was not discriminatory and evaluated skills necessary to do the job. The potential cost to the City is uncertain at this time but could be significant.

3. The Office of Inspector General of the United States Department of Health and Human Services ("OIG") conducted a review of Medicaid Personal Care Services claims made by providers in the City from January 1, 2004 through December 31, 2006, and concluded that 18 out of 100 sampled claims by providers failed to comply with federal and State requirements. The Medicaid Personal Care Services program in the City is administered by the City's Human Resources Administration. In its audit report issued in June 2009, the OIG, extrapolating from the case sample, estimated that the State improperly claimed $275.3 million in federal Medicaid reimbursement during the audit period and recommended to the Centers for Medicare and Medicaid Services ("CMS") that it seek to recoup that amount from the State. To the City's knowledge, CMS has not taken any action to recover amounts from the State based on the findings in this audit, but no assurance can be given that it will not do so in the future.

Section 22 of Part B of Chapter 109 of the Laws of 2010 amended an earlier unconsolidated State law to set forth a process under which the State Department of Health may recover from a social services district, including the City, the amount of a federal Medicaid disallowance or recovery that the State Commissioner of Health "determines was caused by a district's failure to properly administer, supervise or operate the Medicaid program." Such a determination would require a finding that the local agency had "violated a statute, regulation or clearly articulated written policy and that such violation was a direct cause of the federal disallowance or recovery." It is not clear whether the recovery process set out in the amendment can be applied to a federal disallowance against the State based upon a pre-existing audit; however, in the event that it does, and results in a final determination by the State Commissioner of Health against the City, such a determination could result in substantial liability for the City as a result of the audit.

4. On October 27, 2014 a lawsuit under the False Claims Act against the City and Computer Sciences Corporation, a contractor that participated in the submission of claims for Medicaid reimbursement, was unsealed in the United States District Court for the Southern District of New York. Plaintiffs, consisting of the federal government and a relator, allege fraud in connection with the use of diagnosis and other codes in seeking Medicaid reimbursement in connection with the Early Intervention Program. Plaintiffs seek treble damages and penalties. A large portion of the claims has been dismissed and is no longer considered material.

5. In July 2014 disability rights advocates organizations and disabled individuals commenced a putative class action against the City in the United States District Court for the Southern District of New York. Plaintiffs allege, among other matters, that the City has not complied with certain requirements of the Americans with Disabilities Act with respect to the installation, configuration and maintenance of curb ramps on sidewalks and requirements for sidewalk walkways in general in Manhattan south of 14th Street. If plaintiffs were to prevail, the City could be subject to a substantial acceleration of compliance costs but not damages.

6. On December 21, 2015, the United States Attorney for the Southern District of New York ("USAO-SDNY") sent a findings letter to the DOE indicating various areas in which he alleged that the City elementary schools were not accessible to students with disabilities in violation of the Americans with Disabilities Act of 1990. The City and USAO-SDNY are currently in discussion as to the matters raised in the letter. While the City has an ongoing program to smaller schools accessible, an acceleration of alterations to City elementary schools to address concerns raised in the findings letter could result in a substantial acceleration of compliance costs to the City.

7. In late 2015, a putative class action was filed against the City and the New York City Taxi and Limousine Commission ("TLC") alleging numerous commercial claims in connection with the November 2013 and February 2014 auctions of wheelchair accessible taxi medallions. Plaintiffs allege that the TLC negligently posted false information about average medallion transfer prices in advance of the auction falsely inducing plaintiffs to bid higher amounts for their medallions as well as failed to inform prospective bidders that the TLC would allow black cars to utilize electronic apps to prearrange rides, which plaintiffs argue violates their street hail exclusivity. In June 2017, the City's motion for summary judgment was granted due to plaintiffs' failure to file notices of claim with the Office of the City Comptroller. Plaintiffs withdrew their appeal of that ruling to pursue related actions subsequently filed. On January 31, 2017 and on March 23, 2017 in State Supreme Court, Queens County, a second and a third putative class action were filed alleging similar claims. In September 2017, the Court dismissed all but the breach of contract rescission and implied covenant of good faith and fair dealing claims in the second filed action, and in November 2017, the Court dismissed the third filed action, which plaintiffs appealed. Motion practice remains ongoing in the second filed action. The Court recently denied plaintiffs' motion for class certification as premature. If a class of plaintiffs who purchased medallions at the auctions were certified and were to prevail in any of the remaining described cases, damages of several hundred million dollars could be sought.

8. In an action filed in December 2015, plaintiffs that include owners of taxi medallions, taxi drivers, groups that finance taxi medallions, and taxi medallion interest groups, raised numerous constitutional claims challenging regulations on taxi medallions that allegedly are not applied to for-hire vehicles ("FHVs") that operate via electronic apps. The plaintiffs also claimed that such FHVs benefit from additional TLC regulations that effected an alleged taking of the plaintiffs' taxi medallions. In March 2017, the City was granted its motion to dismiss. The U.S. Court of Appeals for the Second Circuit upheld the dismissal of all federal claims in May 2018, while indicating that it would not rule on plaintiffs' takings claim because plaintiffs failed to avail themselves of State procedures for seeking remedy. Although plaintiffs may elect to file a takings claim in State court, in a May 2018 decision on a similar case that did not seek monetary relief, the Supreme Court of the State of New York, Appellate Division, Second Judicial Department opined that the TLC's actions permitting FHVs to operate via electronic apps do not constitute a taking under State law. If the plaintiffs were to ultimately prevail on a takings claim, the City could be subject to substantial liability.

Environmental Matters

Sandy

On Monday, October 29, 2012, Sandy hit the Mid-Atlantic East Coast. The storm caused widespread damage to the coastal and other low lying areas of the City and power failures in various parts of the City, including most of downtown Manhattan. On January 29, 2013, President Obama signed legislation providing for approximately $50.5 billion in storm-related aid for the region affected by the storm. Although it is not possible for the City to quantify the full, long-term impact of the storm on the City and its economy, the current estimate of the direct costs to the City, NYCHH and NYCHA is approximately $10.4 billion (comprised of approximately $2.0 billion of expense costs and approximately $8.4 billion of capital project costs). Such direct costs represent funding for emergency response, debris removal, emergency protective measures, repair of damaged infrastructure and long-term hazard mitigation investments. In addition, the City is delivering Sandy-related disaster recovery assistance services, benefiting impacted communities, businesses, homeowners and renters, which the City anticipates will be fully reimbursed by federal funds.

The Financial Plan assumes that the direct costs described above will largely be paid from non-City sources, primarily the federal government, and that the disaster assistance services costs described above will be fully reimbursed by federal funds. The City expects reimbursements to come from two separate federal sources of funding, FEMA and HUD. The City has secured over $9.9 billion in FEMA assistance and other federal emergency response grants. The maximum reimbursement rate from FEMA is 90% of total costs. Other federal emergency response grants may have larger local share percentages. The City expects to use $736 million of Community Development Block Grant Disaster Recovery funding allocated by HUD to meet the local share requirements of the FEMA funding, as well as recovery work not funded by FEMA or other federal sources. This allocation would be available to fill gaps in such FEMA funding. As of March 31, 2018, the City, NYCHH and NYCHA have received $2.6 billion in reimbursements from FEMA for the direct costs described above. In addition, HUD has made available over $4.2 billion, of which over $2.4 billion has been received through March 31, 2018 for the direct costs and disaster recovery assistance services described above. No assurance can be given that the City will be reimbursed for all of its costs or that such reimbursements will be received within the time periods assumed in the Financial Plan.

Climate Change

In June 2013, the City released a report, updated in April 2015 with the release of *One New York: the Plan for a Strong and Just City*, which analyzed the City's climate risks and outlined recommendations to address those risks (the "Report"). As stated in the section entitled "Vision 4" in the Report, the City's climate resiliency planning is based on the climate change impact projections from the New York City Panel on Climate Change ("NPCC"), a body of more than a dozen leading independent climate and social scientists. The NPCC has identified that the City is already experiencing the impacts of climate change and projects dramatic impacts from climate change on the City in the future. The NPCC has published three reports, most recently in 2015, and an updated report is expected in December 2018. Progress reports on *One New York: the Plan for a Strong and Just City* are issued on an annual basis, with the last progress report released on April 20, 2018.

Building on the recommendations contained in the Report, the City is in the process of implementing, over the next ten years, climate resiliency projects costing in excess of $20 billion, most of which are dedicated to areas previously affected by Sandy and some of which are directed toward mitigating the risks identified in the NPCC report. Such plans include both stand-alone resiliency projects and the integration of resiliency protection into the City's ongoing investments. These projects are in various stages of feasibility review, design and construction and/or implementation. Funding for these projects is expected to come from City, State and federal sources. Some projects are expected to require additional funding to the extent that they are in the planning stages or current funding does not provide for the costs of construction. In addition to such projects, the City expects that additional resiliency projects will be identified and implemented in the coming years, including additional projects inside and outside of the areas affected by Sandy and addressing risks identified in the NPCC report including coastal storms, sea level rise, extreme heat and intense rainfall.

In 2015, FEMA issued preliminary updated flood insurance rate maps (FIRMs), which would have expanded the 100-year floodplain beyond the areas designated in the flood maps issued in 2007. The City appealed the 2015 preliminary flood maps challenging the modelling FEMA used to develop them. The 2015 preliminary flood maps were adopted into the building code, but the prior 2007 flood maps remain in effect for flood insurance purposes. In 2016, FEMA agreed with the City's appeal, and the City is currently working with FEMA to update the maps. The new maps are expected to generally expand the 100-year floodplain from the 2007 flood maps and may cover different areas than the 2015 preliminary flood maps. Such expansion could negatively impact property values in those newly designated areas. In addition, an increase in areas of the City susceptible to flooding could result in greater recovery costs to the City if flooding were to occur within such larger areas.

On April 12, 2018, the National Association of Manufacturers released a letter (the "NAM Letter") to the SEC dated March 27, 2018, asking the SEC to investigate the possibility that certain California municipalities and the City, which are separately suing certain oil companies for damages resulting from climate change, had misleading statements or omissions in their respective bond official statements with regard to the impact of climate change on such municipalities. The City believes that the allegations set forth in the NAM Letter with respect to the City are without merit.

Superfund Designations

On March 2, 2010, the United States Environmental Protection Agency ("EPA") listed the Gowanus Canal (the "Canal"), a waterway located in the City, as a federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). EPA considers the City a potentially responsible party ("PRP") under CERCLA, based on contaminants from currently and formerly City-owned and operated properties, as well as from the City's combined sewer overflows ("CSOs"). On September 30, 2013 EPA issued the Record of Decision ("ROD") for the Canal, setting forth requirements for dredging contaminated sediment in the Canal and covering it with a cap as well as source control requirements. The ROD requires that two CSO retention tanks be constructed as part of the source control component of the remedy. EPA estimates that the costs of the tanks will be approximately $85 million. The City estimates that the tanks will actually cost in excess of $735 million, which is included in the City's capital plan. EPA also estimates the overall cleanup costs (to be allocated among potentially responsible parties) will be $506 million. The City anticipates that the actual cleanup costs could substantially exceed EPA's cost estimate. On May 28, 2014, EPA issued a unilateral administrative order requiring the City to design major components of the remedy for the Canal, including the CSO retention tanks and other storm water control measures, and remediate the First Street basin (a currently filled-in portion of the Canal). As required under the Unilateral Order, the City submitted its siting recommendations for the CSO tanks to EPA on June 30, 2015. As set forth in a consent order which was fully executed on June 9, 2016, EPA agrees with the City's preferred location for one of the tanks and, with respect to the other tank, EPA has directed the City to site the tank at the City's preferred location subject to certain milestones. In addition, the City is participating in an ongoing arbitration process with approximately 20 other parties to determine each party's share of liability for the design of the in-canal (dredging and capping) portion of the remedy.

On September 27, 2010, EPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, as a Superfund site. On April 6, 2010, EPA notified the City that EPA considers the City a PRP under CERCLA for hazardous substances in Newtown Creek. In its Newtown Creek PRP notice letter, EPA identified historical City activities that filled former wetlands and low lying areas in and around Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and CSO outfalls, as potential sources of hazardous substances in Newtown Creek. In July, 2011, the City entered into an Administrative Settlement Agreement and Order on Consent with EPA and five other PRPs to conduct an investigation of conditions in Newtown Creek and evaluate feasible remedies. The investigation and feasibility study is expected to take approximately eleven years. The City's share will be determined in a future allocation proceeding. The settlement does not cover any remedy that may ultimately be chosen by EPA to address the contamination identified as a result of the investigation and evaluation.

On May 12, 2014, EPA listed the former Wolff-Alport Chemical Company site ("Wolff-Alport Site") in Ridgewood, Queens, as a Superfund site. The designation is based on radioactive contamination resulting from the operations of the Wolff-Alport Chemical Company during the 1920s to 1950s, which, among other things, disposed of radioactive material on-site, on the adjacent right-of-way, and via the sewer system. In 2013, EPA, in cooperation with City and State agencies, completed a response action to implement certain interim remedial measures at the Wolff-Alport Site to address the site's short-term public health risks. In 2015 to 2017, EPA undertook a remedial investigation and feasibility study that assessed, among other things, impacts to the sewer system and City right-of-way from operations at the Wolff-Alport Site, and evaluated a range of remedial alternatives. In September 2017, EPA issued its ROD identifying its selected remedy. The ROD requires jet washing and replacement of sewers, and excavation of contaminated portions of the right-of-way. EPA estimated work for the entire Wolff-Alport Site to cost $39 million. The City anticipates that the costs for work in the sewers and the right-of-way could significantly exceed that estimate. In December 2017, EPA notified the City of its status as a PRP for the work on City property, and the City and EPA will negotiate an agreement to address that work.

The National Park Service ("NPS") is undertaking a CERCLA removal action at Great Kills Park on Staten Island to address radioactive contamination that has been detected at the site. Great Kills Park was owned by the City until roughly 1972, when it was transferred to NPS for inclusion in the Gateway National Recreation Area. While owned by the City, the site was used as a sanitary landfill, and the park was also expanded using urban fill. NPS believes that the radioactive contamination is the result of City activities and that the City is therefore liable for the investigation and remediation under CERCLA. The City has negotiated a settlement with NPS to address a remedial investigation and feasibility study. No other PRPs have been identified at this time.

Under CERCLA, a responsible party may be held responsible for monies expended for response actions at a Superfund site, including investigative, planning, removal, remedial and EPA enforcement actions. A responsible party may also be ordered by EPA to take response actions itself. Responsible parties include, among others, past or current owners or operators of a facility from which there is a release of a hazardous substance that causes the incurrence of response costs. The nature, extent, and cost of response actions at either the Canal, Newtown Creek, the Wolff-Alport site or Great Kills Park, the contribution, if any, of discharges from the City's sewer system or other municipal operations, and the extent of the City's liability, if any, for monies expended for such response actions, will likely not be determined for several years and could be material.

Cybersecurity

To protect its assets from cyber-attack, the City works with a range of City, State, and federal law enforcement agencies, including the City's Department of Information Technology and Telecommunication, the New York City Cyber Command and the Federal Bureau of Investigation's Joint Terrorism Task Force. The New York City Cyber Command was created pursuant to executive order of the Mayor in July 2017 and is charged with setting information security policies and standards for the City for directing the City's citywide cyber defense and incident response, deploying defensive technical and administrative controls and providing guidance to the Mayor and City agencies on cyber defense.

Financial Statements

The City's financial statements for the fiscal years ended June 30, 2017 and 2016 are included herein as APPENDIX B. Grant Thornton LLP, the City's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Appendix. The report of Grant Thornton LLP relating to the City's financial statements for the fiscal years ended June 30, 2017 and 2016, which is a matter of public record, is included in this Appendix. However, Grant Thornton LLP has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this Appendix, since the date of such report and has not been asked to consent to the inclusion of its report in this Appendix.

Further Information

Orrick, Herrington & Sutcliffe LLP, New York, New York, Special Disclosure Counsel to the City, will pass upon certain legal matters in connection with the preparation of this Appendix. A description of those matters and the nature of the review conducted by that firm is set forth in its opinion and accompanying memorandum which are on file at the office of the Corporation Counsel.

The references herein to, and summaries of, provisions of federal, State and local laws, including but not limited to the State Constitution, the Financial Emergency Act and the City Charter, and documents, agreements and court decisions, including but not limited to the Financial Plan, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during business hours at the office of the Corporation Counsel.

Copies of the most recent financial plan submitted to the Control Board are at www.nyc.gov/omb. Copies of the published Comprehensive Annual Financial Reports of the Comptroller are available at www.comptroller.nyc.gov or upon written request to the Office of the Comptroller, Deputy Comptroller for Public Finance, Municipal Building, One Centre Street, New York, New York 10007. Financial plans are prepared quarterly, and the Comprehensive Annual Financial Report of the Comptroller is typically published at the end of October of each year.

THE CITY OF NEW YORK

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**APPENDIX A
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APPENDIX A**

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

New York City Economy

The City has a diversified economic base, with a substantial volume of business activity in the financial, professional service, education, health care, hospitality, wholesale and retail trade, technology, information services, and manufacturing industries, and is the location of many securities, banking, law, accounting, new media, and advertising firms.

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

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

The United States Department of Commerce Bureau of Economic Analysis produces measures of Gross Domestic Product ("GDP") by metropolitan area. The New York metropolitan area – defined geographically as New York City; Long Island; the Lower Hudson Valley, New York; parts of Northern and Central New Jersey; and Pike County Pennsylvania – is the largest metropolitan economy in the United States.

	Top Ten GDP by Metropolitan Area					**GDP Per Capita**
	(millions of current dollars)					**(2009 Dollars)**
	2012	**2013**	**2014**	**2015**	**2016***	**2016***
United States (metropolitan areas)	$14,481,568	$14,963,370	$15,621,759	$16,280,446	$16,802,781	$53,645
New York-Newark-Jersey City, NY-NJ-PA	1,439,234	1,477,046	1,542,759	1,608,345	1,657,457	70,758
Los Angeles-Long Beach-Anaheim, CA.	821,769	852,509	903,100	963,448	1,001,677	66,477
Chicago-Naperville-Elgin, IL-IN-WI.	578,016	585,948	608,723	635,054	651,222	59,810
Dallas-Fort Worth-Arlington, TX.	417,065	448,179	477,177	493,048	511,606	65,154
Washington-Arlington-Alexandria, DC-VA-MD-WV	454,229	459,273	471,272	493,651	509,224	73,270
Houston-The Woodlands-Sugar Land, TX	462,300	488,430	505,758	496,708	478,618	65,332
San Francisco-Oakland-Hayward, CA.	366,459	385,843	412,423	440,246	470,529	86,830
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	370,052	389,787	400,520	417,698	431,038	62,817
Boston-Cambridge-Newton, MA-NH.	355,585	365,048	381,049	406,002	422,660	77,502
Atlanta-Sandy Springs-Roswell, GA	291,483	307,873	326,556	344,590	363,768	55,300

Source: U.S. Bureau of Economic Analysis
*   Advance statistics.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 2006 to 2016 (the most recent year for which City personal income data are available). For the period from 2006 through 2008, personal income averaged 4.5% and 4.8% annual growth in the City and the nation, respectively. Total personal income in the City decreased by 3.4% in 2009 and increased by an average of 4.8% from 2010 through 2016. Total personal income in the nation decreased by 3.3% in 2009 and increased by an average of 4.2% from 2010 through 2016.

The following table sets forth information regarding personal income in the City from 2006 to 2016.

Personal Income(1)

Year	Total NYC Personal Income ($ billions)	Per Capita Personal Income NYC	Per Capita Personal Income U.S.	NYC as a Percent of U.S.
2006	$378.0	$47,289	$38,144	124%
2007	409.5	51,099	39,821	128
2008	412.9	51,176	41,082	125
2009	398.8	49,042	39,376	125
2010	412.6	50,370	40,277	125
2011	446.8	53,939	42,461	127
2012	476.2	56,952	44,282	129
2013	492.6	58,481	44,493	131
2014	513.7	60,631	46,494	130
2015	536.9	63,039	48,451	130
2016	547.7	64,146	49,246	130

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

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

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, fashion design, health care, education, technology, information services, hospitality and retail fields. Over the past two decades the City has experienced a number of business cycles. From 1992 to 2000, the City added 456,700 private sector jobs (growth of 17%). From 2000 to 2003, the City lost 173,100 private sector jobs (decline of 5%). From 2003 to 2008, the City added 257,400 private sector jobs (growth of 9%). From 2008 to 2009, the City lost 103,000 private sector jobs (decline of 3%). From 2009 to 2016, the City added 648,700 private sector jobs (growth of 21%). All such changes are based on average annual employment levels through and including the years referenced.

As of May 2018, total employment in the City was 4,508,500 compared to 4,431,000 in May 2017, an increase of 1.7% based on data provided by the New York State Department of Labor, which is not seasonally adjusted.

The table below shows the distribution of employment from 2008 to 2017.

EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Goods Producing Sectors										
Construction	132.7	120.8	112.5	112.3	116.1	122.2	129.2	139.3	147.2	151.1
Manufacturing	95.6	81.6	76.3	75.7	76.3	76.4	76.6	77.8	76.1	73.1
Service Producing Sectors										
Trade, Transportation & Utilities	574.6	552.7	559.7	575.6	590.5	605.0	620.6	630.2	630.4	634.3
Information	169.5	165.2	165.9	170.8	175.7	179.2	185.0	189.0	192.6	197.1
Financial Activities	464.6	433.9	428.3	439.1	438.8	437.5	449.2	459.3	465.9	469.8
Professional & Business Services	603.4	569.2	575.3	597.5	619.3	642.9	669.0	700.0	722.3	742.3
Education & Health Services	736.3	752.6	771.6	789.2	805.6	831.1	866.4	896.9	928.7	963.4
Leisure & Hospitality	310.2	308.5	322.2	342.2	365.7	385.4	408.5	427.8	440.2	452.1
Other Services	160.8	160.3	160.6	165.2	170.4	174.9	180.2	185.7	190.1	191.5
Total Private	3,247.7	3,144.7	3,172.5	3,267.5	3,358.5	3,454.5	3,584.7	3,705.9	3,793.5	3,874.7
Total Government	564.1	567.0	558.0	550.6	546.1	544.4	545.4	549.9	552.3	552.1
Total	3,811.8	3,711.7	3,730.5	3,818.1	3,904.6	3,998.9	4,130.1	4,255.8	4,345.7	4,426.7

Note: Totals may not add due to rounding.
Source: New York State Department of Labor. Data are presented using the North American Industry Classification System ("NAICS").

Sectoral Distribution of Employment and Earnings

In 2016, the City's service producing sectors provided approximately 3.6 million jobs and accounted for approximately 82% of total employment. Figures on the sectoral distribution of employment in the City from 1980 to 2000 reflect a significant shift to the service producing sectors and a shrinking manufacturing base relative to the nation.

The structural shift to the service producing sectors affects the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In the City in 2016, the employment share for the financial activities and professional and business services sectors was approximately 27% while the earnings share for those same sectors was approximately 45%. In the nation, those same service producing sectors accounted for only approximately 20% of employment and 26% of earnings in 2016. Due to the earnings distribution in the City, sudden or large shocks in the financial markets may have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by sector for 2016 are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS IN 2016(1)

	Employment		Earnings(2)	
	NYC	U.S.	NYC	U.S.
Goods Producing Sectors				
Mining	0.0%	0.5%	0.0%	1.5%
Construction	3.4%	4.7%	3.6%	6.1%
Manufacturing	1.8%	8.6%	1.1%	9.4%
Total Goods Producing	5.1%	13.7%	4.7%	16.9%
Service Producing Sectors				
Trade, Transportation and Utilities	14.5%	18.9%	9.4%	15.4%
Information	4.4%	1.9%	7.7%	3.4%
Financial Activities	10.7%	5.7%	24.1%	9.1%
Professional and Business Services	16.6%	13.9%	21.2%	17.0%
Education and Health Services	21.4%	15.7%	12.0%	13.0%
Leisure & Hospitality	10.1%	10.8%	5.1%	4.6%
Other Services	4.4%	3.9%	3.2%	3.7%
Total Service Producing	82.2%	70.9%	82.6%	66.3%
Total Private Sector	87.3%	84.6%	88.3%	83.2%
Government(3)	12.7%	15.4%	11.7%	16.8%

Note: Data may not add due to rounding or disclosure limitations. Data are presented using NAICS.

Sources: The primary sources are the New York State Department of Labor, U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Department of Commerce, Bureau of Economic Analysis.

(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.

(2) Includes the sum of wage and salary disbursements, other labor income and proprietor's income. The latest information available is 2016 data.

(3) Excludes military establishments.

The comparison of employment and earnings in 1980 and 2000 set forth below is presented using the industry classification system which was in use until the adoption of NAICS in the late 1990's. Though NAICS has been implemented for most government industry statistical reporting, most historical earnings data have not been converted. Furthermore, it is not possible to compare data from the two classification systems except in the general categorization of government, private and total employment. The table below reflects the overall increase in the service producing sectors and the declining manufacturing base in the City from 1980 to 2000.

The City's and the nation's employment and earnings by industry are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS(1)

	Employment				Earnings(2)			
	1980		2000		1980		2000	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
Private Sector:								
Non-Manufacturing:								
Services	27.0%	19.8%	39.1%	30.7%	26.0%	18.4%	30.2%	28.7%
Wholesale and Retail Trade	18.6	22.5	16.8	23.0	15.1	16.6	9.3	14.9
Finance, Insurance and Real Estate	13.6	5.7	13.2	5.7	17.6	5.9	35.5	10.0
Transportation and Public Utilities	7.8	5.7	5.7	5.3	10.1	7.6	5.2	6.8
Contract Construction	2.3	4.8	3.3	5.1	2.6	6.3	2.9	5.9
Mining	0.0	1.1	0.0	0.4	0.4	2.1	0.1	1.0
Total Non-Manufacturing	69.3	59.6	78.1	70.3	71.8	56.9	83.2	67.3
Manufacturing:								
Durable	4.4	13.4	1.6	8.4	3.7	15.9	1.3	10.5
Non-Durable	10.6	9.0	4.9	5.6	9.5	8.9	4.8	6.1
Total Manufacturing	15.0	22.4	6.5	14.0	13.2	24.8	6.1	16.6
Total Private Sector	84.3	82.0	84.7	84.3	85.2	82.1	89.8	84.6
Government(3)	15.7	18.0	15.3	15.7	14.8	17.9	10.3	15.4

Note: Totals may not add due to rounding. Data are presented using the Standard Industrial Classification System ("SICS").

Sources: The two primary sources of employment and earnings information are U.S. Department of Labor, Bureau of Labor Statistics and U.S. Department of Commerce, Bureau of Economic Analysis.

(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.

(2) Includes the sum of wage and salary disbursements, other labor income, and proprietors' income. The latest information available for the City is 2000 data.

(3) Excludes military establishments.

Unemployment

As of May 2018, the total unemployment rate in the City was 3.4%, compared to 4.3% in May 2017, based on data provided by the New York State Department of Labor, which is not seasonally adjusted. The annual unemployment rate of the City's resident labor force is shown in the following table.

ANNUAL UNEMPLOYMENT RATE(1)
(Average Annual)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
New York City	5.6%	9.3%	9.5%	9.1%	9.3%	8.8%	7.2%	5.7%	5.2%	4.5%
United States	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%

Source: New York State Department of Labor and U.S. Department of Labor, Bureau of Labor Statistics.

(1) Percentage of civilian labor force unemployed: excludes those persons unable to work and discouraged workers (i.e., persons not actively seeking work because they believe no suitable work is available).

Public Assistance

As of December 2017, the number of persons receiving cash assistance in the City was 367,997 compared to 374,316 in December 2016. The following table sets forth the number of persons receiving public assistance in the City.

PUBLIC ASSISTANCE

(Annual Averages in Thousands)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
416.9	393.1	360.8	341.8	346.9	350.5	351.7	353.9	356.0	342.3	361.9	370.5	366.3

Taxable Sales

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. The sales tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. Taxable sales and purchases reflects data from the State Department of Taxation and Finance publication "Taxable Sales and Purchases, County and Industry Data." The yearly data presented in this paragraph and the table below covers the period from March 1 of the year prior to the listed year through the last day of February of the listed year. Between 2003 and 2008, total taxable sales volume growth rate averaged 6.0%. From 2009 to 2010, total taxable sales volume decreased by 6.3%, reflecting a decline in consumption, as a result of local employment losses and the local and national recessions. Between 2010 to 2017, total taxable sales volume growth rate averaged 5.4% primarily as a result of an increase in consumption as a result of local employment gains and the local and national recoveries, as well as two sales tax base expansions enacted by the City, effective August 1, 2009.

The following table illustrates the volume of sales and purchases subject to the sales tax from 2007 to 2017.

TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX
(In Billions)

Year(1)	Retail(2)	Utility & Communication Sales(3)	Services(4)	Manufacturing	Other(5)	All Total
2007	33.4	19.1	28.1	2.4	23.7	106.7
2008	33.3	20.6	31.5	2.8	26.7	115.0
2009	31.3	22.0	31.8	2.7	25.9	113.6
2010	31.0	20.6	30.1	2.2	22.5	106.4
2011	36.6	21.4	33.7	4.6	20.1	116.4
2012	41.3	20.9	37.2	4.9	22.0	126.3
2013	41.2	20.6	39.2	5.2	23.3	129.5
2014	46.1	22.8	43.9	5.6	20.7	139.1
2015	47.3	23.1	47.3	5.8	22.2	145.7
2016	47.6	21.8	50.9	5.9	23.4	149.6
2017	48.4	22.6	53.0	6.0	23.4	153.4

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

(1) The yearly data is for the period from March 1 of the year prior to the listed year through the last day of February of the listed year.

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

(3) Utility and Communication sales include both residential and non-residential electric, and residential and non-residential gas and communication.

(4) Services include business services, hotel occupancy services (stays for the first 90 days), and other services (auto repair, parking and others).

(5) Other sales include construction, wholesale trade, arts, entertainment and recreation, and others. Also included in other are local tax base components of City taxable sales and purchases which include Manhattan parking services, hotel occupancy services (stays 91 to 180 days), and miscellaneous services (credit rating and reporting services, miscellaneous personal services, and other services). Other includes items previously identified as "City Other" except for residential utility, which is reflected in "Utility and Communication Sales."

Population

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

POPULATION

Year	Total Population
1970	7,895,563
1980	7,071,639
1990	7,322,564
2000	8,008,278
2010	8,175,133

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

The United States Census Bureau estimates that the City's population increased to 8,622,698 as of July 2017.

The following table sets forth the distribution of the City's population by age between 2000 and 2010.

DISTRIBUTION OF POPULATION BY AGE

	2000		2010	
Age		% of Total		% of Total
Under 5	540,878	6.8	517,724	6.3
5 to 14	1,091,931	13.6	941,313	11.5
15 to 19	520,641	6.5	535,833	6.6
20 to 24	589,831	7.4	642,585	7.9
25 to 34	1,368,021	17.1	1,392,445	17.0
35 to 44	1,263,280	15.8	1,154,687	14.1
45 to 54	1,012,385	12.6	1,107,376	13.5
55 to 64	683,454	8.5	890,012	10.9
65 and Over	937,857	11.7	993,158	12.1

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

Housing

In 2017, the housing stock in the City consisted of approximately 3,469,240 housing units, excluding certain special types of units primarily in institutions such as hospitals and universities ("Housing Units") according to the 2017 Housing and Vacancy Survey released February 9, 2018. The 2017 housing inventory represented an increase of approximately 69,000 units, or 2.0%, since 2014. The 2017 Housing and Vacancy Survey indicates that rental housing units continue to predominate in the City. Of all occupied housing units in 2017, approximately 32.4% were conventional home-ownership units, cooperatives or condominiums and approximately 67.6% were rental units. Due to changes in the inventory basis beginning in 2002, it is not possible to accurately compare Housing and Vacancy Survey results beginning in 2002 to the results of earlier Surveys until such time as the data is reweighted. The following table presents trends in the housing inventory in the City.

HOUSING INVENTORY
(In Thousands)

Ownership/Occupancy Status	1993	1996	1999	2002	2005	2008	2011	2014	2017
Total Housing Units	2,977	2,995	3,039	3,209	3,261	3,328	3,352	3,400	3,469
Owner Units	825	858	932	997	1,032	1,046	1,015	1,033	1,038
Owner-Occupied	805	834	915	982	1,010	1,019	984	1,015	1,006
Vacant for Sale	20	24	17	15	21	26	31	18	32
Rental Units	2,040	2,027	2,018	2,085	2,092	2,144	2,173	2,184	2,183
Renter-Occupied	1,970	1,946	1,953	2,024	2,027	2,082	2,105	2,109	2,104
Vacant for Rent	70	81	64	61	65	62	68	75	79
Vacant Not Available for Sale or Rent(1)	111	110	89	127	137	138	164	183	248

Note: Details may not add up to totals due to rounding.

Sources: U.S. Bureau of the Census, 1993, 1996, 1999, 2002, 2005, 2008, 2011, 2014 and 2017 New York City Housing and Vacancy Surveys.

(1) Vacant units that are dilapidated, intended for seasonal use, held for occasional use, held for maintenance purposes or other reasons.

APPENDIX B
TO
APPENDIX A

FINANCIAL STATEMENTS

Basic Financial Statements of the City of New York
June 30, 2017 and 2016

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)—PART II-B

SUPPLEMENTARY INFORMATION COMBINING FINANCIAL INFORMATION—FIDUCIARY FUNDS—PART II-D

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The People of
The City of New York:

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of New York ("The City") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise The City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of those entities disclosed in Note E.1 which represent 7 percent, (2) percent, and 5 percent, respectively, of the assets, net position (deficit) and revenues of the governmental activities, 100 percent of the assets, net position and revenues of the business-type activities, 100 percent of the assets, net position and revenues of the aggregate discretely presented component units, and 100 percent of the assets, fund balance/net position and revenues of the aggregate remaining funds of The City. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities disclosed in Note E.1, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The City's preparation and fair presentation of the financial statements 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of New York as of June 30, 2017 and 2016, and the respective changes in financial position, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As further described in Note A.2 to the financial statements, The City adopted new standards in fiscal 2017 related to the accounting for Other Postemployment Benefits and Blended Component Units. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-9 through B-35, Schedule of Changes in the City's Net Pension Liability and Related Ratios for Single-Employer Pension Plans at June 30th on page B-145, Schedule of the City's Proportionate Share of the Net Pension Liabilities of Cost-Sharing Multiple-Employer Pension Plans at June 30th on page B-146, Schedule of City Contributions for all Pension Plans for Fiscal Years Ended June 30th on page B-147 and Schedule of the Net OPEB Liability on page B-151 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 audit 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.

GRANT THORNTON LLP

New York, New York

October 30, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of The City of New York (City or primary government) for the Fiscal Years ended June 30, 2017 and 2016. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred outflows and inflows of resources. *Net position (deficit)* is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including the New York State Financial Emergency Act for The City of New York (Act). The Act requires the City to operate under a "rolling" Four-Year Financial Plan (Plan). Revenues and expenditures, including transfers, of each year of the Plan are required to be balanced on a basis consistent with Generally Accepted Accounting Principles (GAAP). The Plan is broader in scope than the expense budget; it comprises General Fund revenues and expenditures, Capital Projects Fund revenues and expenditures, and all short and long-term financing.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary Funds

Proprietary funds are utilized when a state or local government charges customers to recover its costs of providing services. Proprietary funds report on business-type activities, which include enterprise type funds, and internal service type funds. The City has no internal service type funds. The City's enterprise funds are the same as the business-type activities reported in the government-wide statements. Proprietary funds statements are prepared using the economic resources measurement focus and accrual basis of accounting. In addition to a *Statement of Net Position* and a *Statement of Revenues, Expenses and Changes in Fund Net Position*, proprietary funds are also required to report a *Statement of Cash Flows*.

Fiduciary Funds

The fiduciary funds are used to account for assets and activities when a governmental unit is functioning either as a trustee or an agent for another party. The City's fiduciary funds are divided into two separate fund types: Pension and Other Employee Benefit Trust Funds and Agency Funds.

The **Pension and Other Employee Benefit Trust Funds** account for the operations of:

- Pension Trusts
  - New York City Employees' Retirement System (NYCERS)
  - Teachers' Retirement System of The City of New York (TRS)
  - New York City Board of Education Retirement System (BERS)
  - New York City Police Pension Funds (POLICE)
  - New York City Fire Pension Funds (FIRE)
- Deferred Compensation Plans (DCP)
- The New York City Other Postemployment Benefits Plan (the OPEB Plan)

Each of the pension trusts report all jointly administered plans including primary pension (QPPs), and variable supplements funds (VSFs) and/or tax deferred annuity plans (TDAs), as appropriate. While the VSFs are included with QPPs for financial reporting purposes, in accordance with the Administrative Code of The City of New York (ACNY), VSFs are not pension funds or retirement systems. Instead, they provide scheduled supplemental payments, in accordance with applicable statutory provisions. Although a portion of these payments are guaranteed by the City, the State has the right and power to amend, modify, or repeal VSFs and the payments they provide. However, any assets transferred to the VSFs are held in trust solely for the benefit of its members. More information is available in Note E.5.

The Deferred Compensation Plans report the various jointly administered Deferred Compensation Plans of The City of New York and related agencies and Instrumentalities and the New York City Employee Individual Retirement Account (NYCEIRA).

Note: These fiduciary funds publish separate annual financial statements, which are available at: Office of the Comptroller, Bureau of Accountancy—Room 200 South, 1 Centre Street, New York, New York 10007, or at www.comptroller.nyc.gov.

These funds use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net position restricted for benefits.

The New York City Other Postemployment Benefits Plan (the OPEB Plan) is composed of The New York City Retiree Health Benefits Trust (the Trust) and postemployment benefits other than pensions (OPEB) paid for directly by the City out of its general resources rather than through the Trust. The Trust is used to accumulate assets to pay for some of the OPEB provided by the City to its retired employees. The OPEB Plan is reported in the City's financial statements as an Other Employee Benefit Trust Fund. The OPEB Plan was established for the exclusive benefit of the City's retired employees and their dependents in providing the following current postemployment benefits: a health insurance program, Medicare Part B premium reimbursements, and welfare fund contributions. The City is not required to provide funding for the OPEB Plan other than the "pay-as-you-go" amounts necessary to provide current benefits to eligible retirees and their dependents. During Fiscal Year 2017, the City contributed approximately $3.0 billion to the OPEB Plan.

The **Agency Funds** account for miscellaneous assets held by the City for other funds, governmental units, and individuals. School fundraiser monies for scholarships, federal asset forfeiture for investigative purposes, and cash bail for use by the surety/assignee, are the major miscellaneous assets accounted for in these funds. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential for a more complete understanding of the information provided in the government-wide and fund financial statements.

Financial Reporting Entity

The financial reporting entity consists of the City government and its component units, which are legally separate organizations for which the City is financially accountable.

The City is financially accountable for the organizations that make up its legal entity. The City is also financially accountable for a legally separate organization (component units) if City officials appoint a voting majority of that organization's governing body and the City is able to either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the City.

The City may also be financially accountable for organizations that are fiscally dependent on the City if there is a potential for the organizations to provide specific financial benefits to the City, or impose specific financial burdens on the City, regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government, or jointly appointed boards.

Blended Component Units

Certain component units, despite being legally separate from the City, are reported as if they were part of the City because, in addition to the City being financially accountable for them, they provide services exclusively to the City. The blended component units, which are all reported as Nonmajor Governmental Funds, comprise the following:

- New York City School Construction Authority (SCA)
- New York City Transitional Finance Authority (TFA)
- TSASC, Inc. (TSASC)
- New York City Educational Construction Fund (ECF)
- Fiscal Year 2005 Securitization Corporation (FSC)
- Sales Tax Asset Receivable Corporation (STAR)
- Hudson Yards Development Corporation (HYDC)
- Hudson Yards Infrastructure Corporation (HYIC)
- New York City Technology Development Corporation (TDC)
- New York City School Support Services (NYCSSS)

Discretely Presented Component Units

Certain component units are discretely presented because, while the City is financially accountable for them, they do not provide services exclusively to the government itself.

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

- Water and Sewer System (the System):
  - New York City Water Board (Water Board)
  - New York City Municipal Water Finance Authority (Water Authority)
- New York City Housing Authority (HA)
- New York City Housing Development Corporation (HDC)
- New York City Health and Hospitals Corporation (HHC)
- New York City Economic Development Corporation (EDC)

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

- Brooklyn Navy Yard Development Corporation (BNYDC)
- New York City Industrial Development Agency (IDA)
- New York City Business Assistance Corporation (NYBAC)
- Build NYC Resource Corporation (Build NYC)
- New York City Land Development Corporation (LDC)
- New York City Neighborhood Capital Corporation (NYCNCC)
- Brooklyn Public Library (BPL)
- The Queens Borough Public Library & Affiliate (QBPL)

Business-Type Activities

Additionally, other component units are classified as business-type activities.
Although legally separate from the City, the City has financial accountability for entities under this classification and as such they are reported as if they are a part of the City. These entities were established to provide services to third parties, and intended to operate with limited or no public subsidy.

The following entities are presented as business-type activities in the City's financial statements:

- Brooklyn Bridge Park Corporation (BBPC)
- The Trust for Governors Island (TGI)
- WTC Captive Insurance Company, Inc. (WTC Captive)
- New York City Tax Lien Trusts (NYCTLT's):
  - NYCTLT 1998-2
  - NYCTLT 2014-A
  - NYCTLT 2015-A
  - NYCTLT 2016-A
  - NYCTLT 2017-A

Financial Analysis of the Government-Wide Financial Statements

In the government-wide financial statements, all of the activities of the City, aside from its discretely presented component units, are reported as governmental activities.

As mentioned previously, the basic financial statements include a reconciliation between the Fiscal Year 2017 governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances*, which reports an increase of $526 million for all governmental funds balances. A similar reconciliation is provided for Fiscal Year 2016 amounts.

For the City's business-type activities, the results for Fiscal Year 2017 were positive; total net position increased to reach an ending balance of $868.3 million, a 4% increase from the prior year. The total Fiscal Year 2017 increase in net position for business-type activities was $33.5 million. This increase was predominately driven by the creation and introduction of a new entity, the NYCTLT2017-A, which resulted in an additional revenue stream of $48.9 million. Compared to the prior year change in net position, Fiscal Year 2017 showed an increase of $1.07 million, a 3% increase.

For the City's business-type activities, the results for Fiscal Year 2016 were positive; total net position increased to reach an ending balance of $834.8 million, a 4% increase from the prior year. The total Fiscal Year 2016 increase in net position for business-type activities was $32.4 million. This increase was predominately driven by the creation and introduction of a new entity, the NYCTLT2016-A, which resulted in an additional revenue stream of $46.8 million.

Key elements of these changes are as follows:

	Governmental Activities		
	2017	**2016 (restated)[a]**	**2015**
Revenues:			
Program revenues:			
Charges for services	$ 4,919,609	$ 4,786,001	$ 6,078,264
Operating grants and contributions	23,344,455	20,897,593	19,437,743
Capital grants and contributions	479,210	723,038	973,430
General revenues:			
Taxes	55,337,797	53,564,673	52,523,182
Investment income	110,145	94,718	161,351
Other Federal and State aid	311,125	258,215	252,194
Other	428,702	625,870	1,403,787
Total revenues	84,931,043	80,950,108	80,829,951
Expenses:			
General government	5,360,092	5,259,894	5,479,762
Public safety and judicial	18,961,329	19,681,206	13,840,502
Education	28,839,477	29,295,515	22,915,670
City University	1,252,444	1,342,333	1,094,172
Social Services	15,402,193	14,969,178	14,514,037
Environmental protection	3,570,278	3,709,540	3,188,665
Transportation services	2,542,300	2,784,695	2,460,777
Parks, recreation and cultural activities	1,265,383	1,149,928	1,249,560
Housing	2,394,963	2,006,924	1,574,233
Health (including payments to HHC)	2,874,032	3,277,736	2,186,493
Libraries	420,994	457,653	350,475
Debt service interest	2,958,883	2,932,656	2,929,046
Brooklyn Bridge Park	—	—	—
The Trust for Governor's Island	—	—	—
WTC Captive Insurance	—	—	—
New York City Tax Lien Trusts	—	—	—
Total expenses	85,842,368	86,867,258	71,783,392
Change in net position	(911,325)	(5,917,150)	9,046,559
Net position (deficit)— beginning	(193,524,916)	(183,081,913)	(191,103,187)
Restatement of beginning net position (deficit)	—	(4,525,853)	(1,025,285)
Net position (deficit)—ending	$(194,436,241)	$(193,524,916)	$(183,081,913)

(a) The restatement of the beginning net deficit in Fiscal Year 2016 is the result of the City implementing GASB Statement No. 75 and 80 in Fiscal Year 2017.
The implementation is discussed further in footnote A.2

N/A: Not Available.

Changes in Net Position
(in thousands)

Business-type Activities			Total Primary Government		
2017	2016 (restated)[a]	2015	2017	2016 (restated)[a]	2015
$ 4,242	$ 4,245	N/A	$ 4,923,851	$ 4,790,246	$ 6,078,264
149,676	100,065	N/A	23,494,131	20,997,658	19,437,743
45,298	50,891	N/A	524,508	773,929	973,430
35,566	8,238	N/A	55,373,363	53,572,911	52,523,182
116,372	99,986	N/A	226,517	194,704	161,351
—	—	N/A	311,125	258,215	252,194
4,529	10,355	N/A	433,231	636,225	1,403,787
355,683	273,780	N/A	85,286,726	81,223,888	80,829,951
—	—	N/A	5,360,092	5,259,894	5,479,762
—	—	N/A	18,961,329	19,681,206	13,840,502
—	—	N/A	28,839,477	29,295,515	22,915,670
—	—	N/A	1,252,444	1,342,333	1,094,172
—	—	N/A	15,402,193	14,969,178	14,514,037
—	—	N/A	3,570,278	3,709,540	3,188,665
—	—	N/A	2,542,300	2,784,695	2,460,777
—	—	N/A	1,265,383	1,149,928	1,249,560
—	—	N/A	2,394,963	2,006,924	1,574,233
—	—	N/A	2,874,032	3,277,736	2,186,493
—	—	N/A	420,994	457,653	350,475
—	—	N/A	2,958,883	2,932,656	2,929,046
18,640	15,829	N/A	18,640	15,829	—
35,177	30,347	N/A	35,177	30,347	—
1,968	3,208	N/A	1,968	3,208	—
266,418	191,982	N/A	266,418	191,982	—
322,203	241,366	N/A	86,164,571	87,108,624	71,783,392
33,480	32,414	N/A	(877,845)	(5,884,736)	9,046,559
834,817	—	N/A	(192,690,099)	(183,081,913)	(191,103,187)
—	802,403	N/A	—	(3,723,450)	(1,025,285)
$ 868,297	$ 834,817	N/A	$(193,567,944)	$(192,690,099)	$(183,081,913)

In Fiscal Year 2017, the government-wide revenues increased from Fiscal Year 2016 by approximately $4.0 billion and government-wide expenses decreased by approximately $1.0 billion.

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

- Grant revenue increased as a result of the following:
  - Temporary Assistance for Needy Families (TANF): TANF increased due to greater spending on shelters as the homeless population increased slightly year over year. There was also an increase in the spending associated with increased prevention and outreach efforts, shelter maintenance, and shelter diversion strategies in the City's effort to combat the rise in homelessness.
  - State Child Welfare: State Child Welfare increased due to new investments in preventive services and an increase in Administration for Children's Services (ACS) staff.
- Changes in tax revenues, net of refunds, were a result of the following:
  - The increase in real estate taxes resulted from growth in billable assessed value during the fiscal year.
  - The overall decrease in sales and use taxes was driven primarily by a significant reduction of School Tax Relief (STARC) collections due to a decrease in mortgage financing activity as a result of a slow-down in commercial transaction activity.
  - There was an overall increase in income tax, despite there being a decrease in personal income tax due to a decline in estimated payments, the settlement of final returns, extension payments, and refunds reflecting weaker capital gains. A new corporate tax reform legislation went into effect in Fiscal Year 2017. The reform merged the general corporation tax and the banking corporation tax, redefined business and investment income, adopted a new business income base, and made many other changes regarding corporation tax, resulting in an overall increase in general corporation tax collections. The significant net gain in corporation tax was the primary driver of the overall increase in income taxes.
  - For all other taxes, commercial rent tax increased due to a strong commercial office market with declining vacancy rates. However, overall other taxes decreased because of a significant decrease in the conveyance of real property tax revenue due to a slow-down in commercial transaction activity.

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

- Overall government-wide OPEB expenses increased, which was a result of changes related to implementation of new OPEB accounting standards. This was offset by decreases in overall pension expenses. Public Safety and Education had the highest decrease in pension expenses and increase in OPEB expenses due to this change.
- Social services expenses increased due to higher expenses incurred by the Department of Homeless Services for increased prevention services, street outreach efforts, improved shelter maintenance, and rate enhancements for homeless shelter providers. Additionally, ACS expenses increased due to new investments in training, child protective services and preventive services, and child care changing from a rate based payment system to an expense based system.
- Parks, recreation, and cultural activities (Parks) expenses increased primarily due to additional hiring of Parks full-time and season personnel and increased Other than Personal Services spending for new Parks programs. Additionally, expenses at the Department of Cultural Affairs increased due to higher subsidies and grants provided to cultural institutions and organizations, higher spending on diversity initiatives, and new spending to support energy costs of non-Culturals Institutions Group institutions that reside on City-owned property.
- Housing expenses increased due to higher Federal spending at Housing Preservation and Development in support of rental assistance and Super Storm Sandy recovery and spending at Department of Buildings on multiple initiatives to improve service delivery and update agency IT infrastructure.
- Health expenses decreased due to Health and Hospitals Corporation prepayments made in the prior fiscal year that resulted in higher expenses in the prior fiscal year, but lower expenses in the current fiscal year. This was offset by increased spending at Department of Health and Mental Hygiene for new investments in disease control, family and child health, and mental health.

In Fiscal Year 2016, the government-wide revenues increased from Fiscal Year 2015 by approximately $120 million and government-wide expenses increased by approximately $15.1 billion.

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

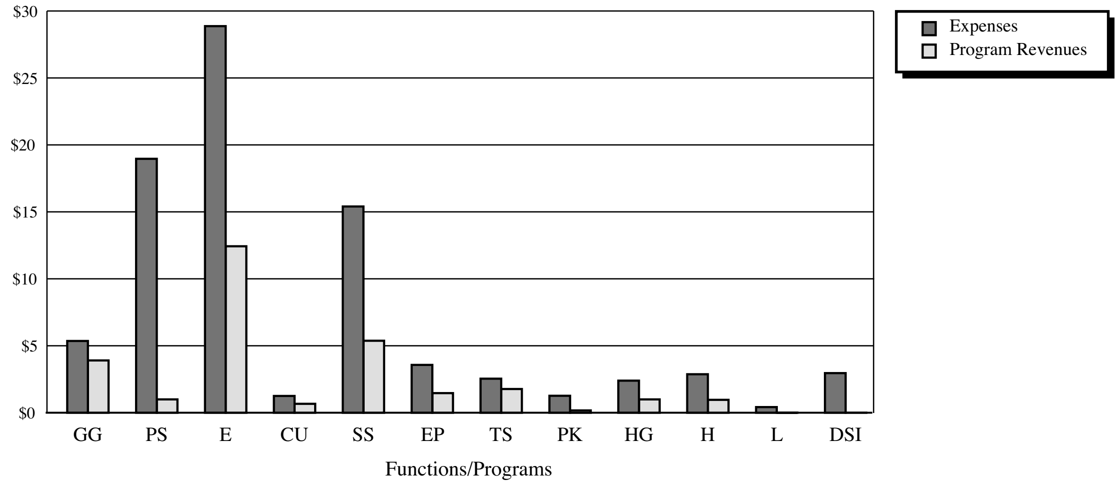
- Grants increased due to more reimbursements for costs associated with Superstorm Sandy which impacted New York City in October 2012.
- Tax revenues, net of refunds, increased overall, as a result of the following:
  - The increase in real estate taxes results from growth in billable assessed value during the fiscal year.
  - The overall increase in sales and use taxes was driven primarily by large growth in mortgage financing activity for the commercial real estate market and stable financial activity for the residential market. Additionally, there was an increase in the collection of general sales tax which demonstrates an increase in taxable consumption resulting from growth in wages and visitor spending.
  - The increase in personal income taxes reflects strong withholding growth and large gains in non-wage income.
  - The increase in other income taxes (which includes general corporation, financial corporation, unincorporated business income, non-resident personal income taxes, and utility tax) is primarily attributable to an increase in financial corporation taxes which reflects increases in consumer and corporate lending, deposit taking, and reduced settlements related to mortgage securities and unfair banking practices. Additionally, growth in hedge fund asset management and employment, and growth in personal income payments from non-resident City employees increased unincorporated business income and personal income taxes, respectively.
  - For all other taxes, the increase in taxes associated with the conveyance of real property reflects a continued recovery in the average sale price for both commercial and residential properties. Also increasing was payment in lieu of taxes (PILOT), which reflects higher payments for World Trade Center and Battery Park City Authority, offset by the forgiveness of New York City Housing Authority (HA) payments. Additionally, hotel room occupancy taxes grew due to continued growth in the tourism sector.
  - The decrease in penalties and interest on delinquent taxes is primarily attributable to a decrease in penalties and interest on real estate taxes, which reflects a smaller percentage of delinquent properties paying penalties and interest. Additionally, refunds increased as a result of overpayments by taxpayers.

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

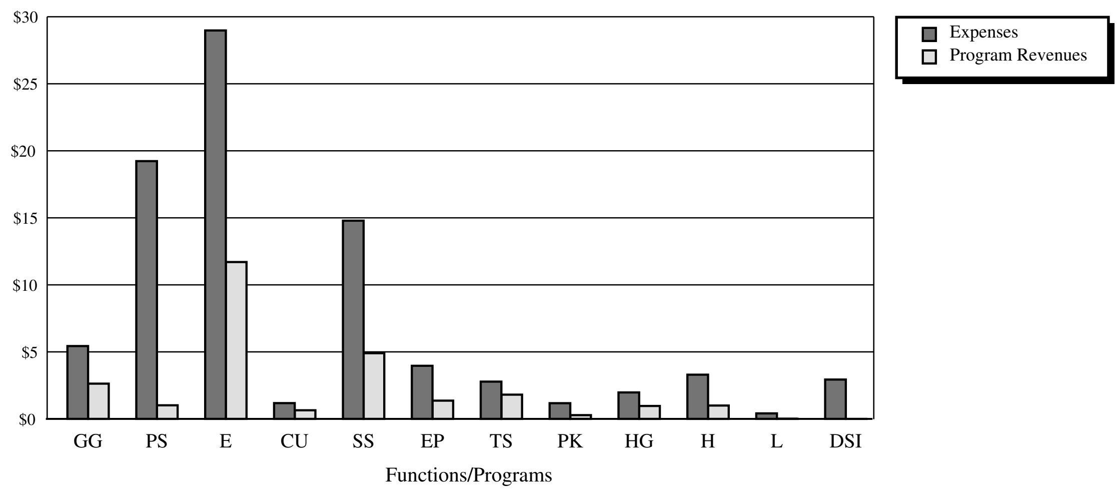
- General government expense increases are attributable to increases in Community Development Block Grant Disaster Recovery funded work, collective bargaining increases, and various Mayoral initiatives.
- Education expenses increased due to the expansion of Universal Pre-Kindergarten and after-school programming, new investments in low-performing schools, growth in mandated costs for special education pupils, and collective bargaining increases.
- Expenses in housing increased due to greater spending on initiatives associated with Super Storm Sandy housing recovery and resiliency efforts in Housing Preservation and Development (HPD). Department of Buildings expenses increased due to collective bargaining settlements and technology upgrades to improve service delivery. Expenses related to HA increased due to unit rehabilitations, extended hours at community centers, and collective bargaining increases.
- Parks, Recreation, Cultural Activities, and Health expenses decreased as a result of a reclassification of Capital work-in-progress that occurred during the fiscal year.
- Environmental protection expenses decreased primarily due to lower accruals for collective bargaining payments in Department of Environmental Protection in Fiscal Year 2015. Expenses in Sanitation increased due to landfill closure costs at Freshkills, start of operations at the North Shore Marine Transfer Station, and increase in collective bargaining expenses.
- Libraries expenses increased primarily due to budget increases to cover collective bargaining settlement payments made in Fiscal Year 2015.

The following charts compare the amounts of expenses and program revenues for Fiscal Years 2017 and 2016:

Expenses and Program Revenues — Governmental Activities
for the Fiscal Year ended June 30, 2017
(in billions)



Expenses and Program Revenues — Governmental Activities
for the Fiscal Year ended June 30, 2016
(in billions)

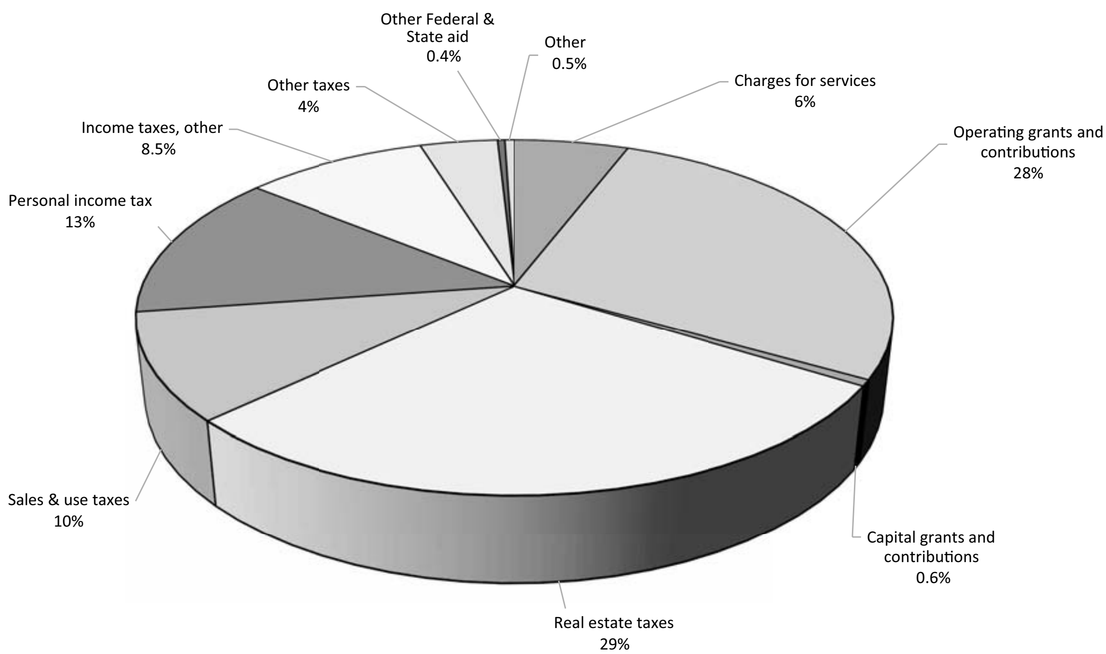


Functions/Programs

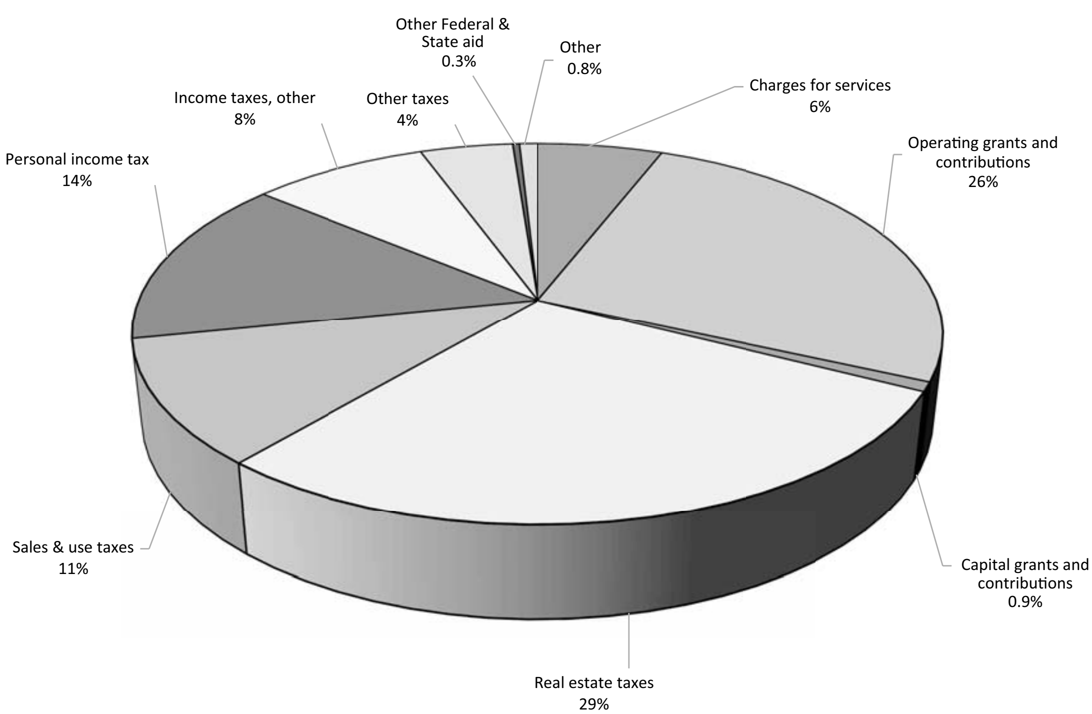
GG	General government
PS	Public safety and judicial
E	Education (Primary and Secondary)
CU	City University
SS	Social services
EP	Environmental protection
TS	Transportation services
PK	Parks, recreation, and cultural activities
HG	Housing
H	Health, including payments to HHC
L	Libraries
DSI	Debt service interest

The following charts compare the amounts of program and general revenues for Fiscal Years 2017 and 2016:

Revenues by Source — Governmental Activities
for the Fiscal Year ended June 30, 2017



Revenues by Source — Governmental Activities
for the Fiscal Year ended June 30, 2016



As noted earlier, increases and decreases of net position may over time serve as a useful indicator of changes in a government's financial position. In the case of the City, governmental activities for Fiscal Year 2017 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $194.4 billion, an increase in the net deficit of $911.3 million from June 30, 2016 as restated, which in turn compares with an increase to the net deficit of $10.4 billion over the prior Fiscal Year 2015.

See table below for further details.

	Governmental Activities		
	2017	**2016 (restated)**	**2015**
Current and other assets	$ 40,355,566	$ 38,859,291	$ 40,367,330
Capital assets (net of depreciation)	57,516,792	54,952,234	53,122,237
Total assets	97,872,358	93,811,525	93,489,567
Deferred outflows of resources	5,098,543	13,489,496	5,334,087
Long-term liabilities outstanding	251,130,595	262,960,871	240,788,718
Other liabilities	22,467,090	22,233,855	22,860,910
Total liabilities	273,597,685	285,194,726	263,649,628
Deferred inflows of resources	23,809,457	15,631,211	18,255,939
Net position:			
Net investment in capital assets	(12,522,029)	(12,684,965)	(13,828,805)
Restricted	2,793,287	4,226,381	5,277,387
Unrestricted (deficit)	(184,707,499)	(185,066,332)	(174,530,495)
Total net position (deficit)	$(194,436,241)	$(193,524,916)	$(183,081,913)

N/A: Not Available.

Net Position (in thousands) Business-type Activities			Total Primary Government		
2017	2016 (restated)	2015	2017	2016 (restated)	2015
$ 762,818	$ 763,813	N/A	$ 41,118,384	$ 39,623,104	$ 40,367,330
571,320	540,547	N/A	58,088,112	55,492,781	53,122,237
1,334,138	1,304,360	N/A	99,206,496	95,115,885	93,489,567
—	—	N/A	5,098,543	13,489,496	5,334,087
405,352	402,017	N/A	251,535,947	263,362,888	240,788,718
60,489	67,526	N/A	22,527,579	22,301,381	22,860,910
465,841	469,543	N/A	274,063,526	285,664,269	263,649,628
—	—	N/A	23,809,457	15,631,211	18,255,939
571,319	540,548	N/A	(11,950,710)	(12,144,417)	(13,828,805)
296,978	302,740	N/A	3,090,265	4,529,121	5,277,387
—	(8,471)	N/A	(184,707,499)	(185,074,803)	(174,530,495)
$ 868,297	$ 834,817	N/A	$(193,567,944)	$(192,690,099)	$(183,081,913)

The excess of liabilities over assets reported for governmental activities on the government-wide Statement of Net Position (deficit) is a result of several factors. The largest components of the net position (deficit) are the result of the City having long-term debt with no corresponding capital assets and the City's Post-retirement benefits liability. The following summarizes the main components of the net deficit as of June 30, 2017 and 2016:

	Components of Net Deficit	
	2017	**2016 (restated)**
	(in billions)	
Net Position Invested in Capital Assets		
Some City-owned assets have a depreciable life used for financial reporting that is different from the period over which the related debt principal is being repaid. Schools and related education assets depreciate more quickly than their related debt is paid, and they comprise one of the largest components of this difference	$ (12.5)	$ (12.7)
Net Position Restricted for:		
Debt Service	3.5	3.8
Capital Projects	0.6	0.4
Total restricted net position	4.1	4.2
Unrestricted Net Position		
TFA issued debt to finance costs related to the recovery from the September 11, 2001 World Trade Center disaster, which are operating expenses of the City	(0.8)	(0.9)
STAR issued debt related to the defeasance of the MAC issued debt	(1.9)	(1.9)
The City has issued debt for the acquisition and construction of public purpose capital assets which are not reported as City-owned assets on the Statement of Net Position. This includes assets of the TA, the System, HHC, and certain public libraries and cultural institutions. This is the debt outstanding for non-City owned assets at year end.	(32.0)	(28.0)
Certain long-term obligations do not require current funding:		
OPEB liability	(88.4)	(94.5)
Judgments and claims	(6.9)	(7.1)
Vacation and sick leave	(4.6)	(4.3)
Pension liability	(56.2)	(64.8)
Landfill closure and postclosure costs	(1.5)	(1.5)
Deferred outflows of resources	5.1	13.5
Other:	1.2	4.5
Total unrestricted net position	(186.0)	(185.0)
Total net position (deficit)	$(194.4)	$(193.5)

The following chart provides Fiscal Year ended June 30, 2017, pension statistics by pension system as of the dates of the most recent actuarial valuations:

	Summary of City Pension Information Fiscal Year 2017					
	NYCERS*	TRS**	BERS**	POLICE*	FIRE*	Total
City Membership (active, inactive and retired) as of 6/30/15	189,339	211,634	45,529	85,168	27,540	559,210
			(in billions, except %)			
Total Pension Liability (TPL)	$ 44.8	$ 71.6	$ 5.1	$ 52.4	$ 21.3	$ 195.2
Less Plan Fiduciary Net Position (PFNP)	33.5	48.9	4.1	39.4	13.0	138.9
Net Pension Liability (NPL)	$ 11.3	$ 22.7	$ 1.0	$ 13.0	$ 8.3	$ 56.3
PFNP as a % of TPL***	74.8%	68.3%	80.8%	75.2%	61.0%	71.2%
Pension Expense	$ 1.3	$ 3.6	$ 0.2	$ 1.8	$ 1.1	$ 8.0

* Includes QPP and VSFs
** QPP only
*** Calculated based on whole dollar unrounded amounts.

The following chart provides Fiscal Year ended June 30, 2016, pension statistics by pension system as of the dates of the most recent actuarial valuations:

	Summary of City Pension Information Fiscal Year 2016					
	NYCERS*	TRS**	BERS**	POLICE*	FIRE*	Total
City Membership (active, inactive and retired) as of 6/30/14	187,548	206,481	45,358	84,555	27,138	551,080
			(in billions, except %)			
Total Pension Liability (TPL)	$ 43.7	$ 68.0	$ 4.8	$ 51.1	$ 20.6	$ 188.2
Less Plan Fiduciary Net Position (PFNP)	30.4	42.4	3.4	35.5	11.7	123.4
Net Pension Liability (NPL)	$ 13.3	$ 25.6	$ 1.4	$ 15.6	$ 8.9	$ 64.8
PFNP as a % of TPL***	69.6%	62.4%	70.8%	69.5%	56.8%	65.6%
Pension Expense	$ 1.7	$ 3.8	$ 0.3	$ 2.2	$ 1.1	$ 9.1

* Includes QPP and VSFs
** QPP only
*** Calculated based on whole dollar unrounded amounts.

More information about pensions is available in Note E.5.

Financial Analysis of the Governmental Funds

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

Governmental Funds

	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
			(in thousands)			
Fund Balances (deficit), June 30, 2015	$ 467,621	$ (1,779,591)	$ 1,970,220	$ 4,378,186	$ —	$ 5,036,436
Revenues	79,399,507	1,996,759	87,611	3,603,517	(2,746,399)	82,340,995
Expenditures	(73,700,743)	(8,079,916)	(3,912,444)	(5,613,288)	2,566,109	(88,740,282)
Other financing sources (uses)	(5,693,566)	4,884,351	3,629,730	2,026,286	180,290	5,027,091
Restatement of beginning net position	—	—	—	(120,417)	—	(120,417)
Fund Balances (deficit), June 30, 2016	472,819	(2,978,397)	1,775,117	4,274,284	—	3,543,823
Revenues	83,029,725	2,128,070	118,404	4,151,266	(3,590,121)	85,837,344
Expenditures	(77,027,929)	(8,825,550)	(3,815,106)	(6,601,521)	3,292,870	(92,977,236)
Other financing sources (uses)	(5,996,586)	7,156,028	3,504,329	2,704,554	297,251	7,665,576
Fund Balances (deficit), June 30, 2017	$ 478,029	$(2,519,849)	$ 1,582,744	$ 4,528,583	$ —	$ 4,069,507

The City's General Fund is required to adopt an annual budget prepared on a basis generally consistent with Generally Accepted Accounting Principles (GAAP). Surpluses from any fiscal year cannot be appropriated in future fiscal years.

If the City anticipates that the General Fund will have an operating surplus, the City will make discretionary transfers to the General Debt Service Fund and other payments that reduce the amount of the General Fund surplus for financial reporting purposes and reduce the need for expenditures in the succeeding fiscal year or years. As detailed later, the General Fund had an operating surplus of $4.2 billion and $4.0 billion before these expenditures and transfers (discretionary and other) for Fiscal Years 2017 and 2016, respectively. After these certain expenditures and transfers, the General Fund reported an operating surplus of $5 million in both Fiscal Years 2017 and 2016, which resulted in an increase in fund balance by this amount.

The General Debt Service Fund receives transfers (discretionary and other) from the General Fund from which it pays the City's debt service requirements. Its fund balance at June 30, 2017 can be attributed principally to transfers (discretionary transfer and other) from the General Fund totaling $1.6 billion in Fiscal Year 2017 for Fiscal Year 2018 debt service. Similar transfers in Fiscal Year 2016 of $1.8 billion for Fiscal Year 2017 debt service also primarily account for the General Debt Service Fund balance at June 30, 2016.

The Capital Projects Fund accounts for the financing of the City's capital program. The primary source of funding is the issuance of City and TFA debt. Capital-related expenditures are first paid from the General Fund, which is reimbursed for these expenditures by the Capital Projects Fund. To the extent that capital expenditures exceed proceeds from bond issuances, and other revenues and financing sources, the Capital Projects Fund will have a deficit. The deficit fund balances at June 30, 2017 and 2016 represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits will not be financed or reimbursed, transfers from the General Fund will be required.

General Fund Budgetary Highlights

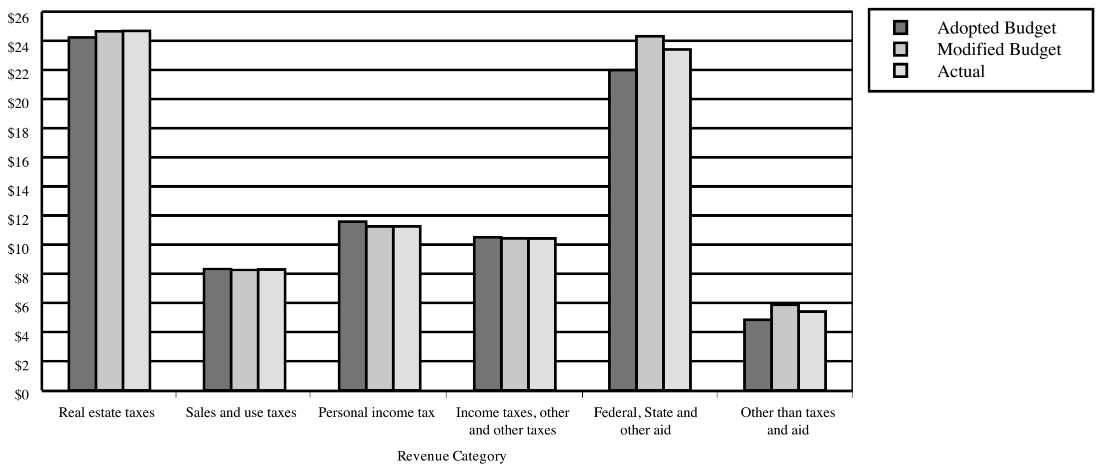
GAAP require recognition of pollution remediation obligations and generally preclude costs incurred for pollution remediation from being reported as capital expenditures. Thus, the City's Fiscal Year 2017 General Fund expenditures include approximately $142.7 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. The City also reported $139.9 million of City bond proceeds and $2.8 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the $142.7 million of pollution remediation expenditures in the General Fund for Fiscal Year 2017. In Fiscal Year 2016, $159.2 million of City bond proceeds and $4.7 million of other revenues supported the $163.9 million of pollution remediation expenditures reported in the General Fund. Although amounts were not established in the Adopted Budget, a modification to the budget was made to accommodate the amount of pollution remediation expenditure charge in the General Fund. These pollution remediation expenditures were incurred by various agencies, as follows:

	General Fund Pollution Remediation Expenditures	
	2017	2016
	(in thousands)	
General government	$ 24,290	$ 23,456
Public safety and judicial	2,602	3,172
Education	81,828	107,083
Social services	635	154
Environmental protection	16,077	10.929
Transportation services	8,459	5,879
Parks, recreation, and cultural activities	5,848	3,227
Housing	616	1,892
Health, including HHC	1,962	7,665
Libraries	381	437
Total expenditures	$ 142,698	$ 163,894

General Fund Revenues

The following charts and tables summarize actual revenues by category for Fiscal Years 2017 and 2016 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

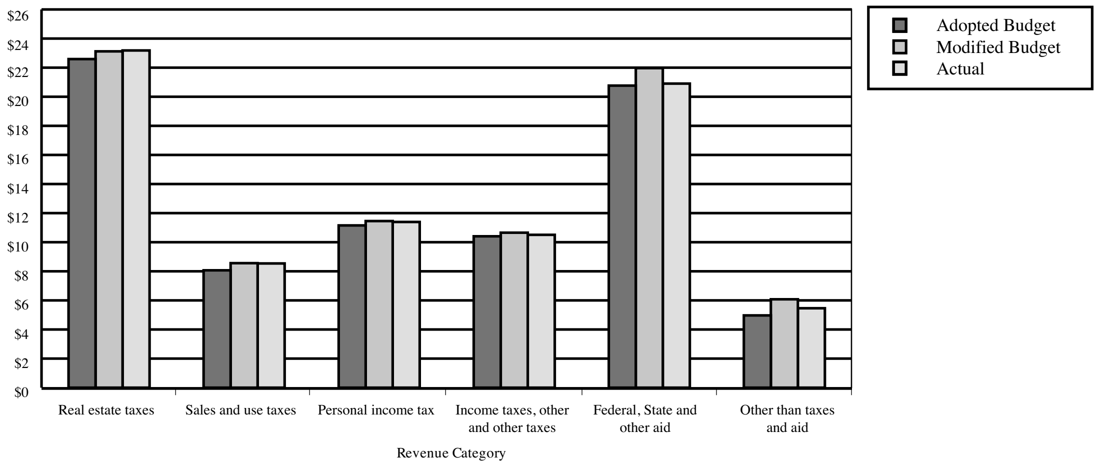
General Fund Revenues
Fiscal Year 2017
(in billions)



General Fund Revenues
Fiscal Year 2017

	Adopted Budget	Modified Budget	Actual
		(in millions)	
Taxes (net of refunds):			
Real estate taxes	$24,229	$24,651	$24,679
Sales and use taxes	8,328	8,260	8,296
Personal income tax	11,577	11,256	11,258
Income taxes, other	6,546	7,190	7,121
Other taxes.	3,963	3,244	3,308
Taxes (net of refunds)	54,643	54,601	54,662
Federal, State and other aid:			
Categorical	21,986	24,311	23,404
Federal, State and other aid	21,986	24,311	23,404
Other than taxes and aid:			
Charges for services	2,615	2,657	2,711
Other revenues	1,905	2,769	2,252
Bond proceeds	—	140	140
Transfers from Nonmajor Debt Service Fund	239	217	217
Transfers from General Nonmajor Debt Service Fund	82	82	82
Other than taxes and aid.	4,841	5,865	5,402
Total revenues	$81,470	$84,777	$83,468

General Fund Revenues
Fiscal Year 2016
(in billions)



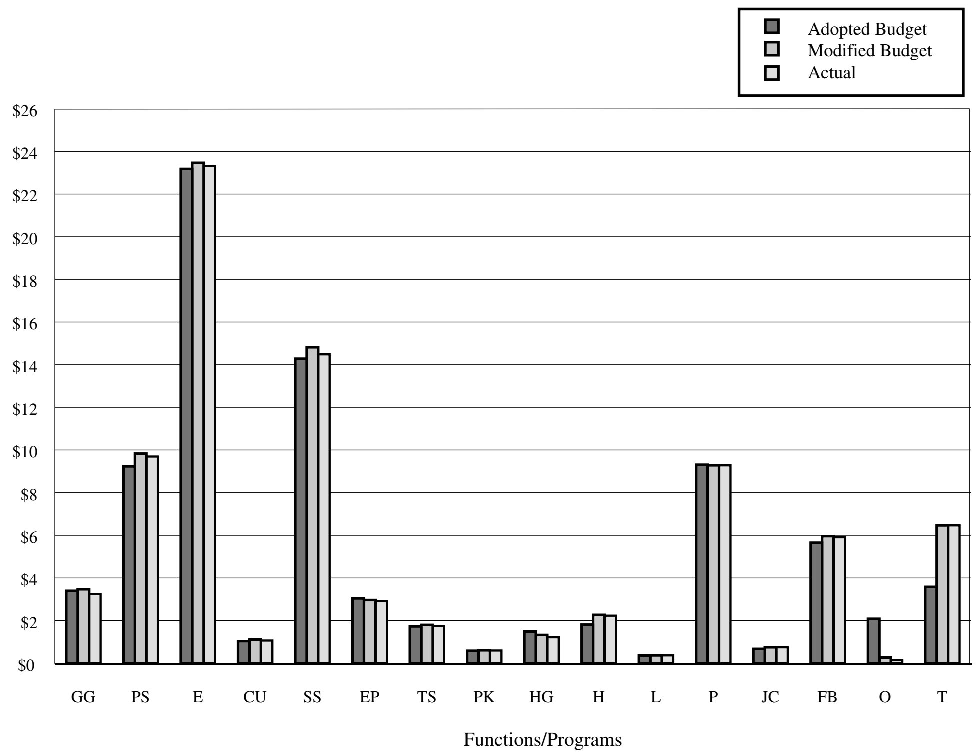
General Fund Revenues
Fiscal Year 2016

	Adopted Budget	Modified Budget	Actual
		(in millions)	
Taxes (net of refunds):			
Real estate taxes	$22,589	$23,120	$23,181
Sales and use taxes	8,068	8,560	8,540
Personal income tax	11,154	11,454	11,392
Income taxes, other	6,662	7,171	6,948
Other taxes	3,745	3,484	3,560
Taxes (net of refunds)	52,218	53,789	53,621
Federal, State and other aid:			
Categorical	20,766	21,969	20,904
Federal, State and other aid	20,766	21,969	20,904
Other than taxes and aid:			
Charges for services	2,735	2,734	2,624
Other revenues	1,911	2,755	2,250
Bond proceeds	—	159	159
Transfers from Nonmajor Debt Service Fund	240	346	346
Transfers from General Nonmajor Debt Service Fund	82	82	82
Other than taxes and aid	4,968	6,076	5,461
Total revenues	$77,952	$81,834	$79,986

General Fund Expenditures

The following charts and tables summarize actual expenditures by function/program for Fiscal Years 2017 and 2016 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

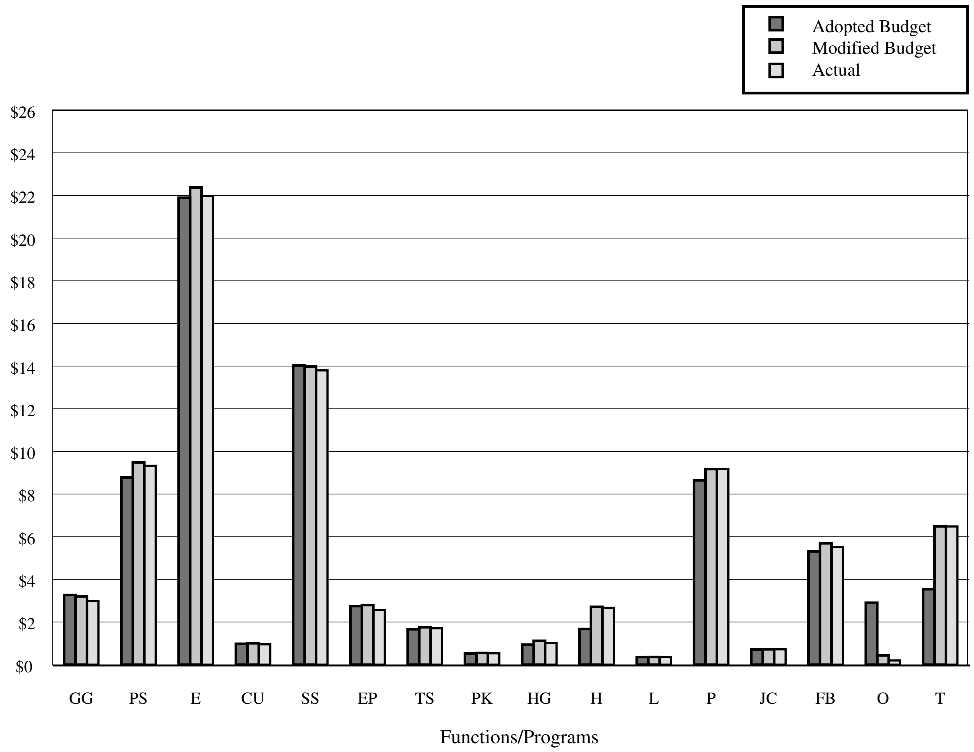
General Fund Expenditures
Fiscal Year 2017
(in billions)



General Fund Expenditures
Fiscal Year 2017

	Adopted Budget	Modified Budget (in millions)	Actual
General government (GG)	$ 3,398	$ 3,471	$ 3,247
Public safety and judicial (PS)	9,233	9,831	9,694
Education (E)	23,179	23,465	23,318
City University (CU)	1,041	1,115	1,067
Social services (SS)	14,281	14,817	14,485
Environmental protection (EP)	3,044	2,967	2,923
Transportation services (TS)	1,729	1,800	1,754
Parks, recreation and cultural activities (PK)	587	610	599
Housing (HG)	1,488	1,328	1,220
Health, including HHC (H)	1,813	2,271	2,233
Libraries (L)	365	371	370
Pensions (P)	9,310	9,283	9,281
Judgments and claims (JC)	676	751	750
Fringe benefits and other benefit payments (FB)	5,654	5,963	5,909
Other (O)	2,088	268	147
Transfers and other payments for debt service (T)	3,584	6,466	6,466
Total expenditures	$81,470	$84,777	$83,463

General Fund Expenditures
Fiscal Year 2016
(in billions)



General Fund Expenditures
Fiscal Year 2016

	Adopted Budget	Modified Budget	Actual
		(in millions)	
General government (GG)	$ 3,267	$ 3,201	$ 2,985
Public safety and judicial (PS)	8,777	9,483	9,326
Education (E)	21,894	22,374	21,974
City University (CU)	978	1,003	955
Social services (SS)	14,027	13,980	13,800
Environmental protection (EP)	2,748	2,796	2,569
Transportation services (TS)	1,659	1,754	1,708
Parks, recreation and cultural activities (PK)	525	549	534
Housing (HG)	939	1,118	1,023
Health, including HHC (H)	1,673	2,712	2,667
Libraries (L)	358	360	360
Pensions (P)	8,643	9,173	9,171
Judgments and claims (JC)	710	720	720
Fringe benefits and other benefit payments (FB)	5,310	5,691	5,511
Other (O)	2,904	435	198
Transfers and other payments for debt service (T)	3,540	6,485	6,480
Total expenditures	$77,952	$81,834	$79,981

General Fund Surplus

The City had General Fund surpluses of $4.2 billion, $4.0 billion and $3.6 billion before certain expenditures and transfers (discretionary and other) for Fiscal Years 2017, 2016 and 2015, respectively. For the Fiscal Years 2017, 2016 and 2015, the General Fund surplus was $5 million after expenditures and transfers (discretionary and other).

The expenditures and transfers (discretionary and other) made by the City after the adoption of its Fiscal Years 2017, 2016 and 2015 budgets follow:

	General Fund		
	2017	2016	2015
		(in millions)	
Transfer, as required by law, to the General Debt Service Fund of real estate taxes collected in excess of the amount needed to finance debt service.	$ 239	$ 382	$ 428
Discretionary transfers to the General Debt Service Fund	1,321	1,378	1,548
Equity contribution set aside to bond refunding escrow accounts for current fiscal year interest costs.	11	44	47
Debt service prepayments for lease purchase debt service due in the fiscal year	—	100	—
Grant to TFA	1,909	1,734	1,578
Advance cash subsidies to the HHC	300	400	—
Payment to the Retiree Health Benefits Trust	400	—	—
Total expenditures and transfers (discretionary and other)	4,180	4,038	3,601
Reported surplus	5	5	5
Total surplus	$4,185	$4,043	$3,606

Fiscal Year 2017

Final results for any given fiscal year may differ greatly from that year's Adopted Budget. The following table shows the variance between actuals and amount for the Fiscal Year ended 2017 Adopted Budget:

	2017 (in millions)
Additional Resources:	
Reallocation of General Reserve	$1,000
Lower than expected all other administrative Other Than Personal Services (OTPS) costs	900
Reduced provisions for disallowance reserve	573
Lower than expected debt service costs	518
Higher than expected real estate tax collections	450
Lower than expected all other personal services costs	421
Higher than expected state categorical aid	317
Lower than expected health insurance costs	308
Greater than expected banking corporation tax collections	304
Greater than expected federal categorical aid	254
Lower than expected supplies and materials costs	230
Higher than expected non-governmental grants	215
Pollution remediation bond proceeds	140
Higher than expected all other miscellaneous revenues	123
Lower than expected public assistance spending	115
Greater than expected revenues from licenses, permits & privileges	114
Lower than expected all other fixed and miscellaneous charges	114
Greater than expected all other taxes collections	99
Higher than expected commercial rent tax collections	94
Greater than expected revenues from fines and forfeitures	80
Higher than expected all other general government charges (collections)	60
Higher than expected unrestricted aid	59
Lower than expected fuel and energy costs	42
Higher than expected housing revenues	40
Greater than expected rental revenues	36
Greater than expected mortgage tax collections	33
Higher than expected proceeds from asset sales	31
Lower than expected pension costs	29
Total	6,699
Enabled the City to provide for:	
Additional prepayments for certain debt service, future retirees' health benefits costs and subsidies due in Fiscal Year 2018	4,169
Greater than expected overtime costs	520
Greater than expected contractual services costs	372
Lower than expected personal income tax collections	358
Lower than expected general corporation tax collections	301
Lower than expected real property transfer tax collections	146
Pollution remediation costs	143
Higher than expected property and equipment costs	133
Higher than expected payments to HHC	127
Lower than expected sales tax collections	106
Higher than expected future retirees' health benefits costs (net of prepayment)	100
Greater than expected judgments & claims costs	69
Lower than expected unincorporated business tax collections	50
Lower than expected water and sewer charges	41
Greater than expected all other social services spending (excluding Medicaid and public assistance)	26
Lower than expected tobacco settlement proceeds	23
All other net overspending or revenues below budget	10
Total	6,694
Reported Surplus	$ 5

Fiscal Year 2016

The following table shows the variance between actuals and amounts for the Fiscal Year ended 2016 Adopted Budget:

	2016 (in millions)
Additional Resources:	
Lower than expected all other administrative OTPS costs	$1,148
Lower than expected all other personal services spending	1,031
Reallocation of the General Reserve	1,000
Greater than expected real estate tax collections	591
Lower than expected debt service costs	580
Higher than expected banking corporation tax collections	481
Lower than expected Medicaid spending	414
Greater than expected real property transfer tax collections	364
Higher than expected mortgage tax collections	319
Lower than expected current health insurance costs	302
Higher than expected Federal categorical aid	248
Greater than expected personal income tax collections	217
Lower than expected fuel and energy costs	208
Greater than expected revenues from fines and forfeitures	185
Lower than expected supplies and materials costs	168
Pollution remediation bond proceeds	159
Greater than expected sales tax collections	117
Higher than expected tobacco settlement proceeds	106
Greater than expected all other general government charges (collections)	100
Higher than expected revenues from licenses, permits & privileges	87
Higher than expected commercial rent tax collections	47
Greater than expected all other tax collections	47
Higher than expected all other miscellaneous revenues	34
Greater than expected proceeds from asset sales	33
Greater than expected State categorical aid (including prior year adjustments)	24
Lower than expected provisions for disallowance reserve	14
Greater than expected unincorporated business tax collections	9
Greater than expected rental revenues	8
Lower than expected public assistance spending	4
Total	8,045
Enabled the City to provide for:	
Additional prepayments for certain debt service costs and subsidies due in Fiscal Year 2017	3,994
Lower than expected general corporation tax collections	789
Higher than expected payments to HHC	574
Greater than expected pension costs	528
Higher than expected reserve for future retirees' health insurance costs	500
Greater than expected uniformed overtime costs	296
Lower than expected reimbursement and payment for the water and sewer system	219
Greater than expected all other overtime costs	193
Higher than expected all other fixed and miscellaneous charges	193
Greater than expected property and equipment costs	179
Pollution remediation costs	164
Lower than expected non-governmental grants	154
Higher than expected contractual services spending	126
Higher than expected all other social services spending (excluding Medicaid and public assistance)	102
Greater than expected judgments & claims costs	21
All other net overspending or revenues below budget	8
Total	8,040
Reported Surplus	$ 5

Capital Assets

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

Governmental Activities

	2017	2016	2015
		(in millions)	
Land*	$2,181	$ 1,941	$ 1,907
Buildings	34,826	33,733	33,081
Equipment (including software)	2,900	2,643	2,602
Infrastructure**	13,866	13,124	12,552
Construction work-in-progress*	3,744	3,511	2,980
Total	$57,517	$54,952	$53,122

* Not depreciable/amortizable

** Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, bulkheads and tunnels.

The net increase in the City's governmental activities capital assets during Fiscal Year 2017 was $2.56 billion, a 5% increase. Capital assets additions in Fiscal Year 2017 were $9.2 billion, an increase of $1.46 billion from Fiscal Year 2016.

In 2017, construction work-in-progress was $3.74 billion, representing a 6.6% net increase. The 2017 addition to work-in-progress was $3.30 billion, a 9% increase from prior year. In 2017 building additions (work-in-progress deletions) were $3.07 billion, representing a 22% increase from Fiscal Year 2016.

The net increase in the City's governmental activities capital assets during Fiscal Year 2016 was $1.83 billion, a 3% increase. Capital assets additions in Fiscal Year 2016 were $7.71, a decrease of $2.19 billion from Fiscal Year 2015.

In 2016, construction work-in-progress was $3.51 billion, representing a 18% net increase. The 2016 addition to work-in-progress was $3.04 billion, a 15% decrease from prior year. The increase in the work-in-progress ending balance was the result of a decrease in building additions (work-in-progress deletion) of $2.35 billion, which represents a 48% decrease from Fiscal Year 2015.

Additional information on the City's capital assets can be found in Note D.2 of the Basic Financial Statements and in schedule CA1 through CA3 of other supplementary information.

Business-type Activities

	2017	2016	2015
		(in millions)	
Land*	$ —	$ —	$ —
Buildings	30	28	23
Equipment (including software)	5	4	4
Infrastructure**	392	342	313
Construction work-in-progress*	144	167	162
Total	$571	$541	$502

* Not depreciable/amortizable

** Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, and bulkheads.

The net increase in the City's business-type activities Capital assets during Fiscal Year 2017 was $30 million, a 6% increase. Capital asset additions net of depreciation in Fiscal Year 2017 were $105 million, an increase of $9 million, from Fiscal Year 2016.

In 2017, construction work-in-progress was $144 million, representing a 13% net decrease. The 2017 addition to work-in-progress was $52 million, a 16% decrease from prior year.

The net increase in the City's business-type activities capital assets during Fiscal Year 2016 was $39 million, an 8% increase. In 2016, construction work-in-progress was $166.52 million, representing a 3% net increase. The 2016 net increase to work-in-progress was $4.32 million, a 2.7% increase.

Debt Administration

The City, through the Comptroller's Office of Public Finance, in conjunction with the Mayor's Office of Management and Budget, is charged with issuing debt to finance the City's capital program. The following table summarizes the debt outstanding for the City and certain City-related issuing entities at the end of Fiscal Years 2017, 2016 and 2015.

	New York City and City-Related Debt		
	2017	**2016**	**2015**
		(in millions)	
Governmental activities:			
Bonds and notes payable			
General Obligation Bonds[1]	$37,891	$38,073	$40,460
TFA Bonds	32,014	28,408	25,488
TFA Recovery Bonds	800	906	936
TFA BARBs	7,882	8,044	7,426
TSASC Bonds	1,089	1,145	1,222
IDA Bonds	80	84	87
STAR Bonds	1,884	1,961	2,035
FSC Bonds	132	175	198
HYIC Bonds	2,751	3,000	3,000
ECF Bonds	236	240	264
Total bonds and notes outstanding governmental activities	84,759	82,036	81,116
Business-type activities:			
Bonds and notes payable			
Tax Lien Collateralized Bonds	37	32	34
Total bonds and notes outstanding business-type activities	37	32	34
Total before premiums/discounts (net)	84,796	82,068	81,150
Premiums/discounts (net)	4,827	4,173	3,825
Total bonds and notes outstanding	$89,623	$86,241	$84,975

(1) Does not include capital contractual liabilities.

General Obligation

The State Constitution provides that, with certain exceptions, the City may not contract indebtedness in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years (Debt Limit). State law further provides that certain TFA debt also be counted against the Debt Limit. On June 30, 2017, the City's outstanding General Obligation (GO) debt, including capital contract liabilities and TFA's outstanding debt above $13.5 billion (refer to Note D5 for further details) totaled $66.21 billion (compared with $62.21 billion and $59.63 billion as of June 30, 2016 and 2015, respectively). As of June 30, 2017, the City's Debt Limit was $90.24 billion (compared with $85.18 billion and $81.35 billion as of June 30, 2016 and 2015, respectively). The remaining debt incurring power for the City and TFA's combined debt as of June 30, 2017, after providing for capital contract liabilities, totaled $24.02 billion. As of July 1, 2017, the remaining debt incurring power is $34.21 billion, based on the change in the five- year full valuation average for fiscal year 2018.

As of June 30, 2017, the City's outstanding GO debt was $37.89 billion, consisting of $7.05 billion of variable rate bonds and $30.84 billion of fixed rate bonds. In Fiscal Year 2017, a total of $900.07 million GO bonds were issued to refund a portion of the City's outstanding bonds at lower interest rates and $2.28 billion of bonds were issued for new money capital purposes. The proceeds of the refunding issues were placed in irrevocable escrow accounts in amounts sufficient to pay, when due, all principal, interest, and applicable redemption premium, if any, on the refunded bonds. These refundings produce a budgetary savings of $8.39 million in Fiscal Year 2017 and $29.74 million in both Fiscal Year 2018 and 2019. The refunding will generate $133.68 million in budgetary savings over the life of the bonds and approximately $118.81 million of savings on a net present value basis.

In Fiscal Year 2017, the City issued $450 million of taxable fixed rate bonds.

In addition, the City converted $209.83 million of bonds between variable to fixed rate interest modes.

During Fiscal Year 2017, GO variable rate debt traded at the following average interest rates:

	Tax Exempt	Taxable
Dailies[(1)]	0.63%	—
2-Day Mode[(1)]	0.66%	—
Weeklies[(1)]	0.69%	0.79%
Auction Rate Securities—7 day	1.10%	—
Index Floaters	2.05%	1.48%

(1) Remarketed with bank credit and/or liquidity support; rates do not include bank fee.

During Fiscal Year 2017, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) maintained the GO rating at AA. Moody's Investors Service (Moody's) continued to rate GO bonds at Aa2.

Short-Term Financing

In Fiscal Year 2017, the City had no short-term borrowings.

Transitional Finance Authority

During Fiscal Year 2017, TFA issued $5.19 billion of Future Tax Secured (FTS) bonds. This total included $4.40 billion issued for new money capital purposes and $794.56 million issued to refund a portion of its outstanding bonds at lower interest rates. The refunding will generate $99.17 million in budgetary savings over the life of the bonds and approximately $85 million on a net present value basis.

In addition TFA converted $39.04 million of bonds from variable rate bonds to fixed rate bonds.

As of June 30, 2017, the total outstanding FTS and Recovery Bond debt was approximately $32.81 billion. Of the amount outstanding, variable rate debt totaled $4.22 billion, including $645.1 million of variable rate Recovery Bonds. During Fiscal Year 2017, TFA's variable rate debt traded at the following average interest rates:

	Tax Exempt
Dailies[(1)]	0.66%
2-Day Mode[(1)]	0.66%
Weeklies[(1)]	0.74%
Auction Rate Securities—7 day	0.84%
Index Floaters	1.34%

(1) Remarketed with bank credit and/or liquidity support; rates do not include bank fee.

In Fiscal Year 2017, Standard & Poor's and Fitch Ratings maintained AAA ratings on both Senior Lien and Subordinate Lien TFA FTS Bonds. Moody's Investors Service maintained its rating of Aaa on FTS Senior Lien and Aa1 on Subordinate Lien Bonds.

TFA is authorized to issue bonds and notes or other obligations in an amount outstanding of up to $9.4 billion to finance a portion of the City's educational facilities capital plan. TFA is authorized to use all or any portion of the state aid payable to the City or its school district pursuant to Section 3602.6 of the New York State Education Law (State Building Aid) as security for these Building Aid Revenue Bonds (BARBs). BARBs do not count against the FTSB Debt Limit. As of June 30, 2017, the TFA BARBs outstanding totaled $7.88 billion. The TFA did not issue any TFA BARBs in Fiscal Year 2017.

TFA BARBs are rated AA by both Fitch Ratings and Standard & Poor's and Moody's Investor Services rates TFA BARBs Aa2.

TSASC, Inc.

TSASC issued $1.10 billion of refunding bonds in Fiscal Year 2017. As of June 30, 2017, TSASC had approximately $1.09 billion of bonds outstanding.

TSASC bond ratings vary by maturity. As of June 30, 2017, Standard and Poor's (S&P) rated TSASC senior bonds maturing June 1, 2026 at A; June 1, 2036 at A-; and June 1, 2041 at BBB+. S&P rated TSASC subordinate bonds maturing June 1, 2018 at A-; June 1, 2019 at BBB+; June 1, 2025 at BBB; and June 1, 2045 at BBB-. S&P placed all of these ratings on negative credit watch on May 16, 2017, where they remained as of June 30, 2017.

Sales Tax Asset Receivable Corporation

As of June 30, 2017, STAR had $1.88 billion of bonds outstanding. In Fiscal Year 2017, STAR had no financing activity.

STAR maintained its Aa1 rating from Moody's Investor Services and AA+ from Fitch Ratings throughout Fiscal 2017. Standard & Poor's maintained its AAA rating.

Fiscal Year 2005 Securitization Corporation

As of June 30, 2017, FSC had $131.71 million of bonds outstanding. It had no financing activity in Fiscal Year 2017.

As of June 30, 2017, the bonds were rated AA+ by S&P, Aaa by Moody's, and AAA by Fitch.

Hudson Yards Infrastructure Corporation

As of June 30, 2017, HYIC had $2.75 billion of bonds outstanding. In Fiscal Year 2017 HYIC issued $2.14 billion of Second Indenture Revenue bonds to refund a portion of its outstanding bonds at lower interest rates and establish amortization for both First and Second Indenture bonds.

The First Indenture bonds are rated AA- by S&P, Aa3 by Moody's, and AA- by Fitch. The Second Indenture bonds are rated A+ by S&P, Aa3 by Moody's, and A+ by Fitch.

New York City Educational Construction Fund

The ECF had no financing activity in Fiscal Year 2017.

As of June 30, 2017, ECF had $235.88 million of bonds outstanding. The bonds are rated AA-by S&P and Aa3 by Moody's.

New York City Tax Lien Trusts

As of June 30, 2017, the New York City Tax Lien Trusts had in aggregate $37.41 million in bonds outstanding. In Fiscal Year 2017, the New York City Tax Lien Trust, NYCTLT 2016-A, sold $64.98 million of bonds. The bonds are rated AAA by Kroll Bond Rating Agency Inc. and Aaa by Moody's Investors Service.

Interest Rate Exchange Agreements

No new swaps were initiated in Fiscal Year 2017 and one outstanding swap was terminated. As of June 30, 2017, the outstanding notional amount on the City's various swap agreements in connection with General Obligation debt and City-related debt of the Dormitory Authority of the State of New York was $1.41 billion.

The Water Authority has also entered into interest rate exchange agreements from time to time in order to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio. In Fiscal Year 2017, the Authority did not initiate or terminate any swaps. As of June 30, 2017, the outstanding notional amount on the Water Authority's various swap agreements was $401 million.

Additional information on the City's long-term liabilities can be found in Note D.5 of the Basic Financial Statements.

Subsequent Events

Subsequent to June 30, 2017, the City, TFA, Water Authority, and NYCTLT completed the following long-term financings:

Water Authority: On July 11, 2017, the New York City Municipal Water Finance Authority issued $162,405,000 of Fiscal Series 2018 AA Second General Resolution Bonds to refund a portion of its outstanding bonds at lower interest rates.

On October 12, 2017 the New York City Municipal Water Finance Authority issued $383,975,000 of Fiscal Series 2018 BB Bonds for capital purposes and to convert a portion of its outstanding variable rate bonds to fixed rate.

TFA Debt: On July 20, 2017, the New York City Transitional Finance Authority issued $1,007,545,000 of Fiscal 2018 Series S Building Aid Revenue Bonds to refund a portion of its outstanding bonds at lower interest rates.

On August 17, 2017, the New York City Transitional Finance Authority issued $1,350,000,000 of Fiscal 2018 Series A Future Tax Secured bonds for capital purposes and reoffered $161,075,500 of Fiscal 2018 Series 1 Future Tax Secured Bonds to convert a portion of its outstanding variable rate bonds to fixed rate.

On October 26, 2017, the New York City Transitional Finance Authority issued $990,000,000 of Fiscal 2018 Series B Future Tax Secured Bonds for capital purposes.

NYCTLT 2017-A: On July 27, 2017, NYCTLT 2017-A issued Tax Lien Collateralized Bonds, Series 2017-A of $68,017,000 to fund the purchase of certain liens from the City.

Interest Rate Exchange Agreements: On August 1, 2017, $18.04 million of Hedging Derivative L matured as scheduled.

City Debt: On August 10, 2017, The City of New York issued $898,965,000 of Fiscal 2018 Series A General Obligation bonds to refund a portion of its outstanding bonds at lower interest rates and reoffered $59,970,000 of Fiscal 2002 Subseries A-10 to convert a portion of its outstanding variable rate bonds to fixed rate.

On October 3, 2017, The City of New York issued $1,000,000,000 of Fiscal 2018 Series B General Obligation bonds for capital purposes and $307,305,000 of Fiscal 2018 Series 1 General Obligation bonds to convert a portion of its outstanding variable rate bonds to fixed rate.

Commitments

At June 30, 2017, the outstanding commitments relating to projects of the New York City's Capital Projects Fund amounted to approximately $18.0 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates New York City Capital Projects Fund expenditures of $89.6 billion over Fiscal Years 2017 through 2025. To help meet the financing needs for its capital spending program, the City and TFA borrowed $5.5 billion in the public credit market in Fiscal Year 2017. The City and TFA plan to borrow $6.7 billion in the public credit market in Fiscal Year 2018.

Request for Information

This comprehensive annual financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of New York, Office of the Comptroller, Bureau of Accountancy, 1 Centre Street—Room 200 South, New York, New York 10007, or at Accountancy@comptroller.nyc.gov.

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The City of New York

Comprehensive
Annual Financial Report
of the
Comptroller

Part II-A

BASIC
FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2017

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David N. Dinkins Municipal Building

THE CITY OF NEW YORK
STATEMENT OF NET POSITION

JUNE 30, 2017
(in thousands)

	Primary Government (PG)			
	Governmental Activities	Business – Type Activities	Total – (PG)	Component Units (CU)
ASSETS:				
Cash and cash equivalents	$ 6,587,981	$ 44,114	$ 6,632,095	$ 2,529,684
Investments	8,066,538	305,348	8,371,886	1,669,863
Receivables:				
Real estate taxes (less allowance for uncollectible amounts of $221,304)	350,028	—	350,028	—
Federal, State and other aid	9,041,862	1,395	9,043,257	—
Taxes other than real estate	6,458,927	—	6,458,927	—
Leases	—	—	—	1,677,674
Other	1,517,449	335,139	1,852,588	4,196,913
Mortgage loans and interest receivable, net	—	—	—	10,046,866
Inventories	465,232	—	465,232	13,061
Due from PG, net	—	—	—	57,631
Due from CUs (less allowance for uncollectible amounts of $61,690)	2,454,470		2,454,470	—
Restricted cash, cash equivalents and investments	4,968,841	76,700	5,045,541	6,717,607
Other	444,238	122	444,360	272,805
Capital assets:				
Land and construction work-in-progress	5,924,772	144,081	6,068,853	7,795,167
Other capital assets (net of depreciation/amortization):				
Property, plant and equipment (including software)	37,726,059	35,071	37,761,130	32,175,234
Infrastructure	13,865,961	392,168	14,258,129	—
Total assets	97,872,358	1,334,138	99,206,496	67,152,505
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows from pensions	3,885,847	—	3,885,847	260,406
Deferred outflows from OPEB	640,932	—	640,932	—
Other deferred outflows of resources	571,764	—	571,764	136,418
Total deferred outflows of resources	5,098,543	—	5,098,543	396,824
LIABILITIES:				
Accounts payable and accrued liabilities	15,066,744	34,730	15,101,474	3,020,630
Accrued interest payable	1,079,876	90	1,079,966	175,085
Unearned revenue	3,610	29,423	33,033	470,984
Due to PG	—	—	—	2,516,160
Due to CUs, net	57,631	—	57,631	—
Estimated disallowance of Federal, State and other aid	552,875	—	552,875	—
Other	5,667,595	(3,754)	5,663,841	223,306
Derivative instruments-interest rate swaps	38,759	—	38,759	112,842
Noncurrent liabilities:				
Due within one year	5,884,716	79,170	5,963,886	1,887,437
Bonds & notes payable (net of amount due within one year)	86,028,278	—	86,028,278	43,305,379
Net pension liability	56,241,371	—	56,241,371	3,813,831
Net OPEB liability	88,422,672	—	88,422,672	7,531,903
Other (net of amount due within one year)	14,553,558	326,182	14,879,740	1,791,989
Total liabilities	273,597,685	465,841	274,063,526	64,849,546
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows from pensions	5,386,509	—	5,386,509	47,715
Deferred real estate taxes	8,748,771	—	8,748,771	—
Deferred inflows from OPEB	9,451,365	—	9,451,365	694,750
Other deferred inflows of resources	222,812	—	222,812	99,710
Total deferred inflows of resources	23,809,457	—	23,809,457	842,175
NET POSITION:				
Net investment in capital assets	(12,522,029)	571,319	(11,950,710)	8,501,865
Restricted for:				
Capital projects	592,608	28,600	621,208	83,885
Debt service	2,200,679	—	2,200,679	3,316,842
Loans/security deposits	—	—	—	54,742
Donor/statutory restrictions	—	—	—	396,746
Operations	—	268,378	268,378	307,157
Unrestricted (deficit)	(184,707,499)	—	(184,707,499)	(10,803,629)
Total net position (deficit)	$(194,436,241)	$ 868,297	$(193,567,944)	$ 1,857,608

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF NET POSITION

JUNE 30, 2016
(in thousands)

	Restated			
	Primary Government (PG)			
	Governmental Activities	Business – Type Activities	Total – (PG)	Component Units (CU)
ASSETS:				
Cash and cash equivalents	$ 6,619,456	$ 25,667	$ 6,645,123	$ 2,444,883
Investments	9,878,993	318,545	10,197,538	1,862,981
Receivables:				
Real estate taxes (less allowance for uncollectible amounts of $223,031)	352,832	—	352,832	—
Federal, State and other aid	7,848,075	3,013	7,851,088	—
Taxes other than real estate	6,127,117	—	6,127,117	—
Leases	—	—	—	1,694,490
Other	1,359,191	335,297	1,694,488	4,273,483
Mortgage loans and interest receivable, net	—	—	—	9,690,571
Inventories	402,433	—	402,433	13,394
Due from PG, net	—	—	—	217,428
Due from CUs (less allowance for uncollectible amounts of $371,480)	1,781,185	—	1,781,185	—
Restricted cash, cash equivalents and investments	4,060,771	81,148	4,141,919	5,996,040
Other	429,238	143	429,381	277,335
Capital assets:				
Land and construction work-in-progress	5,452,463	166,515	5,618,978	7,740,888
Other capital assets (net of depreciation/amortization):				
Property, plant and equipment (including software)	36,376,135	32,135	36,408,270	31,317,167
Infrastructure	13,123,636	341,897	13,465,533	—
Total assets	93,811,525	1,304,360	95,115,885	65,528,660
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows from pensions	12,814,357	—	12,814,357	577,146
Deferred outflows from OPEB	102,045	—	102,045	—
Other deferred outflows of resources	573,094	—	573,094	190,675
Total deferred outflows of resources	13,489,496	—	13,489,496	767,821
LIABILITIES:				
Accounts payable and accrued liabilities	14,765,752	38,410	14,804,162	3,528,283
Accrued interest payable	1,068,187	71	1,068,258	166,683
Unearned revenue	4,206	29,571	33,777	362,786
Due to PG	—	—	—	2,152,665
Due to CUs, net	217,428	—	217,428	—
Estimated disallowance of Federal, State and other aid	1,110,512	—	1,110,512	—
Other	5,011,216	(526)	5,010,690	231,638
Derivative instruments-interest rate swaps	56,554	—	56,554	161,319
Noncurrent liabilities:				
Due within one year	5,446,522	60,572	5,507,094	1,931,025
Bonds & notes payable (net of amount due within one year)	82,896,721	10,918	82,907,639	43,175,695
Net pension liability	64,846,995	—	64,846,995	4,145,300
Net OPEB liability	94,502,356	85	94,502,441	7,810,703
Other (net of amount due within one year)	15,268,277	330,442	15,598,719	1,183,460
Total liabilities	285,194,726	469,543	285,664,269	64,849,557
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows from pensions	7,210,537	—	7,210,537	95,935
Deferred real estate taxes	8,105,167	—	8,105,167	—
Deferred inflows from OPEB	102,531	—	102,531	36,843
Other deferred inflows of resources	212,976	—	212,976	16,647
Total deferred inflows of resources	15,631,211	—	15,631,211	149,425
NET POSITION:				
Net investment in capital assets	(12,684,965)	540,548	(12,144,417)	7,898,733
Restricted for:				
Capital projects	416,919	38,300	455,219	63,881
Debt service	3,809,462	—	3,809,462	2,805,934
Loans/security deposits	—	—	—	54,865
Donor/statutory restrictions	—	—	—	172,613
Operations	—	264,440	264,440	317,493
Unrestricted (deficit)	(185,066,332)	(8,471)	(185,074,803)	(10,016,020)
Total net position (deficit)	$(193,524,916)	$ 834,817	$(192,690,099)	$ 1,297,499

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

(in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government (PG)			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total – (PG)	Component Units (CU)
Primary Government (PG)								
Governmental Activities:								
General government	$ 5,360,092	$ 905,738	$ 3,142,123	$ (142,958)	$ (1,455,189)	$ —	$ (1,455,189)	$ —
Public safety and judicial	18,961,329	332,938	661,440	1,938	(17,965,013)	—	(17,965,013)	—
Education	28,839,477	148,009	12,134,532	148,512	(16,408,424)	—	(16,408,424)	—
City University	1,252,444	404,758	260,528	—	(587,158)	—	(587,158)	—
Social services	15,402,193	66,693	5,286,726	21,802	(10,026,972)	—	(10,026,972)	—
Environmental protection	3,570,278	1,445,740	14,191	3,890	(2,106,457)	—	(2,106,457)	—
Transportation services	2,542,300	1,039,443	393,553	337,998	(771,306)	—	(771,306)	—
Parks, recreation and cultural activities	1,265,383	95,604	8,437	67,554	(1,093,788)	—	(1,093,788)	—
Housing	2,394,963	424,844	538,354	32,056	(1,399,709)	—	(1,399,709)	—
Health (including payments to HHC)	2,874,032	55,842	904,571	1,750	(1,911,869)	—	(1,911,869)	—
Libraries	420,994	—	—	6,668	(414,326)	—	(414,326)	—
Debt service interest	2,958,883	—	—	—	(2,958,883)	—	(2,958,883)	—
Total governmental activities	85,842,368	4,919,609	23,344,455	479,210	(57,099,094)	—	(57,099,094)	—
Business-Type Activities:								
Brooklyn Bridge Park	18,640	1,862	—	20,625	—	3,847	3,847	—
The Trust for Governor's Island	35,177	2,380	17,399	24,673	—	9,275	9,275	—
WTC Captive Insurance	1,968	—	—	—	—	(1,968)	(1,968)	—
New York City Tax Lien Trusts	266,418	—	132,277	—	—	(134,141)	(134,141)	—
Total business-type activities	322,203	4,242	149,676	45,298	—	(122,987)	(122,987)	—
Total Primary Government (PG)	$86,164,571	$ 4,923,851	$23,494,131	$ 524,508	(57,099,094)	(122,987)	(57,222,081)	—
Component Units	$18,690,644	$13,406,968	$ 3,305,202	$ 1,265,020	—	—	—	$(713,454)
General Revenues:								
Taxes (net of refunds):								
Real estate taxes					24,586,758	—	24,586,758	—
Sales and use taxes					8,307,525	—	8,307,525	—
Personal income tax					11,256,809	—	11,256,809	—
Income taxes, other					7,875,921	—	7,875,921	—
Other taxes:								
Commercial rent					921,374	—	921,374	—
Conveyance of real property					1,418,683	—	1,418,683	—
Hotel room occupancy					582,481	—	582,481	—
Payments in lieu of taxes					351,438	35,566	387,004	—
Other					36,808	—	36,808	—
Investment income					110,145	116,372	226,517	66,335
Unrestricted Federal and State aid					311,125	—	311,125	9,572
Other					428,702	4,529	433,231	1,197,656
Total general revenues					56,187,769	156,467	56,344,236	1,273,563
Change in net position					(911,325)	33,480	(877,845)	560,109
Net position (deficit)—beginning					(193,524,916)	834,817	(192,690,099)	1,297,499
Net position (deficit)—ending					$(194,436,241)	$868,297	$(193,567,944)	$1,857,608

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

(in thousands)

		Program Revenues			Restated Net (Expense) Revenue and Changes in Net Position			
					Primary Government (PG)			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total – (PG)	Component Units (CU)
Primary Government (PG)								
Governmental Activities:								
General government	$ 5,259,894	$ 928,917	$ 2,050,077	$ (347,632)	$ (2,628,532)	$ —	$ (2,628,532)	$ —
Public safety and judicial	19,681,206	311,520	690,006	13,669	(18,666,011)	—	(18,666,011)	—
Education	29,295,515	75,555	11,435,552	281,227	(17,503,181)	—	(17,503,181)	—
City University	1,342,333	394,974	248,789	484	(698,086)	—	(698,086)	—
Social services	14,969,178	61,592	4,832,462	7,226	(10,067,898)	—	(10,067,898)	—
Environmental protection	3,709,540	1,343,526	8,567	9,745	(2,347,702)	—	(2,347,702)	—
Transportation services	2,784,695	1,069,257	226,858	512,611	(975,969)	—	(975,969)	—
Parks, recreation and cultural activities	1,149,928	96,456	9,938	173,822	(869,712)	—	(869,712)	—
Housing	2,006,924	416,901	504,946	43,611	(1,041,466)	—	(1,041,466)	—
Health (including payments to HHC)	3,277,736	87,303	890,398	19,135	(2,280,900)	—	(2,280,900)	—
Libraries	457,653	—	—	9,140	(448,513)	—	(448,513)	—
Debt service interest	2,932,656	—	—	—	(2,932,656)	—	(2,932,656)	—
Total governmental activities	86,867,258	4,786,001	20,897,593	723,038	(60,460,626)	—	(60,460,626)	—
Business-type Activities:								
Brooklyn Bridge Park	15,829	1,785	1,043	12,928	—	(73)	(73)	—
The Trust for Governor's Island	30,347	2,460	13,765	37,963	—	23,841	23,841	—
WTC Captive Insurance	3,208	—	—	—	—	(3,208)	(3,208)	—
New York City Tax Lien Trusts	191,982	—	85,257	—	—	(106,725)	(106,725)	—
Total business-type activities	241,366	4,245	100,065	50,891	—	(86,165)	(86,165)	—
Total Primary Government (PG)	$87,108,624	$ 4,790,246	$20,997,658	$ 773,929	(60,460,626)	(86,165)	(60,546,791)	—
Component Units	$18,079,176	$13,400,494	$ 2,888,478	$1,142,304	—	—	—	$(647,900)

	Governmental Activities	Business-Type Activities	Total – (PG)	Component Units (CU)
General Revenues:				
Taxes (net of refunds):				
Real estate taxes	23,171,276	—	23,171,276	—
Sales and use taxes	8,534,604	—	8,534,604	—
Personal income tax	11,565,473	—	11,565,473	—
Income taxes, other	6,760,614	—	6,760,614	—
Other taxes:				
Commercial rent	836,816	—	836,816	—
Conveyance of real property	1,788,182	—	1,788,182	—
Hotel room occupancy	568,069	—	568,069	—
Payments in lieu of taxes	320,634	8,238	328,872	—
Other	19,005	—	19,005	—
Investment income	94,718	99,986	194,704	111,955
Unrestricted Federal and State aid	258,215	—	258,215	8,966
Other	625,870	10,355	636,225	1,958,025
Total general revenues	54,543,476	118,579	54,662,055	2,078,946
Change in net position	(5,917,150)	32,414	(5,884,736)	1,431,046
Net position (deficit)—beginning	(183,081,913)	—	(183,081,913)	632,902
Restatement of beginning net position	(4,525,853)	802,403	(3,723,450)	(766,449)
Net position (deficit)—ending	$(193,524,916)	$834,817	$(192,690,099)	$1,297,499

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2017
(in thousands)

	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 6,029,520	$ 357,501	$ —	$ 200,960	$ —	$ 6,587,981
Investments	6,126,819	—	—	1,988,605	—	8,115,424
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $221,304)	350,028	—	—	—	—	350,028
Federal, State and other aid	7,872,008	1,169,854	—	—	—	9,041,862
Taxes other than real estate	5,705,705	—	—	753,222	—	6,458,927
Other receivables, net	1,399,813	—	15	117,375	—	1,517,203
Due from other funds	3,610,020	1,050,881	—	514,847	(514,589)	4,661,159
Due from component units, net	1,790,186	664,284	—	—	—	2,454,470
Restricted cash and investments	—	114,038	1,583,596	3,271,207	—	4,968,841
Other assets	—	97,665	—	302,860	—	400,525
Total assets	$32,884,099	$ 3,454,223	$ 1,583,611	$ 7,149,076	$ (514,589)	$ 44,556,420
LIABILITIES:						
Accounts payable and accrued liabilities	$12,918,991	$ 1,431,626	$ 867	$ 715,576	$ —	$ 15,067,060
Accrued tax refunds:						
Real estate taxes	61,603	—	—	—	—	61,603
Personal income tax	60,429	—	—	—	—	60,429
Other	52,064	—	—	—	—	52,064
Accrued judgments and claims	533,892	56,540	—	—	—	590,432
Unearned revenue	—	—	—	3,610	—	3,610
Due to other funds	—	4,046,387	—	1,129,361	(514,589)	4,661,159
Due to component units, net	57,631	—	—	—	—	57,631
Estimated disallowance of Federal, State and other aid	552,875	—	—	—	—	552,875
Other liabilities	4,464,468	439,519	—	—	—	4,903,987
Total liabilities	18,701,953	5,974,072	867	1,848,547	(514,589)	26,010,850
DEFERRED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	8,748,771	—	—	—	—	8,748,771
Grant advances	18,124	—	—	—	—	18,124
Uncollected real estate taxes	269,666	—	—	—	—	269,666
Taxes other than real estate	4,428,859	—	—	—	—	4,428,859
Other deferred inflows of resources	238,697	—	—	771,946	—	1,010,643
Total deferred inflows of resources	13,704,117	—	—	771,946	—	14,476,063
FUND BALANCES (DEFICITS):						
Nonspendable	478,029	—	—	295	—	478,324
Spendable:						
Restricted	—	114,038	238,845	2,440,404	—	2,793,287
Committed	—	—	1,343,899	—	—	1,343,899
Assigned	—	—	—	2,087,896	—	2,087,896
Unassigned	—	(2,633,887)	—	(12)	—	(2,633,899)
Total fund balances (deficit)	478,029	(2,519,849)	1,582,744	4,528,583	—	4,069,507
Total liabilities, deferred inflows of resources and fund balances	$32,884,099	$ 3,454,223	$ 1,583,611	$ 7,149,076	$ (514,589)	$ 44,556,420

The reconciliation of the fund balances of governmental funds to the net position (deficit) of governmental activities in the Statement of Net Position is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2016
(in thousands)

	Restated					
	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 6,218,872	$ 261,047	$ —	$ 139,537	$ —	$ 6,619,456
Investments	8,025,500	—	—	1,927,972	—	9,953,472
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $223,031)	352,832	—	—	—	—	352,832
Federal, State and other aid	6,437,418	1,410,657	—	—	—	7,848,075
Taxes other than real estate	5,387,712	—	—	739,405	—	6,127,117
Other receivables, net	1,251,694	—	—	77,000	—	1,328,694
Due from other funds	3,230,864	6,668	—	414,751	(414,614)	3,237,669
Due from component units, net	1,155,612	625,573	—	—	—	1,781,185
Restricted cash and investments	—	129,509	1,778,906	2,152,356	—	4,060,771
Other assets	—	107,136	—	308,338	—	415,474
Total assets	$32,060,504	$ 2,540,590	$ 1,778,906	$ 5,759,359	$ (414,614)	$ 41,724,745
LIABILITIES:						
Accounts payable and accrued liabilities	$12,657,086	$ 1,453,393	$ 3,789	$ 651,864	$ —	$14,766,132
Accrued tax refunds:						
Real estate taxes	45,308	—	—	—	—	45,308
Personal income tax	56,820	—	—	—	—	56,820
Other	36,093	—	—	—	—	36,093
Accrued judgments and claims	510,048	44,925	—	—	—	554,973
Unearned revenue	—	—	—	4,206	—	4,206
Due to other funds	—	3,581,794	—	70,489	(414,614)	3,237,669
Due to component units, net	217,428	—	—	—	—	217,428
Estimated disallowance of Federal, State and other aid	1,110,512	—	—	—	—	1,110,512
Other liabilities	3,808,801	438,875	—	—	—	4,247,676
Total liabilities	18,442,096	5,518,987	3,789	726,559	(414,614)	24,276,817
DEFERRED INFLOWS OF RESOURCES:						
Prepaid real estate taxes	8,105,167	—	—	—	—	8,105,167
Grant advances	30,613	—	—	—	—	30,613
Uncollected real estate taxes	287,280	—	—	—	—	287,280
Taxes other than real estate	4,496,113	—	—	—	—	4,496,113
Other deferred inflows of resources	226,416	—	—	758,516	—	984,932
Total deferred inflows of resources	13,145,589	—	—	758,516	—	13,904,105
FUND BALANCES (DEFICITS):						
Nonspendable	472,819	—	—	612	—	473,431
Spendable:						
Restricted	—	129,509	382,005	2,321,755	—	2,833,269
Committed	—	—	1,393,112	—	—	1,393,112
Assigned	—	—	—	1,951,917	—	1,951,917
Unassigned	—	(3,107,906)	—	—	—	(3,107,906)
Total fund balances (deficit)	472,819	(2,978,397)	1,775,117	4,274,284	—	3,543,823
Total liabilities, deferred inflows of resources and fund balances	$32,060,504	$ 2,540,590	$ 1,778,906	$ 5,759,359	$ (414,614)	$41,724,745

The reconciliation of the fund balances of governmental funds to the net position (deficit) of governmental activities in the Statement of Net Position is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2017
(in thousands)

Total fund balances — governmental funds	$ 4,069,507
Amounts reported for *governmental activities* in the Statement of Net Position are different because:	
Inventories recorded in the Statement of Net Position are recorded as expenditures in the governmental funds.	465,232
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	57,516,792
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds	
Deferred outflows of resources	5,098,543
Other long-term assets	43,959
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(89,585,973)
OPEB liability	(88,422,672)
Accrued interest payable	(1,079,876)
Capital lease obligations	(1,548,591)
Accrued vacation and sick leave	(4,648,180)
Net pension liability	(56,241,371)
Landfill closure and post-closure care costs	(1,508,009)
Pollution Remediation obligations	(202,577)
Accrued judgments and claims	(6,267,216)
Other accrued tax refunds	(929,700)
Deferred inflows of resources	(9,333,394)
Other long-term liabilities	(1,862,715)
Net position (deficit) — governmental activities	$(194,436,241)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016
(in thousands)

Total fund balances — governmental funds	$ 3,543,823
Amounts reported for *governmental activities* in the Statement of Net Position are different because:	
Inventories recorded in the Statement of Net Position are recorded as expenditures in the governmental funds.	402,433
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	54,952,234
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds	
Deferred outflows of resources	13,489,496
Other long-term assets	44,261
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(86,208,962)
OPEB liability	(94,502,356)
Accrued interest payable	(1,068,187)
Capital lease obligations	(1,571,006)
Accrued vacation and sick leave	(4,262,698)
Net pension liability	(64,846,995)
Landfill closure and post-closure care costs	(1,465,689)
Pollution Remediation obligations	(208,873)
Accrued judgments and claims	(6,499,359)
Other accrued tax refunds	(1,765,000)
Deferred inflows of resources	(1,727,106)
Other long-term liabilities	(1,830,932)
Net position (deficit) — governmental activities	$(193,524,916)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

(in thousands)

	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$ 24,679,411	$ —	$ —	$ —	$ —	$ 24,679,411
Sales and use taxes	8,296,436	—	—	—	—	8,296,436
Personal income tax	11,257,809	—	—	297,251	(297,251)	11,257,809
Income taxes, other	7,120,621	—	—	—	—	7,120,621
Other taxes	3,308,127	—	—	—	—	3,308,127
Federal, State and other categorical aid	23,344,456	633,224	82,067	—	—	24,059,747
Unrestricted Federal and State aid	59,058	—	—	170,000	—	229,058
Charges for services	2,711,428	—	—	—	—	2,711,428
Tobacco settlement	—	—	—	160,161	—	160,161
Investment income	73,125	—	1,397	10,049	—	84,571
Other revenues	2,179,254	1,494,846	34,940	3,513,805	(3,292,870)	3,929,975
Total revenues	83,029,725	2,128,070	118,404	4,151,266	(3,590,121)	85,837,344
EXPENDITURES:						
General government	3,246,561	740,177	—	49,145	—	4,035,883
Public safety and judicial	9,694,083	364,833	—	—		10,058,916
Education	23,317,602	2,706,201	—	2,694,931	(3,292,870)	25,425,864
City University	1,067,117	63,103	—	—	—	1,130,220
Social services	14,485,139	111,756	—	—	—	14,596,895
Environmental protection	2,923,418	1,777,683	—	—	—	4,701,101
Transportation services	1,753,637	1,230,435	—	—	—	2,984,072
Parks, recreation and cultural activities	598,776	667,479	—	—	—	1,266,255
Housing	1,220,133	950,461	—	—	—	2,170,594
Health (including payments to HHC)	2,233,288	166,234	—	—	—	2,399,522
Libraries	369,871	47,188	—	—	—	417,059
Pensions	9,280,651	—	—	—	—	9,280,651
Judgments and claims	750,349	—	—	—	—	750,349
Fringe benefits and other benefit payments	5,909,908	—	—	—	—	5,909,908
Administrative and other	147,036	—	72,052	621,289	—	840,377
Debt Service:						
Interest	—	—	1,537,653	1,899,472	—	3,437,125
Redemptions	—	—	2,205,401	1,336,684	—	3,542,085
Lease payments	30,360	—	—	—	—	30,360
Total expenditures	77,027,929	8,825,550	3,815,106	6,601,521	(3,292,870)	92,977,236
Excess (deficiency) of revenues over expenditures	6,001,796	(6,697,480)	(3,696,702)	(2,450,255)	(297,251)	(7,139,892)
OTHER FINANCING SOURCES (USES):						
Transfers from (to) General Fund	—	—	3,500,830	2,338,018	—	5,838,848
Transfers from (to) Nonmajor Capital Projects Funds	—	4,721,999	—	4,804	—	4,726,803
Transfers from (to) Nonmajor Special Revenue Funds, net	—	—	—	(943)	—	(943)
Principal amount of bonds issued	139,513	2,141,487	—	4,400,000	—	6,681,000
Bond premium	—	198,211	138,908	1,019,677	—	1,356,796
Capitalized leases	—	94,331	—	—	—	94,331
Issuance of refunding debt	—	—	900,065	3,628,425	—	4,528,490
Transfers from (to) Capital Projects Fund	—	—	—	(4,721,999)	—	(4,721,999)
Transfers from (to) General Debt Service Fund	(3,500,830)	—	—	—	—	(3,500,830)
Transfers from (to) Nonmajor Debt Service Funds, net	(2,635,269)	—	—	(3,861)	297,251	(2,341,879)
Payments to refunded bond escrow holder	—	—	(1,035,474)	(3,959,567)	—	(4,995,041)
Total other financing sources (uses)	(5,996,586)	7,156,028	3,504,329	2,704,554	297,251	7,665,576
Net change in fund balances	5,210	458,548	(192,373)	254,299	—	525,684
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	472,819	(2,978,397)	1,775,117	4,274,284	—	3,543,823
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 478,029	$ (2,519,849)	$ 1,582,744	$ 4,528,583	$ —	$ 4,069,507

The reconciliation of the net change in fund balances of governmental funds to the change in net position of governmental activities in the Statement of Net Position is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	General Fund	Capital Projects Fund	General Debt Service Fund	Restated Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$23,180,583	$ —	$ —	$ —	$ —	$23,180,583
Sales and use taxes	8,540,154	—	—	—	—	8,540,154
Personal income tax	11,392,473	—	—	180,290	(180,290)	11,392,473
Income taxes, other	6,947,614	—	—	—	—	6,947,614
Other taxes	3,559,825	—	—	—	—	3,559,825
Federal, State and other categorical aid	20,897,592	986,523	82,047	—	—	21,966,162
Unrestricted Federal and State aid	6,168	—	—	170,000	—	176,168
Charges for services	2,624,357	—	—	—	—	2,624,357
Tobacco settlement	—	—	—	365,783	—	365,783
Investment income	78,791	—	203	16,299	—	95,293
Other revenues	2,171,950	1,010,236	5,361	2,871,145	(2,566,109)	3,492,583
Total revenues	79,399,507	1,996,759	87,611	3,603,517	(2,746,399)	82,340,995
EXPENDITURES:						
General government	2,985,013	664,819	—	61,344	—	3,711,176
Public safety and judicial	9,325,708	327,079	—	—	—	9,652,787
Education	21,973,688	2,475,122	—	2,706,580	(2,566,109)	24,589,281
City University	955,775	56,994	—	—	—	1,012,769
Social services	13,800,868	60,086	—	—	—	13,860,954
Environmental protection	2,569,229	1,701,883	—	—	—	4,271,112
Transportation services	1,707,930	1,262,685	—	—	—	2,970,615
Parks, recreation and cultural activities	533,855	587,601	—	—	—	1,121,456
Housing	1,023,213	752,753	—	—	—	1,775,966
Health (including payments to HHC)	2,666,511	150,022	—	—	—	2,816,533
Libraries	359,548	40,872	—	—	—	400,420
Pensions	9,170,963	—	—	—	—	9,170,963
Judgments and claims	719,968	—	—	—	—	719,968
Fringe benefits and other benefit payments	5,511,572	—	—	—	—	5,511,572
Administrative and other	197,649	—	76,101	57,853	—	331,603
Debt Service:						
Interest	—	—	1,605,023	1,749,886	—	3,354,909
Redemptions	—	—	2,231,320	1,037,625	—	3,268,945
Lease payments	199,253	—	—	—	—	199,253
Total expenditures	73,700,743	8,079,916	3,912,444	5,613,288	(2,566,109)	88,740,282
Excess (deficiency) of revenues over expenditures	5,698,764	(6,083,157)	(3,824,833)	(2,009,771)	(180,290)	(6,399,287)
OTHER FINANCING SOURCES (USES):						
Transfers from (to) General Fund	—	—	3,619,487	2,052,943	—	5,672,430
Transfers from (to) Nonmajor Capital Projects Funds	—	4,836,353	—	3,794	—	4,840,147
Transfers from (to) Nonmajor Special Revenue Funds, net	—	—	—	19,564	—	19,564
Principal amount of bonds issued	159,154	—	—	4,400,000	—	4,559,154
Bond premium	—	—	430,131	477,302	—	907,433
Capitalized leases	—	47,998	—	—	—	47,998
Issuance of refunding debt	—	—	2,351,450	399,660	—	2,751,110
Transfers from (to) Capital Projects Fund	—	—	—	(4,836,353)	—	(4,836,353)
Transfers from (to) General Debt Service Fund	(3,619,487)	—	—	—	—	(3,619,487)
Transfers from (to) Nonmajor Debt Service Funds, net	(2,233,233)	—	—	(23,358)	180,290	(2,076,301)
Payments to refunded bond escrow holder	—	—	(2,771,338)	(467,266)	—	(3,238,604)
Total other financing sources (uses)	(5,693,566)	4,884,351	3,629,730	2,026,286	180,290	5,027,091
Net change in fund balances	5,198	(1,198,806)	(195,103)	16,515	—	(1,372,196)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	467,621	(1,779,591)	1,970,220	4,378,186	—	5,036,436
Restatement of beginning fund balance (deficit)	—	—	—	(120,417)	—	(120,417)
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 472,819	$(2,978,397)	$ 1,775,117	$ 4,274,284	$ —	$ 3,543,823

The reconciliation of the net change in fund balances of governmental funds to the change in net position of governmental activities in the Statement of Net Position is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

Net change in fund balances — governmental funds		$ 525,684
Amounts reported for *governmental activities* in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 6,075,034	
Depreciation expense	(3,485,994)	2,589,040
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.,* sales, trade-ins, and donations) is to decrease net position		43,073
The issuance of long-term debt (*i.e.*, bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(11,209,490)	
Principal payments of bonds	7,332,755	
Other	484,432	(3,392,303)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(196,727)
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		(15,171,696)
Change in net pension liability		8,605,624
Change in OPEB liability		6,079,684
Change in pollution remediation obligations		6,296
Change in net position — governmental activities		$ (911,325)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

Net change in fund balances — governmental funds		$ (1,492,613)
Amounts reported for *governmental activities* in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 5,193,139	
Depreciation expense	(3,353,181)	1,839,958
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.,* sales, trade-ins, and donations) is to decrease net position		83,098
The issuance of long-term debt (*i.e.*, bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(7,310,264)	
Principal payments of bonds	5,602,082	
Other	421,587	(1,286,595)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(585,453)
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		11,831,060
Change in net pension liability		(11,722,928)
Change in OPEB liability		(4,745,452)
Change in pollution remediation obligations		41,358
Restatement of beginning net position		(4,405,436)
Change in net position — governmental activities		$(10,443,003)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$24,228,997	$24,650,915	$24,679,411	$ 28,496
Sales and use taxes	8,328,000	8,259,800	8,296,436	36,636
Personal income tax	11,577,000	11,255,500	11,257,809	2,309
Income taxes, other	6,546,000	7,190,485	7,120,621	(69,864)
Other taxes	3,963,309	3,244,032	3,308,127	64,095
Federal, State and other categorical aid	21,986,184	24,253,925	23,344,456	(909,469)
Unrestricted Federal and State aid	—	56,792	59,058	2,266
Charges for services	2,615,487	2,657,330	2,711,428	54,098
Investment income	61,210	80,540	73,125	(7,415)
Other revenues	1,843,112	2,688,823	2,179,254	(509,569)
Total revenues	81,149,299	84,338,142	83,029,725	(1,308,417)
EXPENDITURES:				
General government	3,398,426	3,471,098	3,246,561	224,537
Public safety and judicial	9,232,682	9,830,800	9,694,083	136,717
Education	23,179,313	23,464,954	23,317,602	147,352
City University	1,041,364	1,114,615	1,067,117	47,498
Social services	14,281,008	14,817,052	14,485,139	331,913
Environmental protection	3,044,111	2,967,308	2,923,418	43,890
Transportation services	1,728,818	1,799,662	1,753,637	46,025
Parks, recreation and cultural activities	586,846	610,040	598,776	11,264
Housing	1,488,005	1,328,137	1,220,133	108,004
Health (including payments to HHC)	1,812,929	2,270,873	2,233,288	37,585
Libraries	365,104	370,512	369,871	641
Pensions	9,309,981	9,282,808	9,280,651	2,157
Judgments and claims	676,389	750,763	750,349	414
Fringe benefits and other benefit payments	5,654,258	5,962,914	5,909,908	53,006
Lease payments for debt service	58,841	30,360	30,360	—
Other	2,086,913	268,755	147,036	121,719
Total expenditures	77,944,988	78,340,651	77,027,929	1,312,722
Excess of revenues over expenditures	3,204,311	5,997,491	6,001,796	4,305
OTHER FINANCING SOURCES (USES):				
Principal amount of bonds issued	—	139,513	139,513	—
Transfers to Nonmajor Debt Service Fund	(1,146,434)	(2,852,687)	(2,852,319)	(368)
Transfers from Nonmajor Debt Service Fund	239,183	217,011	217,050	(39)
Transfers and other payments for debt service, net	(2,297,060)	(3,501,328)	(3,500,830)	(498)
Total other financing uses	(3,204,311)	(5,997,491)	(5,996,586)	(905)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	$ —	$ —	5,210	$ 5,210
FUND BALANCE AT BEGINNING OF YEAR			472,819	
FUND BALANCE AT END OF YEAR			$ 478,029	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$22,589,192	$23,120,192	$23,180,583	$ 60,391
Sales and use taxes	8,068,000	8,560,220	8,540,154	(20,066)
Personal income tax	11,154,000	11,454,000	11,392,473	(61,527)
Income taxes, other	6,662,000	7,170,791	6,947,614	(223,177)
Other taxes	3,745,583	3,483,519	3,559,825	76,306
Federal, State and other categorical aid	20,765,775	21,963,335	20,897,592	(1,065,743)
Unrestricted Federal and State aid	—	6,155	6,168	13
Charges for services	2,735,296	2,734,077	2,624,357	(109,720)
Investment income	29,400	64,430	78,791	14,361
Other revenues	1,881,683	2,690,983	2,171,950	(519,033)
Total revenues	77,630,929	81,247,702	79,399,507	(1,848,195)
EXPENDITURES:				
General government	3,267,424	3,200,819	2,985,013	215,806
Public safety and judicial	8,777,557	9,483,114	9,325,708	157,406
Education	21,894,475	22,373,621	21,973,688	399,933
City University	977,677	1,003,118	955,775	47,343
Social services	14,026,800	13,980,252	13,800,868	179,384
Environmental protection	2,747,907	2,795,819	2,569,229	226,590
Transportation services	1,658,820	1,754,285	1,707,930	46,355
Parks, recreation and cultural activities	525,196	549,319	533,855	15,464
Housing	939,324	1,118,137	1,023,213	94,924
Health (including payments to HHC)	1,673,106	2,711,950	2,666,511	45,439
Libraries	357,731	360,295	359,548	747
Pensions	8,643,115	9,172,968	9,170,963	2,005
Judgments and claims	709,890	719,966	719,968	(2)
Fringe benefits and other benefit payments	5,309,527	5,691,328	5,511,572	179,756
Lease payments for debt service	169,678	199,255	199,253	2
Other	2,904,342	434,813	197,649	237,164
Total expenditures	74,582,569	75,549,059	73,700,743	1,848,316
Excess of revenues over expenditures	3,048,360	5,698,643	5,698,764	121
OTHER FINANCING SOURCES (USES):				
Principal amount of bonds issued	—	159,154	159,154	—
Transfers to Nonmajor Debt Service Fund	(1,024,767)	(2,578,096)	(2,579,009)	913
Transfers from Nonmajor Debt Service Fund	239,768	345,879	345,776	103
Transfers and other payments for debt service, net	(2,263,361)	(3,625,580)	(3,619,487)	(6,093)
Total other financing uses	(3,048,360)	(5,698,643)	(5,693,566)	(5,077)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	$ —	$ —	5,198	$ 5,198
FUND BALANCE AT BEGINNING OF YEAR			467,621	
FUND BALANCE AT END OF YEAR			$ 472,819	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	NYCTL 2017-A TRUST	Total Proprietary Funds
ASSETS:								
Current assets:								
Cash and cash equivalents	$ 25,658	$ 6,102	$ 11,296	$ 437	$ 91	$ 364	$ 166	$ 44,114
Investments	1,250	—	1,057	—	—	—	709	3,016
Receivables:								
Federal, State and other aid	—	1,395	—	—	—	—	—	1,395
Accounts receivable	15,394	791	3	46,050	10,343	18,001	19,127	109,709
Restricted cash, cash equivalents	29,815	7,422	—	—	—	—	—	37,237
Restricted investments	—	—	—	20,210	6,666	11,794	—	38,670
Prepaid expenses	38	6	42	—	—	—	—	86
Total current assets	72,155	15,716	12,398	66,697	17,100	30,159	20,002	234,227
Noncurrent assets:								
Investments	23,562	—	278,770	—	—	—	—	302,332
Restricted cash, cash equivalents	—	793	—	—	—	—	—	793
Accounts receivable	—	—	—	148,403	23,080	25,107	28,840	225,430
Capital assets:								
Land and construction work in progress	110,401	33,680	—	—	—	—	—	144,081
Other capital assets (net of depreciation/amortization):								
Property, plant and equipment (including software)	31,116	3,955	—	—	—	—	—	35,071
Infrastructure	88,040	304,128	—	—	—	—	—	392,168
Other assets	—	—	36	—	—	—	—	36
Total noncurrent assets	253,119	342,556	278,806	148,403	23,080	25,107	28,840	1,099,911
Total assets	325,274	358,272	291,204	215,100	40,180	55,266	48,842	1,334,138
LIABILITIES:								
Current liabilities:								
Accounts payable and accrued liabilities	11,497	8,214	3,059	8,342	896	2,722	—	34,730
Accrued interest payable	—	—	—	—	24	65	1	90
Unearned revenue	23,806	5,617	—	—	—	—	—	29,423
Security deposits	708	—	983	—	—	—	—	1,691
Overage due to taxpayers	—	—	—	(3,882)	25	103	—	(3,754)
Bonds payable	—	—	—	—	10,918	26,496	—	37,414
Discount on bonds payable	—	—	—	—	—	(3)	—	(3)
Residual liability	—	—	—	10,637	9,516	6,826	13,089	40,068
Total current liabilities	36,011	13,831	4,042	15,097	21,379	36,209	13,090	139,659
Noncurrent liabilities:								
Security deposits	2,690	792	172,816	—	—	—	—	176,298
Residual liability	—	—	114,346	35,538	—	—	—	149,884
Total noncurrent liabilities	2,690	792	287,162	35,538	—	—	—	326,182
Total liabilities	38,701	14,623	291,204	50,635	21,379	36,209	13,090	465,841
NET POSITION:								
Net investment in capital assets	229,556	341,763	—	—	—	—	—	571,319
Restricted for:								
Capital	8,390	—	—	20,210	—	—	—	28,600
Operations	48,627	1,886	—	144,255	18,801	19,057	35,752	268,378
Total net position	$ 286,573	$ 343,649	$ —	$ 164,465	$ 18,801	$ 19,057	$ 35,752	$ 868,297

THE CITY OF NEW YORK
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016
(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2014-A TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	Total Proprietary Funds
ASSETS:								
Current Assets:								
Cash and cash equivalents	$ 16,453	$ 1,513	$ 6,087	$ 1,222	$ —	$ 89	$ 303	$ 25,667
Investments	12,561	—	163,818	—	—	—	—	176,379
Receivables:								
Federal, State and other aid	—	3,013	—	—	—	—	—	3,013
Accounts receivable	556	299	8,839	52,611	—	18,476	17,602	98,383
Restricted cash, cash equivalents	29,338	10,354	114	—	—	—	—	39,806
Restricted investments	—	—	—	30,704	—	9,079	1,209	40,992
Prepaid expenses	38	2	67	—	—	—	—	107
Total current assets	58,946	15,181	178,925	84,537	—	27,644	19,114	384,347
Noncurrent assets:								
Investments	17,148	—	125,018	—	—	—	—	142,166
Restricted cash, cash equivalents	—	350	—	—	—	—	—	350
Accounts receivable	—	—	—	178,360	—	30,879	27,675	236,914
Capital assets:								
Land and construction work in progress	75,307	91,208	—	—	—	—	—	166,515
Other capital assets (net of depreciation/amortization):								
Property, plant and equipment (including software).	28,251	3,884	—	—	—	—	—	32,135
Infrastructure.	94,538	247,359	—	—	—	—	—	341,897
Other assets	—	—	36	—	—	—	—	36
Total noncurrent assets	215,244	342,801	125,054	178,360	—	30,879	27,675	920,013
Total assets	274,190	357,982	303,979	262,897	—	58,523	46,789	1,304,360
LIABILITIES:								
Current liabilities:								
Accounts payable and accrued liabilities	5,205	13,370	10,151	7,756	—	1,927	1	38,410
Accrued interest payable	—	—	—	—	—	71	—	71
Unearned revenue	19,289	10,282	—	—	—	—	—	29,571
Security deposits	508	—	7,147	—	—	—	—	7,655
Overage due to taxpayers.	—	—	—	(697)	—	160	11	(526)
Bonds payable	—	—	—	—	—	20,946	—	20,946
Discount on bonds payable	—	—	—	—	—	(1)	—	(1)
Residual liability	—	—	—	12,355	—	8,578	11,039	31,972
Total current liabilities	25,002	23,652	17,298	19,414	—	31,681	11,051	128,098
Noncurrent liabilities:								
Security deposits	2,050	350	168,211	—	—	—	—	170,611
Residual liability	—	—	118,470	41,361	—	—	—	159,831
Bonds payable.	—	—	—	—	—	10,918	—	10,918
OPEB	85	—	—	—	—	—	—	85
Total noncurrent liabilities	2,135	350	286,681	41,361	—	10,918	—	341,445
Total liabilities	27,137	24,002	303,979	60,775	—	42,599	11,051	469,543
NET POSITION:								
Net investment in capital assets	198,097	342,451	—	—	—	—	—	540,548
Restricted for:								
Capital	7,596	—	—	30,704	—	—	—	38,300
Operations	41,360	—	—	171,418	—	15,924	35,738	264,440
Unrestricted	—	(8,471)	—	—	—	—	—	(8,471)
Total net position	$ 247,053	$ 333,980	$ —	$ 202,122	$ —	$ 15,924	$ 35,738	$ 834,817

THE CITY OF NEW YORK
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	NYCTL 2017-A TRUST	Total Proprietary Funds
OPERATING REVENUES:								
Investment income	$ —	$ —	$ (2,155)	$ 105,758	$ 4,715	$ 7,241	$ 588	$ 116,147
Permits and other fees	1,862	2,380	—	—	—	—	—	4,242
Tax liens received from the City of New York	—	—	—	52,572	—	31,396	48,309	132,277
Payments in lieu of taxes and ground leases rent	35,566	—	—	—	—	—	—	35,566
Operating grants and contributions	—	17,399	—	—	—	—	—	17,399
Total operating revenues	37,428	19,779	(2,155)	158,330	4,715	38,637	48,897	305,631
OPERATING EXPENSES:								
General and administrative expense	—	—	530	11,950	1,141	1,542	—	15,163
Personnel costs	4,403	2,846	657	—	—	—	—	7,906
Utilities	428	615	—	—	—	—	—	1,043
Professional fees	1,816	—	781	—	—	—	—	2,597
Repairs and maintenance	2,891	—	—	—	—	—	—	2,891
Security	1,135	—	—	—	—	—	—	1,135
Distributions to the City of New York	—	—	—	53,793	—	43,055	—	96,848
Increase (decrease) in allowance for doubtful accounts	—	—	—	30,787	(647)	1,315	55	31,510
Addition to residual liability due to Water Board	—	—	—	3,096	939	6,677	13,090	23,802
Write-offs of uncollectible liens, net of recoveries	—	—	—	96,419	173	66	—	96,658
Depreciation and amortization	7,165	17,644	—	—	—	—	—	24,809
OPEB expense	(85)	—	—	—	—	—	—	(85)
Other general, administrative and project expenses	887	14,072	—	—	—	—	—	14,959
Other	—	—	—	—	260	2,707	—	2,967
Total operating expenses	18,640	35,177	1,968	196,045	1,866	55,362	13,145	322,203
Operating income (loss)	18,788	(15,398)	(4,123)	(37,715)	2,849	(16,725)	35,752	(16,572)
NONOPERATING REVENUES (EXPENSES):								
Capital contributions from government sources	20,625	19,793	—	—	—	—	—	40,418
Capital contributions from private sources	—	4,880	—	—	—	—	—	4,880
Investment income	95	—	—	58	28	44	—	225
Interest income	12	7	—	—	—	—	—	19
Transfer from residual liability	—	—	4,123	—	—	—	—	4,123
Other income	—	387	—	—	—	—	—	387
Total nonoperating revenues (expenses)	20,732	25,067	4,123	58	28	44	—	50,052
Income before capital contribution and transfers	39,520	9,669	—	(37,657)	2,877	(16,681)	35,752	33,480
Change in net position	39,520	9,669	—	(37,657)	2,877	(16,681)	35,752	33,480
Net position-beginning	247,053	333,980	—	202,122	15,924	35,738	—	834,817
Net position-ending	$ 286,573	$ 343,649	$ —	$ 164,465	$ 18,801	$ 19,057	$ 35,752	$ 868,297

THE CITY OF NEW YORK

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2014-A TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	Total Proprietary Funds
OPERATING REVENUES:								
Investment income	$ —	$ —	$ (2,193)	$ 94,171	$ —	$ 7,217	$ 744	$ 99,939
Permits and other fees	1,785	2,460	—	—	—	—	—	4,245
Tax liens received from the City of New York	—	—	—	9,789	—	29,359	46,109	85,257
Transfers from other New York City Tax Lien Trust	—	—	—	30,435	—	—	—	30,435
Payments in lieu of taxes and ground leases rent	8,238	—	—	—	—	—	—	8,238
Operating grants and contributions	—	13,765	—	—	—	—	—	13,765
Total operating revenues	10,023	16,225	(2,193)	134,395	—	36,576	46,853	241,879
OPERATING EXPENSES:								
General and administrative expense	—	—	548	9,705	888	1,500	—	12,641
Personnel costs	4,397	2,555	676	—	—	—	—	7,628
Utilities	296	54	—	—	—	—	—	350
Professional fees	1,060	—	1,984	—	—	—	—	3,044
Repairs and maintenance	1,497	—	—	—	—	—	—	1,497
Security	881	—	—	—	—	—	—	881
Distributions to the City of New York	—	—	—	41,242	—	41,650	—	82,892
Increase (decrease) in allowance for doubtful accounts	—	—	—	27,279	—	1,694	76	29,049
Addition to residual liability due to Water Board	—	—	—	4,754	—	7,527	11,039	23,320
Write-offs of uncollectible liens, net of recoveries	—	—	—	40,723	—	21	—	40,744
Depreciation and amortization	6,684	13,585	—	—	—	—	—	20,269
OPEB expense	22	—	—	—	—	—	—	22
Other general, administrative and project expenses	992	14,153	—	—	1,113	—	—	16,258
Other	—	—	—	—	—	2,771	—	2,771
Total operating expenses	15,829	30,347	3,208	123,703	2,001	55,163	11,115	241,366
Operating income (loss)	(5,806)	(14,122)	(5,401)	10,692	(2,001)	(18,587)	35,738	513
NONOPERATING REVENUES (EXPENSES):								
Capital contributions from government sources	12,928	29,582	—	—	—	—	—	42,510
Capital contributions from private sources	—	8,381	—	—	—	—	—	8,381
Gain on disposal of capital assets	—	86	—	—	—	—	—	86
Other contributions from government sources	1,043	—	—	—	—	—	—	1,043
Investment income	8	—	—	13	19	7	—	47
Interest income	19	9	—	—	4,836	—	—	4,864
Transfer from residual liability	—	—	5,401	—	—	—	—	5,401
Other income	—	4	—	—	—	—	—	4
Total nonoperating revenues (expenses)	13,998	38,062	5,401	13	4,855	7	—	62,336
Income before capital contribution and transfers	8,192	23,940	—	10,705	2,854	(18,580)	35,738	62,849
Transfers out	—	—	—	—	(30,435)	—	—	(30,435)
Change in net position	8,192	23,940	—	10,705	(27,581)	(18,580)	35,738	32,414
Restatement of beginning net position	238,861	310,040	—	191,417	27,581	34,504	—	802,403
Net position-ending	$ 247,053	$ 333,980	$ —	$ 202,122	$ —	$ 15,924	$ 35,738	$ 834,817

THE CITY OF NEW YORK
PROPRIETARY FUNDS
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	NYCTL 2017-A TRUST	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from:								
Cash received from other assets	$ —	$ —	$ 25	$ —	$ —	$ —	$ —	$ 25
Interest income collected	—	—	5,764	—	—	—	—	5,764
Receipts from customers	1,428	1,801	—	—	—	—	—	3,229
Cash collections	—	—	—	64,457	19,975	42,008	875	127,315
Tenants payments	33,661	—	—	—	—	—		33,661
Operating grants and contributions	—	17,572	—	—	—	—	—	17,572
Cash payments for:								
Losses and loss adjustment expenses paid	—	—	(5,987)	—	—	—	—	(5,987)
Personnel costs	(4,388)	(2,842)	(657)	—	—	—	—	(7,887)
Distributions	—	—	—	(53,793)	—	(53,945)	—	(107,738)
Services and supplies	(8,546)	(13,370)	(1,314)	(22,002)	(1,468)	(3,955)	—	(50,655)
Net cash provided by (used for) operating activities	22,155	3,161	(2,169)	(11,338)	18,507	(15,892)	875	15,299
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Payments from lessees - security deposits	840	442	—	—	—	—	—	1,282
Other receipts	—	387	—	—	—	—	—	387
Bond issued	—	—	—	—	—	64,977	—	64,977
Bond retired	—	—	—	—	(20,946)	(38,480)	—	(59,426)
Bond discount	—	—	—	—	1	(4)	—	(3)
Net cash provided by (used for) noncapital financing activities	840	829	—	—	(20,945)	26,493	—	7,217
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Capital grants and contributions received	12,642	—	—	—	—	—	—	12,642
Capital grants and contributions from government sources	—	16,066	—	—	—	—	—	16,066
Capital grants and contributions from private sources	—	5,389	—	—	—	—	—	5,389
Capital asset expenditures	(30,958)	(23,352)	—	—	—	—	—	(54,310)
Net cash used for capital and related financing activities	(18,316)	(1,897)	—	—	—	—	—	(20,213)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investments	(23,465)	—	(859,034)	(97,879)	(39,076)	(83,289)	(709)	(1,103,452)
Sales and maturities of investments	28,003	—	866,298	108,373	41,488	72,704	—	1,116,866
Interest received	465	7	—	59	28	44	—	603
Net cash provided by (used for) investing activities	5,003	7	7,264	10,553	2,440	(10,541)	(709)	14,017
Net increase (decrease) in cash and cash equivalents	9,682	2,100	5,095	(785)	2	60	166	16,320
Cash and cash equivalents July 1	45,791	12,217	6,201	1,222	89	304	—	65,824
Cash and cash equivalents June 30	$ 55,473	$ 14,317	$ 11,296	$ 437	$ 91	$ 364	$ 166	$ 82,144

THE CITY OF NEW YORK
PROPRIETARY FUNDS
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	NYCTL 2017-A TRUST	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:								
Operating income (loss)	$ 18,788	$ (15,398)	$ (4,123)	$ (37,715)	$ 2,849	$ (16,725)	$ 35,752	$ (16,572)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	7,165	17,643	—	—	—	—	—	24,808
Accounts receivable	(14,839)	(492)	—	5,731	16,579	853	(48,022)	(40,190)
Change in allowance for doubtful accounts	—	—	—	30,787	(647)	1,315	55	31,510
Prepaid expenses	—	(4)	25	—	—	—	—	21
Accounts payable and accrued expenses	(1,374)	1,240	(1,676)	(10,141)	(227)	(1,335)	13,090	(423)
Unearned revenue	12,500	172	—	—	—	—	—	12,672
Other postemployment benefits obligation	(85)	—	—	—	—	—	—	(85)
Realized losses on sales of investments	—	—	3,151	—	—	—	—	3,151
Change in unrealized losses on investments	—	—	405	—	—	—	—	405
Accrued investment income	—	—	49	—	—	—	—	49
Bond interest	—	—	—	—	(47)	—	—	(47)
Total adjustments	3,367	18,559	1,954	26,377	15,658	833	(34,877)	31,871
Net cash provided by (used for) operating activities	22,155	3,161	(2,169)	(11,338)	18,507	(15,892)	875	15,299
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:								
Unrestricted cash and cash equivalents	25,658	6,102	11,296	437	91	364	166	44,114
Restricted cash and cash equivalents	29,815	8,215	—	—	—	—	—	38,030
Cash and Cash Equivalents—End of Year:	$ 55,473	$ 14,317	$ 11,296	$ 437	$ 91	$ 364	$ 166	$ 82,144

THE CITY OF NEW YORK
PROPRIETARY FUNDS
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2014-A TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from:								
Cash received from other assets	$ —	$ —	$ 5	$ —	$ —	$ —	$ —	$ 5
Interest income collected	—	—	6,313	—	—	—	—	6,313
Receipts from customers	2,310	2,367	—	—	—	—	—	4,677
Cash collections	—	—	—	63,707	—	35,176	1,513	100,396
Tenants payments	6,315	—	—	—	—	—	—	6,315
Operating grants and contributions	—	13,739	—	—	—	—	—	13,739
Cash payments for:								
Losses and loss adjustment expenses paid	—	—	(31,016)	—	—	—	—	(31,016)
Personnel costs	(4,454)	(2,753)	(676)	—	—	—	—	(7,883)
Distributions	—	—	—	(41,242)	—	(55,246)	—	(96,488)
Services and supplies	(4,726)	(14,076)	(2,395)	(6,437)	—	(4,010)	—	(31,644)
Net cash provided by (used for) operating activities	(555)	(723)	(27,769)	16,028	—	(24,080)	1,513	(35,586)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Payments from lessees - security deposits	535	70	—	—	—	—	—	605
Other receipts	—	4	—	—	—	—	—	4
Bond issued	—	—	—	—	—	71,797	—	71,797
Bond retired	—	—	—	—	—	(39,933)	—	(39,933)
Bond discount	—	—	—	—	—	(1)	—	(1)
Net cash provided by noncapital financing activities	535	74	—	—	—	31,863	—	32,472
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Capital grants and contributions received	13,775	—	—	—	—	—	—	13,775
Capital grants and contributions from government sources	1,043	23,030	—	—	—	—	—	24,073
Capital grants and contributions from private sources	—	7,896	—	—	—	—	—	7,896
Capital asset expenditures	(23,467)	(37,593)	—	—	—	—	—	(61,060)
Proceeds from disposal of capital assets	—	254	—	—	—	—	—	254
Net cash used for capital and related financing activities	(8,649)	(6,413)	—	—	—	—	—	(15,062)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investments	(41,962)	—	(697,145)	(116,136)	—	(62,489)	(5,007)	(922,739)
Sales and maturities of investments	12,019	—	719,583	100,461	—	53,411	3,797	889,271
Interest received	261	10	—	13	—	6	—	290
Net cash provided by (used for) investing activities	(29,682)	10	22,438	(15,662)	—	(9,072)	(1,210)	(33,178)
Net increase (decrease) in cash and cash equivalents	(38,351)	(7,052)	(5,331)	366	—	(1,289)	303	(51,354)
Cash and cash equivalents July 1	84,142	19,269	11,532	856	—	1,378	—	117,177
Cash and cash equivalents June 30	$ 45,791	$ 12,217	$ 6,201	$ 1,222	$ —	$ 89	$ 303	$ 65,823

THE CITY OF NEW YORK

PROPRIETARY FUNDS

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2016

(in thousands)

	Brooklyn Bridge Park Corporation	The Trust for Governors Island Corporation	WTC Captive Insurance Company, Inc.	NYCTL 1998-2 TRUST	NYCTL 2014-A TRUST	NYCTL 2015-A TRUST	NYCTL 2016-A TRUST	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:								
Operating income (loss)	$ (5,806)	$ (14,122)	$ (5,401)	$ 10,692	$ (2,001)	$ (18,587)	$ 35,738	$ 513
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	6,684	13,585	—	—	—	—	—	20,269
Accounts receivable	159	(93)	—	(29,240)	—	(3,274)	(45,353)	(77,801)
Increase in allowance for doubtful accounts	—	—	—	27,279	—	1,694	77	29,050
Gain on disposal of capital assets	—	(87)	—	—	—	—	—	(87)
Prepaid expenses	5	3	10	—	—	—	—	18
Accounts payable and accrued expenses	(61)	209	(26,263)	7,297	—	(3,984)	11,051	(11,751)
Unearned revenue	(1,558)	(26)	—	—	—	—	—	(1,584)
Other postemployment benefits obligation	22	(192)	—	—	—	—	—	(170)
Realized losses on sales of investments	—	—	2,218	—	—	—	—	2,218
Change in unrealized losses on investments	—	—	1,544	—	—	—	—	1,544
Accrued investment income	—	—	123	—	—	—	—	123
Bond interest	—	—	—	—	—	71	—	71
Noncash transfers, net	—	—	—	—	2,001	—	—	2,001
Total adjustments	5,251	13,399	(22,368)	5,336	2,001	(5,493)	(34,225)	(36,099)
Net cash provided by (used for) operating activities	$ (555)	$ (723)	$ (27,769)	$ 16,028	$ —	$ (24,080)	$ 1,513	$ (35,586)
RECONCILIATION TO CASH AND CASH EQUIVALENTS, END OF YEAR:								
Unrestricted cash and cash equivalents	$ 16,453	$ 1,513	$ 6,087	$ 1,222	$ —	$ 89	$ 303	$ 25,667
Restricted cash and cash equivalents	29,338	10,704	114	—	—	—	—	40,156
Cash and Cash Equivalents—End of Year	$ 45,791	$ 12,217	$ 6,201	$ 1,222	$ —	$ 89	$ 303	$ 65,823

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

(in thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 1,496,348	$ 1,278,843
Receivables:		
Member loans	2,363,266	—
Investment securities sold	2,809,613	—
Accrued interest and dividends	521,861	—
Other receivables	2,306	—
Total receivables	5,697,046	—
Investments:		
Short-term investments	3,153,337	—
Debt securities	44,811,213	2,793,532
Equity securities	63,428,113	—
Alternative investments	26,996,866	—
Mutual funds	11,484,251	—
Collective trust funds	65,840,204	—
Collateral from securities lending transactions	14,160,766	—
Guaranteed investment contracts	5,789,053	—
Total investments	235,663,803	2,793,532
Other assets	178,084	—
Total assets	243,035,281	4,072,375
LIABILITIES:		
Accounts payable and accrued liabilities	1,779,147	912,412
Payable for investment securities purchased	3,326,760	—
Accrued benefits payable	802,943	—
Securities lending transactions	14,160,766	—
Other liabilities	1,088	3,159,963
Total liabilities	20,070,704	4,072,375
NET POSITION:		
Restricted for benefits to be provided by QPPs	163,025,497	—
Restricted for benefits to be provided by VSFs	4,911,873	—
Restricted for benefits to be provided by TDA program	32,851,781	—
Restricted for other employee benefits	22,175,426	—
Total net position	$222,964,577	$ —

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 1,862,743	$ 1,299,970
Receivables:		
Member loans	2,319,160	—
Investment securities sold	4,181,594	—
Accrued interest and dividends	540,835	—
Other receivables	379	—
Total receivables	7,041,968	—
Investments:		
Short-term investments	5,117,216	—
Debt securities	40,119,759	3,172,406
Equity securities	59,731,778	—
Alternative investments	25,752,930	—
Mutual funds	10,352,595	—
Collective trust funds	51,716,410	—
Collateral from securities lending transactions	11,902,353	—
Guaranteed investment contracts	5,303,762	—
Total investments	209,996,803	3,172,406
Other assets	275,809	—
Total assets	219,177,323	4,472,376
LIABILITIES:		
Accounts payable and accrued liabilities	1,389,479	1,010,008
Payable for investment securities purchased	5,432,381	—
Accrued benefits payable	787,009	—
Securities lending transactions	11,902,353	—
Other liabilities	97,746	3,462,368
Total liabilities	19,608,968	4,472,376
NET POSITION:		
Restricted for benefits to be provided by QPPs	146,917,855	—
Restricted for benefits to be provided by VSFs	2,642,245	—
Restricted for benefits to be provided by TDA program	30,074,416	—
Restricted for other employee benefits	19,933,839	—
Total net position	$199,568,355	$ —

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

(in thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Member contributions	$ 2,867,586
Employer contributions	13,880,778
Other employer contributions	57,369
Total contributions	16,805,733
Investment income:	
Interest income	2,485,621
Dividend income	2,823,560
Net appreciation in fair value of investments	19,993,839
Investment expenses	(925,395)
Investment income, net	24,377,625
Securities lending transactions:	
Securities lending income	90,516
Securities lending fees	(6,263)
Securities lending income, net	84,253
Other	(110,010)
Total additions	41,157,601
DEDUCTIONS:	
Benefit payments and withdrawals	17,548,262
Administrative expenses	202,739
Other	10,378
Total deductions	17,761,379
Net increase in net position	23,396,222
NET POSITION:	
Restricted for Benefits:	
Beginning of year	199,568,355
End of year	$222,964,577

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Member contributions	$ 2,739,214
Employer contributions	13,679,102
Other employer contributions	58,145
Total contributions	16,476,461
Investment income:	
Interest income	2,356,503
Dividend income	2,561,066
Net depreciation in fair value of investments	(1,399,849)
Investment expenses	(673,517)
Investment income, net	2,844,203
Securities lending transactions:	
Securities lending income	88,389
Securities lending fees	(6,057)
Securities lending income, net	82,332
Other	(106,450)
Total additions	19,296,546
DEDUCTIONS:	
Benefit payments and withdrawals	16,917,534
Administrative expenses	195,331
Other	7,440
Total deductions	17,120,305
Net increase in net position	2,176,241
NET POSITION:	
Restricted for Benefits:	
Beginning of year	197,392,114
End of year	$199,568,355

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET POSITION
JUNE 30, 2017
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2016	Housing Development Corporation October 31, 2016	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ —	$ 476,432	$ 732,710	$ 1,184,043	$ 83,968	$ 52,531	$ 2,529,684
Investments	5,455	694,327	258,255	423,590	181,876	106,360	1,669,863
Lease receivables	—	—	—	—	—	1,677,674	1,677,674
Other receivables	731,900	416,481	1,298,804	1,509,395	217,650	22,683	4,196,913
Mortgage loans and interest receivable, net.	—	178,921	9,845,275	—	22,670	—	10,046,866
Inventories.	—	13,061	—	—	—	—	13,061
Due from Primary Government	34,515	—	—	—	—	23,116	57,631
Restricted cash, cash equivalents and investments	2,725,209	523,981	2,551,324	315,181	329,804	272,108	6,717,607
Other.	75,607	103,584	5,576	—	70,784	17,254	272,805
Capital assets:							
Land and construction work-in-progress.	5,475,307	1,740,279	—	444,773	132,387	2,421	7,795,167
Buildings and equipment	37,893,378	13,323,639	8,240	7,999,243	45,842	790,282	60,060,624
Accumulated depreciation	(13,832,413)	(8,777,344)	(5,767)	(5,041,764)	(11,520)	(216,582)	(27,885,390)
Total assets	33,108,958	8,693,361	14,694,417	6,834,461	1,073,461	2,747,847	67,152,505
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred outflows from pensions	(184)	242,849	3,608	14,133	—	—	260,406
Other deferred outflows of resources	100,438	4,767	8,105	10,537	167	12,404	136,418
Total deferred outflows of resources	100,254	247,616	11,713	24,670	167	12,404	396,824
LIABILITIES:							
Accounts payable and accrued liabilities	19,807	446,685	781,683	1,552,953	178,849	40,653	3,020,630
Accrued interest payable	51,706	14,694	97,531	11,154	—	—	175,085
Unearned revenue	139,577	206,038	79,962	—	36,053	9,354	470,984
Due to Primary Government	525,138	—	1,234,722	617,154	139,146	—	2,516,160
Other	—	45,293	—	—	24,763	153,250	223,306
Derivative instruments-interest rate swaps	100,438	—	—	—	—	12,404	112,842
Noncurrent Liabilities:							
Due within one year	632,921	210,864	327,642	688,905	—	27,105	1,887,437
Bonds & notes payable (net of amount due within one year)	30,633,829	700,197	9,529,494	776,783	—	1,665,076	43,305,379
Net pension liability	828	1,214,112	12,877	2,576,239	—	9,775	3,813,831
OPEB liability	1,412	2,833,465	11,051	4,663,684	22,291	—	7,531,903
Other (net of amount due within one year)	30,609	759,513	254,850	284,312	240,157	222,548	1,791,989
Total liabilities	32,136,265	6,430,861	12,329,812	11,171,184	641,259	2,140,165	64,849,546
DEFERRED INFLOWS OF RESOURCES:							
Deferred inflows from pensions	11	46,073	1,631	—	—	—	47,715
Deferred inflows from OPEB	291	—	—	694,459	—	—	694,750
Other deferred inflows of resources	16,393	83,317	—	—	—	—	99,710
Total deferred inflows of resources	16,695	129,390	1,631	694,459	—	—	842,175
NET POSITION:							
Net investment in capital assets	(204,403)	5,692,787	2,473	2,559,689	34,322	416,997	8,501,865
Restricted for:							
Capital projects	—	—	—	—	42,627	41,258	83,885
Debt service	1,781,994	—	1,395,994	138,854	—	—	3,316,842
Loans/security deposits	—	—	—	—	54,742	—	54,742
Donor/statutory restrictions	—	—	—	361,807	—	34,939	396,746
Operations	237,746	—	68,293	—	—	1,118	307,157
Unrestricted (deficit)	(759,085)	(3,312,061)	907,927	(8,066,862)	300,678	125,774	(10,803,629)
Total net position (deficit)	$ 1,056,252	$ 2,380,726	$ 2,374,687	$ (5,006,512)	$ 432,369	$ 620,086	$ 1,857,608

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET POSITION
JUNE 30, 2016

(in thousands)

	Water and Sewer System	Housing Authority December 31, 2015	Housing Development Corporation October 31, 2015	Restated Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents.	$ 356	$ 410,765	$ 782,027	$ 1,112,003	$ 82,265	$ 57,467	$ 2,444,883
Investments	6,096	797,948	375,587	405,906	175,693	101,751	1,862,981
Lease receivables	—	—	—	—	—	1,694,490	1,694,490
Other receivables	784,369	269,181	1,144,785	1,797,753	252,934	24,461	4,273,483
Mortgage loans and interest receivable, net	—	27,083	9,646,533	—	16,955	—	9,690,571
Inventories	—	13,394	—	—	—	—	13,394
Due from Primary Government	194,362	—	—	—	—	23,066	217,428
Restricted cash, cash equivalents and investments	2,199,646	409,376	2,524,077	320,960	280,826	261,155	5,996,040
Other.	73,556	105,249	9,133	—	76,910	12,487	277,335
Capital assets:							
Land and construction work-in-progress	5,227,182	2,028,773	—	371,259	112,912	762	7,740,888
Buildings and equipment	36,815,525	12,363,185	7,225	8,020,508	37,513	699,360	57,943,316
Accumulated depreciation	(12,976,917)	(8,458,707)	(5,429)	(4,983,098)	(8,862)	(193,136)	(26,626,149)
Total assets	32,324,175	7,966,247	14,483,938	7,045,291	1,027,146	2,681,863	65,528,660
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred outflows from pensions	275	83,162	2,063	491,646	—	—	577,146
Other deferred outflows of resources	142,802	6,284	10,287	12,785	—	18,517	190,675
Total deferred outflows of resources	143,077	89,446	12,350	504,431	—	18,517	767,821
LIABILITIES:							
Accounts payable and accrued liabilities	18,066	385,836	830,524	2,075,598	178,154	40,105	3,528,283
Accrued interest payable	49,745	15,361	89,441	12,136	—	—	166,683
Unearned revenue	141,741	95,120	83,198	—	34,205	8,522	362,786
Due to Primary Government	498,330	—	1,022,190	504,902	127,243	—	2,152,665
Other	—	48,617	—	—	32,667	150,354	231,638
Derivative instruments-interest rate swaps	142,802	—	—	—	—	18,517	161,319
Noncurrent Liabilities:							
Due within one year	578,028	217,698	429,706	679,185	—	26,408	1,931,025
Bonds & notes payable (net of amount due within one year)	30,251,327	689,405	9,671,638	868,626	—	1,694,699	43,175,695
Net pension liability	1,215	1,026,612	10,908	3,095,542	—	11,023	4,145,300
OPEB liability	1,601	2,689,623	8,919	5,089,841	20,719	—	7,810,703
Other (net of amount due within one year)	33,840	642,625	106,109	—	207,919	192,967	1,183,460
Total liabilities	31,716,695	5,810,897	12,252,633	12,325,830	600,907	2,142,595	64,849,557
DEFERRED INFLOWS OF RESOURCES:							
Deferred inflows from pensions	154	93,706	2,075	—	—	—	95,935
Deferred inflows from OPEB	8	—	—	36,835	—	—	36,843
Other deferred inflows of resources	16,647	—	—	—	—	—	16,647
Total deferred inflows of resources	16,809	93,706	2,075	36,835	—	—	149,425
NET POSITION:							
Net investment in capital assets	(430,201)	5,407,064	1,796	2,520,920	28,651	370,503	7,898,733
Restricted for:							
Capital projects	—	—	—	—	40,279	23,602	63,881
Debt service	1,457,332	—	1,207,367	141,235	—	—	2,805,934
Loans/security deposits	—	—	—	—	54,865	—	54,865
Donor/statutory restrictions	—	—	—	148,130	—	24,483	172,613
Operations	250,447	—	64,274	—	—	2,772	317,493
Unrestricted (deficit)	(543,830)	(3,255,974)	968,143	(7,623,228)	302,444	136,425	(10,016,020)
Total net position (deficit)	$ 733,748	$ 2,151,090	$ 2,241,580	$ (4,812,943)	$ 426,239	$ 557,785	$ 1,297,499

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2016	Housing Development Corporation October 31, 2016	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
EXPENSES	$3,685,949	$3,680,515	$ 295,970	$ 9,899,987	$677,754	$ 450,469	$18,690,644
PROGRAM REVENUES:							
Charges for services	3,831,335	1,041,574	401,573	7,859,238	227,198	46,050	13,406,968
Operating grants and contributions	—	2,124,415	—	864,768	71,598	244,421	3,305,202
Capital grants, contributions and other	6,225	640,887	—	155,780	363,673	98,455	1,265,020
Total program revenues	3,837,560	3,806,876	401,573	8,879,786	662,469	388,926	17,977,190
Net (expenses) program revenues	151,611	126,361	105,603	(1,020,201)	(15,285)	(61,543)	(713,454)
GENERAL REVENUES:							
Investment income	4,178	25,231	27,504	(1,105)	1,536	8,991	66,335
Unrestricted Federal and State aid	—	—	—	—	3,891	5,681	9,572
Other	166,715	78,044	—	827,737	15,988	109,172	1,197,656
Total general revenue	170,893	103,275	27,504	826,632	21,415	123,844	1,273,563
Change in net position	322,504	229,636	133,107	(193,569)	6,130	62,301	560,109
Net position (deficit)—beginning	733,748	2,151,090	2,241,580	(4,812,943)	426,239	557,785	1,297,499
Net position (deficit)—ending	$1,056,252	$2,380,726	$2,374,687	$(5,006,512)	$432,369	$ 620,086	$ 1,857,608

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	Restated						
	Water and Sewer System	Housing Authority December 31, 2015	Housing Development Corporation October 31, 2015	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
EXPENSES	$3,509,935	$3,274,759	$ 271,479	$ 9,778,661	$813,588	$ 430,754	$18,079,176
PROGRAM REVENUES:							
Charges for services	3,892,465	990,524	357,318	7,773,121	342,219	44,847	13,400,494
Operating grants and contributions	—	2,213,763	—	362,409	72,162	240,144	2,888,478
Capital grants, contributions and other	4,060	433,505	—	151,403	453,384	99,952	1,142,304
Total program revenues	3,896,525	3,637,792	357,318	8,286,933	867,765	384,943	17,431,276
Net (expenses) program revenues	386,590	363,033	85,839	(1,491,728)	54,177	(45,811)	(647,900)
GENERAL REVENUES:							
Investment income	53,322	10,249	32,324	12,389	1,929	1,742	111,955
Unrestricted Federal and State aid	—	—	—	—	3,374	5,592	8,966
Other	164,502	99,655	39,841	1,509,417	41,009	103,601	1,958,025
Total general revenue.	217,824	109,904	72,165	1,521,806	46,312	110,935	2,078,946
Change in net position.	604,414	472,937	158,004	30,078	100,489	65,124	1,431,046
Net position (deficit)—beginning	129,793	1,678,153	2,083,576	(4,622,133)	325,750	1,037,763	632,902
Restatement of beginning net position	(459)	—	—	(220,888)	—	(545,102)	(766,449)
Net position (deficit)—ending	$ 733,748	$2,151,090	$2,241,580	$(4,812,943)	$426,239	$ 557,785	$ 1,297,499

See accompanying notes to financial statements.

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A. Summary of Significant Accounting Policies

The accompanying basic financial statements of The City of New York (City or primary government) are presented in conformity with Generally Accepted Accounting Principles (GAAP) for state and local governments in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The amounts shown in the "City" and "component units" columns of the accompanying government-wide financial statements are only presented to facilitate financial analysis and are not the equivalent of consolidated financial statements.

The following is a summary of the significant accounting policies and reporting practices of the City:

1. Reporting Entity

The City is a municipal corporation governed by the Mayor and the City Council. The City's operations also include those normally performed at the county level and, accordingly, transactions applicable to the operations of the five counties that comprise the City are included in these financial statements.

The financial reporting entity consists of the City and its component units, which are legally separate organizations for which the City is financially accountable.

The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City officials appoint a voting majority of an organization's governing body and, either the City is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for organizations that are fiscally dependent on the City if there is a potential for the organizations to provide specific financial benefits to the City or impose specific financial burdens on the City, regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government, or jointly appointed boards. The City is financially accountable for all of its component units.

Some component units are included in the financial reporting entity by discrete presentation. Other component units, despite being legally separate from the City, are so integrated with the City that they are in substance part of the City. These component units are blended with the City.

The New York City Transit Authority is an affiliated agency of the Metropolitan Transportation Authority (MTA) of the State of New York (State), which is a component unit of the State and is thus excluded from the City's financial reporting entity.

All of the component units publish separate annual financial statements, which are available at: Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007, or at *www.comptroller.nyc.gov*.

Blended Component Units

Component Units that provide service exclusively to the City, whose governing bodies are substantially the same as that of the City, whose total debts outstanding are expected to be repaid with resources of the City, or who are organized as not-for-profits and the City is the sole corporate member (business-type activities), are reported as if they were part of the City, or blended into the City's financial statements. They include the following:

New York City Transitional Finance Authority (TFA). TFA, a corporate governmental agency constituting a public benefit corporation and instrumentality of the State, was created in 1997 to issue and sell bonds and notes 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 TFA's administrative expenses.

TFA's authorizing legislation, which was amended several times, authorizes TFA to have outstanding $13.5 billion of Future Tax Secured (FTS) Bonds. TFA FTS Bonds are secured by the City's collections of personal income tax and, if necessary, sales tax. In addition, TFA is authorized 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. TFA is also authorized to have outstanding Recovery Bonds up to $2.5 billion 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. Further, legislation enacted in April 2006 enables TFA to have outstanding up to $9.4 billion of Building Aid Revenue Bonds (BARBs), notes, or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system and TFA's administrative expenditures.

TFA is administered by five directors, who serve ex-officio, consisting of the Director of Management and Budget of the City, the Comptroller of the City, the Speaker of the City Council, the Commissioner of Finance of the City, and the Commissioner of the Department of Design and Construction of the City. TFA does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TFA pays a management fee and overhead, based on its allocated share of personnel and overhead costs.

TSASC, Inc. (TSASC). TSASC is a special-purpose, local development corporation organized under the Not-for-Profit Corporation Law of the State. TSASC was created as a financing entity to issue and sell bonds and notes to fund a portion of the City's capital program.

Pursuant to a purchase and sale agreement with the City, the City sold to TSASC all of its future rights, titles, and interest in the tobacco settlement revenues (TSRs) under the Master Settlement Agreement and the Decree and Final Judgment. The proportion of these revenues pledged to debt service was 37.40%.

TSASC is a non-stock, membership corporation governed by a Board of Directors, a majority of whom are officials of the City. TSASC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which TSASC pays a management fee, rent, and overhead based on its allocated share of personnel and overhead costs.

New York City Educational Construction Fund (ECF). ECF is a public benefit corporation established to construct mixed-use real estate projects which feature new school facilities, thereby increasing the number of seats for the New York City Department of Education. The ECF builds combined-occupancy structures on City-owned land conveyed to the ECF by the City. The City is required to make rental payments on the school portions of the ECF projects sufficient to make debt service payments as they come due on ECF Bonds, less the revenue received by the ECF from the non-school portions of the ECF projects.

The ECF has a board of trustees consisting of the Chancellor of the City's Department of Education and two trustees appointed by the Mayor.

New York City School Construction Authority (SCA). SCA is a public benefit corporation created by the State Legislature in 1988. SCA's responsibilities, as defined in the enabling legislation, are the design, construction, reconstruction, improvement, rehabilitation, and repair of the City's public schools. SCA is governed by a three-member Board of Trustees, all of whom are appointed by the Mayor, including the City's Department of Education (DOE) Chancellor, who serves as the Chairperson.

SCA's operations are funded by appropriations made by the City, which are based on a five-year capital plan developed by the DOE. The City's appropriation for the five-year capital plan for the fiscal years 2015 through 2019 is $15.25 billion.

SCA also carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter.

As SCA is a pass-through entity, in existence for the sole purpose of constructing capital projects, all costs incurred are capitalized into construction-in-progress. Upon completion of projects, the assets are transferred to DOE.

Fiscal Year 2005 Securitization Corporation (FSC). FSC was established in 2004 as a special-purpose, bankruptcy-remote, local development corporation organized under the Not-for-Profit Corporation Law of the State. FSC was formed for the purpose of issuing bonds to acquire securities held in an escrow account securing City General Obligation Bonds of the City. The securities, which are held in a trust by the trustee for FSC are scheduled to generate sufficient cash flow to fund the debt service and operational expenditures of FSC for the life of FSC's bonds.

FSC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which FSC pays a management fee and overhead based on its allocated share of personnel and overhead costs. FSC is governed by a Board of Directors elected by its three members, all of whom are officials of the City.

Sales Tax Asset Receivable Corporation (STAR). STAR is a special-purpose, bankruptcy-remote, local development corporation organized under the Not-for-Profit Corporation Law of the State.

Section 3238-a of the New York State Public Authorities Law, which terminates on July 1, 2034, requires that $170 million be paid annually by the State Local Government Assistance Corporation to the City or its assignee. STAR bonds, backed by these revenues, retired all outstanding bonds of the Municipal Assistance Corporation for The City of New York (MAC). Retirement of the outstanding MAC bonds resulted in the receipt by the City of tax revenues that would otherwise have been paid to MAC for the payment of debt service on MAC's bonds.

STAR does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which STAR pays a management and overhead fee based on its allocated share of personnel and overhead costs. STAR is governed by a Board of Directors elected by its six members, all of whom are officials of the City.

Hudson Yards Development Corporation (HYDC). HYDC, a local development corporation organized by the City under the Not-for-Profit Corporation Law of the State of New York, was created to manage and implement the development and redevelopment activities (Project) of the Hudson Yards area on the West Side of Manhattan (Project Area). HYDC is governed by a Board of thirteen Directors, a majority of whom serve as officials or employees of The City at the pleasure of the Mayor. HYDC works with various City and State agencies and authorities, and with private developers, on the design, construction, and implementation of the various elements of the Project, and to further private development and redevelopment of the Project Area.

Hudson Yards Infrastructure Corporation (HYIC). HYIC, a local development corporation organized by the City under the Not-for-Profit Corporation Law of the State of New York, was created for the purpose of financing certain infrastructure improvements in the Hudson Yards area on the West Side of Manhattan (Project). HYIC does not engage in development directly, but finances development spearheaded by HYDC and carried out by existing public entities. HYIC fulfills its purpose through the issuance of bonds to finance the Project, including the operations of HYDC, and the collection of revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City, to support its operations and pay principal and interest on its outstanding bonds. HYIC is governed by a Board of Directors elected by its five Members, all of whom are officials of the City.

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

NYC Technology Development Corporation (TDC). TDC is a type C not-for-profit corporation organized under the Not-for-Profit Corporation Law of the State of New York. TDC began operations on January 1, 2013. TDC receives quarterly payments from the City that cover its projected expenses for the forthcoming quarter and those contractual payments are TDC's sole source of revenue.

TDC was incorporated for the purpose of enhancing the City's ability to effectively manage and deploy information technology (IT) projects. TDC is governed by a Board of Directors appointed by the Mayor. The Board may have up to seven members and is required to have a minimum of three members.

TDC's sole source of income is its contract with the City, which was registered on December 24, 2012, and extended to fiscal years 2016 and 2017. However, the City decided not to renew TDC's contract for the periods thereafter, which resulted in TDC ceasing its operations on June 30, 2017. As of that date, TDC has no assets or liabilities.

New York City School Support Services (NYCSSS). NYCSSS is a Type C not-for-profit corporation organized under the Not-for-Profit Corporation Law of the State of New York. NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for the DOE. NYCSSS' contract with the City was registered on April 28, 2016. Pursuant to this contract, NYCSSS receives monthly payments that cover its projected expenses for the forthcoming month and these contractual payments are NYCSSS' sole source of revenue. NYCSSS is governed by a Board of Directors consisting of five members, two of whom serve ex-officio.

As a result of an analysis performed by the City of GASB 14, *The Financial Reporting Entity,* as amended, it was determined that NYCSSS met the criteria of a component unit of the City because the City is financially accountable for NYCSSS and therefore, NYCSSS is blended into the financial statements of the City because NYCSSS provides services entirely to the City.

Business-type Activities

WTC Captive Insurance Company, Inc. (WTC Captive). WTC Captive is a not-for-profit corporation incorporated under the Not-for-Profit Corporation Law of the State of New York in 2004 in response to the events of September 11, 2001. WTC Captive was funded with $999.9 million in funds by the Federal Emergency Management Agency (FEMA) and used this funding to support a liability insurance contract (Contract) that provides specified coverage (including general liability, environmental liability, professional liability, and marine liability) against certain third-party claims made against the City and approximately 145 contractors and subcontractors working on the City's FEMA-funded debris removal project. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. WTC Captive uses deposit accounting, which is applicable when no insurance risk is transferred in an insurance contract. Additionally, as all of WTC Captive's resources must be used to satisfy obligations under the Contract or returned, it reports only changes to its liabilities and no net position. See also Judgements and Claims in Note D5. WTC Captive is governed by a five-member Board of Directors appointed by the Mayor and includes a contractor representative.

Brooklyn Bridge Park Corporation (BBPC). BBPC is a not-for-profit corporation incorporated under the Not-for-Profit Corporation Law of the State of New York in 2010. BBPC was formed for the purpose of lessening the burdens of government by further developing and enhancing the economic vitality of the Brooklyn waterfront through the development, operation, and maintenance of a renovated waterfront area. BBPC is responsible for the planning, construction, maintenance, and operation of Brooklyn Bridge Park, an 85-acre sustainable waterfront park, stretching 1.3 miles along Brooklyn's East River shoreline. The majority of BBPC's funding comes from a limited number of revenue-generating development sites within the project's footprint. BBPC is governed by a 17-member Board of Directors appointed by the Mayor, the Governor of New York State, and local elected officials.

Governors Island Corporation, doing business as **The Trust for Governors Island (TGI)**, is a not-for-profit corporation incorporated under the Not-for-Profit Corporation Law of the State of New York in 2010. TGI was formed for the purpose of lessening the burdens of government by providing the planning, preservation, redevelopment, and ongoing operations and maintenance of approximately 150 acres of Governors Island plus surrounding lands underwater. TGI receives funding from the City, and previously from the State of New York. TGI is governed by a 13-member Board of Directors appointed by the Mayor and nominated by the Mayor, the Governor of the State of New York, and local officials.

New York City Tax Lien Trusts (NYCTLTs). The NYCTLTs are Delaware statutory trusts, which were created to acquire certain tax liens from the City in exchange for the proceeds from bonds issued by the NYCTLTs, net of reserves funded by the bond proceeds and bond issuance costs. The City is the sole beneficiary to the NYCTLTs and is entitled to receive distributions from the NYCTLTs after payments to the bondholders and certain reserve requirements have been satisfied. The NYCTLTs do not have any employees. The NYCTLTs' affairs are administered by the owner trustee, its program manager, tax lien servicer, paying agent, and investment custodian.

The NYCTLTs are:

- NYCTLT 1998-2
- NYCTLT 2014-A
- NYCTLT 2015-A
- NYCTLT 2016-A
- NYCTLT 2017-A

Discretely Presented Component Units

Component units that do not meet the criteria for blending are presented discretely, separate from the financial data of the City. The component units' column in the government-wide financial statements includes the financial data of these entities, which are reported in a separate column to emphasize that they are legally separate from the City. They include the following:

New York City Health and Hospitals Corporation (HHC). HHC, a public benefit corporation, assumed responsibility for the operation of the City's municipal hospital system in 1970. HHC provides a full continuum of care, including primary and specialty care, inpatient acute, outpatient, long-term care, and home health services.

HHC's financial statements include the accounts of HHC and its blended component units, HHC Insurance Company, Inc., HHC Capital Corporation, HHC Physicians Purchasing Group, Inc., HHC Risk Services Corporation, HHC ACO Inc. and HHC Assistance Corporation. HHC's Financial Statements also include MetroPlus, a discretely presented component unit of HHC.

HHC mainly provides, on behalf of the City, comprehensive medical and mental health services to City residents regardless of ability to pay. Funds appropriated from the City are direct or indirect payments made by the City on behalf of HHC for patient care rendered to prisoners, uniformed City employees, and various discretely-funded facility-specific programs; for interest on City General Obligation debt which funded HHC capital acquisitions; for funding for collective bargaining agreements; and for settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts and payments by the City. Reimbursement by HHC is negotiated annually with the City.

HHC is governed by a Board of Directors consisting of 16 members, five of whom are ex-officio members by virtue of their positions as heads of certain City agencies, appointed by the Mayor; five appointed solely by the Mayor; five appointed by the Mayor upon their designation by the City Council; and the Corporation's President and the Chief Executive Officer, who is appointed by the other directors and serves ex-officio.

New York City Housing Development Corporation (HDC). HDC, a corporate governmental agency constituting a public benefit corporation of the State of New York, was established in 1971 to encourage the investment of private capital through low-interest mortgage loans in order to increase the supply of safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise. To accomplish its objectives, HDC is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. HDC finances significant amounts of its activities through the issuance of bonds, notes and debt obligations. The bonds, notes and debt obligations of HDC are not debts of either the State or the City. The combined financial statements include: (i) the accounts of HDC, and (ii) two active, blended component units: the New York City Housing Assistance Corporation and the New York City Residential Mortgage Insurance Corporation. HDC also includes the Housing New York Corporation, which became an inactive subsidiary of HDC on November 3, 2003 and is not expected to be dissolved, and the NYC HDC Real Estate Owned Corporation, a blended component of HDC that has not been active in recent years.

HDC is governed by a board consisting of the Commissioner of Housing Preservation and Development, the Commissioner of Finance of the City, the Director of Management and Budget of the City, and four public members, two appointed by the Mayor and two appointed by the Governor of the State.

New York City Housing Authority (HA). HA is a public benefit corporation created in 1934 under the New York State Public Housing Law. HA develops, constructs, manages, and maintains affordable housing for eligible low-income families in the City. HA also maintains a leased housing program, which provides housing assistance payments to families.

Substantial operating losses result from the essential services that HA provides exceeding revenues. To meet the funding requirements of these operating losses, HA receives subsidies from: (i) the Federal government, primarily the U.S. Department of Housing and Urban Development, in the form of annual grants for operating assistance, debt service payments, contributions for capital, and reimbursement of expenditures incurred for certain Federal housing programs; (ii) New York State in the form of debt service and capital payments; and (iii) the City in the form of debt service and capital payments. Subsidies are established through budgetary procedures, which establish amounts to be funded by the grantor agencies.

The HA Board is comprised of seven members appointed by the Mayor, including three HA resident members. The Chair of the Board is the Chief Executive Officer of HA and is responsible for the supervision of the business and affairs of HA.

New York City Industrial Development Agency (IDA). IDA is a public benefit corporation established in 1974 to actively promote, retain, attract, encourage, and develop an economically-sound commerce and industry base to prevent unemployment and economic deterioration in the City. Under its programs, IDA may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes (PILOTs) that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. IDA is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financial assistance. Its membership is prescribed by statute and includes a public official and Mayoral appointees.

New York City Economic Development Corporation (EDC). EDC was organized under the Not-for-Profit Corporation Law of the State of New York. EDC's primary activities consist of rendering a variety of services and administering certain economic development programs on behalf of the City relating to the attraction, retention and expansion of commerce in the City. These programs and services include encouragement of construction, acquisition, rehabilitation and improvement of commercial and industrial enterprises within the City and the provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein.

EDC is governed by a Board of Directors, who are also the members of the corporation. The 27 members are appointed by the Mayor, including appointments upon nomination by each Borough President of the City, the Speaker of the City Council, and one in consultation with the Partnership for New York City, Inc.

New York City Business Assistance Corporation (NYBAC). NYBAC is a non-profit organization incorporated pursuant to section 1411 of the Not-for-Profit Corporation Law of the State of New York in December of 1988. NYCBAC was created for the purpose of relieving and reducing unemployment; promoting and providing for additional and maximum employment in New York City; encouraging the development and/or retention of business in the City; instructing or training individuals to improve or develop their capabilities for jobs in business; carrying on scientific research for the purpose of aiding the City by attracting new business or by encouraging economic development; lessening the burdens of government; and acting in the public interest, including, but not limited to, promoting the general welfare of the people of the City.

NYCBAC is governed by a Board of Directors consisting of five directors. NYBAC members elect directors who are employees of the City's Office for Economic Development, who serve ex-officio.

Brooklyn Navy Yard Development Corporation (BNYDC). BNYDC was organized in 1966 as a not-for-profit corporation according to the Not-for-Profit Corporation Law of the State of New York. In 1971, BNYDC leased the Brooklyn Navy Yard from the City for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended, restated and the term extended by a lease commencing July 1, 2012, for a period of 49 years with five ten-year extension periods. The members of the Board of Directors serve at the pleasure of the Mayor.

New York City Water and Sewer System (the System). The System provides water supply, treatment, and distribution and sewage collection, treatment, and disposal for the City and began operations in July, 1985. The System is a joint operation consisting of two legally-separate and independent entities. The New York City Municipal Water Finance Authority (Water Authority) is a public benefit corporation created in accordance with the New York City Municipal Water Finance Act in 1984. The New York City Water Board (Water Board) was created by Chapter 515 of the laws of 1984 of the State of New York. The Water Authority issues debt to finance the cost of capital improvements to the system. The Water Board leases the System from the City and fixes and collects rates, fees, rents, and other charges for the use of, or for services furnished, rendered, or made available by, the System to produce cash sufficient to pay debt service on the Water Authority's bonds and to put the System on a self-sustaining basis. The physical operation and capital improvements of the System are performed by the City's Department of Environmental Protection subject to contractual agreements with the Water Authority and the Water Board. The Water Authority board has several members, four of whom serve ex-officio, including the Commissioner of Environmental Protection, Commissioner of Finance, and Director of Management and Budget of the City; Commissioner of the Department of Environmental Conservation of the State; and three public members, two appointed by the Mayor and one by the Governor. The Water Board has seven members, all appointed by the Mayor.

Build NYC Resource Corporation (Build NYC). Build NYC is a local development corporation organized under the Not-for-Profit Corporation Law of the State of New York to assist entities eligible under the Federal tax laws in obtaining tax-exempt bond and taxable bond financing; it began operating in 2011. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for eligible entities to acquire, construct, renovate, and/or equip their facilities as well as refinance previous financing transactions. Build NYC is governed by a Board of Directors.

New York City Land Development Corporation (LDC). LDC was formed in 2012, as a local development corporation organized under the Not-for- Profit Corporation Law of the State of New York. LDC assists the City with leasing and selling certain properties for the purpose of economic development. The mission of LDC is to encourage economic growth throughout the five boroughs of the City by acquiring City-owned property and disposing of it to strengthen the City's competitive position and facilitate investments that build capacity, generate economic opportunity, and improve the quality of life. LDC is governed by a five-member Board appointed by the Mayor.

New York City Neighborhood Capital Corporation (NYCNCC). NYCNCC was incorporated in 2014 under Section 402 of the Not-for-Profit Corporation Law of the State of New York. NYCNCC was formed for the following purposes: (i) to make qualified low-income community investments in the service area of the City; (ii) to operate as a qualified Community Development Entity (CDE) under the Federal New Markets Tax Credit Program; (iii) to form and manage subsidiary limited liability companies which are certified as CDEs to receive equity contributions, which will be utilized primarily to make qualified low-income community investments; and (iv) to engage in all activities consistent with the business of NYCNCC. The NYCNCC is governed by an 11-member Board, consisting of employees of NYCEDC, who are appointed by the Deputy Mayor for Economic Development on behalf of the City.

Brooklyn Public Library (BPL). BPL is a not-for-profit corporation, incorporated by the New York State Legislature in 1902. BPL serves more than 2.5 million Brooklynites with a Central Library, a Business Library, and 58 branch locations. BPL receives significant support through governmental appropriations, primarily from the State and the City. Its continuing operations are dependent upon such government support. The BPL is governed by a Board of Trustees consisting of 38 members, comprised of appointees by the Mayor, the Brooklyn Borough President, and elected trustees. The Mayor, City Comptroller, Speaker of the City Council, and Brooklyn Borough President are ex-officio members.

The Queens Borough Public Library Affiliate (QBPL). QBPL is a not-for-profit corporation, incorporated by the State Legislature in 1907. QBPL is a free association library and provides free public library service in the Borough of Queens. QBPL receives a substantial amount of support from the City, in addition to support from other governmental entities, and private sources. A significant reduction in the level of support provided by the City may have an effect on QBPL's programs and activities. The operations of QBPL also include its affiliate, Queens Library Foundation, Inc., which supports QBPL. The QBPL is governed by a Board of Trustees consisting of 19 members, comprised of appointees by the Mayor and Queens Borough President and elected trustees. The Mayor, City Comptroller, Speaker of the City Council, and Brooklyn Borough President are ex-officio members.

2. Basis of Presentation

Government-Wide Statements: The government-wide financial statements (the *Statement of Net Position* and the *Statement of Activities*) display information about the City and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The City is reported separately from certain legally separate component units, for which the City is financially accountable. All of the activities of the City are either governmental or business-type activities.

The *Statement of Activities* presents a comparison between program expenses, which include allocated indirect expenses, and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on markets, ports, and terminals and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues, not properly included among program revenues, are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including blended component units. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City's funds are classified into three categories: governmental, proprietary and fiduciary; each category, in turn, is divided into separate "fund types."

Governmental Funds

The City reports the following governmental funds:

General Fund. This is the general operating fund of the City. Substantially all tax revenues, Federal and State aid (except aid for capital projects), and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the expenditures budget, which provides for the City's day-to-day operations, including transfers to Debt Service Funds for payment of long-term liabilities. The fund balance in the General Fund is reported as nonspendable.

Capital Projects Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital Projects Funds exclude capital-related outflows financed by component unit proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Resources of the Capital Projects Fund are derived principally from proceeds of City and TFA bond issues, payments from the Water Authority, and from Federal, State, and other aid.

General Debt Service Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. This fund, into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates, is required by State legislation and is administered and maintained by the State Comptroller. Debt service on all City notes and bonds is paid from this fund.

Nonmajor Governmental Funds. The City reports the following blended component units within the Nonmajor Governmental Funds: **TFA, TSASC, ECF, SCA, FSC, STAR, HYDC, HYIC, TDC and NYCSSS.** If a component unit is blended, the governmental fund types of the component unit are blended with those of the City by including them in the appropriate combining statements of the City. Although the City's General Fund is usually the main operating fund of the reporting entity, the General Fund of a blended component is reported as a Special Revenue Fund. The City does not have other Special Revenue Funds.

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. There are two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services. The City reports the following blended component units as enterprise funds: **BBPC, TGI, WTC Captive and the NYCTLT's.** The City does not have any internal service funds.

Fiduciary Funds

The fiduciary funds are used to account for assets and activities when a governmental unit is functioning either as a trustee or an agent for another party. The City's fiduciary funds are divided into two separate fund types: Pension and Other Employee Benefit Trust Funds and Agency Funds.

The **Pension and Other Employee Benefit Trust Funds** account for the operations of:

- Pension Trusts
  - New York City Employees' Retirement System (NYCERS)
  - Teachers' Retirement System of The City of New York (TRS)
  - New York City Board of Education Retirement System (BERS)
  - New York City Police Pension Funds (POLICE)
  - New York City Fire Pension Funds (FIRE)
- Deferred Compensation Plans (DCP)
- The New York City Other Postemployment Benefits Plan (the OPEB Plan)

Each of the pension trusts report all jointly administered plans including primary pension (QPPs), and variable supplements funds (VSFs) and/or tax deferred annuity plans (TDAs), as appropriate. While the VSFs are included with QPPs for financial reporting purposes, in accordance with the Administrative Code of The City of New York (ACNY), VSFs are not pension funds or retirement systems. Instead, they provide scheduled supplemental payments, in accordance with applicable statutory provisions. Although a portion of these payments are guaranteed by the City, the State has the right and power to amend, modify, or repeal VSFs and the payments they provide. However, any assets transferred to the VSFs are held in trust solely for the benefit of its members. More information is available in note E.5.

The Deferred Compensation Plans report the various jointly administered Deferred Compensation Plans of The City of New York and related agencies and Instrumentalities and the New York City Employee Individual Retirement Account (NYCEIRA).

Note: These fiduciary funds publish separate annual financial statements, which are available at: Office of the Comptroller, Bureau of Accountancy—Room 200 South, 1 Centre Street, New York, New York 10007, or at www.comptroller.nyc.gov.

These funds use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net position restricted for benefits.

The **Agency Funds** account for miscellaneous assets held by the City for other funds, governmental units, and individuals. School fundraiser monies for scholarships, federal asset forfeiture for investigative purposes, and cash bail for use by the surety/assignee, are the major miscellaneous assets accounted for in these funds. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

Discretely Presented Component Units

The discretely presented major component units consist of **HHC, HDC, HA, EDC,** and **the System.** The discretely presented nonmajor components units are **IDA, BRAC, BNYDC, NYBAC, Build NYC, LDC, NYCNCC, QBPL, and BPL.** Their activities are accounted for in a manner similar to private business enterprises, in which the focus is on the periodic determination of revenues, expenses, and net income.

New Accounting Standards Adopted

In Fiscal Year 2017, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- Statement No. 80, *Blending Requirement for Certain Component Units—an amendment of GASB Statement No. 14.*
- Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73.*

Statement No. 74 establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit ("OPEB") plans. The statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans.*

The adoption of Statement No. 74 had no impact on the City's governmental fund financial statements. The adoption also resulted in no changes to the presentation of the financial statements of the City's Pension and Other Employee Benefit Trust Funds. In the separate annual financial statements of these funds, certain changes in Note disclosures and Required Supplementary Information (RSI) were incorporated to comply with Statement No. 74.

Statement No. 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. This statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditure. It replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,* and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans.*

For defined benefit OPEB plans the statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information are addressed.

The adoption of Statement No. 75 had no impact on the City's governmental fund financial statements. However, the adoption has resulted in the restatement of the City's Fiscal Year 2016 government-wide financial statements to reflect the reporting of net OPEB liabilities, deferred inflows of resources, deferred outflows of resources and the recognition of OPEB expense in accordance with the provisions of the Statement. Refer to Note E.4 for more information regarding the City's OPEB.

Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments by providing an additional criterion. A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporations in which the primary government is the sole corporate member as identified in the component unit's articles of incorporation or bylaws.

As a result of The City's implementation of Statement No. 80, BBP, TGI and WTC Captive are blended into the City's financial statements as business-type entities. In the past these component units were presented discretely. Also in the course of implementing Statement No. 80, NYCTLT's activities are now presented as business-type activities rather than as blended within the Nonmajor Governmental Fund.

Consequently, the Governmental Funds fund balance for fiscal year 2016 decreased from $3.67 million to $3.54 million due to the reclassification of NYCTLT's. The change in governmental activities net position outlined below, incorporates the restatement of fund balance.

	2016 Original	GASB: 75	GASB: 80	2016 Restated
		(in thousands)		
Change in net position	$ (5,089,385)	(827,483)	(282)	$ (5,917,150)
Net position (deficit)-beginning	(183,081,913)	—	—	(183,081,913)
Restatement of Beginning net Position	—	(4,272,352)	(253,501)	(4,525,853)
Net position (deficit)-ending	$(188,171,298)			$(193,524,916)

Statement No. 82 addresses certain issues raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25; GASB No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement specifically addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no material impact on the City's financial statements as a result of the implementation of Statement No. 82.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2020
85	*Omnibus 2017*	2018
86	*Certain Debt Extinguishment Issues*	2018
87	*Leases*	2021

3. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions include: sales and income taxes, property taxes, grants, entitlements and donations, and are recorded on the accrual basis of accounting. Revenues from sales and income taxes are recognized when the underlying exchange transaction takes place.

Revenues from property tax are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds use the flow of current financial resources measurement focus. This focus is on the determination of and changes in financial position, and generally only current financial resources and current liabilities are included on the balance sheet although certain receivable amounts may not be currently available. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year-end. Revenues from categorical and other grants are generally considered available if expected to be received within one year after the fiscal year-end. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt, pensions, post employment benefits other than pensions and certain other estimated liabilities, which are recorded only when payment is due.

The measurement focus of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds is on the flow of economic resources. This focus emphasizes the determination of and changes in net position. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Fiduciary Net Position. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

The Agency Funds use the accrual basis of accounting and do not measure the results of operations.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The cost of those goods received and services rendered on or before June 30 are recognized as expenditures. Encumbrances that do not result in expenditures by year-end lapse.

5. Cash and Investments

The City considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents. Cash equivalents are carried at amortized cost which approximates fair value.

The annual average collected bank balances maintained during Fiscal Years 2017 and 2016 were approximately $1.85 billion and $1.59 billion, respectively.

Investments are reported in the balance sheet at fair value. Investment income, including changes in the fair value of investments, is reported in operations.

Investments in fixed income securities are recorded at fair value. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Investments of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds are reported at fair value. Investments are stated at the last reported sales price on a national securities exchange or as priced by a nationally recognized securities pricing service as on the last business day of the fiscal year, except for securities held as alternative investments where fair value is determined by the general partners or other experts of the partnerships.

A description of the City's fiduciary funds securities lending activities in Fiscal Years 2017 and 2016 is included in Deposits and Investments (see Note D.1).

6. Inventories

Inventories on hand at June 30, 2017 and 2016, estimated based on average cost at $465 million and $402 million, respectively, have been reported on the government-wide *Statement of Net Position*. Inventories are recorded as expenditures in governmental funds at the time of purchase, and accordingly have not been reported on the governmental funds balance sheet.

7. Restricted Cash and Investments

Certain proceeds of the City and component unit bonds, as well as certain resources set aside for payments to bond holders, are classified as restricted cash and investments on the balance sheet, because their use is limited by applicable bond covenants.

8. Capital Assets

Capital assets include all land, buildings, equipment (including software), and other elements of the City's infrastructure having an initial minimum useful life of five years, having a cost of more than $35 thousand, and having been appropriated in the Capital Budget (see Note C.1). Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the government-wide financial statements. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, bulkheads and tunnels. The capital assets of the water distribution and sewage collection system are recorded in the System component unit financial statements under a lease agreement between the City and the Water Board.

Capital assets are generally stated at historical cost, or at estimated historical cost, based on appraisals or on other acceptable methods, when historical cost is not available. Donated capital assets are reported at their acquisition value. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease (see Note D.3).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of generally 25 to 50 years for new construction, 10 to 25 for betterments and/or reconstruction, 5 to 15 years for equipment (including software), and 15 to 40 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

9. Vacation and Sick Leave

Earned vacation and sick leave is recorded as an expenditure in the period when it is payable from current financial resources in the fund financial statements. The estimated value of vacation leave earned by employees, which may be used in subsequent years, and earned vacation and sick leave to be paid upon termination or retirement from future resources, is recorded as a liability in the government-wide financial statements.

10. Judgments and Claims

The City is generally uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. However, as required by the Stafford Act, the City insures certain assets, which have been restored with grant funds from the Federal Emergency Management Agency, through the National Flood Insurance Program. In the fund financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements, the estimated liability for all judgments and claims incurred but not yet expended is recorded as a noncurrent liability.

11. Long-Term Liabilities

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide *Statement of Net Position*. Long-term liabilities expected to be financed from discretely presented component units' operations are accounted for in those component units' financial statements.

12. Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended, as reported in the 2017 financial statements are as follows:

Governmental Activities

		Changes in Fair Value from June 30, 2016		Fair Value at June 30, 2017		
Item		**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
				(in thousands)		
Cashflow Hedges:						
H	Pay-Fixed interest rate swap	Deferred Outflow	$17,464	Debt	$(38,730)	$250,000
L	Pay-Fixed interest rate swap	Deferred Outflow	331	Debt	(29)	18,040
Investment derivative instruments:						
A	Pay-Fixed interest rate swap	Investment Revenue	6,478	Investment	(7,751)	156,103
B	Pay-Fixed interest rate swap	Investment Revenue	2,159	Investment	(2,584)	52,034
C	Pay-Fixed interest rate swap	Investment Revenue	2,159	Investment	(2,584)	52,034
D	Pay-Fixed interest rate swap	Investment Revenue	2,160	Investment	(2,583)	52,034
E	Pay-Fixed interest rate swap	Investment Revenue	5,440	Investment	(10,637)	100,600
H	Pay-Fixed interest rate swap	Investment Revenue	6,986	Investment	(15,492)	100,000
K	Basis Swap	Investment Revenue	192	Investment	(7,527)	500,000

On August 4, 2016 the City terminated Investment Derivative G. The total Notional Amount Terminated was $364.10 million and the City received a $2.41 million termination payment from the swap counterparty.

On August 1, 2016, $14.25 million of Hedging Derivative L matured as scheduled.

On October 5, 2016 the City novated Investment Derivatives D and E from UBS AG to U.S. Bank, N.A.

On August 1, 2017 $18.04 million of Hedging Derivative L matured as scheduled.

Fair Value for the derivate instruments is the estimated exit price that assumes a transaction takes place in the City's principal market, or in the City's most advantageous market in the absence of a principal market. These inputs include the mid-market valuation and then incorporates the credit risk of either the City or its counterparty and the bid/offer spread that would be charged to the City in order to transact. The mid-market values of the derivate instruments were estimated using the income approach. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement date. The derivate instruments are classified in Level 2 as their valuation relies primarily on observable inputs.

Hedging Derivative Instruments

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty. Regarding derivative instruments where the counterparty is unrated, the rating provided is that of the counterparty's guarantor.

Item	Type	Objective	Notional Amount (in thousands)	Effective Date	Maturity Date	Terms	Counterparty Rating
H	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2004 Series A bonds	$250,000	7/14/2003	8/1/2031	Pay 2.964%; receive 61.85% of USD-LIBOR-BBA	Aa2/AA–
L	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2005 Series J, K, and L Bonds	18,040	3/3/2005	8/1/2017	Pay 4.55%/4.63%/4.71%; receive CPI + 1.50% for 2015 maturity/CPI + 1.55% for 2016 maturity/CPI + 1.60% for 2017 maturity	Aa3/A+

LIBOR: London Interbank Offered Rate Index
CPI: Consumer Price Index

Risks

Credit risk: The City is exposed to credit risk on hedging derivative instruments. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments (net of the effect of applicable threshold requirements and netting arrangements) should the counterparty's credit rating fall, as follows:

- The counterparty with respect to derivative instrument H is required to post collateral if its credit ratings goes below A2/A. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The City has never been required to access collateral.
- The counterparty with respect to derivative instruments L is required to post collateral if it has at least one rating below the double-A category.

It is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, closeout netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments requiring collateralization at June 30, 2017 was $(38.76) million.

Interest rate risk: The City is exposed to interest rate risk on its swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the Consumer Price Index decreases, the City's net payment on the swaps increases.

Basis risk: The City is exposed to basis risk on its pay-fixed interest rate swaps, because the variable-rate payments received by the City on these hedging derivative instruments are based on a rate or index other than interest rates the City pays on its hedged variable-rate debt, which is remarketed either daily or weekly. Under the terms of its synthetic fixed rate swap transactions, the City pays a variable rate on its bonds based on the Securities Industry and Financial Markets Association (SIFMA), but receives a variable rate on the swaps based on a percentage of LIBOR.

Tax risk: The City is at risk that a change in Federal tax rates will alter the fundamental relationship between the SIFMA and LIBOR Indices. A reduction in Federal tax rates, for example, will likely increase the City's payment on its underlying variable rate bonds in the synthetic fixed rate transactions and its variable payer rate in the basis swaps.

Termination risk: The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The City is at risk that a counterparty will terminate a swap at a time when the City owes it a termination payment. The City has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of certain events, including: a payment default by the City; other City defaults which remain uncured for 30 days after notice; City bankruptcy; insolvency of the City (or similar events); or a downgrade of the City's credit rating below investment grade (i.e., BBB-/Baa3). If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements, if applicable.

Counterparty risk: The City is at risk that a counterparty will not meet its obligations under the swap. If a counterparty were to default under its agreement when the counterparty would owe a termination payment to the City, the City may have to pay another entity to assume the position of the defaulting counterparty. The City has sought to limit its counterparty risk by contracting only with highly rated entities or requiring guarantees of the counterparty's obligations under the swap documents.

Rollover risk: The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument.

Contingencies

All of the City's derivative instruments include provisions that require the City to post collateral in the event its credit rating falls below Baa1 (Moody's) or BBB+ (Standard & Poor's) for derivative instruments A, B, D, E, K, and L, or below Baa3 (Moody's) or BBB- (Standard & Poor's) for derivative instruments C and H. The collateral posted is to be in the form of cash, U.S. Treasury securities, or specified U.S. Government Agency securities in the amount equal to (when in the form of cash) or greater than (when in the form of securities) the fair value of derivative instruments in liability positions, net of the effect of applicable netting arrangements and applicable thresholds. If the City does not post collateral when required, the derivative instrument may be terminated by the counterparty. At June 30, 2017, the aggregate fair value of all derivative instruments with these collateral posting provisions is $ (87.92 million). If the collateral posting requirements had been triggered at June 30, 2017, the City would have been required to post $ 12.30 million in collateral to its counterparties (assuming cash collateral). The collateral requirements would be $87.88 million for ratings below Baa3 or BBB- based on posting cash. The City's credit rating as of June 30, 2017 was Aa2 (Moody's) and AA (Standard & Poor's); therefore, no collateral was posted as of that date.

Swap Collateral Requirements upon a Rating Downgrade of the City[1]

Swap/Counterparty	Fair Value as of June 30, 2017[2] (in thousands)	Collateral Threshold at Baa2/BBB to Baa3/BBB-[3]	Collateral Amount[4] (in thousands)	Collateral Threshold below Baa3/BBB-	Collateral Amount[5] (in thousands)
Bank of New York Mellon	$ —	Infinity	$ —	—	$ —
JP Morgan Chase Bank, N.A.	(15,307)	3,000	12,300	—	15,300
Merrill Lynch Capital Services, Inc.	(2,584)	3,000	—	—	2,584
US Bank National Association	(15,804)	Infinity	—	—	15,800
Wells Fargo Bank, NA	(54,222)	Infinity	—	—	54,200
Total Fair Value	$(87,917)		$12,300		$87,884

(1) All of the City's swap counterparties have agreements that collateral is to be posted by the City if the City were to owe a termination payment and its ratings fall below a certain level. Based on the credit rating level, the amount of collateral required can range from zero to the amount of the counterparty's exposure based on the market value of the swap.

(2) A negative value means the City would owe a termination payment.

(3) A downgrade of the City to either Baa2 (Moody's) or BBB (S&P) is the highest rating level at which the City would be required to post collateral.

(4) The swap counterparties, other than Merrill Lynch Capital Services Inc., round the collateral amount up or down to the nearest $100,000. Merrill Lynch does not round the amount.

(5) Represents the total amount of required collateral for ratings below Baa3/BBB-. The amount of collateral required to be posted would be the amount shown below less any collateral previously posted.

13. Real Estate Tax

Real estate tax payments for the Fiscal Year ended June 30, 2017, were due July 1, 2016 and January 1, 2017 except that payments by owners of real property assessed at $250,000 or less and cooperatives whose individual units, on average, are valued at $250,000 or less, which were due in quarterly installments on the first day of each quarter beginning on July 1.

The adopted levy date for Fiscal Year 2017 taxes was June 14, 2016. The lien date is the date taxes are due.

Real estate tax revenue represents payments received during the year and payments received against the current fiscal year and prior years' levies within the first two months of the following fiscal year reduced by tax refunds (for the fund financial statements). Real estate tax revenues not available are reported as deferred inflows of resources. The government-wide financial statements recognize real estate tax revenue (net of refunds) which are not available to the governmental fund type in the fiscal year for which the taxes are levied. Real estate taxes received or reported as receivables before the period for which the property taxes are levied, or the period when resources are required to be used, or when use is first permitted, are reported as deferred inflows of resources.

The City offered a 0.5% discount on the full amount of a taxpayer's yearly property tax if the entire amount shown on their bill is paid by the July due date (or grace period due date), a 0.25% discount on the last three quarters if the taxpayer waits until the October due date to pay the entire amount due, or a 0.125% discount on the last six months of taxes when the taxpayer pays the balance by the January due date for both Fiscal Years 2017 and 2016. Payment of real estate taxes before July 15, 2017, on properties with an assessed value of $250,000 or less and before July 1, 2017, on properties with an assessed value over $250,000 received the discount. Collections of these real estate taxes received on or before June 30, 2017 and 2016 were about $8.7 billion and $8.1 billion, respectively.

The City sold approximately $98.8 million of real property tax liens, fully attributable to Fiscal Year 2017, at various dates in Fiscal Year 2017. As in prior years' lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $4.3 million worth of liens sold in Fiscal Year 2017 will require refunding. The estimated refund accrual amount of $5.0 million, including the surcharge and interest, resulted in Fiscal Year 2017 net sale proceeds of $93.8 million.

The City sold approximately $82.0 million of real property tax liens, fully attributable to Fiscal Year 2016, at various dates in Fiscal Year 2016. As in prior years' lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $4.0 million worth of liens sold in Fiscal Year 2016 will require refunding. The estimated refund accrual amount of $6.0 million, including the surcharge and interest, resulted in Fiscal Year 2016 net sale proceeds of $76.0 million.

In Fiscal Years 2017 and 2016, $221 million and $223 million respectively, were provided as allowances for uncollectible real estate taxes against the balance of the receivable. Delinquent real estate taxes receivable that are estimated to be collectible but which are not collected in the first two months of the next fiscal year are recorded as deferred inflows of resources in the governmental funds balance sheet but included in general revenues on the government-wide *Statement of Activities.*

The City is permitted to levy real estate taxes for general operating purposes in an amount up to 2.5% of the average full value of taxable real estate in the City for the last five years and in unlimited amounts for the payment of principal and interest on long-term City debt. Amounts collected for payment of principal and interest on long-term debt in excess of that required for that purpose in the year of the levy must be applied toward future years' debt service. For the Fiscal Years ended June 30, 2017 and 2016, excess amounts of $239 million and $382 million, respectively, were transferred to the General Debt Service Fund.

14. Other Taxes and Other Revenues

Taxpayer-assessed taxes, such as sales and income taxes, net of refunds, are recognized in the accounting period in which they become susceptible to accrual for the fund financial statements. Assets recorded in the governmental fund financial statements, but the revenue is not available, are reported as deferred inflows of resources. Additionally, the government-wide financial statements recognize sales and income taxes (net of refunds), which are not available to the governmental fund type in the accounting period for which the taxes are assessed.

15. Federal, State, and Other Aid

For the government-wide and fund financial statements, categorical aid, net of a provision for estimated disallowances, is reported as receivable when the related eligibility requirements are met. Unrestricted aid is reported as revenue in the fiscal year of entitlement. Resources received before the time requirements are met, but after all other eligibility requirements are met, are reported as deferred inflows of resources.

16. Bond Discounts, Premiums and Issuance Costs

In the fund financial statements, bond premiums, discounts and issuance costs are recognized as revenues/expenditures in the period incurred. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds payable using the straight-line method. Bond premiums and discounts are presented as additions/reductions to the face amount of the bonds payable. Bond issuance costs are recognized as an expense in the period incurred.

17. Intra-Entity Activity

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the City and the discretely presented component units are reported as if external transactions.

18. Subsidies

The City makes various payments to subsidize a number of organizations which provide services to City residents including but not limited to Art and Cultural institutions. These payments are recorded as expenditures in the fiscal year paid.

19. Deferred Outflows and Inflows of Resources

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the *Statement of Financial Position* in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the *Statement of Net Position* in a separate section following Liabilities.

The Components of the deferred outflows of resources and deferred inflows of resources are as follows:

	FY 2017		FY 2016	
	Primary Government	**Component units**	**Primary Government**	**Component units**
		(in thousands)		
Deferred Outflows of Resources				
Deferred Outflows From Pension Activities	$ 3,885,847	$ 260,406	$12,814,357	$ 577,146
Deferred Outflows from OPEB activities	640,932	—	102,045	—
Accumulated decrease in fair value of hedging derivatives	38,759	114,075	56,554	176,706
Unamortized deferred bond refunding costs	532,905	22,343	516,235	13,969
Other	100	—	305	—
Total Deferred Outflows of Resources	$ 5,098,543	$ 396,824	$13,489,496	$ 767,821
Deferred Inflows of Resources:				
Deferred Inflows from pension activities	$ 5,386,509	$ 47,715	$ 7,210,537	$ 95,935
Deferred Inflows from OPEB activities	9,451,365	694,750	102,531	36,843
Service concession arrangements	114,880	—	122,432	—
Real estate taxes.	8,748,771	—	8,105,167	—
Grant advances	18,124	—	30,613	—
Unamortized deferred refunding costs	—	16,393	—	16,647
Deferred housing assistance payments	—	83,317	—	—
Other	89,808	—	59,931	—
Total Deferred Inflows of Resources	$23,809,457	$ 842,175	$15,631,211	$ 149,425

20. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the classification of Fund Balance is based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable–includes fund balance amounts that cannot be spent, either because they are not in spendable form, or because of legal or contractual constraints requiring such amounts to remain intact. As required by the New York State Financial Emergency Act, the City must prepare its budget covering all expenditures, other than capital items, balanced so that the results do not show a deficit when reported in accordance with GAAP. Therefore, the General Fund's fund balance must legally remain intact and is classified as nonspendable. Additionally, certain receivable amounts are not anticipated to be collected in the current period.

Restricted–includes fund balance amounts that are constrained for specific purposes when such constraints are externally imposed by creditors, laws or regulations of other governments, or by constitutional provisions or enabling legislation.

Committed–includes fund balance amounts that are constrained for specific purposes when such constraints are internally imposed by the government's formal action at the highest level of decision making authority and do not lapse at year-end. In accordance with the New York City Charter, the City Council is the City's highest level of decision-making authority and can, by legal resolution prior to the end of a fiscal year, approve to establish, modify or rescind a fund balance commitment. For the blended component units reported as Nonmajor Funds, the respective Boards of Directors (Boards) constitute the highest level of decision-making authority. When resolutions are adopted by the Boards that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose, unless and until a subsequent resolution altering the commitment is adopted by a Board.

Assigned–includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City does not have any assigned amounts in its major funds. For the blended component units reported as Nonmajor Funds, the fund balances which are constrained for use for a specific purpose based on the direction of the President of the component unit to direct the movement of such funds are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same, or another duly authorized officer, or by a Board, is taken which removes or changes the assignment.

Unassigned–The City's Capital Projects Fund's deficit is classified as unassigned.

The City uses restricted amounts first when both restricted and unrestricted resources are available. Additionally, the City first uses committed, then assigned, and lastly unassigned resources when expenditures are made.

The City does not have a formal minimum fund balance policy. Below is the detail included in the fund balance classifications for the governmental funds at June 30, 2017 and 2016:

Fiscal Year 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
			(in thousands)		
Nonspendable:					
General Fund balance	$ 478,029	$ —	$ —	$ —	$ 478,029
Prepaid expenditures	—	—	—	295	295
Spendable:					
Restricted					
Capital projects	—	114,038	—	478,570	592,608
Debt service	—	—	238,845	1,961,834	2,200,679
Committed					
Debt service	—	—	1,343,899	—	1,343,899
Assigned					
Debt Service	—	—	—	2,000,208	2,000,208
Operations	—	—	—	87,688	87,688
Unassigned					
Capital Projects Fund	—	(2,633,887)	—	—	(2,633,887)
Nonmajor Special Revenue Funds	—	—	—	(12)	(12)
Total Fund Balance	$ 478,029	$(2,519,849)	$1,582,744	$4,528,583	$ 4,069,507

Fiscal Year 2016	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
			(in thousands)		
Nonspendable:					
General Fund balance	$ 472,819	$ —	$ —	$ —	$ 472,819
Prepaid expenditures	—	—	—	612	612
Spendable:					
Restricted					
Capital projects	—	129,509	—	287,410	416,919
Debt service	—	—	382,005	2,034,345	2,416,350
Committed					
Debt service	—	—	1,393,112	—	1,393,112
Assigned					
Debt Service	—	—	—	1,899,644	1,899,644
Operations*	—	—	—	52,273	52,273
Unassigned					
Capital Projects Fund	—	(3,107,906)	—	—	(3,107,906)
Total Fund Balance (Deficit)	$ 472,819	$(2,978,397)	$1,775,117	$4,274,284	$ 3,543,823

* Represents the unassigned fund balance of the Special Revenue Funds.

21. Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Notes E.5 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

22. Other Postemployment Benefits

Other Postemployment Benefits (OPEB) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note E.4), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75.

23. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

B. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances (deficit) as reflected on the governmental funds balance sheet and total net position (deficit) of governmental activities as shown on the government-wide *Statement of Net Position* is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, that comprise the difference are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

Similarly, a summary reconciliation of the difference between net change in fund balances, as reflected on the governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances*, and *Change in Net Position* of governmental activities, as shown on the government-wide Statement of Activities, is presented in an accompanying schedule to the governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances*. The revenue and expense elements, that comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Stewardship, Compliance, and Accountability

1. Budgets and Financial Plans

Budgets

Annual expense budget appropriations, which are prepared on the modified accrual basis, are adopted for the General Fund, and unused appropriations lapse at fiscal year-end. The City uses appropriations in the capital budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

The City is required by State Law to adopt and adhere to a budget, on a basis consistent with GAAP, that would not have General Fund expenditures and other financing uses in excess of revenues and other financing sources.

Expenditures made against the expense budget are controlled through the use of quarterly spending allotments and units of appropriation. A unit of appropriation represents a subdivision of an agency's budget and is the level of control at which expenditures may not legally exceed the appropriation. The number of units of appropriation, and the span of operating responsibility which each unit represents, differs from agency to agency depending on the size of the agency and the level of control required. Transfers between units of appropriation and supplementary appropriations may be made by the Mayor, subject to the approval provisions set forth in the City Charter. Supplementary appropriations increased the expense budget by $3.31 and $3.88 billion subsequent to its original adoption in Fiscal Years 2017 and 2016, respectively.

Financial Plans

Additionally, the New York State Financial Emergency Act for The City of New York requires the City to operate under a "rolling" Four-Year Financial Plan (Plan). Revenues and expenditures, including transfers, of each year of the Plan are required to be balanced on a basis consistent with GAAP. The Plan is broader in scope than the expense budget; it comprises General Fund revenues and expenditures, Capital Projects Fund revenues and expenditures, and all short and long-term financing.

The expense budget is generally consistent with the first year of the Plan and operations under the expense budget must reflect the aggregate limitations contained in the approved Plan. The City reviews its Plan periodically during the year and, if necessary, makes modifications to incorporate actual results and revisions to assumptions.

2. Deficit Fund Balance

The Capital Projects Fund had deficits of $2.52 and $2.98 billion for the years ended June 30, 2017 and 2016, respectively. These deficits represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits will not be financed or reimbursed, a transfer from the General Fund will be required.

D. Detailed Notes on All Funds

1. Deposits and Investments

Deposits

The City's bank depositories are designated by the New York City Banking Commission, which consists of representatives of the Comptroller, the Mayor, and the Finance Commissioner. The Banking Commission considers a list of requirements to approve banks for designation, including but not limited to independent bank rating agency reports, bank regulators' reports, the banks' quarterly financial statements reported to the SEC, independently audited public financial statements and the New York State Department of Financial Services and Federal supervisory agency Community Reinvestment Act (CRA) reports to determine the financial soundness of each bank. In addition, the City's banking relationships are under periodic operational, financial and credit reviews.

The City Charter limits the amount of deposits at any time in any one bank or trust company to a maximum of one-half of the amount of the capital and net surplus of such bank or trust company. The discretely presented component units included in the City's reporting entity maintain their own banking relationships, which generally conform with the City's.

The City's bank account balances in excess of the prevailing Federal Deposit Insurance Corporation (FDIC) insurance limits of $250 thousand are fully collateralized in accordance with the New York State General Municipal Law (GML) and the New York City Department of Finance Collateral Policy, dated December 5, 2012. The FDIC insurance limit of $250 thousand is only applied one time to each bank relationship with multiple bank accounts. Each NYC Designated Bank must pledge Eligible Securities and/or Letters of Credit (LOC) that satisfy the minimum GML collateral requirements. The Designated Banks are required to closely monitor daily City bank account balances and adjust the amount of collateral pledged when the City's bank account balance changes to ensure that City deposits are always fully collateralized. With the exception of banks pledging a LOC as collateral, the banks are required on a daily basis to aggregate the total balances of all bank accounts under the City's tax ID, deduct the FDIC insurance limit of $250 thousand and pledge collateral which more than covers the remaining balances. The custodians provide collateral reports to the Department of Finance Collateral Committee on a regular basis; ranging from daily to monthly.

Cash & Cash Equivalents

The following is a summary of the cash and cash equivalents of the City's Governmental Activities as of June 30, 2017 and June 30, 2016:

	Governmental Activities	
	2017	2016 (Restated)
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 1,582,865	$ 18,435
Cash Equivalents	2,292,211	2,443,183
Total restricted cash and cash equivalents:	$ 3,875,076	$2,461,618
Unrestricted cash and cash equivalents:		
Cash*	$ 1,848,715	$2,103,912
Cash Equivalents	4,739,266	4,515,544
Total unrestricted cash and cash equivalents:	$ 6,587,981	$6,619,456
Grand Total cash and cash equivalents	$10,463,057	$9,081,074

* Unrestricted cash for Governmental Activities represents book balances that include items in transit.

At June 30, 2017 and 2016, the City's unrestricted Governmental Activities bank balances were $2.01 billion and $2.33 billion, respectively. Of those amounts, $472 thousand was exposed to custodial credit risk at June 30, 2017 (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party); there was no exposure to custodial credit risk at June 30, 2016. At June 30, 2017 and 2016, the City's restricted Governmental Activities cash balances were $1.58 billion and $18.44 million, respectively. Of those amounts $13 thousand and $5 thousand were exposed to custodial credit risk. Bank balances are exposed to custodial credit risk when they are uninsured and uncollateralized.

The following is a summary of the cash and cash equivalents of the City's Business-Type Activities as of June 30, 2017 and June 30, 2016:

	Business-type Activities 2017	Business-type Activities 2016
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 38,030	$ 40,041
Cash Equivalents	—	115
Total restricted cash and cash equivalents:	$ 38,030	$ 40,156
Unrestricted cash and cash equivalents:		
Cash	$ 32,864	$ 19,610
Cash Equivalents	11,250	6,057
Total unrestricted cash and cash equivalents:	$ 44,114	$ 25,667
Grand Total cash and cash equivalents	$ 82,144	$ 65,823

At June 30, 2017 and 2016, the City's unrestricted Business-Type Activities bank balances were $32.86 million and $19.61 million, respectively. Of those amounts, there was no exposure to custodial credit risk at June 30, 2017 and 2016. At June 30, 2017 and 2016, the City's restricted Business-Type Activities cash balances were $38.03 million and $40.04 million, respectively. Of those amounts, there was no exposure to custodial credit risk at June 30, 2017 and 2016.

Investments

The City's investment of cash in its primary government is currently limited to U.S. Government guaranteed securities and U.S. Government agency securities purchased directly and through repurchase agreements from primary dealers, as well as commercial paper rated A1 and P1 by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency securities, or eligible commercial paper in a range of 100% to 102% of the matured value of the repurchase agreements.

The following is a summary of the fair value of investments of the City's primary government as of June 30, 2017 and 2016:

Governmental Activities:

	Investment Maturities (in years)					
	2017			2016 (Restated)		
Investment Type	Less than 1	1 to 5	More than 5	Less than 1	1 to 5	More than 5
	(in thousands)					
Unrestricted						
U.S. Government securities	$2,292,591	$1,294,155	$ —	$1,038,024	$5,259,266	$ —
U.S. Government agency obligations	1,941,134	246,957	—	1,899,994	245,850	—
Commercial paper	2,313,304	—	—	1,482,615	—	—
Time deposits	27,555	—	—	27,976	—	—
Investment derivative instruments	—	—	(49,158)(1)	—	—	(74,732)(2)
Total unrestricted	$6,574,584	$1,541,112	$(49,158)	$4,448,609	$5,505,116	$(74,732)
Restricted						
U. S. Government securities	$ 81,767	$ 131,454	$ 56,161	$ 506,460	$ 146,310	$ —
U.S. Government agency obligations	817,454	—	—	909,661	10,000	—
Municipal securities	—	—	—	—	—	17,389
Time deposits	6,929	—	—	9,333	—	—
Total restricted	$ 906,150	$ 131,454	$ 56,161	$1,425,454	$ 156,310	$ 17,389

(1) The City has five pay-fixed interest rate swaps, and one basis swap that is treated as investment derivative instruments. Additionally, the City had one pay-fixed swap (H) that is partially treated as an investment derivative instrument. One June 30, 2017, the swaps had fair values of $(7,751) thousand, $(2,584) thousand, $(2,584) thousand, $(2,583) thousand, $(10,637) thousand, $(7,527) thousand, and $(15,492), respectively.

(2) The City has five pay-fixed interest rate swaps and one basis swap that is treated as investment derivative instruments. Additionally, the City has one pay-fixed swap (H) that is partially treated as an investment derivative instrument. On June 30, 2016, the swaps had fair values of $(14,229) thousand, $(4,743) thousand, $(4,743) thousand, $(4,743) thousand, $(16,077) thousand, $(7,719) thousand, and $(22,478) thousand, respectively.

Business-Type Activities:

Investment Type	Investment Maturities (in years) 2017 Less than 1	2017 1 to 5	2017 More than 5	2016 Less than 1	2016 1 to 5	2016 More than 5
	(in thousands)					
Unrestricted						
U.S. Government securities	$ 1,057	$ —	$ —	$ 1,999	$ —	$ —
U.S. Government agency obligations	—	51,394	22,063	95,211	17,148	—
Commercial paper	450	106,040	—	73,417	39,595	—
Money Market Fund	709	—	—	—	—	—
Municipal securities	—	4,500	2,468	1,249	—	—
Time deposits	1,250	1,499	—	4,503	—	—
Mortgage Backed & Asset Securities	—	—	113,918	—	—	85,423
Total unrestricted	$ 3,466	$ 163,433	$ 138,449	$ 176,379	$ 56,743	$85,423
Restricted						
Money Market Fund	$ 38,670	$ —	$ —	$ 40,992	$ —	$ —
Total restricted	$ 38,670	$ —	$ —	$ 40,992	$ —	$ —

Fair Value Hierarchy

The City 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 City does not have any investments for which level 3 inputs are required).

The following is a summary of the fair value hierarchy of the fair value of investments of the City's primary government as of June 30, 2017 and June 30, 2016:

Investments[1] by Fair Value Level	6/30/2017 Total	6/30/2017 Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	6/30/2017 Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	6/30/2016 Total	6/30/2016 Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	6/30/2016 Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
	(in thousands)					
U.S. Government securities	$ 3,999,706	$ 220,136	$ 3,779,570	$ 6,970,540	$ 369,073	$ 6,601,467
U.S. Government agency obligations	3,523,620	19,980	3,503,640	3,376,595	—	3,376,595
Commercial paper	3,673,599	—	3,673,599	1,613,102	—	1,613,102
Money Market Funds (includes time deposits)	482,157	42,129	440,028	359,399	45,495	313,904
Municipal Securities	6,968	—	6,968	18,638	—	18,638
Mortgage Backed & Asset Back Securities	113,918	—	113,918	85,423	—	85,423
Investment derivative instruments	(49,158)	—	(49,158)	(74,732)	—	(74,732)
Total Investment & Cash Equivalent by Fair Value Level	$11,750,810[2]	$ 282,245	$11,468,565	$12,348,965[2]	$ 414,568	$11,934,397

(1) Includes cash equivalents carried at fair value by several blended components as presented within their financial statements.

(2) As of June 30, 2017 and June 30, 2016, all ECF investment maturities were less than one year and recorded at carrying value. For the year ended June 30, 2017 and June 30, 2016, ECF's listed investments totaled $68 million and $68.57 million, respectively.

Investments classified in Level 1 of the fair value hierarchy, valued at $282.25 million and $414.57 million in Fiscal Years 2017 and 2016 respectively, are valued using quoted prices in active markets.

U.S. Government securities totaling $3.64 billion and $6.41 billion, U.S. Government agency obligations totaling $3.50 billion and $3.38 billion, commercial paper totaling $3.67 billion and $1.61 billion, money market funds totaling $440.03 million and $313.90 million and municipal securities totaling $6.97 million and $18.64 million, mortgage backed and asset backed securities totaling $113.92 million and $85.42 million in fiscal years 2017 and 2016 respectively, classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

U.S. Government securities, totaling $139.09 million and $190.47 million in Fiscal Years 2017 and 2016 respectively, under a forward supply contract classified in Level 2 of the fair value hierarchy are valued using present value and option pricing model techniques.

Investment derivative instruments, totaling ($49.16 million) and ($74.73 million) in Fiscal Years 2017 and 2016, respectively, are classified in Level 2 of the fair value hierarchy. Fair value is described as the exit price that assumes a transaction takes place in the City's most advantageous market in the absence of a principal market. These inputs include the mid-market valuation and then incorporates the credit risk of either the City or its counterparty and the bid/offer spread that would be charged to the City in order to transact. The mid-market values of the interest rate swaps were estimated using the income approach. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement date.

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturity to a period of less than 2 years. The City's current weighted average maturity is less than 201 days.

Credit risk. Investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. As of June 30, 2017 and 2016, investments in Fannie Mae or Freddie Mac and Federal Home Loan Bank (FHLB) were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investor Service. These ratings were AA+ and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively.

Concentration of credit risk. The City's investment policy limits investments to no more than $250 million invested at any time in either commercial paper of a single issuer or investment agreements with a single provider.

Custodial credit risk-investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will also not be able to recover the value of its investments or collateral securities that are in the possession of the custodian. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent.

The City's investment policy related to custodial credit risk calls for limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty or custodian in the name of the City.

Investment Derivative Instruments

Note: More information on derivative instruments discussed herein can be found in Note A.12, by referencing the indicated derivative instrument's identifying letter.

Credit risk: The City is exposed to credit risk on investment derivative instruments. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its investment derivative instruments. These terms require collateralization of the fair value of investment derivative instruments (net of the effect of applicable threshold requirements and netting arrangements) should the counterparty's credit rating fall below the following:

The counterparty (or its respective guarantor) with respect to derivative instruments B, D, and E is required to post collateral if one of its credit ratings goes below A3/A-. The counterparty with respect to derivative instrument H is required to post collateral if one of its credit ratings goes below A2/A. The counterparty with respect to derivative instruments A, C and K is required to post collateral if it has at least one rating below Aa3 or AA-. The City has never been required to access collateral.

As discussed in Note A.12, it is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty.

The aggregate fair value of investment derivative instruments requiring collateralization at June 30, 2017 was $38.76 million. A negative aggregate fair value means the City would have owed payments to the counterparties. The City had no counterparty credit exposure to any of the investment derivative instrument counterparties as of that date.

Interest rate risk: The City is exposed to interest rate risk on its swaps. In derivative instruments A, B, C, D, E and H, pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, the City's net payment on the swap increases.

Basis risk: The City is exposed to basis risk on derivative instruments A, B, C, D, E and H because the variable-rate payment received by the City is based on a rate or index other than the interest rate the City pays on its variable-rate debt. Under the terms of its derivative instruments A, B, C, D, E and H, the City pays a variable rate on the outstanding underlying bonds based on SIFMA, but receives a variable rate on the swap based on a percentage of LIBOR. In derivative instrument K, the City's variable payer rate is based on SIFMA and its variable receiver rate is based on a percentage of LIBOR. However, the stepped percentages of LIBOR received by the City mitigate the risk that the City will be harmed in low interest rate environments by the compression of the SIFMA and LIBOR indices. As the overall level of interest rate decreases, the percentage of LIBOR received by the City increases.

Tax risk: The City is at risk that a change in Federal tax rates will alter the fundamental relationship between the SIFMA and LIBOR indices. A reduction in Federal tax rates, for example, will likely increase the City's payment on its underlying variable rate bonds in derivative instruments A, B, C, D, E and H and its variable payer rate in derivative instrument K.

Termination risk: The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The City is at risk that a counterparty will terminate a swap at a time when the City owes it a termination payment. The City has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of certain events, including: a payment default by the City; other City defaults which remain uncured for 30 days after notice; City bankruptcy; insolvency of the City (or similar events); or a downgrade of the City's credit rating below investment grade (i.e., BBB-/Baa3). If at the time of termination, an investment derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Counterparty risk: The City is at a risk that a counterparty (or its guarantor) will not meet its obligations under the swap. If a counterparty were to default under its agreement when the counterparty would owe a payment to the City, the City may have to pay another entity to assume the position of the defaulting counterparty. The City has sought to limit its counterparty risk by contracting only with highly-rated entities or requiring guarantees of the counterparty's obligations under the swap documents.

The discretely presented component units included in the City's reporting entity maintain their own investment policies that generally conform to those of the City.

The criteria for the Pension and Other Employee Benefit Trust Funds' and Other Trust Funds' investments are as follows:

1. Fixed income investments may be made in U.S. Government guaranteed securities or securities of U.S. Government agencies, securities of entities rated BBB or better by both Standard and Poor's Corporation and Moody's Investors Service, Inc., securities below BBB up to 10% of the total asset allocation and any bond that meets the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.
2. Equity investments may be made only in those stocks that meet the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.
3. Short-term investments may be made in the following:
   a. U.S. Government guaranteed securities or U.S. Government agency securities.
   b. Commercial paper rated A1, P1, or F1 by Standard & Poor's Corporation or Moody's Investors Service, Inc., or Fitch, respectively.
   c. Repurchase agreements collateralized in a range of 100% to 102% of matured value, purchased from primary dealers of U.S. Government securities.
   d. Investments in bankers' acceptances, certificates of deposit, and time deposits are limited to banks with worldwide assets in excess of $50 billion that are rated within the highest categories of the leading bank rating services, and selected regional banks also rated within the highest categories.
   e. Other top-rate securities maturing in less than 4 years.

4. Investments up to 25% of total pension fund assets in instruments not specifically covered by the New York State Retirement and Social Security Law.
5. No investment in any one corporation can be: (i) more than 2% of the pension plan net position; or (ii) more than 5% of the total outstanding issues of the corporation.

All investments are held by the City's custodial banks (in bearer or book-entry form) solely as an agent of the Comptroller of The City of New York on behalf of the various account owners. Payments for purchases are not released until evidence of ownership of the underlying investments are received by the City's custodial bank.

Securities Lending

State statutes and Board policies permit the Pension and Certain Other Employee Benefit Trust Funds to lend its securities to broker-dealers and other entities for collateral, for the same securities in the future with a simultaneous agreement to return the collateral in the form of cash, treasury and U.S. Government securities. The Funds' agent lends the following types of securities: short term securities, common stocks, long-term corporate bonds, U.S. Government and U.S. Government agency bonds, asset-backed securities and international equities and bonds held in collective investment funds. In return, the Funds receive collateral in the form of cash, U.S. Treasury and US. Government agency securities at 100% to 108% of the principal plus accrued interest for reinvestment. At June 30, 2017 and 2016, management believes that the Funds had no credit risk exposure to borrowers because the amounts the Funds owed the borrowers equaled or exceeded the amounts the borrowers owed the Funds. The contracts with the Funds' custodians require the securities lending agent to indemnify the Funds. In the situation when a borrower goes into default, the Agent will liquidate the collateral to purchase replacement securities. Any shortfall before the replacement securities cost and the collateral value is covered by the Agent. All securities loans can be terminated on demand within a period specified in each agreement by either the Funds or the borrowers. Cash collateral is invested by the securities lending agent using approved lender's investment guidelines. The weighted average maturity is 55 days. The securities lending program in which the Funds participate only allows pledging or selling securities in the case of borrower default.

The City reports securities loaned as assets on the *Statement of Fiduciary Net Position*. Cash received as collateral on securities lending transactions, and investments made with that cash, are also recorded as assets. Liabilities resulting from these transactions are reported on the *Statement of Fiduciary Net Position*. Accordingly, the City records the investments purchased with the cash collateral as Investments; Collateral From Securities Lending Transactions with a corresponding liability are recorded as Securities Lending Transactions.

2. Capital Assets

The following is a summary of governmental activities capital assets for the Fiscal Years ended June 30, 2016 and 2017:

Primary Government	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
				(in thousands)			
Governmental Activities:							
Capital assets, not being depreciated/amortized:							
Land	$ 1,907,750	$ 39,728	$ 6,107	$ 1,941,371	$ 239,422	$ 332	$ 2,180,461
Construction work-in-progress	2,979,916	3,043,506	2,512,330	3,511,092	3,304,325	3,071,106	3,744,311
Total capital assets, not being depreciated/amortized	4,887,666	3,083,234	2,518,437	5,452,463	3,543,747	3,071,438	5,924,772
Capital assets, being depreciated/amortized:							
Buildings	56,042,693	2,512,330	161,618	58,393,405	3,071,106	325,690	61,138,821
Equipment (including software)	8,211,043	585,476	131,946	8,664,573	827,374	71,826	9,420,121
Infrastructure	20,273,661	1,525,297	241,546	21,557,412	1,721,572	335,778	22,943,206
Total capital assets, being depreciated/amortized	84,527,397	4,623,103	535,110	88,615,390	5,620,052	733,294	93,502,148
Less accumulated depreciation/amortization:							
Buildings	22,961,688	1,859,409	161,094	24,660,003	1,942,777	290,093	26,312,687
Equipment (including software)	5,609,270	540,318	127,748	6,021,840	564,960	66,604	6,520,196
Infrastructure	7,721,868	953,454	241,546	8,433,776	978,257	334,788	9,077,245
Total accumulated depreciation/amortization	36,292,826	3,353,181[1]	530,388	39,115,619	3,485,994[1]	691,485	41,910,128
Total capital assets, being depreciated/amortized, net	48,234,571	1,269,922	4,722	49,499,771	2,134,058	41,809	51,592,020
Governmental activities capital assets, net	$53,122,237	$4,353,156	$2,523,159	$54,952,234	$5,677,805	$3,113,247	$57,516,792

(1) Depreciation expense was charged to functions/programs of the City for the Fiscal Years ended June 30, 2017 and 2016.

The following is a summary of the governmental activities depreciation expense by function/program for the Fiscal Years ended June 30, 2017 and 2016:

	2017	2016
	(in thousands)	
Governmental activities:		
General government	$ 496,524	$ 488,144
Public safety and judicial	250,416	229,582
Education	1,407,273	1,343,771
City University	4,514	4,914
Social services	66,679	72,708
Environmental protection	152,114	133,938
Transportation services	639,225	642,043
Parks, recreation and cultural activities	390,307	352,453
Housing	4,034	3,471
Health	57,810	65,321
Libraries	17,098	16,836
Total depreciation expense-governmental activities	$3,485,994	$3,353,181

The following are the sources of funding for the governmental activities capital assets for the Fiscal Years ended June 30, 2017 and 2016. Sources of funding for capital assets are not available prior to Fiscal Year 1987.

	2017	2016
	(in thousands)	
Capital Projects Funds:		
Prior to Fiscal Year 1987	$ 6,598,496	$ 6,598,498
City and TFA bonds	89,613,435	84,339,652
Federal grants	575,351	544,003
State grants	88,487	80,180
Private grants	81,466	77,466
Capitalized leases	2,469,685	2,428,054
Total funding sources	$99,426,920	$94,067,853

At June 30, 2017 and 2016, the governmental activities capital assets include approximately $1.2 billion of City-owned assets leased for $1 per year to the New York City Transit Authority which operates and maintains the assets. In addition, assets leased to HHC and to the Water and Sewer System are excluded from governmental activities capital assets and are recorded in the respective component unit financial statements.

Included in buildings at June 30, 2017 and 2016, are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	2017	2016
	(in thousands)	
Capital asset:		
Capitalized leases — buildings	$2,469,685	$2,428,054
Less accumulated amortization	921,094	857,048
Capitalized leases — buildings, net	$1,548,591	$1,571,006

Capital Commitments

At June 30, 2017, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $18.0 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates City Capital Projects Fund expenditures of $89.6 billion over Fiscal Years 2017 through 2026. To help meet its capital spending program, the City and TFA borrowed $5.5 billion in the public credit market in Fiscal Year 2017. The City and TFA plan to borrow $6.7 billion in the public credit market in Fiscal Year 2018.

The following is a summary of business-type activities capital assets for the Fiscal Years ended June 30, 2016 and 2017:

Primary Government	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
				(in thousands)			
Business-type Activities:							
Capital assets, not being depreciated/amortized:							
Land	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction work-in-progress	162,197	61,740	57,422	166,515	51,921	74,355	144,081
Total capital assets, not being depreciated/amortized	162,197	61,740	57,422	166,515	51,921	74,355	144,081
Capital assets, being depreciated/amortized:							
Building	24,160	4,884	—	29,044	3,089	—	32,133
Equipment (including software)	6,873	1,284	250	7,907	969	—	8,876
Infrastructure	335,488	48,035	—	383,523	73,957	—	457,480
Total capital assets, being depreciated/amortized	366,521	54,203	250	420,474	78,015	—	498,489
Less accumulated depreciation/amortization							
Building	1,009	269	—	1,278	285	—	1,563
Equipment (including software)	2,993	628	82	3,539	836	—	4,375
Infrastructure	22,253	19,372	—	41,625	23,687	—	65,312
Total accumulated depreciation/amortization	26,255	20,269	82	46,442	24,808	—	71,250
Total capital assets, being depreciated/amortized, net	340,266	33,934	168	374,032	53,207	—	427,239
Business-type Activities capital assets, net	$ 502,463	$ 95,674	$ 57,590	$ 540,547	$ 105,128	$ 74,355	$ 571,320

3. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property not having elements of ownership are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total expenditures on such leases for the Fiscal Years ended June 30, 2017 and 2016 were approximately $1,081.0 million and $988.0 million, respectively.

As of June 30, 2017, the City (excluding discretely presented component units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases	Total
		(in thousands)	
Governmental activities:			
Fiscal year ending June 30:			
2018	$ 187,291	$ 698,907	$ 886,198
2019	179,084	637,660	816,744
2020	179,703	602,746	782,449
2021	171,907	559,944	731,851
2022	168,187	513,636	681,823
2023-2027	613,605	2,141,619	2,755,224
2028-2032	428,134	1,127,006	1,555,140
2033-2037	140,459	364,533	504,992
2038-2042	56,190	37,595	93,785
2043-2047	2,099	11,955	14,054
2048-2052	—	6,481	6,481
Future minimum payments	2,126,659	$6,702,082	$8,828,741
Less: Interest	578,068		
Present value of future minimum payments	$1,548,591		

The present value of future minimum lease payments includes approximately $996.0 million for leases with Public Benefit Corporations (PBC) where State law generally provides that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and paid to PBCs.

The City also leases City-owned property to others, primarily for markets, ports, and terminals. Total rental revenue on these capital and operating leases for the Fiscal Years ended June 30, 2017 and 2016 was approximately $253 million and $279 million, respectively. As of June 30, 2017, the following future minimum rentals are provided for by the leases:

	Capital Leases	Operating Leases (in thousands)	Total
Governmental activities:			
Fiscal Year ending June 30:			
2018	$ 1,197	$ 221,224	$ 222,421
2019	1,197	216,983	218,180
2020	1,201	215,805	217,006
2021	1,201	212,947	214,148
2022	1,110	191,003	192,113
2023-2027	5,198	909,366	914,564
2028-2032	5,334	870,201	875,535
2033-2037	4,179	852,452	856,631
2038-2042	2,083	840,531	842,614
2043-2047	1,996	833,488	835,484
2048-2052	1,800	599,286	601,086
2053-2057	1,800	60,168	61,968
2058-2062	1,800	60,168	61,968
2063-2067	1,800	60,168	61,968
2068-2072	1,800	58,881	60,681
2073-2077	1,800	57,791	59,591
2078-2082	900	43,447	44,347
2083-2087	—	38,265	38,265
Thereafter until 2111	—	2	2
Future minimum lease rentals	36,396	$6,342,176	$6,378,572
Less interest	22,898		
Present value of future minimum lease rentals	$13,498		

4. Service Concession Arrangements

The City is the transferor in 71 Service Concession Arrangements contracted at the Parks Department. The agreements convey to the operators the right, either through licenses or permits, to construct capital assets and operate and maintain all service concessions. The City has the right to approve the type of services the operators may provide and the fees that may be charged by the operators to the public. As per the agreements, the operators provide high-quality amenities and facilities to park users, which generate General Fund revenues for the City and also create valuable business and employment opportunities for the public. The Parks Department operators help preserve some of the City's unique park facilities and provide public amenities while creating and developing new park destinations with fewer public funds.

The Service Concession Agreements do not contain any upfront payments from the operators nor are there any guarantees or commitments by the City. By concession type, the value of the Capital Assets associated with the above Service Concession Arrangements and the deferred inflows resulting from such arrangements are as follows at June 30:

	2017			2016		
Concession Type	**Number of concessions**	**Deferred inflows (in thousands)**	**Capital Assets Value (in thousands)**	**Number of concessions**	**Deferred inflows (in thousands)**	**Capital Assets Value (in thousands)**
Restaurants	29	$ 44,463	$ 93,755	24	$ 40,983	$ 84,357
Sports Centers	13	19,323	50,625	11	18,305	47,507
Golf Courses	14	21,604	45,042	14	24,877	46,720
Gas Stations	7	386	878	7	454	905
Amusement Parks/Carousels	3	28,624	74,394	3	37,398	76,645
Stables	3	353	977	3	408	1,013
Other	2	127	245	1	7	100
Total	71	$ 114,880	$ 265,917	63	$ 122,432	$ 257,247

5. Long-Term Liabilities

Changes in Long-term liabilities

In Fiscal Years 2016 and 2017, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable								
General Obligation Bonds[1]	$ 40,459,947	$ 2,510,604	$ 4,896,980	$ 38,073,571	$ 3,181,065	$ 3,363,990	$ 37,890,646	$2,194,465
TFA bonds	33,850,105	4,799,660	1,292,285	37,357,480	5,233,595	1,895,430	40,695,645	1,202,690
TSASC bonds	1,222,035	—	77,510	1,144,525	653,070	708,055	1,089,540	18,625
IDA bonds	86,780	—	3,115	83,665	—	3,265	80,400	3,425
STAR bonds	2,035,330	—	73,935	1,961,395	—	76,895	1,884,500	79,755
FSC bonds	197,375	—	22,205	175,170	—	43,465	131,705	45,560
HYIC bonds	3,000,000	—	—	3,000,000	2,141,760	2,391,000	2,750,760	8,495
ECF bond	264,190	—	23,785	240,405	—	4,525	235,880	4,680
Total before premiums/discounts(net)	81,115,762	7,310,264	6,389,815	82,036,211	11,209,490	8,486,625	84,759,076	3,557,695
Less premiums/(discounts)(net)	3,825,072	907,427	559,750	4,172,749	1,356,796	702,648	4,826,897	—
Total governmental activities bonds and notes payable	84,940,834	8,217,691	6,949,565	86,208,960	12,566,286	9,189,273	89,585,973	3,557,695
Capital lease obligations	1,639,243	47,998	116,235	1,571,006	94,331	116,746	1,548,591	77,640
Other tax refunds	2,101,192	10,913	254,192	1,857,913	—	815,720	1,042,193	112,493
Judgments and claims	6,786,653	1,629,179	1,361,500	7,054,332	1,110,913	1,307,597	6,857,648	1,369,437
Real estate tax certiorari	938,622	224,981	181,556	982,047	252,560	161,226	1,073,381	165,137
Vacation and sick leave	3,980,729	576,845	294,876	4,262,698	693,399	307,917	4,648,180	385,482
Pension liability	53,124,067	11,722,928	—	64,846,995	19,840,827	28,446,451	56,241,371	—
OPEB liability	85,484,552	11,915,472	2,897,668	94,502,356	7,942,099	14,021,783	88,422,672	—
Landfill closure and postclosure care costs	1,508,360	2,928	45,599	1,465,689	91,369	49,049	1,508,009	78,960
Pollution remediation obligation	250,231	101,035	142,393	208,873	127,055	133,351	202,577	137,872
Total changes in governmental activities long-term liabilities	$240,754,483	$34,449,970	$12,243,584	$262,960,869	$42,718,839	$54,549,113	$251,130,595	$5,884,716
Business-type activities:								
Bonds and notes payable								
NYCTL 2014-A TRUST bonds	$ 34,231	$ —	$ 34,231	$ —	$ —	$ —	$ —	$ —
NYCTL 2015-A TRUST bonds	—	71,797	39,933	31,864	—	20,946	10,918	10,918
NYCTL 2016-A TRUST bonds	—	—	—	—	64,977	38,481	26,496	26,496
Total before premiums/discounts(net)	34,231	71,797	74,164	31,864	64,977	59,427	37,414	37,414
Less premiums/(discounts)(net)	4	3	6	1	—	4	(3)	(3)
Total business-type activities bonds and notes payable	34,235	71,800	74,170	31,865	64,977	59,431	37,411	37,411
OPEB liability	192,047	22	191,984	85	—	85	—	—
Other liabilities	393,179	31,143	54,255	370,067	15,792	17,918	367,941	41,759
Total changes in business-type activities long-term liabilities	$ 619,461	$ 102,965	$ 320,409	$ 402,017	$ 80,769	$ 77,434	$ 405,352	$ 79,170

(1) General Obligation Bonds are generally liquidated with resources of the General Debt Service Fund. Other long-term liabilities are generally liquidated with resources of the General Fund.

The bonds and notes payable at June 30, 2016 and 2017, summarized by type of issue are as follows:

Primary Government	2016 City General Obligation[(1)]	2016 Other bonds and notes payable[(2)]	2016 Revenue[(3)]	2016 Total	2017 City General Obligation[(1)]	2017 Other bonds and notes payable[(2)]	2017 Revenue[(3)]	2017 Total
				(in thousands)				
Governmental and Business-type activities:								
Bonds and notes payable								
General obligation bonds	$38,073,571	$ —	$ —	$38,073,571	$37,890,646	$ —	$ —	$37,890,646
TFA bonds	—	29,313,725	—	29,313,725	—	32,814,010	—	32,814,010
TFA bonds BARBs	—	—	8,043,755	8,043,755	—	—	7,881,635	7,881,635
TSASC bonds	—	—	1,144,525	1,144,525	—	—	1,089,540	1,089,540
IDA bonds	—	83,665	—	83,665	—	80,400		80,400
STAR bonds	—	—	1,961,395	1,961,395	—	—	1,884,500	1,884,500
FSC bonds	—	—	175,170	175,170	—	—	131,705	131,705
HYIC bonds	—	—	3,000,000	3,000,000	—	—	2,750,760	2,750,760
ECF bonds	—	—	240,405	240,405	—	—	235,880	235,880
Tax lien collateralized bonds	—	—	31,864	31,864	—	—	37,414	37,414
Total before net of premium / discount	38,073,571	29,397,390	14,597,114	82,068,075	37,890,646	32,894,410	14,011,434	84,796,490
Premiums/(discounts)(net)	430,131	477,299	3,265,320	4,172,750	1,727,359	2,480,127	619,408	4,826,894
Total bonds payable	$38,503,702	$29,874,689	$17,862,434	$86,240,825	$39,618,005	$35,374,537	$14,630,842	$89,623,384

(1) The City issues its General Obligation bonds for capital projects which include construction, acquisition, repair or life extending maintenance of the City's infrastructure.

(2) Other bonds and notes payable includes TFA (excluded BARBs) and IDA. They are general obligations of the respective issuers.

(3) Revenue bonds include ECF, FSC, HYIC, STAR, TFA (BARBs), NYCTLTs and TSASC.

The following table summarizes future debt service requirements as of June 30, 2017:

Primary Government	City General Obligation Bonds Principal	City General Obligation Bonds Interest[(1)]	Other Bonds and Notes Payable Principal	Other Bonds and Notes Payable Interest	Revenue Bonds Principal	Revenue Bonds Interest
	Governmental and Business-type Activities					
Fiscal year ending June 30:			(in thousands)			
2018	$ 2,194,465	$ 1,661,483	$ 1,014,995	$ 1,309,012	$ 348,235	$ 658,894
2019	2,162,676	1,564,719	1,387,270	1,280,546	379,280	672,180
2020	2,292,575	1,465,078	1,367,130	1,230,792	363,585	654,337
2021	2,243,226	1,360,241	1,415,670	1,180,950	357,575	636,825
2022	2,242,145	1,256,495	1,445,525	1,129,435	414,335	619,384
2023-2027	10,709,329	4,739,362	6,962,345	4,872,423	2,421,185	2,765,094
2028-2032	7,545,372	2,624,742	6,708,895	3,452,560	3,064,564	2,079,567
2033-2037	5,311,912	1,166,411	6,114,350	2,066,920	3,049,540	1,297,928
2038-2042	2,624,573	315,152	5,316,105	645,675	2,015,485	618,401
2043-2047	564,328	27,167	1,162,125	28,676	1,322,650	227,630
2048-2052	4	153	—	—	275,000	13,750
Thereafter until 2147	41	—	—	—	—	—
Total future debt service requirements	37,890,646	16,181,003	32,894,410	17,196,989	14,011,434	10,243,990
Less interest component	—	16,181,003	—	17,196,989	—	10,243,990
Total principal outstanding	$37,890,646	$ —	$32,894,410	$ —	$14,011,434	$ —

(1) Includes interest for general obligation bonds estimated at a 3% rate on tax-exempt adjustable rate bonds and at a 4% rate on taxable adjustable rate bonds.

The average (weighted) interest rates for outstanding City General Obligation Bonds as of June 30, 2017 and 2016, were 4.51% and 4.52%, respectively, and both ranged from 0% to 8.6%. The last maturity of the outstanding City debt is in the year 2147.

Since the City has variable rate debt outstanding, the terms by which interest rates change for variable rate debt are as follows: for Auction Rate Securities, an interest rate is established periodically by an auction agent at the lowest clearing rate based upon bids received from broker-dealers. Variable Rate Demand Bonds (VRDBs) are long-term bonds that have a daily or weekly "put" feature backed by a bank Letter of Credit or Stand By Bond Purchase Agreement. VRDBs are repriced daily or weekly and provide investors with the option to tender the bonds at each repricing. A broker, called a Remarketing Agent, is responsible for setting interest rates and reselling to new investors any securities that have been tendered. CPI Bonds pay the holder a floating interest rate tied to the consumer price index. The rate is a fixed spread plus a floating rate equal to the change in the Consumer Price Index-Urban (CPI-U) for a given period. LIBOR Bonds pay the holder a floating interest rate calculated as a percentage of the LIBOR. SIFMA Index Bonds pay the holder a floating index rate based on the Securities Industry and Financial Markets Association Municipal Swap Index plus spread.

In Fiscal Years 2017 and 2016, the City issued $900.07 million and $2.35 billion, respectively, of General Obligation Bonds to advance refund General Obligation Bonds of $999.44 million and $2.67 billion, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $10.65 million and $44.43 million, respectively, were irrevocably placed in escrow accounts and invested in United States Government securities. As a result of providing for the payment of the principal and interest to maturity, and any redemption premium, the advance refunded bonds are considered to be defeased and, accordingly, the liability is not reported in the government-wide financial statements. In Fiscal Year 2017, the refunding transactions will decrease the City's aggregate debt service payments by $133.68 million and provide an economic gain of $118.81 million. In Fiscal Year 2016, the refunding transactions decreased the City's aggregate debt service payments by $428.53 million and provided an economic gain of $397.22 million. At June 30, 2017 and 2016, $20.15 billion and $21.1 billion, respectively, of the City's outstanding General Obligation Bonds were considered defeased.

The State Constitution requires the City to pledge its full faith and credit for the payment of the principal and interest on City term and serial bonds and guaranteed debt. The GO debt-incurring power of the City is limited by the Constitution to 10% of the average of five years' full valuations of taxable real estate. Excluded from this debt limitation is certain indebtedness incurred for water supply, certain obligations for transit, sewage, and other specific obligations which exclusions are based on a relationship of debt service to net revenue. In July 2009, the State Assembly passed legislation stipulating that certain TFA debt would be included in the calculation of debt-incurring margin within the debt limit of the City.

As of June 30, 2017 and 2016, the 10% general limitation was approximately $90.24 billion and $85.18 billion, respectively. Also, as of June 30, 2017, the City's remaining GO debt-incurring power totaled $24.02 billion, after providing for capital commitments. As of July 1, 2017, the debt incurring power was $34.21 billion based on the change in the five-year full valuation average for fiscal year 2018.

Pursuant to State law, the City's General Debt Service Fund is administered and maintained by the State Comptroller. Payments of real estate taxes and other revenues are deposited in advance of debt service payment dates into the Fund. Debt service on all City notes and bonds is paid from this Fund. In Fiscal Year 2017, prepayment transfers of $1.56 billion were made from the General Fund which included discretionary transfers of $239 million to the General Debt Service Fund for Fiscal Year 2018 debt service. In Fiscal Year 2016, prepayment transfers of $1.76 billion were made from the General Fund to the General Debt Service Fund for Fiscal Year 2017 debt service.

Hedging derivative instrument payments and hedged debt

The table that follows represents debt service payments on certain general obligation variable-rate bonds and net receipts/payments on associated hedging derivative instruments (see Note A.12), as of June 30, 2017. Although interest rates on variable rate debt and the current reference rates of hedging derivative instruments change over time, the calculations included in the table below are based on the assumption that the variable rate and the current reference rates of hedging derivative instruments on June 30, 2017 will remain the same for their term.

	Governmental Activities			
	General Obligation Bonds		Hedging Derivatives Instruments, Net	Total
	Principal	Interest		
	(in thousands)			
Fiscal year ending June 30:				
2018	$ 18,040	$ 2,590	$ 5,715	$ 26,345
2019	—	2,363	5,518	7,881
2020	—	2,363	5,518	7,881
2021	—	2,363	5,518	7,881
2022	—	2,363	5,518	7,881
2023-2025	19,950	6,993	16,333	43,276
2026-2032	230,050	7,167	16,738	253,955
Total	$ 268,040	$ 26,202	$ 60,858	$ 355,100

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged constitutional violations; torts; breaches of contract; other violations of law; and condemnation proceedings.

As of June 30, 2017 and 2016, claims in excess of $1.26 trillion and $1.09 trillion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $6.86 billion and $7.05 billion, respectively.

As explained in Note A.10, the estimate of the liability for all judgments and claims has been reported in the government-wide *Statement of Net Position* under noncurrent liabilities. The liability was estimated by using the probable exposure information provided by the New York City Law Department (Law Department), and supplemented by information provided by the Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

Complaints on behalf of approximately 11,900 plaintiffs alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill were commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers and building clean-up workers. The actions were consolidated in Federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive Federal jurisdiction for all claims related to or resulting from the September 11 attack. A not-for-profit "captive" insurance company, WTC Captive was formed to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. WTC Captive was funded by a grant from the Federal Emergency Management Agency in the amount of $999.9 million. On June 10, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. On November 19, 2010, District Court Judge Hellerstein announced that more than the required 95% of plaintiffs agreed to the settlement, thus making it effective. Approximately $700 million has been paid under the settlement, leaving residual funds of approximately $290 million to insure and defend the City and its contractors against any new claims. Since the applicable statute of limitations runs from the time a person learns of his or her injury or should reasonably be aware of the injury, additional plaintiffs may bring lawsuits in the future for late emerging cancers, which could result in substantial damages. No assurance can be given that the remaining insurance will be sufficient to cover all liability that might arise from such claims.

In 1996, a class action was brought against the City Board of Education and the state under Title VII of the Civil Rights Act of 1964 alleging that the use by the Board of Education of two teacher certification examinations mandated by the state had a disparate impact on minority candidates. In 2006, the United States Court of Appeals for the Second Circuit dismissed the claims against the state. In December 2012, the District Court decided a controlling legal question against the City. On February 4, 2013, the Second Circuit affirmed the District Court's decision. The District Court has appointed a Special Master to oversee claimants' individualized hearings both as to damages and eligibility for Board of Education employment. The hearings relate to members of the class that took the Liberal Arts and Science Test (LAST) from 1996 to 2004. Currently, 3,916 such individuals have submitted claim forms and may be eligible for damages. On June 5, 2015, the Court ruled that a second version of LAST, LAST-2, that was administered from 2004 to 2014, violated Title VII because it did not measure skills necessary to do the job. In August 2015, the Court found that the state's new teacher certification test, the Academic Literacy Skills Test (ALST), administered since Spring

2014, was not discriminatory and evaluated skills necessary to do the job. The plaintiffs could seek to expand the damages class with respect to LAST-2. If approved by the Court, the extent to which this would extend the class is not known at this time. The potential cost to the City is uncertain at this time but could be significant.

The Office of Inspector General of the United States Department of Health and Human Services (OIG) conducted a review of Medicaid Personal Care Services claims made by providers in the City from January 1, 2004 through December 31, 2006, and concluded that 18 out of 100 sampled claims by providers failed to comply with Federal and State requirements. The Medicaid Personal Care Services program in the City is administered by the City's Human Resources Administration. In its audit report issued in June 2009, the OIG, extrapolating from the case sample, estimated that the state improperly claimed $275.3 million in federal Medicaid reimbursement during the audit period and recommended to the Center for Medicare and Medicaid Services (CMS) that it seek to recoup that amount from the state. To the City's knowledge, CMS has not taken any action to recover amounts from the State based on the findings in this audit, but no assurance can be given that it will not do so in the future.

Section 22 of Part B of Chapter 109 of the Laws of 2010 amended an earlier unconsolidated state law to set forth a process under which the State Department of Health may recover from a social services district, including the City, the amount of a Federal Medicaid disallowance or recovery that the State Commissioner of Health "determines was caused by a district's failure to properly administer, supervise or operate the Medicaid program." Such a determination would require a finding that the local agency had "violated a statute, regulation or clearly articulated written policy and that such violation was a direct cause of the Federal disallowance or recovery." It is not clear whether the recovery process set out in the amendment can be applied to a Federal disallowance against the state based upon a pre-existing audit; however, in the event that it does, and results in a final determination by the State Commissioner of Health against the City, such a determination could result in substantial liability for the City as a result of the audit.

On October 27, 2014, a lawsuit under the False Claims Act against the City and Computer Sciences Corporation, a contractor that participated in the submission of claims for Medicaid reimbursement, was unsealed in the United States District Court for the Southern District of New York. Plaintiffs, consisting of the Federal government and a relator, allege fraud in connection with the use of diagnosis and other codes in seeking Medicaid reimbursement in connection with the Early Intervention Program. Plaintiffs seek treble damages and penalties. If plaintiffs were to ultimately prevail the City could be subject to substantial liability.

In July 2014, disability rights advocate organizations and disabled individuals commenced a putative class action against the City in the United States District Court for the Southern District of New York. Plaintiffs allege, among other matters, that the City has not complied with certain requirements of the Americans with Disabilities Act with respect to the installation, configuration and maintenance of curb ramps on sidewalks and requirements for sidewalk walkways in general in Manhattan south of 14th Street. If plaintiffs were to prevail, the City could be subject to substantial compliance costs.

On December 21, 2015, the United States Attorney for the Southern District of New York (USAO-SDNY) sent a findings letter to the DOE indicating various areas in which he alleged that the City elementary schools were not accessible to students with disabilities in violation of the Americans with Disabilities Act of 1990. The City and USAO-SDNY are currently in discussion as to the matters raised in the letter. Alterations to City elementary schools to address concerns raised in the findings letter could result in substantial compliance costs to the City.

In late 2015, a putative class action was filed against the City and the New York City Taxi and Limousine Commission alleging numerous commercial claims in connection with the November 2013 and February 2014 auctions of wheelchair accessible taxi medallions. Plaintiffs allege that the New York City Taxi and Limousine Commission negligently posted false information about average medallion transfer prices in advance of the auction, falsely inducing plaintiffs to bid higher amounts for their medallions, as well as failed to inform prospective bidders that the New York City Taxi and Limousine Commission would allow black cars to utilize electronic apps to prearrange rides, which plaintiffs argue violates their street hail exclusivity. In June 2017, the City's motion for summary judgment was granted, due to plaintiffs' failure to file notices of claim with the Office of the City Comptroller. The plaintiffs have sought to appeal that ruling. On January 31, 2017 and on March 23, 2017, in State Supreme Court, Queens County, a second and a third putative class action were filed, alleging similar claims. The City intends to challenge these newly filed cases. If a class of plaintiffs who purchased medallions at the auctions were certified and were to prevail in any of the three described cases, damages of several hundred million dollars could be sought.

In an action filed in late November 2015, plaintiffs, which consist of owners of independent taxi medallions and an owner-advocacy group, challenged the constitutionality of the New York City Taxi and Limousine Commission's rule requiring taxi medallion owners to place wheelchair accessible taxis on the street by 2020. In August 2016, the City's motion for summary judgment was granted. Plaintiffs filed a motion for reconsideration of that decision and that motion has been pending since November 2016. The potential cost to the City is uncertain at this time, but could be significant if plaintiffs were to prevail.

In an action filed in December 2015, plaintiffs that include owners of taxi medallions, taxi drivers, groups that finance taxi medallions, and taxi medallion interest groups, raised numerous constitutional claims challenging regulations on taxi medallions that allegedly are not applied to other for hire vehicle transportation that utilize apps for their service. In March 2017, the City was granted its motion to dismiss. The plaintiffs have appealed that ruling, and a briefing to the U.S. Court of Appeals for the Second Circuit is underway. If the plaintiffs were to ultimately prevail, the City could be subject to substantial liability.

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings alleging overvaluation, inequality, and illegality are pending against the City. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding certiorari proceedings to be $1,073 million and $982 million at June 30, 2017 and June 30, 2016 respectively. As reported in the government-wide financial statements.

Landfill Closure and Postclosure Care Costs

The City's only active landfill after October 9, 1993 was the Fresh Kills landfill, which has been closed since 2002. Upon the landfill becoming inactive, the City is required by Federal and State law, and under Consent Order with the State Department of Environmental Conservation to complete the Final Closure Plan, and to provide postclosure care for a minimum period of 30 years following closure. The Final Closure Plan includes the construction of final cover, stormwater management, leachate mitigation and/or corrective measures, and landfill gas control systems. Postclosure care includes environmental monitoring, and the operation, maintenance, recordkeeping and reporting for the final closure systems.

The liability for these activities as of June 30, 2017, which equates to the total estimated current cost, is $1.51 billion. There are no costs remaining to be recognized. Cost estimates are based on current data including contracts awarded by the City, contract bids, and engineering studies. These estimates are subject to adjustment for inflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates. For government-wide financial statements, the liability for closure and postclosure care is based on total estimated current cost. For fund financial statements, expenditures are recognized using the modified accrual basis of accounting when the related liability is incurred and the payment is due.

Resource Conservation and Recovery Act Subtitle D Part 258, which became effective April, 1997, requires financial assurance regarding closure and postclosure care. This assurance was most recently provided, on March 10, 2017, by the City's Chief Financial Officer placing in the Fresh Kills landfill operating record representations in satisfaction of the Local Government Financial Test. As of June 30, 2017, the financial assurance cost estimate for the Fresh Kills Landfill is $1.04 billion.

The City has five inactive hazardous waste sites not covered by the EPA rule. The City has recorded the long-term liability for these postclosure care costs in the government-wide financial statements.

During Fiscal Year 2017, expenditures for landfill and inactive hazardous waste site closure and postclosure care costs totaled $51.1 million.

The following represents the City's total landfill and hazardous waste sites liability which is recorded in the government-wide *Statement of Net Position*:

	Amount (in thousands)
Landfill	$1,314,989
Hazardous waste sites	193,020
Total landfill and hazardous waste sites liability	$1,508,009

Pollution Remediation Obligations

The pollution remediation obligations (PROs) at June 30, 2017 and June 30, 2016, summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	Fiscal Year 2017		Fiscal Year 2016	
	Amount (in thousands)	Percentage	Amount (in thousands)	Percentage
Imminent endangerment	$ —	—%	$ 111	0.1%
Violation of Pollution prevention-related permit or license	—	—	2,123	1.0
Named by regulator as a potentially responsible party	70,670	34.9	50,970	24.4
Voluntary commencement	131,907	65.1	155,669	74.5
Total	$202,577(1)	100.0%	$208,873(1)	100.0%

Pollution Type	Amount (in thousands)	Percentage	Amount (in thousands)	Percentage
Asbestos removal	$ 86,417	42.7%	$ 97,802	46.8%
Lead paint removal	9,376	4.6	12,515	6.0
Soil remediation	47,097	23.2	39,075	18.7
Water remediation	57,872	28.6	57,784	27.7
Other	1,815	0.9	1,697	0.8
Total	$202,577(1)	100.0%	$208,873(1)	100.0%

(1) There are no expected recoveries to reduce the liability.

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department relates that The City have approximately 14 cases involving hazardous substances, including spills from above and underground storage tanks, and other condemnation on, or caused by facilities on City-owned property. and there is also one case involving environmental review and land use. Due to the uncertainty of the legal proceedings we cannot estimate a future liability.

The City, in compliance with the State Department of Environmental Conservation Permit Number 2-6302-00007/00019 issued pursuant to 6 NYCRR Part 360, must provide financial assurance for the closure of the North Shore Marine Transfer Station. Such surety instrument must conform to the requirements of 6 NYCRR Part 260-1.12. The liability for closure as of June 30, 2017, which equates to the total current cost, is $987 thousand. The cost estimate is based on current data and is representative of the cost that would be incurred by an independent party. The estimate is subject to adjustment for inflation and to account for changes in regulatory requirements or cost estimates. For government-wide financial statements, the liability for closure is based on total estimated current cost. For fund financial statements, expenditures are recognized using the modified accrual basis of accounting when the closure costs are incurred and the payment is due.

On Monday, October 29, 2012, Super Storm Sandy hit the Mid-Atlantic East Coast. The storm caused widespread damage to the coastal and other low lying areas of the City, and power failures in various parts of the City, including most of downtown Manhattan. On January 29, 2013, President Obama signed legislation providing for approximately $50.5 billion in storm-related aid for the region affected by the storm. Although it is not possible for the City to quantify the full, long-term impact of the storm on the City and its economy, the current estimate of the direct costs to the City, NYCHH and NYCHA is approximately $10.4 billion (comprised of approximately $2.1 billion of expense funding and approximately $8.3 billion of capital funding). Such direct costs represent funding for emergency response, debris removal, emergency protective measures, repair of damaged infrastructure and long-term hazard mitigation investments. In addition, the City is delivering Super Storm Sandy-related disaster recovery assistance services, benefiting impacted communities, businesses, homeowners and renters, which the City anticipates will be fully reimbursed by federal funds.

The Financial Plan assumes that the direct costs described above will largely be paid from non-City sources, primarily the federal government, and that the disaster assistance services costs described above will be fully reimbursed by federal funds. The City expects reimbursements to come from two separate federal sources of funding, FEMA and HUD. The maximum reimbursement rate from FEMA is 90% of total costs. Other funding sources may have larger local share percentages. The City expects to use $736 million of Community Development Block Grant Disaster Recovery funding allocated by HUD to meet the local share requirements of the FEMA funding, as well as recovery work not funded by FEMA or other federal sources. This allocation would be available to fill gaps in such FEMA funding. As of early July 2017, the City, NYCHH and NYCHA have received $2.1 billion in reimbursements from FEMA for the direct costs described above. In addition, HUD has made available over $4.2 billion, of which over $1.7 billion has been received through early July 2017 for the direct costs and disaster recovery assistance services described above. No assurance can be given that the City will be reimbursed for all of its costs or that such reimbursements will be received within the time periods assumed in the Financial Plan.

In June 2013, the City released a report, updated in April 2015, with the release of One New York: the Plan for a strong and just City, which analyzed the City's climate risks and outlined certain recommendations to address those risks (the "Report"). The Report is updated on an annual basis, with the last update released April 21, 2017. The Report, as updated, outlines a climate resiliency plan costing in excess of $20 billion, covering over 1,000 individual projects citywide. The Report includes City and non-City assets and programs, and reflects both expense and capital funding from the City and from other sources. City capital funding for City infrastructure and coastal protection is included in the Ten Year Capital Strategy, and the City has secured significant federal relief for long-term recovery, largely from FEMA and HUD. However, there are currently approximately $5 billion in unfunded climate resiliency proposals set forth in the Report, particularly for investments in the City's coastal protection plan and resiliency retrofits for buildings, which are not currently funded. These proposals would require increased federal or other funding and increased City capital or expense funding.

On March 2, 2010, the United States Environmental Protection Agency (EPA) listed the Gowanus Canal (the Canal), a waterway located in the City, as a Federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The EPA considers the City a potentially responsible party (PRP) under the CERCLA, based on contaminants from currently and formerly City-owned and operated properties, as well as from the City's combined sewer overflows (CSOs). On September 30, 2013, the EPA issued the Record of Decision (ROD) for the Canal, setting forth requirements for dredging contaminated sediment in the Canal and covering it with a cap as well as source control requirements. The ROD requires that two CSO retention tanks be constructed as part of the source control component of the remedy. The EPA estimates that the costs of the tanks will be approximately $85 million and the overall cleanup costs (to be allocated among potentially responsible parties) will be $506 million. The City anticipates that the actual cleanup costs could substantially exceed the EPA's cost estimate.

On May 28, 2014, the EPA issued a unilateral administrative order requiring the City to design major components of the remedy for the Canal, including the CSO retention tanks, remediation of the First Street basin (a currently filled-in portion of the Canal), and storm water controls. As required under the Unilateral Order, the City submitted its siting recommendations for the CSO tanks to the EPA on June 30, 2015. As set forth in a consent order which was fully executed on June 9, 2016, the EPA agrees with the City's preferred location for one of the tanks and, with respect to the other tank, the EPA has directed the City to site the tank at the City's preferred location subject to certain milestones. In addition, the City is participating in an ongoing arbitration process with approximately 20 other parties to determine each party's share of liability for the design of the in-canal (dredging and capping) portion of the remedy.

On September 27, 2010, the EPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, as a Superfund site. On April 6, 2010, the EPA notified the City that the EPA considers the City a PRP under the CERCLA for hazardous substances in Newtown Creek. In its Newtown Creek PRP notice letter, the EPA identified historical City activities that filled former wetlands and low lying areas in and around Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and CSO outfalls, as potential sources of hazardous substances in Newtown Creek. In July, 2011, the City entered into an Administrative Settlement Agreement and Order on Consent with the EPA and five other PRPs to conduct an investigation of conditions in Newtown Creek and evaluate feasible remedies. The investigation and feasibility study is expected to take approximately seven years. Under the AOC, the City is required to establish and maintain financial security in the amount of $25 million for the benefit of the EPA in order to secure the full and final completion of the work required to be performed under the AOC by the City and the Newtown Creek Group, the group of five companies that are respondents to the AOC, in addition to the City. The City has made its demonstration of financial assurance pursuant to the Resource Conservation and Recovery act, 40 CFR section 258.74(f). The City's share will be determined in a future allocation proceeding. The settlement does not cover any remedy that may ultimately be chosen by the EPA to address the contamination identified as a result of the investigation and evaluation.

On May 12, 2014, the EPA listed the former Wolff-Alport Chemical Company site (Wolff-Alport Site) in Ridgewood, Queens, as a Superfund site. The designation is based on radioactive contamination resulting from the operations of the Wolff-Alport Chemical Company during the 1920s to 1950s, which, among other things, disposed of radioactive material on-site and via the sewer system. In 2013, the EPA, in cooperation with City and State agencies, completed a response action to implement certain interim remedial measures at the Wolff-Alport Site to address the site's short-term public health risks. The Superfund process will include a remedial investigation that will assess, among other things, impacts to the sewer system from operations at the Wolff-Alport Site. The remedial investigation was recently commenced.

The National Park Service (NPS) is undertaking a CERCLA removal action at Great Kills Park on Staten Island to address radioactive contamination that has been detected at the site. Great Kills Park was owned by the City until roughly 1972, when it was transferred to NPS for inclusion in the Gateway National Recreation Area. While owned by the City, the site was used as a sanitary landfill, and the park was also expanded using urban fill. NPS believes that the radioactive contamination is the result of City activities and that the City is therefore liable for the investigation and remediation under the CERCLA. The City has negotiated a settlement with NPS to address a remedial investigation and feasibility study. No other PRPs have been identified at this time.

Under the CERCLA, a responsible party may be held responsible for monies expended for response actions at a Superfund site, including investigative, planning, removal, remedial and the EPA enforcement actions. A responsible party may also be ordered by the EPA to take response actions itself. Responsible parties include, among others, past or current owners or operators of a facility from which there is a release of a hazardous substance that causes the incurrence of response costs. The nature, extent, and cost of response actions at either the Canal, Newtown Creek, the Wolff-Alport site or Great Kills Park, the contribution, if any, of discharges from the City's sewer system or other municipal operations, and the extent of the City's liability, if any, for monies expended for such response actions, will likely not be determined for several years and could be material.

6. Interfund Receivables, Payables, and Transfers

At June 30, 2017 and 2016, City and discretely presented component units receivable and payable balances and interfund transfers were as follows:

Governmental activities:

Due from/to other funds:

Receivable Fund	Payable Fund	2017	2016
		(in thousands)	
General Fund	Capital Projects Fund	$3,531,798[1]	$3,167,180[1]
	TDC—General Fund	—	277
	TFA—Debt Service	78,222	63,405
Capital Projects Fund	TFA—Capital Projects Fund	1,050,020	6,321
	HYIC—Capital Projects Fund	861	347
HYDC—Capital Projects Fund	HYIC—Capital Projects Fund	44	45
HYIC—Debt Service Fund	HYIC—Capital Projects Fund	214	94
Total due from/to other funds		$4,661,159	$3,237,669

Component Units:

Due from/to City and Component Units:

Receivable Entity	Payable Entity	2017	2016
		(in thousands)	
City—General Fund	Component units—HDC	$1,234,722	$1,022,190
	HHC	617,154	504,902
	Less:allowance for uncollectable amounts	(61,690)	(371,480)
		1,790,186	1,155,612
City—Capital Projects Fund	Component units—Water Authority	525,138	498,330
	EDC	139,146	127,243
		664,284	625,573
Total due from Component Units		$2,454,470	$1,781,185
Component Unit—Water Board	City—General Fund	$ 34,515	$ 194,362
Component Unit—BPL	City—General Fund	1,711	717
Component Unit—QBPL	City—General Fund	21,405	22,349
Total due to Component Units		$ 57,631	$ 217,428

(1) Net of eliminations within the same fund type.

Note: During Fiscal Years 2017 and 2016, the Capital Projects Fund reimbursed the General Fund for expenditures made on its behalf.

The outstanding balances between funds are the result of the time lag between the dates that the interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All interfund balances are expected to be settled during the subsequent year.

Governmental activities:

Interfund transfers[1]

	Fiscal Year 2017					
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
	(in thousands)					
Transfer from (to):						
General Fund	$ —	$ —	$3,500,830	$ 2,338,018	$ —	$ 5,838,848
General Debt Services Fund	(3,500,830)	—	—	—	—	(3,500,830)
Capital Projects Fund	—	—	—	(4,721,999)	—	(4,721,999)
Nonmajor Debt Service Funds	(2,635,269)	—	—	(3,861)	297,251	(2,341,879)
Nonmajor Capital Projects Funds	—	4,721,999	—	4,804	—	4,726,803
Nonmajor Special Revenue Funds	—	—	—	(943)	—	(943)
Total	$(6,136,099)	$ 4,721,999	$3,500,830	$(2,383,981)	$ 297,251	$ —

	Fiscal Year 2016					
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
	(in thousands)					
Transfer from (to):						
General Fund	$ —	$ —	$3,619,487	$ 2,052,943	$ —	$ 5,672,430
General Debt Service Fund	(3,619,487)	—	—	—	—	(3,619,487)
Capital Projects Fund	—	—	—	(4,836,353)	—	(4,836,353)
Nonmajor Debt Service Funds	(2,233,233)	—	—	(23,358)	180,290	(2,076,301)
Nonmajor Capital Projects Funds	—	4,836,353	—	3,794	—	4,840,147
Nonmajor Special Revenue Funds	—	—	—	19,564	—	19,564
Total	$(5,852,720)	$ 4,836,353	$3,619,487	$(2,783,410)	$ 180,290	$ —

(1) Transfers are used to: (i) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as aid or matching funds for grant programs, (ii) move restricted amounts borrowed by authorized fund or component unit to finance Capital Projects Fund expenditures, (iii) move unrestricted surplus revenue from the General Fund to finance Capital Projects Fund expenditures and prepay debt service coming due in the next fiscal year, and (iv) move revenue from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due.

In the fiscal year ended 2017, the City made the following transfer: A transfer from the General Fund in the amount of $1.9 billion to TFA. The funds were used to fund debt service requirements for future tax secured debt during the fiscal year ending June 30, 2018.

In the fiscal year ended 2016, the City made the following transfers: Transfers of unrestricted grants from the General Fund in the amount of $1.7 billion to TFA. These funds were used to fund debt service requirements for future tax secured debt ($1.6 billion) and building aid revenue debt ($76.8 million) during the fiscal year ending June 30, 2017.

7. Tax Abatements

NYC Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	**Programs Administered by NYC Housing Preservation & Development (HPD)**	
	J51 Program	**Commercial Conversion Programs 421-a, 421-b and 421-g**
1) Purpose of program	Encourages the renovation of residential properties to owners of residential real property who perform rehabilitation work.	Designed to encourage the new construction of multiple dwellings (421-a), new construction or conversion or reconstruction of owner-occupied one- and two-family homes (421-b), and the construction and conversion of commercial buildings to residential apartment buildings (421-g) by providing real property tax benefits for eligible parcels.
2) Tax being abated.	Real Property Tax	Real Property Tax
3) Authority under which abatement agreements are entered into.	New York State (NYS) Real Property Tax Law (RPTL): Article 4, Title 2, Section 489 and the NYC Administrative Code, Title 11, Chapter 2, Subchapter 2, Parts 1, 11-242, 11-243, 11-244 and 11-245.8	NYS RPTL: Article 4, Title 2, Sections 421-a, 421-b, and 421-g.
4) Criteria to be eligible to receive abatement.	The projects may be government-assisted or privately financed for moderate and gut rehabilitation of multiple dwellings. The projects may also be for major capital improvements, conversions of lofts and non-residential buildings into multiple dwellings, and for certain cooperative/condominium and conversions to residential property projects.	a) 421-a Program: The buildings must receive governmental assistance, contain 20% affordable units, or the owner must participate in an affordable housing production program. b) 421-b Program: The homes must be owner-occupied and may not include commercial or other non-residential space. c) 421-g Program: The conversions must have an alteration Type 1 permit dated before June 30, 2006. All of the programs have eligible abatement zones.
5) How recipients' taxes are reduced.	Through both a reduction of the property's assessed value and as a credit to the amount of taxes owed.	421-a and 421-b: Through a reduction of the property's assessed value; 421-g: Through both a reduction of the property's assessed value and as a credit to the amount of taxes owed.
6) How amount of abatement is determined.	The amount of the direct reduction to the remaining billable amount due is based on the calculated "Certified Reasonable Cost"; a percentage is applied to that figure to determine the Lifetime Abatement Amount or Abatement Pool.	a) 421-a Program: The benefit is based on a reduction of assessment value of the new construction for a three year construction benefit period, up to 25 years following the construction period. b) 421-b Program: The building assessment is exempt during the construction period and for an additional two years; the benefit then declines until the ninth year. c) 421-g Program: There is a construction period abatement from the increase in real estate taxes resulting from the work, and a 14 year abatement (ten years full and four year phase out) based on the existing real estate taxes in year one of the benefit term.
7) Provisions for recapturing abated taxes.	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes.	Commitments, other than reducing taxes, may only be applicable with 34-year government-assisted construction projects. In these instances the City supports Participants in the associated construction costs.	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement.	2017 / 2016 (in thousands) $286,900 / $266,200	2017 / 2016 (in thousands) $1,381,400 / $1,286,900

Programs Administered by NYC Housing Preservation & Development (HPD)

Division of Alternative Management Programs (DAMP)	Urban Development Action Area Programs (UDAAP)	Low Income Housing Program 420-C
DAMP encourages community growth by returning City-owned buildings to responsible private owners. DAMP offers incentive programs that select alternative managers for residential properties foreclosed by the City for nonpayment of taxes, with the goal of returning these properties to the tax roll.	UDAAP offers incentive programs for rehabilitating housing or building new housing.	To encourage upgrades to existing housing by providing a tax incentive for buildings developed by not-for-profit entities which were financed with the Federal Low Income Tax Credit program.
Real Property Tax	Real Property Tax	Real Property Tax
Housing Finance Law: Article XI: Section 577.	General Municipal Law 696: Article 16.	NYS RPTL: Article 4, Title 2, Section 420c
The benefits are limited to residential properties that were foreclosed on by the City for nonpayment of taxes.	The housing must be designated by the City Council as an area in need of urban renewal.	The property must provide housing accommodations to persons and families of low income, participates or has participated in the Federal Low-Income Housing Tax Credit (LIHTC) program, and is subject to a regulatory agreement with HPD.
Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.
The benefit is equal to the assessed value times an eligible percentage less the DAMP ceiling, which sets a limit on the maximum taxable assessment that can be placed on a property.	The UDAAP benefit is equal to the delta between the building Assessed Value (AV) in the base year and the building AV in the benefit year, up to 20 years.	The benefit provides a 100% reduction from real estate taxes for the term of the regulatory agreement up to a maximum of 60 years.
N/A	N/A	Previously abated taxes are not recaptured unless there is a direct demand from HPD to do so.
N/A	N/A	N/A
2017 / 2016 (in thousands) $39,400 / $34,100	2017 / 2016 (in thousands) $23,000 / $24,100	2017 / 2016 (in thousands) $210,800 / $164,200

NYC Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	**Programs Administered by NYC Department of Finance (DOF)**	
	The Commercial Revitalization (CRP) and Commercial Expansion (CEP) Programs	**Industrial and Commercial Incentive Program (ICIP) and Industrial and Commercial Abatement Program (ICAP)**
1) Purpose of Program	CRP provides a real property tax reduction in lower Manhattan by encouraging owners to invest in building improvements for offices, retail or elementary or secondary schools. The CEP provides a real property tax reduction for space that has been leased for commercial offices, industrial/manufacturing spaces, retail or elementary or secondary schools in the outer boroughs or Manhattan above 96th street and the Garment District.	ICAP replaced ICIP in 2008. Both programs encourage economic development for construction and rehabilitation of commercial, industrial or mixed-use structures.
2) Tax being abated.	Real Property Tax	Real Property Tax
3) Authority under which abatement agreements are entered into.	The CRP is governed by the NYS RPTL: Title 4; the CEP is governed by the NYS RPTL: Title 4a.	NYS RPTL: Article 4, Title 2F, Section 489; aaaaaa-kkkkkk the NYC Administrative Code: Title 11, Chapter 2, Subchapter 2, Part 5.
4) Criteria to be eligible to receive abatement.	Both programs require commercial tenant occupancy in commercial offices and that the space leased out be located in a non-residential or mixed-use building. Both programs also have minimum requirements regarding expenditures for tenant improvement per square foot. In addition, the CEP requires a minimum aggregate floor area of 25,000 square feet.	The programs require industrial construction work where, after completion, at least 75 percent of the total net square footage is used or available for manufacturing activities. The buildings must also be located in an allowable zone within the City, which varies depending on whether the project is for a commercial new construction, a commercial renovation construction, or an industrial construction. Depending on the property's taxable assessed value, applicants must meet a minimum required expenditure amount in order to be eligible in the tax year, with a taxable status date immediately preceding the issuance of the first building permit or, if no permit is required, the start of construction.
5) How recipients' taxes are reduced.	Through a reduction of the property's assessed value.	As a credit to the amount of taxes owed.
6) How amount of abatement is determined.	The granted abatement is realized from a calculation formula base abatement (the lower of the tax liability/building sq. ft. or $2.50 per sq. ft.) multiplied by square footage multiplied by abatement percentage.	The base abatement amount year is the amount that the post-completion tax liability exceeds 115% of the initial tax liability for each type of abatement, except for the additional industrial abatement. The calculated base abatement is then subjected to a corresponding timetable.
7) Provisions for recapturing abated taxes.	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes.	N/A	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement.	2017: $18,400; 2016: $18,500 (in thousands)	2017: $740,600; 2016: $709,400 (in thousands)

Programs Administered by NYC Department of Finance (DOF)		
Relocation and Assistance Programs—(REAP), Lower Manhattan Relocation and Employment Assistance Program for Eligible Benefits (LMREAP-EB) and Lower Manhattan Relocation and Employment Assistance Program for Special Eligible Benefits (LMREAP-SEB)	**Sports Arena Used by the NHL and NBA**	**Major Capital Improvement (MCI) Program**
Offers business income tax credits for relocating jobs outside of the City to designated locations within the City.	Ensure the viability of a major league sports facility in the City.	To help compensate landlords of rent-regulated buildings for economic losses resulting from the lengthening of the period for amortizing major capital improvement costs.
The credits may be taken against the City's general corporation tax, banking corporation tax, unincorporated business tax, and/or utility tax.	Real Property Tax	Real Property Tax
NYC Administrative Code: Title 11, Chapter 6, Subchapter 3, Part 4, Section 11-643.9, 11-1105.211-1105.3	NYS RPTL: Section 429.	NYS RTPL Laws of 2015, Chapter 20 (Part A, §65)
For REAP, LMREAP-EB, and LMREAP-SEB, eligible businesses must have conducted substantial business operations outside of the City for at least 24 consecutive months before relocating; most retail and hotel services do not qualify. The eligibility requirements are that the premises must be nonresidential; have been improved by construction or renovation; the lease term must be at least three years; and expenditures for improvements must be more than $25 per square foot. For LMREAP-SEB, eligible businesses must move at least 250 employees or increase its payroll by 25%.	For Madison Square Garden	The benefits are provided to building owners of rent regulated class 2 properties (residential property with more than 3 units including cooperatives and condominiums).
As a credit to the amount of taxes owed.	Through a reduction of the property's assessed value.	As a credit to the amount of taxes owed.
For REAP, LMREAP-EB and LMREAP-SEB, eligible business receives a $3,000 annual credit, per eligible employee, up to 12 years. REAP allows an additional credit of $1,000 per share for relocating to parts of the eligible area that are not revitalization areas.	100% reduction of the property tax.	The abatement equals 50% of the economic loss attributable to the extended amortization period. The economic loss is determined by multiplying the approved cost of the MCI by a fraction. The numerator is the increase in months in the new amortization period; the denominator is the total number of months in the new amortization period.
N/A	N/A	N/A
N/A	N/A	N/A
2017 / 2016 (in thousands)	2017 / 2016 (in thousands)	2017 / 2016 (in thousands)
$28,000 / $22,000	$42,000 / $41,500	$7,700 / $—

NYC Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	**Program Administered by NYC Department of Buildings (DOB)**	**Programs Administered by NYC Industrial Development Agency (IDA)**	**Program Administered by Build NYC Resource Corporation[3]**
	Solar Electric Generating System (SEGS) Abatement Program	**Commercial Growth and Industrial Incentive Programs**	**Build NYC Tax Abatement Program**
1) Purpose of Program	The program provides tax benefits to properties that use solar power. This process allows for a reliable alternative energy source to be available during peak hours and power outages. Additionally, less energy being produced by traditional combustion of fossil fuels means less air pollution and cleaner air, and solar energy does not emit greenhouse gas emissions.	Designed to encourage economic development in the City. The Commercial Growth[1] and Industrial Incentive[2] programs retain, expand, and attract commercial and industrial businesses, and the related economic benefits and job creation and retention associated with them.	As a conduit bond issuer, the primary goal is to facilitate access to private activity tax-exempt bond financing for qualified projects.
2) Tax being abated.	Real Property Tax	a) Real Property Tax (via a PILOT); b) State and Local Sales Tax (ST); and c) Mortgage Recording Tax (MRT).	Mortgage Recording Tax (MRT)
3) Authority under which abatement agreements are entered into.	RPTL: Title 4C (499 aaaa - 499 gggg) parcel.	Industrial Development Act of 1969 as governed by Article 18: A of the General Municipal Law[3].	Section 411 of the New York Not-for-profit Law.
4) Criteria to be eligible to receive abatement.	The abatement is applied to the property for a four-year period starting on July 1, following DOB approval. Class 1, 2, and 4 properties are eligible; however, if you receive ICAP, 421-a, 421-b, 421-g, or pay payments in-lieu-of-tax (PILOTs), your property is NOT eligible for the Solar Electric Generating System Tax Abatement.	All applicants must satisfy eligibility requirements and must demonstrate a need for assistance. Applicants are selected based on an analysis of the economic benefit of the proposed project in compliance with the uniform Tax Exemption Policy of IDA. Stores that benefit from the Fresh Project Program must be located in an eligible area.	The projects must have been undertaken by Build NYC, as mortgagee, who records a mortgage, for the creation or retention of jobs. Build NYC assists qualified projects in obtaining tax-exempt bond financing as a conduit bond issuer.
5) How recipients' taxes are reduced	Through both a reduction of the property's assessed value and as a credit to the amount of taxes owed.	The projects are tax exempt but businesses receiving such benefits typically make PILOTs. PILOT payments are a stepped-down percentage of full real estate tax rates.	Build NYC has authorization to exempt MRT due upon the recording of a mortgage associated with Build NYC sponsored bond transactions.
6) How amount of abatement is determined.	Depending on the date the system was placed in service, the benefit is the lesser of 2.5%-8.75% of the installation costs limited to the property tax for the year, or $62,000.	a) PILOT tax abatements are typically granted for a 20 year period followed by a 5 year "phase in" period during which the tax rates paid by the PILOT recipient are increased each year by 20% of the abated amount until the full rate is reached in year 25; b) The MRT abatement is a singular benefit received at closing only for projects that are financed, and c) The ST abatements apply for eligible purchases to be used at project facilities. The Yankee and Mets stadium projects coincide with the underlying debt service related to the construction of the stadiums and the length of the abatements cover a 36-40 year period.	One hundred percent reduction of the MRT.
7) Provisions for recapturing abated taxes.	N/A	Program participants are required to adhere to various lease provisions as a prerequisite to receive abatement benefits. The lease provisions authorize benefit recapture in the case of non-compliance.	A change in the utilization of the facility that compromises the tax exempt status of the underlying tax exempt debt, the sale of the property, absent specific preauthorization, that includes the maintenance of the original tax exempt utilization of the property and/or the bankruptcy or cessation of operations of the facility/entity. Projects are subject to a benefit recapture period of ten years.
8) Types of commitments made by the City other than to reduce taxes.	N/A	N/A	N/A
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement.	2017 / 2016 (in thousands)	2017 / 2016 (in thousands)	2017 / 2016 (in thousands)
	2017: $7,000 2016: $4,600	**Commercial Growth Programs:** a) PILOT — 2017: $51,000; 2016: $74,600 b) ST — 2017: $3,600; 2016: $5,000 **Industrial Incentive Programs:** a) PILOT — 2017: $29,500; 2016: $28,600 b) ST — 2017: $1,800; 2016: $2,000 c) MRT — 2017: $568; 2016: $8,800	2017: $1,600 2016: $11,700

NYC Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	**Programs Administered by the State of New York**			
	Battery Park City Authority (The Authority)		**Urban Development Corporation (currently known as Empire State Development Corporation [ESDC])**	
1) Purpose of Program	The Authority was created for the benefit of the people of the State of New York, the county of New York, and the City, and is a public purpose, regarded as performing a governmental function in the exercise of the powers conferred upon it, and shall be required to pay no taxes upon any of the properties acquired by it or under its jurisdiction or control or supervision or upon its activities.		The acquisition, construction, reconstruction, rehabilitation, or improvement of such industrial, manufacturing, and commercial facilities, and of such cultural, educational, and recreational facilities including but not limited to facilities identified as projects are public uses and public purposes for which public money be loaned and private property may be acquired and tax exemption granted, and that the powers and duties of the Urban Development Corporation as hereinafter prescribed are necessary and proper for the purpose of achieving the ends here recited.	
2) Tax being abated.	Real Property Tax		Real Property Tax	
3) Authority under which abatement agreements are entered into.	Public Authority Law: Section 1981.		McKinney's Unconsolidated Laws of NY: Section 6252.	
4) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement.	2017	2016	2017	2016
	(in thousands)		(in thousands)	
	$198,500	$185,100	$317,700	$315,700

(1) Stadia transactions are a unique subset within the Commercial Growth portfolio. There are only two such transactions and they relate to the construction of the Yankee and Mets baseball stadiums in the Bronx and Queens, respectively. These transactions are unique in that the related PILOT payments coincide with the underlying debt service related to the construction of the stadiums. As such, the length of these abatements related to the Yankee and Mets stadiums cover a 36 and 40 year period, respectively.

(2) These businesses include Warehousing, Distribution Centers and Logistics. The FRESH projects are a subset of the Industrial Incentive Transactions and target food distribution companies.

(3) City Charter 1301(1) (b) requires NYCEDC, NYCIDA and Build NYC to report on projects undertaken for the purposes of the creation or retention of jobs if, in connection with such projects, Financial Assistance was provided in the form of loans, grants or tax benefits. In compliance with this requirement, a detailed report is prepared annually and posted on the NYCEDC web site that lists both summary and transaction level detail for all active projects. This report can be accessed at www.nycedc.com/about-nycedc/financial-public-documents.

Note: There were no amounts received or receivable from other governments; there were no government made commitments other than to reduce taxes; there were no abatements disclosed separately, and no information was omitted if required by GASB Statement No. 77.

8. Superstorm Sandy

Government Assistance

On October 29, 2012, Superstorm Sandy made landfall in the City. The storm surge and high winds caused significant damage in the City, as well as other states and cities along the U.S. mid-Atlantic seaboard. The City incurred costs for emergency response and storm related damages to City buildings and other assets. The City is eligible for recovery funding primarily through two federal programs: Federal Emergency Management Agency - Public Assistance (FEMA-PA) and the U.S. Department of Housing and Urban Development's Community Development Block Grant Disaster Recovery program (CDBG-DR).

As of June 30, 2017, the estimated value of emergency response and storm related damages, including mitigation, for FEMA and other smaller related federal programs was approximately $10.4 billion—this includes $8.3 billion for capital construction and $2.1 billion for debris removal and emergency response activities. To the extent that eligible Superstorm Sandy related costs were incurred as of June 30, 2017, the FEMA reimbursement has been received or accrued as receivable in Fiscal Year 2017.

The City has also been awarded more than $4.2 billion of CDBG-DR funding. The major portion of these funds is being used for housing recovery programs. The block grant also funds small business assistance, costs related to repairing infrastructure and delivering city services, and resiliency investments such coastal protection measures.

E. Other Information

1. Audit Responsibility

In Fiscal Years 2017 and 2016, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Grant Thornton, LLP are TSASC, Inc., New York City School Construction Authority, New York City Health and Hospitals Corporation, New York City Housing Development Corporation, New York City Industrial Development Agency, New York City Economic Development Corporation, New York City Business Assistance Corporation, Business Relocation Assistance Corporation, Brooklyn Navy Yard Development Corporation, The City of New York Deferred Compensation Plan, WTC Captive Insurance Company, Inc., New York City Educational Construction Fund, Sales Tax Asset Receivable Corporation, Fiscal Year 2005 Securitization Corporation, NYCTL Trusts, New York City Housing Authority, Hudson Yards Infrastructure Corporation, Hudson Yards Development Corporation, Brooklyn Bridge Park Corporation, The Trust for Governors Island, Build NYC, New York City Land Development Corporation, New York City Neighborhood Capital Corporation, New York City Transitional Finance Authority, New York City Technology Development Corporation, New York City Water and Sewer System, the Brooklyn Public Library, the Queens Borough Public Library and Affiliates, New York City School Support Services, New York City Employees' Retirement System, Teachers' Retirement System of The City of New York, New York City Board of Education Retirement System, New York City Police Pension Funds, New York City Fire Pension Funds, and the New York City Other Postemployment Benefits Plan.

	Government-wide						Fund-based			
	Governmental Activities		Business-Type Activities		Component Units		Nonmajor Governmental Funds		Fiduciary Funds	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Total Assets	7%	7%	100%	100%	100%	100%	100%	100%	98%	98%
Revenues, other financing sources and net position held in trust	5%	5%	100%	100%	100%	100%	100%	100%	100%	100%

2. Subsequent Events

The following events occurred subsequent to June 30, 2017:

Water Authority: On July 11, 2017, the New York City Municipal Water Finance Authority issued $162,405,000 of Fiscal Series 2018 AA Second General Resolution Bonds to refund a portion of its outstanding bonds at lower interest rates.

On October 12, 2017 the New York City Municipal Water Finance Authority issued $383,975,000 of Fiscal Series 2018 BB Bonds for capital purposes and to convert a portion of its outstanding variable rate bonds to fixed rate.

TFA Debt: On July 20, 2017, the New York City Transitional Finance Authority issued $1,007,545,000 of Fiscal 2018 Series S Building Aid Revenue Bonds to refund a portion of its outstanding bonds at lower interest rates.

On August 17, 2017, the New York City Transitional Finance Authority issued $1,350,000,000 of Fiscal 2018 Series A Future Tax Secured bonds for capital purposes and reoffered $161,075,500 of Fiscal 2018 Series 1 Future Tax Secured Bonds to convert a portion of its outstanding variable rate bonds to fixed rate.

On October 26, 2017, the New York City Transitional Finance Authority issued $990,000,000 of Fiscal 2018 Series B Future Tax Secured Bonds for capital purposes.

NYCTLT 2017-A: On July 27, 2017, NYCTLT 2017-A issued Tax Lien Collateralized Bonds, Series 2017-A of $68,017,000 to fund the purchase of certain liens from the City.

Interest Rate Exchange Agreements: On August 1, 2017, $18.04 million of Hedging Derivative L matured as scheduled.

City Debt: On August 10, 2017, the City of New York issued $898,965,000 of Fiscal 2018 Series A General Obligation bonds to refund a portion of its outstanding bonds at lower interest rates and reoffered $59,970,000 of Fiscal 2002 Subseries A-10 to convert a portion of its outstanding variable rate bonds to fixed rate.

On October 3, 2017, the City of New York issued $1,000,000,000 of Fiscal 2018 Series B General Obligation bonds for capital purposes and $307,305,000 of Fiscal 2018 Series 1 General Obligation bonds to convert a portion of its outstanding variable rate bonds to fixed rate.

3. Other Employee Benefit Trust Funds

Deferred Compensation Plans For Employees of The City of New York and Related Agencies and Instrumentalities (DCP) and the New York City Employee Individual Retirement Account (NYCE IRA)

DCP offers employees of The City and Related Agencies and Instrumentalities two defined contribution plans in accordance with Internal Revenue Code Sections 457 and 401(k). DCP permits employees to defer a portion of their salary on either a pre-tax (traditional) or after-tax (Roth) basis until future years. Funds may not be withdrawn until termination, retirement, death, Board-approved unforeseen emergency or hardship (as defined by the Internal Revenue Code) or, if still working for the City, upon attainment of age 70 ½ in the 457 Plan or upon age 59 ½ for the 401(k). A 401(a) defined contribution plan is available to certain employees of the Lieutenant's Benevolent Association and the Captains Endowment Association of The City of New York Police Department.

The NYCE IRA is a deemed Individual Retirement Account (IRA) in accordance with Internal Revenue Code Section 408(q) and is available as both a traditional and Roth IRA to those employees eligible to participate in the 457 Plan and 401(k) Plan and their spouses along with former employees and their spouses. Funds may be withdrawn from the NYCE IRA at any time, subject to an early withdrawal penalty.

Amounts maintained under a deferred compensation plan and an IRA by a state or local government are held in trusts (or in a custodial accounts) for the exclusive benefit of participants and their beneficiaries. The DCP plans and IRA are presented together as an Other Employee Benefit Trust Fund in the City's financial statements.

Participants in DCP or NYCE IRA can choose among seven investment options, or one of twelve pre-arranged portfolios consisting of varying percentages of those investment options. Participants can also invest a portion of their assets in a self-directed brokerage option.

The New York City Other Postemployment Benefits Plan (OPEB Plan)

The OPEB Plan is a fiduciary component unit of the City and is composed of: (1) the New York City Retiree Health Benefits Trust (RHBT) which is used to receive, hold, and disburse assets accumulated to pay for some of the OPEB provided by the City to its retired employees, and (2) OPEB paid for directly by the City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of the City's retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the City's various collective bargaining agreements and the City's Administrative Code. Amounts contributed to RHBT by the City are held in an irrevocable trust and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, the OPEB Plan is presented as an Other Employee Benefit Trust Fund in the City's financial statements. The separate annual financial statements of the OPEB Plan are available at: Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007, or at www.comptroller.nyc.gov.

Summary of Significant Accounting Policies:

Basis of Accounting. The measurement focus of the OPEB Plan is on the flow of economic resources. This focus emphasizes the determination of changes in the OPEB Plan's net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the *Statement of Fiduciary Net Position*. This fund uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments. Investments are reported on the *Statement of Fiduciary Net Position* at fair value based on quoted market prices.

4. Other Postemployment Benefits

Program Description. Postemployment benefits other than pensions (OPEB) provided to eligible retirees of the City and their eligible beneficiaries and dependents (hereafter referred to collectively as "Retiree Participants") include: health insurance, Medicare Part B Premium reimbursements and welfare fund contributions. OPEB are funded by the OPEB Plan, a single employer plan.

Funding Policy. The Administrative Code of The City of New York (ACNY) defines OPEB stemming from the City's various collective bargaining agreements. The City is not required by law or contractual agreement to provide funding for the OPEB other than the pay-as-you-go (PAYG) amounts necessary to provide current benefits to Retiree Participants and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2017, the City paid $3.0 billion on behalf of the Program. Based on current practice (the Substantive Plan which is derived from ACNY), the City pays the full cost of basic coverage for non-Medicare-eligible and Medicare-eligible Retiree Participants. The costs of these benchmark plans are reflected in the actuarial valuations by using age and gender adjusted premium amounts. Retiree Participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plans. The City also reimburses covered retirees and eligible spouses 100% of the Medicare Part B Premium rate applicable to a given year and there is no Retiree Participant contribution to the Welfare Funds. The City pays per capita contributions to the Welfare Funds, the amounts of which are based on negotiated contract provisions.

	Number of Participants	
	FY 2017	**FY2016**
Inactive plan members or beneficiaries currently receiving benefits	229,725	225,989
Inactive plan members entitled to but not yet receiving benefits	15,372	14,860
Active plan members	287,699	281,734
Active/Inactive plan members who may become eligible to receive benefits	21,232	21,537
Total	**554,028**	**544,120**

Net OPEB Liability. The Entry Age Actuarial Cost Method used in the current OPEB actuarial valuation is unchanged from the prior OPEB actuarial valuation.

Under this method, as used in the Fiscal Year 2017 OPEB valuation, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The employer portion of this APVB allocated to a valuation year is the Employer Normal Cost. The portion of this APVB not provided for at a valuation date by the APV of Future Employer Normal Costs is the Total OPEB Liability.

The excess, if any, of the Total OPEB Liability over the Plan Fiduciary Net Position is the Net OPEB Liability. Under this method, actuarial gains (losses), as they occur, reduce (increase) the Net OPEB Liability and are explicitly identified and amortized in the annual expense.

Increases (decreases) in liabilities due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized in the annual expense.

Changes in Net OPEB Liability. Changes in the City's net OPEB liability for the Fiscal Years ended June 30, 2017 and June 30, 2016 are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
1. Balances at June 30, 2015	**$ 93,153,427,270**	**$ 3,396,523,538**	**$ 89,756,903,732**
2. Changes for the Year:			
a. Service Cost	5,113,884,783	—	5,113,884,783
b. Interest	2,669,589,440	—	2,669,589,440
c. Differences b/t Expected and Actual Experience	(120,159,155)	—	(120,159,155)
d. Contributions—Employer	—	2,897,668,434	(2,897,668,434)
e. Contributions—Employee	—	—	—
f. Net Investment Income	—	20,565,435	(20,565,435)
g. Actual Benefit Payments	(2,278,055,136)	(2,278,055,136)	—
h. Administrative Expenses	—	(40,000)	40,000
i. Other Changes	—	(331,067)	331,067
j. Net Changes	**5,385,259,932**	**639,807,666**	**4,745,452,266**
3. Balances at June 30, 2016	**98,538,687,202**	**4,036,331,204**	**94,502,355,998**
4. Changes for the Year:			
a. Service Cost	4,522,135,121	—	4,522,135,121
b. Interest	2,899,170,607	—	2,899,170,607
c. Differences b/t Expected and Actual Experience	520,672,737	—	520,672,737
d. Changes in Assumptions	(10,978,714,816)	—	(10,978,714,816)
e. Contributions—Employer	—	3,021,551,454	(3,021,551,454)
f. Contributions—Employee	—	—	—
g. Net Investment Income	—	21,515,588	(21,515,588)
h. Actual Benefit Payments	(2,425,375,364)	(2,425,375,364)	—
i. Administrative Expenses	—	(41,100)	41,100
j. Other Changes	—	(78,516)	78,516
k. Net Changes	**(5,462,111,715)**	**617,572,062**	**(6,079,683,777)**
5. Balances at June 30, 2017	**$ 93,076,575,487**	**$ 4,653,903,266**	**$ 88,422,672,221**
6. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
a. 1% Decrease			**$105,410,486,226**
b. 1% Increase			**$ 75,152,394,719**
7. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
a. 1% Decrease			**$ 72,229,262,042**
b. 1% Increase			**$111,502,027,867**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. OPEB expense recognized by the City for the Fiscal Years ended June 30, 2017 and June 30, 2016 are $5.8 billion and $7.6 billion, respectively.

Deferred outflows of resources and deferred inflows of resources by source reported by the City at June 30, 2017 and June 30, 2016 are as follows:

	Fiscal Year 2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between Expected and Actual Experience	$ —	$102,531,451
Changes of Assumptions	—	—
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	102,045,202	—
Total	$102,045,202	$102,531,451

	Fiscal Year 2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between Expected and Actual Experience	$443,006,881	$ 85,526,653
Changes of Assumptions	—	9,365,838,566
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	197,925,563	—
Total	$640,932,444	$9,451,365,219

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Fiscal Year ended June 30	Amount
2018	$(1,497,713,766)
2019	(1,497,713,766)
2020	(1,497,713,768)
2021	(1,523,225,069)
2022	(1,550,217,886)
Thereafter	(1,243,848,520)

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial measurement date, the funded status was 5.0%. The total OPEB liability for benefits was $93.1 billion, and the plan fiduciary net position was $4.7 billion, resulting in a net OPEB liability of $88.4 billion. The covered payroll (annual payroll of active employees covered) was $25.2 billion, and the ratio of the net OPEB liability to the covered payroll was 351.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status and the annual expense of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios shown in the RSI section immediately following the notes to financial statements, disclosures required by GASB Statement No. 74 for OPEB Plan reporting (replacing GASB 43), presents GASB Statement No. 75 (replacing GASB 45) results of OPEB valuations for Fiscal Years 2017 and 2016.

Actuarial Methods and Assumptions. The actuarial assumptions used in the Fiscal Years 2017 and 2016 OPEB valuations are classified as those used in the New York City Retirement Systems (NYCRS) pension valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System (NYCERS); (ii) Teachers' Retirement System of The City of New York (TRS); (iii) New York City Board of Education Retirement System (BERS); (iv) New York City Police Pension Fund (POLICE); and (v) New York City Fire Pension Fund (FIRE). The OPEB valuations incorporate only the use of certain NYCRS demographic and salary increase assumptions. The NYCRS demographic and salary scale assumptions are unchanged from the prior OPEB valuation. For purposes of determining pension obligations, the demographic and salary scale assumptions requiring NYCRS Board approval (available on the website of the Office of the Actuary at www.nyc.gov/actuary) were adopted by each respective Board of Trustees during fiscal year 2012 (the Silver Books), with revisions proposed by the Actuary and adopted by each respective Board of Trustees in fiscal year 2016. Chapter 3 of the Laws of 2013 enacted those actuarial assumptions and methods that require New York State Legislation.

The OPEB-specific actuarial assumptions used in the Fiscal Year 2017 OPEB valuation of the Plan are as follows:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Discount Rate.	3.17% per annum[1] for the June 30, 2017 measurement date (3.13% for ECF and SCA). Results as of the June 30, 2016 measurement date are presented at 2.75% (2.71% for ECF and SCA).
Actuarial Cost Method	Entry Age calculated on an individual basis with the Actuarial Value of Projected Benefits allocated on a level basis over earnings from hire through age of exit.
Per-Capita Claims Costs	EBCBS and GHI plans are insured via a Minimum Premium arrangement while the HIP and many of the other HMOs are community rated. Costs reflect age adjusted premiums for all plans. HIP HMO and GHI/EBCBS non-Medicare premiums have been adjusted for Health Savings Agreement changes.

Age adjustment based on assumed age distribution of covered population used for non-Medicare retirees and HIP and Other HMO Medicare retirees.

Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population.

All reported premiums assumed to include administrative costs.

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(1) As required under GASB 75 this is a weighted blend of the 4.00% return on assets for OPEB plan investments and the S&P Municipal Bond 20 Year High Grade Index yield as of June 30, 2017 of 3.13%.

Initial monthly premium rates used in valuation are shown below:

Plan	Monthly Rates FY'17
HIP HMO	
Non-Medicare Single	$ 600.18[1]
Non-Medicare Family	1,470.45[1]
Medicare	160.83[1]
GHI/EBCBS	
Non-Medicare Single	567.48[1]
Non-Medicare Family	1,487.47[1]
Medicare	168.35
Others[2]	
Non-Medicare Single	1,030.56
Non-Medicare Family	2,226.45
Medicare Single	276.18
Medicare Family	546.28

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(1) For the Fiscal Year 2017 valuation, HIP HMO premiums are decreased by 5.10% and GHI/EBCBS Pre-Medicare premiums are decreased by 0.82% to reflect Fiscal Year 2018 Health Savings agreement changes announced during Fiscal Year 2017.

(2) Other HMO premiums represent the total premium for medical (not prescription) coverage including retiree contributions.

Welfare Funds	The Welfare Fund contribution reported as of the valuation date, June 30, 2016, (including any reported retroactive amounts) was used as the per capita cost for valuation purposes.

The calculations reflect an additional one time $100 contribution for Fiscal Year 2017 in July 2016. Projected contributions reflect $25 increases at July 1, 2016 and July 1, 2017.

Reported annual contribution amounts for the last two years are shown in the Fiscal Year 2017 GASB 74/75 report in Appendix B, Tables 2a to 2e. Welfare Fund rates are based on actual reported Union Welfare Fund code for current retirees. Weighted average annual contribution rates used for future retirees, based on Welfare Fund enrollment of recent retirees, are shown in the following table.

NYCERS	$1,743
TRS	1,771
BERS	1,713
POLICE	1,593
FIRE	1,729

Medicare Part B Premiums . . . .

Calendar Year	Monthly Premium
2013-15	$104.90
2016	109.97
2017	113.63

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2017. Due to no cost-of-living adjustment in Social Security benefits for Calendar Year 2016, and a minimal cost-of-living increase for Calendar Year 2017, most Medicare Part B participants will not be charged the Medicare Part B premium originally projected or ultimately announced for those years. Thus, the valuation uses a blended estimate as a better representation of future Part B premium costs.

For the Fiscal Year 2017 OPEB valuation the annual premium used was $1,341.60, which is equal to:

- 70% of the basic $104.90 monthly hold-harmless amount, assuming that there would be no claims made for the slight increase in Part B premiums for continuing retirees, and
- 30% of the announced premiums (6 months at $121.80 for Calendar Year 2016 and 6 months at $134.00 for Calendar Year 2017), representing the proportion of the Medicare population that will pay the announced amount.

Overall Medicare Part B Premium amounts are assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B Premiums for high income individuals.

Fiscal Year	Income-related Medicare Part B Increase
2017	4.0
2018	4.5
2019	5.0
2020	5.2
2021	5.3
2022	5.4
2023	5.5
2024	5.6
2025	5.8
2026	5.9
2027 and later	6.0

Medicare Part B Premium Reimbursement Assumption . . . . 90% of Medicare participants are assumed to claim reimbursement; based on historical data.

Health Care Cost Trend Rate (HCCTR) . . . . Covered medical expenses are assumed to increase by the following percentages (unchanged from the last valuation). For purposes of measuring entry age calculations, actual historic plan increases are reflected to the extent known.

Year Ending[1]	Pre-Medicare Plans	Medicare Plans	Medicare Part B Premium
2017[2]	7.84%	2.51%	5.0%
2018	7.5	5.0	5.0
2019	7.0	5.0	5.0
2020	6.5	5.0	5.0
2021	6.0	5.0	5.0
2022	5.5	5.0	5.0
2023 and Later	5.0	5.0	5.0

[1] Fiscal Year for Pre-Medicare Plans and Medicare Plans and Calendar Year for Medicare Part B Premiums.

[2] Actual amounts based on the *2015 Health Care Savings Agreement Initiative Report of Status of Healthcare Savings* dated June 19, 2017. Welfare Fund contribution rates assumed to increase based on current pattern bargaining (additional $25 each for Fiscal Year 2017 and 2018, plus a one-time $100 in Fiscal Year 2017).

Age-and Gender-Related Morbidity . . . . The premiums are age and gender adjusted for HIP HMO, GHI/EBCBS and Other HMO participants. The assumed relative costs of coverage are consistent with information presented in the 2013 study Health Care Costs—From Birth to Death, sponsored by the Society of Actuaries.

For non-Medicare costs, a sample of factors used is:

Age	Male	Female	Age	Male	Female
20	0.170	0.225	45	0.355	0.495
25	0.146	0.301	50	0.463	0.576
30	0.181	0.428	55	0.608	0.671
35	0.227	0.466	60	0.783	0.783
40	0.286	0.467	64	0.957	0.917

Children costs were assumed to represent a relative factor of 0.229.

Medicare costs prior to age 65 assume an additional disability-related morbidity factor. A sample of factors used is:

Age	Males	Females	Age	Males	Females
20	0.323	0.422	60	1.493	1.470
25	0.278	0.565	65	0.919	0.867
30	0.346	0.804	70	0.946	0.885
35	0.432	0.876	75	1.032	0.953
40	0.545	0.878	80	1.122	1.029
45	0.676	0.929	85	1.217	1.116
50	0.883	1.082	90	1.287	1.169
55	1.159	1.260	95	1.304	1.113
			99 +	1.281	0.978

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 5% reduction in the GHI portion of the monthly premium (with the GHI portion representing $254.27 out of $572.19 for single coverage, and $674.06 out of $1,499.82 for family coverage for Fiscal Year 2017 rates) and a 3% reduction in the EBCBS portion of the premium (with the EBCBS portion representing the remainder of the premiums) for the estimated margin anticipated to be returned.

Participation . . . . Participation assumptions have been updated since the prior valuation to reflect recent experience. Actual elections used for current retirees. Some current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees.

For current retirees who appear to be eligible for health coverage but have not made an election (non-filers), the valuation reflects single GHI/EBCBS coverage and Part B premium benefits only, to approximate the obligation if these individuals were to file for coverage. For future retirees, the portion assumed not to file for future benefits, and therefore valued similarly, are as follows. This assumption was used for the first time in the Fiscal Year 2017 valuation.

NYCERS	10%
TRS	6%
BERS	12%
POLICE	1%
FIRE	2%
TIAA	0%

Participants who do not qualify for coverage because they were working less than 20 hours a week at termination are assumed to be reflected in waivers and non-filers.

Detailed assumptions for future Program retirees are presented below.

PLAN PARTICIPATION ASSUMPTIONS

Benefits	**NYCERS**	**TRS**	**BERS**	**POLICE**	**FIRE**
Pre-Medicare					
–GHI/EBCBS	72%	80%	70%	85%	80%
–HIP HMO	20	8	16	9	12
–Other HMO	4	2	2	4	6
–Waiver	4	10	12	2	2
Medicare					
–GHI	72	90	78	85	80
–HIP HMO	20	6	16	9	12
–Other HMO	4	2	2	4	6
–Waiver	4	2	4	2	2
Post-Medicare Migration					
–Other HMO to GHI	—	—	—	—	—
–HIP HMO to GHI	—	25	—	—	—
–Pre-Med. Waiver					
To GHI @ 65	—	40	67	—	—
To HIP @ 65	—	40	—	—	—

Dependent Coverage . . . . Non-contributory Basic Medical Coverage and Part B premium reimbursement for dependents is assumed to terminate when an employee or retiree dies, except for Line of Duty survivors. The valuation also includes an estimate of costs in excess of premium contributions made by other survivors of POLICE, FIRE and uniformed members of the Departments of Correction and Sanitation that are eligible for a lifetime continuation benefit. The valuation assumes that 30% of eligible spouses will elect the lifetime continuation benefit.

Dependents . . . . Male retirees were assumed to be four years older than their wives, and female retirees were assumed to be two years younger than their husbands; for POLICE and FIRE employees, husbands are assumed to be two years older than their wives. Child dependents of current retirees are assumed to receive coverage until age 26. Children are assumed to be covered for eight years after retirement plus an additional five years for service retirements of POLICE, FIRE, and NYCERS retirees who were eligible to retire based only on service and no minimum age. Dependent allocation assumptions are shown below. The assumptions have been updated since the prior valuation to reflect recent experience.

Group	Dependent Coverage Assumptions				
	NYCERS	TRS	BERS	POLICE	FIRE
Male					
–Single Coverage	35%	50%	45%	15%	10%
–Spouse	35	30	45	10	20
–Child/No Spouse	5	5	2	10	5
–Spouse and Child	25	15	8	65	65
Total	100%	100%	100%	100%	100%
Female					
–Single Coverage	70%	60%	60%	45%	10%
–Spouse	20	30	35	10	20
–Child/No Spouse	5	5	2.5	25	5
–Spouse and Child	5	5	2.5	20	65
Total	100%	100%	100%	100%	100%

Note: For accidental death, 70% of POLICE and 80% of FIRE members are assumed to have family coverage.

Demographic Assumptions . . . . The actuarial assumptions used in the Fiscal Year 2017 and the Fiscal Year 2016 OPEB valuations are a combination of those used in the NYCRS pension actuarial valuations and those specific to the OPEB valuations.

Additional demographic information is provided in the five “Silver Books” available on the Reports page of the OA website (www.nyc.gov/actuary).

COBRA Benefits . . . . There is no cost to the City for COBRA beneficiaries who enroll in community-rated HMO’s, including HIP, since these individuals pay their full community rate. However, there is a cost under the experience-rated GHI/EBCBS coverage.

The valuation assumes 15% of employees not eligible for OPEB elect COBRA coverage for 15 months based on experience of other large employers. A lump-sum COBRA cost of $1,000 was assumed for terminations during Fiscal Year 2017. This amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Census data was not available for surviving spouses of POLICE, FIRE, Corrections or Sanitation members who are entitled to lifetime COBRA continuation coverage, as this benefit is administered directly by the insurance carriers. The number and obligation for the surviving spouses with lifetime coverage were estimated based on current census of POLICE and FIRE retirees and the projected number of deaths that would have occurred since the inception of this benefit on November 13, 2001 (and on August 31, 2010 for the Departments of Correction and Sanitation).

Cadillac Tax . . . . The OPEB valuation includes an explicit calculation of the high-cost plan excise tax (Cadillac Tax) that will be imposed beginning in 2020 under HCR.

The tax is 40% of the excess of (a) over (b) where (a) is the cost of medical coverage, and (b) is the statutory limits ($10,200 for single coverage and $27,500 for family coverage), adjusted for the following:

- For Pre-Medicare retirees above the age of 55, the limit will be further increased by $1,650 for single coverage; $3,450 for family coverage.
- The dollar limits are increased by CPI+1% (e.g. 3.5%) for 2019 and by CPI (e.g. 2.5%) for subsequent years. Indexing of limits starts in 2018; tax first applies in 2020.

The impact of the Cadillac Tax for the NYCHBP benefits is calculated based on the following assumptions about the cost of medical coverage:

- The cost for each benefit option without age adjustment (GHI, HIP, or other HMO, combined with the average cost of Medicare Part B Premium reimbursement, if applicable) was separately compared to the applicable limit.
- The additional Cadillac Tax due to the riders or optional benefit arrangements is assumed to be reflected in the contribution required for the rider or optional benefit.
- The additional Cadillac Tax due to amounts provided by Welfare Fund benefits is assumed to be absorbed by the Welfare Fund or by lower net Welfare Fund contribution amounts.
- Pre-Medicare retirees under age 55 are not assumed to have the higher limits that apply to employees engaged in high-risk professions because the majority of employees included in this valuation are not in such professions.

In cases where the City provides only a portion of the OPEB benefits which give rise to the Cadillac Tax, the calculated Cadillac Tax is allocated in proportion to the OPEB liabilities for relevant OPEB benefits.

Actives/Inactives Liabilities	40% of the measured liability of the Active/Inactive population, which is roughly equivalent to assuming 60% of the Active/Inactive members will terminate membership prior to vesting and not receive OPEB.
Stabilization Fund	A 0.3% load is applied on all City GASB75 obligations to reflect certain benefits paid on behalf of retirees directly from the Stabilization Fund which was decreased from 0.4% in the Fiscal Year 2016 OPEB valuation based on recent data. The load is not applicable to Component Units.
Educational Construction Fund	The actuarial assumptions used for determining GASB 75 obligations for ECF are shown starting on page 24 of the Fiscal Year 2017 GASB 74/75 Report dated September 15, 2017. The Report is available at the Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (www.nyc.gov/actuary).
CUNY TIAA	The actuarial assumptions used for determining obligations for CUNY TIAA are shown Starting on page 26 of the Fiscal Year 2017 GASB 74/75 Report dated September 15, 2017. The Report is available at the Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (www.nyc.gov/actuary).

5. Pensions

Plan Descriptions

The City sponsors or participates in five pension trusts providing benefits to its employees, the majority of whom are members of one of these pension trusts (collectively referred to as NYCRS). Each of the trusts administers a qualified pension plan (QPP) and one or more variable supplements funds (VSFs) or tax-deferred annuity programs (TDA Programs) that supplement the pension benefits provided by the QPP. The trusts administered by NYCRS function in accordance with existing State statutes and City laws, which are the basis by which benefit terms and employer and member contribution requirements are established. The QPPs combine features of a defined benefit pension plans with those of a defined contribution pension plans; however, they are considered defined benefit plans for financial reporting purposes. The VSFs are considered defined benefit pension plans and the TDA Programs are considered defined contribution plans for financial reporting purposes. A brief description of each of the NYCRS and the individual plans they administer follows:

1. New York City Employees' Retirement System (NYCERS) administers the NYCERS QPP and five VSFs. The NYCERS QPP is a cost-sharing multiple-employer pension plan that provides pension benefits for employees of the City not covered by one of the other NYCRS, and employees of certain component units of the City and certain other governmental units.

   NYCERS administers the following VSFs, which operate pursuant to the provisions of Title 13, Chapter 1 of the Administrative Code of The City of New York (ACNY):

   - Transit Police Officer's Variable Supplements Fund (TPOVSF), which provides supplemental benefits to NYCERS QPP members who retire from service on or after July 1, 1987 with 20 or more years of service as Transit Police Officers.

   - Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF), which provides supplemental benefits to NYCERS QPP members who retire from service on or after July 1, 1987 as Transit Police Superior Officers with 20 or more years of service.

   - Housing Police Officer's Variable Supplements Fund (HPOVSF), which provides supplemental benefits to NYCERS QPP members who retire from service on or after July 1, 1987 with 20 or more years of service as Housing Police Officers.

   - Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF), which provides supplemental benefits to NYCERS QPP members who retire from service on or after July 1, 1987 as Housing Police Superior Officers with 20 or more years of service.

   - Correction Officers' Variable Supplements Fund (COVSF), which provides supplemental benefits to NYCERS QPP members who retire for service on or after July 1, 1999 (with 20 or 25 years of service, depending upon the plan) as members of the Uniformed Correction Force.

   TPOVSF, TPSOVSF, HPOVSF, and HPSOVSF are closed to new entrants.

2. Teachers' Retirement System of The City of New York (TRS) administers the TRS QPP and the TRS TDA Program. The TRS QPP is a cost-sharing, multiple-employer pension plan for pedagogical employees in the public schools of the City and certain Charter Schools and certain other specified school and CUNY employees. The TRS TDA Program was established and is administered pursuant to Internal Revenue Code Section 403(b) and Chapter 4 of Title 13 of ACNY. The TRS TDA Program provides a means of deferring income tax payments on members' voluntary pre-tax contributions and earnings thereon until the periods after retirement or upon withdrawal of contributions. Members of the TRS QPP have the option to participate in the TRS TDA Program.

3. New York City Board of Education Retirement System (BERS) administers the BERS QPP and the BERS TDA Program. The BERS QPP is a cost-sharing, multiple-employer pension plan for non-pedagogical employees of the Department of Education and certain Charter Schools and certain employees of the School Construction Authority. The BERS TDA Program was established and is administered pursuant to Internal Revenue Code Section 403(b), the New York State Education Law and the BERS Rules and Regulations. The BERS TDA Program provides a means of deferring income tax payments on members' voluntary pre-tax contributions and earnings thereon until the periods after retirement or upon withdrawal of contributions. Members of the BERS QPP have the option to participate in the BERS TDA Program.

4. New York City Police Pension Fund (POLICE) administers the POLICE QPP, along with the Police Officer's Variable Supplements Fund (POVSF) and Police Superior Officers' Variable Supplements Fund (PSOVSF). The POLICE QPP is a single-employer pension plan for all full-time uniformed employees of the New York City Police Department.

   POVSF and PSOVSF operate pursuant to the provisions of Title 13, Chapter 2 of the ACNY. POVSF provides supplemental benefits to POLICE QPP members who retire for service on or after October 1, 1968 with 20 or more years of service as police officers. PSOVSF provides supplemental benefits to POLICE QPP members who retire for service on or after October 1, 1968 as police superior officers with 20 or more years of service.

5. New York City Fire Pension Fund (FIRE) administers the FIRE QPP, along with the Firefighter's Variable Supplements Fund (FFVSF) and the Fire Officers' Variable Supplements Fund (FOVSF). The FIRE QPP is a single-employer pension plan for all full-time uniformed employees of the New York City Fire Department.

FFVSF and FOVSF operate pursuant to the provisions of Title 13, Chapter 3 of the ACNY. FFVSF provides supplemental benefits to FIRE QPP members who retire for service on or after October 1, 1968 with 20 or more years of service as firefighters or wipers. FOVSF provides supplemental benefits to FIRE QPP members who retire for service on or after October 1, 1968 as fire officers, and all pilots and marine uniformed engineers, with 20 or more years of service.

Except for NYCERS and BERS, permanent, full-time employees are generally required to become members of a NYCRS QPP upon employment. Permanent full-time employees who are eligible to participate in the NYCERS QPP and BERS QPP are generally required to become members within six months of their permanent employment status but may elect to become members earlier. Other employees who are eligible to participate in the NYCERS QPP and BERS QPP may become members at their option.

As of June 30, 2015 and June 30, 2014, the dates of the most recent actuarial valuations, system-wide membership data for the QPPs are as follows:

	NYCERS	TRS	BERS	POLICE	FIRE	Total
QPP Membership at June 30, 2015						
Retirees and Beneficiaries Receiving Benefits	144,526	82,777	16,438	48,703	16,710	309,154
Terminated Vested Members Not Yet Receiving Benefits	9,402	13,482	237	546	32	23,699
Other Inactives	16,907	7,347	3,972	1,484	18	29,728
Active Members	185,758	114,652	24,903	34,435	10,780	370,528
Total QPP Membership	356,593	218,258	45,550	85,168	27,540	733,109

	NYCERS	TRS	BERS	POLICE	FIRE	Total
QPP Membership at June 30, 2014						
Retirees and Beneficiaries Receiving Benefits	142,095	80,419	15,995	48,212	16,763	303,484
Terminated Vested Members Not Yet Receiving Benefits	9,674	12,349	195	572	40	22,830
Other Inactives	16,527	8,702	4,005	1,369	16	30,619
Active Members	184,762	111,726	25,182	34,402	10,319	366,391
Total QPP Membership	353,058	213,196	45,377	84,555	27,138	723,324

As of June 30, 2016 and 2015, the dates of the most recent actuarial valuations, membership data for the NYCERS VSFs are as follows:

	TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	COVSF	Total
Membership at June 30, 2016						
Retirees Receiving or Eligible to Receive Benefits	325	247	160	220	7,424	8,376
Active Members	—	—	—	—	8,815	8,815
Total Membership	325	247	160	220	16,239	17,191

	TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	COVSF	Total
Membership at June 30, 2015						
Retirees Receiving or Eligible to Receive Benefits	333	255	170	224	6,850	7,832
Active Members	—	—	—	—	8,466	8,466
Total Membership	333	255	170	224	15,316	16,298

As of June 30, 2016 and 2015, the dates of the most recent actuarial valuations, membership data for the POLICE and FIRE VSFs are as follows:

	PSOVSF	POVSF	Total POLICE	FOVSF	FFVSF	Total FIRE
Membership at June 30, 2016						
Retirees Receiving Benefits	18,357	12,418	30,775	1,553	3,535	5,088
Active Members	12,276	23,685	35,961	2,552	8,399	10,951
Total Membership	30,633	36,103	66,736	4,105	11,934	16,039

	PSOVSF	POVSF	Total POLICE	FOVSF	FFVSF	Total FIRE
Membership at June 30, 2015						
Retirees Receiving Benefits	18,029	12,367	30,396	1,593	3,621	5,214
Active Members	12,273	22,162	34,435	2,699	8,081	10,780
Total Membership	30,302	34,529	64,831	4,292	11,702	15,994

Summary of Plan Benefits

QPPs

The NYCRS QPPs provide pension benefits to retired employees generally based on salary, length of service, and pension tier. For certain members of the NYCRS QPPs, voluntary member contributions also impact pension benefits provided. The NYCRS also provide automatic Cost-of-Living Adjustments (COLA) and other supplemental pension benefits to certain retirees and beneficiaries. In the event of disability during employment, participants may receive retirement allowances based on satisfaction of certain service requirements and other provisions. The NYCRS QPPs also provide death benefits. Subject to certain conditions, members become fully vested as to benefits upon the completion of 5 or 10 years of service depending on tier. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances.

The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976, 1983 and 2012, significant amendments made to the State Retirement and Social Security Law (RSSL) modified certain benefits for employees joining the QPPs on or after the effective date of such amendments, creating membership tiers. Currently, there are several tiers referred to as Tier I, Tier II, Tier III, Tier IV and Tier VI. Members are assigned a tier based on membership date. The specific membership dates for each tier may vary depending on the respective QPP. The Tier II Plan ended as of June 30, 2009. This affects new hires into the uniformed forces of the New York City Police Department and the New York City Fire Department (new members of the POLICE QPP and FIRE QPP) and District Attorney Investigators who become new members of the NYCERS QPP from July 1, 2009 to March 31, 2012. Chapter 18 of the Laws of 2012 (Chapter 18/12) amended the retirement benefits of public employees who establish membership in one of the NYCRS on or after April 1, 2012. Chapter 18/12 is commonly referred to as Tier VI.

VSFs

The VSFs provide supplemental benefits for their respective eligible members at a maximum annual amount of $12,000. For COVSF prior to Calendar Year 2019, total supplemental benefits paid, although determined in the same manner as for other VSFs, are only paid if the assets of COVSF are sufficient to pay the full amount due to all eligible retirees. Scheduled benefits to COVSF participants were paid for Calendar Years 2000 to 2005 and for Calendar Years 2014 and 2015. Scheduled benefits are expected to be paid for Calendar Years 2017. Due to insufficient assets, no benefits were paid to COVSF participants from Calendar Year 2006 to Calendar Year 2013 and for Calendar Year 2016. For Calendar Years 2019 and later, COVSF provides for supplemental benefits to be paid regardless of the sufficiency of assets in the COVSF.

In accordance with ACNY, VSFs are not pension funds or retirement systems. Instead, they provide scheduled supplemental payments, in accordance with applicable statutory provisions. While a portion of these payments are guaranteed by the City, the Legislature has reserved to itself and the State, the right and power to amend, modify, or repeal VSFs and the payments they provide. However, any assets transferred to the VSFs are held in trust solely for the benefit of its members.

TDA Programs

Benefits provided under the TRS and BERS TDA Programs are derived from members' accumulated contributions. No direct contributions are provided by employers; however certain investment options, if selected by members, may indirectly create employer financial obligations or benefits, as discussed below. A participant may withdraw all or part of the balance of his or her account at the time of retirement or termination of employment. Beginning January 1, 1989, the tax laws restricted withdrawals of tax-deferred annuity contributions and accumulated earnings thereon for reasons other than retirement or termination. Contributions made after December 31, 1988, and investment earnings credited after December 31, 1988, may only be withdrawn upon attainment of age 59-1/2 or for reasons of hardship (as defined by Internal Revenue Service regulations). Hardship withdrawals are limited to contributions only.

A member making a hardship withdrawal may not contribute to the TDA Program for a period of six months following the withdrawal.

When a member resigns before attaining vested rights under the respective QPP, he or she may withdraw the value of his or her TDA Program account or leave the account in the TDA Program for a period of up to seven school years after the date of resignation for TRS TDA members or for a period of up to five years after the date of resignation for BERS TDA members. If a member resigns after attaining vested rights under the respective QPP, he or she may leave his or her account in the TDA Program.

Upon retirement, a member may choose to take the balance in the form of an annuity that is calculated based on a statutory rate of interest and statutory mortality assumptions, which may differ from the pension funding assumptions.

The TDA Programs have several investment options broadly categorized as fixed return funds and variable return funds. Under the fixed return funds, accounts are credited with a statutory rate of interest, currently 7% for UFT members and 8.25% for all other members (the Statutory Rates). Deposits from members' TDA Program accounts are used by the respective QPP to purchase investments; If earnings on the respective QPP are less than the amount credited to the TDA Program members' accounts, then additional payments by the City to the respective QPP, as determined by the Actuary, may be required. If the earnings are higher, then lower payments by the City to the QPP may be required.

All investment securities held in the fixed return funds are owned and reported by the QPP. A receivable due from the QPP equal to the aggregate original principal amounts contributed by TDA Program members to the fixed return funds, plus accrued interest at the statutory rate, less member withdrawals, is owned by the TDA Program. The balance of TDA Program fixed return funds held by the TRS QPP as of June 30, 2017 and 2016 were $22.0 billion and $20.3 billion, respectively, and interest paid on TDA Program fixed return funds by the TRS QPP for the years then ended were $1.5 billion and $1.4 billion, respectively. The balance of TDA Program fixed return funds held by the BERS QPP as of June 30, 2017 and 2016 are $1,436 million and $1,283 million, respectively, and interest paid on TDA Program fixed return funds by the BERS QPP for the years then ended were $106.6 million and $94.8 million, respectively. Under the variable return funds, members' TDA Program accounts are adjusted for actual returns on the underlying investments of the specific fund selected. Members may switch all or a part of their TDA contributions between the fixed and variable return funds on a quarterly basis.

Contributions and Funding Policy

QPPs

The City's funding policy is to contribute statutorily-required contributions (Statutory Contributions). Statutory Contributions for the NYCRS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate Fiscal Year. The Statutory Contributions are determined under the One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the June 30, 2015 actuarial valuation was used for determining the Fiscal Year 2017 Statutory Contributions. Statutory Contributions are determined annually to be an amount that, together with member contributions and investment income, provides for QPP assets to be sufficient to pay benefits when due. The aggregate Statutory Contributions due to each QPP from all participating employers for Fiscal Years 2017 and 2016 and the amount of the City's Statutory and Actual contribution to each QPP for such fiscal years are as follows (in millions):

QPP	Fiscal Year 2017 Aggregate Statutory Contribution	Fiscal Year 2017 City Statutory/Actual Contribution	Fiscal Year 2016 Aggregate Statutory Contribution	Fiscal Year 2016 City Statutory/Actual Contribution
	(in millions)			
NYCERS	$ 3,328	$ 1,808	$ 3,365	$ 1,843
TRS	3,888	3,796	3,703	3,594
BERS	288	288	266	265
POLICE	2,294	2,294	2,394	2,394
FIRE	1,061	1,061	1,054	1,054

Member contributions are established by law and vary by QPP. In general, Tier I and Tier II member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees, are not required to make basic contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December 2000, certain Transit Authority Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of the NYCERS QPP, TRS QPP and BERS QPP also make additional member contributions. Tier VI members contribute between 3.0% and 6.0% of salary, depending on salary level.

VSFs

ACNY provides that the POLICE QPP and FIRE QPP transfer to their respective VSFs amounts equal to certain excess earnings on QPP equity investments, generally limited to the unfunded accumulated benefit obligation for each VSF. ACNY also provides that the NYCERS QPP transfer to COVSF a fraction of certain excess earnings on NYCERS QPP equity investments, such fraction reflecting the ratio of Uniformed Correction member salaries to the salaries of all active members of the NYCERS QPP. In each case, the earnings to be transferred (or the appropriate fraction thereof in the case of COVSF) are the amount by which earnings on equity investments exceed what the earnings would have been had such funds been invested at a yield comparable to that available from fixed income securities, less any cumulative past deficiencies (Excess Earnings).

In addition to the transfer of Excess Earnings, under Chapter 3 of the Laws of 2013, should the assets of the POVSF or the PSOVSF be insufficient to pay annual benefits, the POLICE QPP is required to transfer amounts sufficient to make such benefit payments. Additionally, under Chapter 583 of the Laws of 1989, should the assets of the FFVSF or the FOVSF be insufficient to pay annual benefits, the City is required to transfer amounts sufficient to make such benefit payments. Further, under Chapter 255 of the Laws of 2000, the NYCERS QPP is required to make transfers to TPOVSF, TPSOVSF, HPOVSF and HPSOVSF sufficient to meet their annual benefit payments.

For Fiscal Year 2017, Excess Earnings on equity investments, inclusive of prior year's cumulative deficiencies, exceeded zero, and therefore, transfers of assets from the QPPs to their respective VSFs were required. As of the date of this report, the amount of such transfer due for Fiscal Year 2017 from the NYCERS QPP to COVSF is estimated to be $281 million. The amounts of such transfers due for Fiscal Year 2017 from the POLICE QPP to POVSF and PSOVSF are estimated to be $738 million and $1,416 million, respectively. The amounts of such transfers due for Fiscal Year 2017 from the FIRE QPP to FFVSF and FOVSF are estimated to be $14 million and $0 million, respectively. Additionally, in Fiscal Year 2017, the NYCERS QPP made required transfers of $3.8 million, $3.0 million, $1.9 million, and $2.6 million to TPOVSF, TPSOVSF, HPOVSF, and HPSOVSF, respectively, to fund annual benefits.

For Fiscal Year 2016, there were no Excess Earnings on equity investments, and therefore, no transfers of such assets from the QPPs to their respective VSFs were required other than to TPOVSF, TPSOVSF, HPOVSF, and HPSOVSF.

TDA Programs

Contributions to the TDA Programs are made by the members only and are voluntary. Active members of the respective QPP are required to submit a salary reduction agreement and an enrollment request to make contributions. A participant may elect to exclude an amount (within the maximum allowed by the Internal Revenue Service) of his or her compensation from current taxable income by contributing it to the TDA Programs. This maximum is determined annually by the IRS for each calendar year. Additionally, members can elect either a fixed or variable investment program for investment of their contributions.

No employer contributions are made to the TDA Programs. However, the TDA Programs offer a fixed return investment option as discussed above which could increase or decrease the City's contribution to the respective QPPs.

Net Pension Liability and Pension Related Restatements

The City's net pension liabilities for each of the QPPs reported at June 30, 2017 and 2016 were measured as of those fiscal year end dates. The total pension liabilities used to calculate those net pension liabilities were determined by actuarial valuations as of June 30, 2015 and June 30, 2014, respectively, based on the OLYM described above, and rolled forward to the respective fiscal year-end measurement dates. Information about the fiduciary net position of each QPP and additions to and deductions from each QPP's fiduciary net position has been determined on the same basis as they are reported by the respective QPP. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the respective qualified pension plan and investments are reported at fair value.

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 and June 30, 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2015	June 30, 2014
Investment Rate of Return	*7.0% per annum, net of investment expenses (Actual Return for Variable Funds).*	*7.0% per annum, net of investment expenses (Actual Return for Variable Funds).*
Post-Retirement Mortality	*Tables adopted by the respective Boards of Trustees during Fiscal Year 2016.*	*Tables adopted by the respective Boards of Trustees during Fiscal Year 2016.*
Active Service: Withdrawal, Death, Disability, Retirement	*Tables adopted by the respective Boards of Trustees during Fiscal Year 2012.*	*Tables adopted by the respective Boards of Trustees during Fiscal Year 2012.*
Salary Increases[1]	*In general, Merit and Promotion increases, plus assumed General Wage Increases of 3.0% per year.*	*In general, Merit and Promotion increases, plus assumed General Wage Increases of 3.0% per year.*
Cost-of-Living Adjustments[1]	*1.5% per annum for Tiers I, II, IV, and certain Tier III and Tier VI retirees. 2.5% per annum for certain Tier III and Tier VI retirees.*	*1.5% per annum for Tiers I, II, IV and certain Tier III and Tier VI retirees. 2.5% per annum for certain Tier III and Tier VI retirees.*

(1) *Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.*

Pursuant to Section 96 of the New York City Charter, audits of the actuarial assumptions used to value liabilities of the five actuarially-funded QPPs are conducted by an independent actuarial firm every two years.

In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded QPPs are to periodically review and adopt certain actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions, which are also generally used to determine the total pension liability, as applicable. Based, in part, upon a review of the experience studies completed in November 2006 by the Segal Company (Segal) and in December 2011 by The Hay Group (Hay), the Actuary issued reports for the QPPs proposing changes in actuarial assumptions and methods for Fiscal Years beginning on and after July 1, 2011 (February 2012 Reports). Where required, the Boards of Trustees of the NYCRS adopted those changes to actuarial assumptions that require Board approval. The State Legislature enacted Chapter 3/13 to provide for those changes to the actuarial assumptions and methods that require legislation, including the Actuarial Interest Rate (AIR) assumption of 7.0% per annum, net of investment expenses.

In October 2015 the independent actuarial auditor, Gabriel, Roeder, Smith & Company (GRS), issued a report on their NYC Charter-mandated actuarial experience studies for the four-year and ten-year periods ended June 30, 2013 (the GRS Report).

Based, in part, on the GRS Report, on published studies of mortality improvement, and on input from the City's outside consultants, the Actuary proposed, and the Boards of Trustees of the NYCRS adopted, new post-retirement mortality tables for use in determining employer contributions beginning in Fiscal Year 2016. The new tables of post-retirement mortality are based primarily on the experience of the NYCRS (the Base Tables) and the application of Mortality Improvement Scale MP-2015, published by the Society of Actuaries in October 2015 (the Valuation Tables). Scale MP-2015 replaced Mortality Improvement Scale AA.

In addition, beginning in Fiscal Year 2016, the Actuary revised the Actuarial Asset Valuation Method to constrain the Actuarial Asset Value to be within a 20% corridor of the Market Value of Assets.

The long-term expected rate of return for each of the pension funds is 7.0% per annum. This is based upon weighted expected real rates of return (RROR) ranging from 5.0% to 5.2% and a long-term Consumer Price Inflation assumption of 2.5% offset by investment related expenses. The target asset allocation of each of the funds and the expected RROR for each of the asset classes are summarized in the following tables:

	NYCERS	
Asset Class	Target Asset Allocation	Long-Term Expected RROR
U.S. Public Market Equities	29.00%	5.70%
International Public Market Equities	13.00	6.10%
Emerging Public Market Equities	7.00	7.60%
Private Market Equities	7.00	8.10%
Fixed Income	33.00	3.00%
Alternatives (Real Assets, Hedge Funds)	11.00	4.70%
Total	100.00%	

	TRS	
Asset Class	Target Asset Allocation	Long-Term Expected RROR
U.S. Public Market Equities	29.00%	5.70%
International Public Market Equities	12.00	6.10%
Emerging Public Market Equities	9.00	7.60%
Private Market Equities	6.00	8.10%
Fixed Income	33.00	3.00%
Alternatives (Real Assets, Hedge Funds)	11.00	4.70%
Total	100.00%	

	BERS	
Asset Class	Target Asset Allocation	Long-Term Expected RROR
U.S. Public Market Equities	30.00%	5.70%
International Public Market Equities	13.00	6.10%
Emerging Public Market Equities	7.00	7.60%
Private Market Equities	9.00	8.10%
Fixed Income	28.00	3.00%
Alternatives (Real Assets, Hedge Funds)	13.00	4.70%
Total	100.00%	

	POLICE	
Asset Class	Target Asset Allocation	Long-Term Expected RROR
U.S. Public Market Equities	31.00%	5.70%
International Public Market Equities	9.00	6.10%
Emerging Public Market Equities	6.00	7.60%
Private Market Equities	7.00	8.10%
Fixed Income	31.00	3.00%
Alternatives (Real Assets, Hedge Funds)	16.00	4.70%
Total	100.00%	

Asset Class	FIRE Target Asset Allocation	FIRE Long-Term Expected RROR
U.S. Public Market Equities	31.00%	5.70%
International Public Market Equities	9.00	6.10%
Emerging Public Market Equities	6.00	7.60%
Private Market Equities	7.00	8.10%
Fixed Income	31.00	3.00%
Alternatives (Real Assets, Hedge Funds)	16.00	4.70%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability of each QPP as of June 30, 2017 and 2016 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current tier for each member and that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, each QPP's fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active QPP members. Therefore, the long-term expected rate of return on QPP investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability-POLICE and FIRE QPPs

Changes in the City's net pension liability for POLICE and FIRE for the Fiscal Years ended June 30, 2017 and 2016 are as follows:

	POLICE			FIRE		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
	(in millions)					
Balances at June 30, 2015	$48,209	$35,345	$12,864	$19,447	$11,679	$ 7,768
Changes for the Fiscal Year 2016:						
Service cost	1,340	—	1,340	431	—	431
Interest	3,441	—	3,441	1,396	—	1,396
Differences between expected and actual experience	233	—	233	324	—	324
Change of Assumptions	795	—	795	405	—	405
Contributions—employer	—	2,394	(2,394)	—	1,054	(1,054)
Contributions—employee	—	250	(250)	—	117	(117)
Net investment income	—	403	(403)	—	203	(203)
Benefit payments, including refunds of employee contributions	(2,878)	(2,878)	—	(1,359)	(1,359)	—
Administrative expense	—	(19)	19	—	—	—
Other changes	—	7	(7)	—	44	(44)
Net changes	2,931	157	2,774	1,197	59	1,138
Balances at June 30, 2016	51,140	35,502	15,638	20,644	11,738	8,906
Changes for the Fiscal Year 2017:						
Service cost	1,320	—	1,320	432	—	432
Interest	3,525	—	3,525	1,439	—	1,439
Differences between expected and actual experience	(645)	—	(645)	134	—	134
Change of Assumptions	—	—	—	—	—	—
Contributions—employer	—	2,294	(2,294)	—	1,061	(1,061)
Contributions—employee	—	276	(276)	—	108	(108)
Net investment income	—	4,287	(4,287)	—	1,372	(1,372)
Benefit payments, including refunds of employee contributions	(2,987)	(2,987)	—	(1,335)	(1,335)	—
Administrative expense	—	(19)	19	—	—	—
Other changes	—	11	(11)	—	47	(47)
Net changes	1,213	3,862	(2,649)	670	1,253	(583)
Balances at June 30, 2017	$52,353	$39,364	$12,989	$21,314	$12,991	$ 8,323

The following table presents the City's net pension liability for POLICE and FIRE calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	Fiscal Year 2017			Fiscal Year 2016		
	1% Decrease (6.0%)	**Current Discount Rate (7.0%)**	**1% Increase (8.0%)**	**1% Decrease (6.0%)**	**Current Discount Rate (7.0%)**	**1% Increase (8.0%)**
	(in millions)					
POLICE	$18,788	$12,989	$8,168	$21,344	$15,638	$10,900
FIRE	10,675	8,323	6,351	11,203	8,906	6,981

City Proportion of Net Pension Liability—NYCERS, TRS and BERS (Excluding TDAs)

The following table presents the City's proportionate share of the net pension liability of the NYCERS, TRS and BERS QPPs at June 30, 2017 and 2016, and the proportion percentage of the aggregate net pension liability of each QPP allocated to the City:

	June 30, 2017			June 30, 2016		
	NYCERS	TRS	BERS	NYCERS	TRS	BERS
	(in millions, except for %)					
City's proportion of the net pension liability	54.33%	97.62%	99.96%	54.77%	97.07%	99.99%
City's proportionate share of the net pension liability	$11,282	$22,674	$973	$13,307	$25,600	$1,384

The City's proportion of the respective QPP's net pension liability was based on actual required contributions of each of the participating employers.

The following table presents the City's proportionate share of net pension liability for the NYCERS, TRS, and BERS QPPs calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the respective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	Fiscal Year 2017			Fiscal Year 2016		
QPPs	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	(in millions)					
NYCERS	$16,306	$11,282	$ 6,869	$18,246	$13,307	$ 9,171
TRS	30,165	22,674	16,411	32,714	25,600	19,651
BERS	1,569	973	474	1,948	1,384	911

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense recognized by the City for the Fiscal Years ended June 30, 2017 and 2016 related to the NYCRS are as follows:

NYCRS	2017	2016
	(in millions)	
NYCERS	$1,341	$1,658
TRS (Excluding TDA)	3,618	3,763
BERS (Excluding TDA)	195	302
POLICE	1,761	2,213
FIRE	1,071	1,139
TOTAL	$7,986	$9,075

Deferred outflows of resources and deferred inflows of resources by source reported by the City at June 30, 2017 and 2016 for each NYCRS are as follows:

Fiscal Year 2017

	NYCERS		TRS		BERS		POLICE		FIRE		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 301,021	$ 1,756,466	$ —	$ 20,632	$ 28,304	$ —	$ 436,494	$ 177,993	$ —	$ 1,955,091	$ 765,819
Changes of assumptions	556,144	—	1,137,962	—	68,491	—	145,962	—	91,159	—	1,999,718	—
Net difference between projected and actual earning on pension plan investments	—	460,975	—	3,195,433	—	575,859	—	311,361	—	79,678	—	4,623,306
Changes in proportion and differences between City contributions and proportionate share of contributions (cost-sharing plans)	(181,549)	(27,367)	112,978	24,801	(391)	(50)	—	—	—	—	(68,962)	(2,616)
Total	$ 374,595	$ 734,629	$3,007,406	$3,220,234	$ 88,732	$604,113	$ 145,962	$ 747,855	$ 269,152	$ 79,678	$ 3,885,847	$5,386,509

Fiscal Year 2016

	NYCERS		TRS		BERS		POLICE		FIRE		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 377,739	$1,592,013	$ —	$ 19,753	$ 52,105	$ 138,171	$ 39,566	$ 235,136	$ —	$ 1,985,073	$ 469,410
Changes of assumptions	982,278	—	1,746,686	—	126,081	—	470,321	—	248,328	—	3,573,694	—
Net difference between projected and actual earnings on pension plan investments	2,027,717	1,307,820	2,271,911	3,096,249	86,300	377,671	2,433,621	1,488,560	785,619	486,857	7,605,168	6,757,157
Changes in proportion and differences between City contributions and proportionate share of contributions (cost-sharing plans)	(137,886)	(12,753)	(211,670)	(3,279)	(22)	2	—	—	—	—	(349,578)	(16,030)
Total	$2,872,109	$1,672,806	$5,398,940	$3,092,970	$ 232,112	$429,778	$3,042,113	$1,528,126	$1,269,083	$486,857	$12,814,357	$7,210,537

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
			(in thousands)			
Year ending June 30.						
2018	$(133,851)	$(104,786)	$(196,796)	$(284,731)	$102,806	$ (617,358)
2019	269,100	668,241	(90,440)	144,583	139,649	1,131,133
2020	(91,029)	(374,022)	(107,660)	(98,472)	40,305	(630,878)
2021	(379,966)	(742,328)	(121,130)	(363,273)	(93,286)	(1,699,983)
Thereafter	(24,288)	340,067	645	—	—	316,424
Total	$(360,034)	$(212,828)	$(515,381)	$(601,893)	$189,474	$(1,500,662)

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The City of New York

Comprehensive
Annual Financial Report
of the
Comptroller

Part II-B

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

The pension and other postemployment benefit plan schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Fiscal Year Ended June 30, 2017

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A. Schedule of Changes in the City's Net Pension Liability and Related Ratios for Single-Employer Pension Plans at June 30,

	POLICE		FIRE	
	2017	2016	2017	2016
	(in thousands, except %)			
Total pension liability:				
Service cost	$ 1,320,416	$ 1,340,615	$ 432,482	$ 431,268
Interest	3,524,332	3,441,398	1,438,805	1,395,735
Changes of Assumptions	—	794,680	—	405,498
Benefit payments and withdrawals	(2,987,000)	(2,878,451)	(1,335,343)	(1,359,095)
Difference b/t Expected and Actual Experience	(645,248)	233,462	134,478	323,609
Net change in total pension liability	1,212,500	2,931,704	670,422	1,197,015
Total pension liability - Beginning	51,140,746	48,209,042	20,643,808	19,446,792
Total pension liability - Ending(a)	52,353,246	51,140,746	21,314,230	20,643,807
Plan fiduciary net position:				
Employer contributions	2,293,840	2,393,940	1,061,170	1,054,478
Member contributions	276,301	249,921	108,368	116,619
Net investment income	4,286,894	403,534	1,371,721	203,104
Benefit payments and withdrawals	(2,987,000)	(2,878,451)	(1,335,343)	(1,359,095)
Administrative expenses	(18,917)	(18,478)	—	—
Other	10,507	6,756	47,284	43,673
Net change in plan fiduciary net position	3,861,625	157,222	1,253,200	58,779
Plan fiduciary net position—Beginning	35,502,274	35,345,052	11,738,110	11,679,331
Plan fiduciary net position—Ending(b)	39,363,899	35,502,274	12,991,310	11,738,110
Employer's net pension liability-ending(a)-(b)	$12,989,347	$15,638,472	$ 8,322,920	$ 8,905,697
Plan fiduciary net position as a percentage of the total pension liability	75.2%	69.4%	61.0%	56.9%
Covered-employee payroll	$ 3,509,985	$ 3,540,326	$ 1,145,919	$ 1,129,470
Employer's net pension liability as a percentage of covered-employee payroll	370.1%	441.7%	726.3%	788.5%

B. Schedule of the City's Proportionate Share of the Net Pension Liabilities of Cost-Sharing Multiple-Employer Pension Plans at June 30,

	NYCERS		TRS		BERS	
	2017	2016	2017	2016	2017	2016
			(in millions, except %)			
City's proportion of the net pension liability	54.33%	54.77%	97.62%	97.07%	99.96%	99.99%
City's proportionate share of the net pension liability	$11,281.7	$13,307.9	$22,674.0	$25,599.9	$ 973.4	$1,384.1
City's covered-employee payroll	$ 6,556.7	$ 6,462.2	$ 8,612.8	$ 8,039.3	$1,051.6	$1,007.5
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.06%	205.93%	263.26%	318.43%	92.56%	137.38%
Plan fiduciary net position as a percentage of the total pension liability	74.80%	69.57%	68.32%	62.33%	80.81%	71.17%

C. Schedule of City Contributions for All Pension Plans for the Fiscal Years ended June 30,

(in thousands except %)

	2017	2016	2015	2014	2013	2012*	2011*	2010*	2009*	2008*
NYCERS										
Contractually required contribution	$1,808,067	$1,843,323	$1,758,378	$1,729,616	$1,692,278	$3,017,004	$2,387,216	$2,197,717	$2,150,438	$1,874,242
Contributions in relation to the contractually required contributions	$1,808,067	$1,843,323	$1,758,378	$1,729,616	$1,692,278	$3,017,004	$2,387,216	$2,197,717	$2,150,438	$1,874,242
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	$6,556,720	$6,462,231	$6,500,475	$6,506,353	$6,322,125	$11,812,858	$11,465,975	$10,977,607	$10,454,244	$9,863,942
Contributions as a percentage of covered-employee payroll	27.576%	28.524%	27.050%	26.583%	26.768%	25.540%	20.820%	20.020%	20.570%	19.001%
TRS										
Contractually required contribution	$3,795,657	$3,594,301	$3,180,865	$2,917,129	$2,777,966	$2,673,078	$2,468,973	$2,484,074	$2,223,644	$1,916,520
Contributions in relation to the contractually required contributions	$3,795,657	$3,594,301	$3,180,865	$2,917,129	$2,777,966	$2,673,078	$2,468,973	$2,484,074	$2,223,644	$1,916,520
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	$8,612,809	$8,039,326	$7,869,774	$7,772,827	$7,683,465	$7,920,935	$7,935,248	$7,859,999	$7,221,499	$6,998,174
Contributions as a percentage of covered-employee payroll	44.070%	44.709%	40.419%	37.530%	36.155%	33.747%	31.114%	31.604%	30.792%	27.386%
BERS										
Contractually required contribution	$288,116	$265,497	$258,055	$214,574	$196,231	$213,651	$180,191	$147,349	$134,225	$143,100
Contributions in relation to the contractually required contributions	$288,116	$265,497	$258,055	$214,574	$196,231	$213,651	$180,191	$147,349	$134,225	$143,100
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	$1,051,567	$1,007,499	$1,016,277	$988,757	$885,491	$879,476	$880,656	$826,782	$755,516	$729,098
Contributions as a percentage of covered-employee payroll	27.399%	26.352%	25.392%	21.701%	22.161%	24.293%	20.461%	17.822%	17.766%	19.627%
POLICE										
Contractually required contribution	$2,293,840	$2,393,940	$2,309,619	$2,320,910	$2,424,690	$2,385,731	$2,083,633	$1,980,996	$1,932,150	$1,797,824
Contributions in relation to the contractually required contributions	$2,293,840	$2,393,940	$2,309,619	$2,320,910	$2,424,690	$2,385,731	$2,083,633	$1,980,996	$1,932,150	$1,797,824
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	$3,509,985	$3,540,326	$3,512,778	$3,420,312	$3,459,889	$3,448,784	$3,252,729	$3,097,484	$2,946,698	$2,797,429
Contributions as a percentage of covered-employee payroll	65.352%	67.619%	65.749%	67.857%	70.080%	69.176%	64.058%	63.955%	65.570%	64.267%
FIRE										
Contractually required contribution	$1,061,170	$1,054,478	$988,784	$969,956	$962,173	$976,895	$890,706	$874,331	$843,751	$780,202
Contributions in relation to the contractually required contributions	$1,061,170	$1,054,478	$988,784	$969,956	$962,173	$976,895	$890,706	$874,331	$843,751	$780,202
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	$1,145,919	$1,129,470	$1,111,744	$1,102,396	$1,129,921	$1,149,423	$1,057,243	$1,059,911	$1,013,661	$ 944,463
Contributions as a percentage of covered-employee payroll	92.604%	93.360%	88.940%	87.986%	85.154%	84.990%	84.248%	82.491%	83.238%	82.608%

* For City Fiscal Years 2012, 2011, 2010, 2009, and 2008, reported contributions and covered payroll amounts are those of each retirement system as a whole (i.e., the sums for all participating employers.) City-only covered payroll is not readily available for years prior to 2013; and due to methodological changes during the periods 2005 through 2012, the City-only employer contributions are not comparable over the ten year period.

Notes to Schedule C:

The above actuarially determined and contractually required contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g. Fiscal Year 2017 contributions were determined using an actuarial valuation as of June 30, 2015). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

Fiscal Year	2017	2016	2015	2014	2013	2012
Valuation Dates	June 30, 2015 (Lag)	June 30, 2014 (Lag)	June 30, 2013 (Lag)	June 30, 2012 (Lag)	June 30, 2011 (Lag)	June 30, 2010 (Lag)
Actuarial cost method	Entry Age[5]	Entry Age[5]	Entry Age[5]	Entry Age[5]	Entry Age[5]	Entry Age[5]
Amortization method for Unfunded Actuarial Accrued Liabilities (UAAL):						
Pre-2010 UAALs	NA	NA	NA	NA	NA	NA
Initial 2010 UAAL	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments.
Post-2010 UAALs	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments.
Remaining amortization period:						
Pre-2010 UAALs	NA	NA	NA	NA	NA	NA
Initial 2010 UAAL	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	21 years (Closed)	22 years (Closed).
2010 ERI	1 Year (Closed)	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)	5 Years (Closed)	NA
2011 (G)/L	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2012 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2013 (G)/L	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2013 Transit Refunds	3 Years (Closed)	4 Years (Closed)	5 Years (Closed)	NA	NA	NA
2014 (G)/L	14 years (Closed)	15 years (Closed)	NA	NA	NA	NA
2014 Assumption Change	19 Years (Closed)	20 Years (Closed)	NA	NA	NA	NA
2014 Method Change	19 Years (Closed)	20 Years (Closed)	NA	NA	NA	NA
2015 (G)/L	15 Years (Closed)	NA	NA	NA	NA	NA
Actuarial Asset:						
Valuation Method	6-year moving average of Market Value[6]	6-year moving average of Market Value[6]	6-year moving average of Market Value[6]	6-year moving average of Market Value[6]	6-year moving average of Market Value[6]	6-year moving average of Market Value[6]
Corridor	Constrained to be no more than 20% from Market Value	Constrained to be no more than 20% from Market Value	NA	NA	NA	NA
Actuarial assumptions:						
Assumed rate of return	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).
Post-retirement mortality	Tables adopted by Boards of Trustees during Fiscal Year 2016	Tables adopted by Boards of Trustees during Fiscal Year 2016	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012
Active service: withdrawal, death, disability, service retirement	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012

Notes to Schedule C:

Fiscal Year	2017	2016	2015	2014	2013	2012
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]
Cost-of-Living Adjustments[4]	1.5% per annum for Auto Cola 2.5% per annum for Escalation	1.5% per annum for Auto Cola 2.5% per annum for Escalation	1.5% per annum for Auto Cola 2.5% per annum for Escalation	1.5% per annum for Auto Cola 2.5% per annum for Escalation	1.5% per annum for Auto Cola 2.5% per annum for Escalation	1.5% per annum for Auto Cola 2.5% per annum for Escalation

Fiscal Year	2011	2010	2009	2008
Valuation Dates	June 30, 2009 (Lag)	June 30, 2008 (Lag)	June 30, 2007 (Lag)	June 30, 2006 (Lag)
Actuarial cost method	Frozen Initial Liability[1]	Frozen Initial Liability[1]	Frozen Initial Liability[1]	Frozen Initial Liability[1]
Amortization method for Unfunded Actuarial Accrued Liabilities (UAAL):				
Pre-2010 UAALs	NA	Increasing dollar for FIRE[2] All outstanding components of UAAL are being amortized over closed periods	Increasing dollar for FIRE[2] All outstanding components of UAAL are being amortized over closed periods	Increasing dollar for FIRE[2] All outstanding components Level dollar for UAAL attributable to NYCERS, TRS and BERS 2002 ERI (Part A only)[3] All outstanding components of UAAL are being amortized over closed periods
Initial 2010 UAAL	NA	NA	NA	NA
Post-2010 UAALs	NA	NA	NA	NA
Remaining amortization period:				
Pre-2010 UAALs	NA	1 year for FIRE[2]	2 year for FIRE[2]	3 year for FIRE[2], And 1 year for 2002 ERI (Part A Only)
Initial 2010 UAAL	NA	NA	NA	NA
2010 ERI	NA	NA	NA	NA
2011 (G)/L	NA	NA	NA	NA
2012 (G)/L	NA	NA	NA	NA
2013 (G)/L	NA	NA	NA	NA
2013 Transit Refunds	NA	NA	NA	NA
2014 (G)/L	NA	NA	NA	NA
2014 Assumption Change	NA	NA	NA	NA
2014 Method Change	NA	NA	NA	NA
2015 (G)/L	NA	NA	NA	NA

Notes to Schedule C:

Fiscal Year	2011	2010	2009	2008
Actuarial Asset:				
Valuation Method	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999
Actuarial assumptions:				
Assumed rate of return	8.0% per annum, gross of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	8.0% per annum, gross of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	8.0% per annum, gross of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	8.0% per annum, gross of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality	Tables adopted by Boards of Trustees during Fiscal Year 2006	Tables adopted by Boards of Trustees during Fiscal Year 2006	Tables adopted by Boards of Trustees during Fiscal Year 2006	Tables adopted by Boards of Trustees during Fiscal Year 2006
Active service: withdrawal, death, disability, service retirement	Tables adopted by Boards of Trustees during Fiscal Year 2006	Tables adopted by Boards of Trustees during Fiscal Year 2006	Tables adopted by Boards of Trustees during Fiscal Year 2006	Tables adopted by Boards of Trustees during Fiscal Year 2006
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year[4]
Cost-of-Living Adjustments[4]	1.3% per annum	1.3% per annum	1.3% per annum	1.3% per annum

[1] Under the Frozen Initial Liability Actuarial Cost Method, the excess of the Actuarial Present Value (APV) of projected benefits of the membership as of the valuation date, over the sum of the Actuarial Value of Assets plus the UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll of the valuation date. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 20, 1999 but with the UAAL not less than $0. Actuarial gains and losses are reflected in the employer normal contribution rate.

[2] In conjunction with Chapter 85 of the Laws of 2000 (Chapter 85/100), there is an amortization method. However, the initial pre-2010 UAAL of NYCERS, TRS, BERS, and POLICE equal $0 and no amortization periods are required.

[3] Laws of established UAAL for Early Retirement Incentive Programs to be amortized on a level dollar basis over periods of 5 years.

[4] Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

[5] Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the Entry Age Actuarial Cost Method (EAACM) of funding is utilized by the Actuary to calculate the contributions required of the Employer. Under this method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit ages. The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Actuarial Accrued Liability (AAL). The excess, if any, of the AAL over the Actuarial Asset Value (AAV) is the Unfunded Actuarial Accrued Liability (UAAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.

[6] Market Value Restart as of June 30, 2011. Actuarial Asset Value (AAV) as of June 30, 2010 defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for cash flow) to June 30, 2010.

D. Schedule of Changes in the City's Net OPEB Liability and Related Ratios for Single-Employer Pension Plans at June 30,

	2017	2016
1. Total OPEB Liability		
a. Service Cost	$ 4,522,135,121	$ 5,113,884,783
b. Interest	2,899,170,607	2,669,589,440
c. Changes of Benefit Terms	—	—
d. Differences b/t Expected and Actual Experience	520,672,737	(120,159,155)
e. Changes of Assumptions	(10,978,714,816)	—
f. Benefit Payments	(2,425,375,364)	(2,278,055,136)
g. Net Changes in Total OPEB Liability	**$ (5,462,111,715)**	**$ 5,385,259,932**
2. Total OPEB Liability – Beginning	**$ 98,538,687,202**	**$93,153,427,270**
3. Total OPEB Liability – Ending	**$ 93,076,575,487**	**$98,538,687,202**
4. Plan Fiduciary Net Position		
a. Contributions - Employer	$ 3,021,551,454	$ 2,897,668,434
b. Contributions - Employee	—	—
c. Net Investment Income	21,515,588	20,565,435
d. Benefit Payments	(2,425,375,364)	(2,278,055,136)
e. Administrative Expenses	(41,100)	(40,000)
f. Payment of Interest on TDA Fixed Funds	—	—
g. Other Changes	(78,516)	(331,067)
h. Net Changes in Plan Fiduciary Net Position	**$ 617,572,062**	**$ 639,807,666**
5. Plan Fiduciary Net Position – Beginning	**$ 4,036,331,204**	**$ 3,396,523,538**
6. Plan Fiduciary Net Position – Ending	**$ 4,653,903,266**	**$ 4,036,331,204**
7. Net OPEB Liability	**$ 88,422,672,221**	**$94,502,355,998**
8. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	**5.0%**	**4.1%**
9. Covered Employee Payroll	**$ 25,180,497,466**	**$24,266,021,759**
10. Net OPEB Liability as a Percentage of Covered Employee Payroll	**351.2%**	**389.4%**

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The City of New York

Comprehensive
Annual Financial Report
of the
Comptroller

Part II-D

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL INFORMATION — FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2017

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Statue of Liberty

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

		Other Employee Benefit Trust Funds		
	Pension Funds*	Deferred Compensation Plans December 31, 2016	The New York City Other Postemployment Benefits Plan	Total
ASSETS:				
Cash and cash equivalents	$ 430,715	$ 14,898	$ 1,050,735	$ 1,496,348
Receivables:				
Member loans	2,127,361	235,905	—	2,363,266
Investment securities sold	2,809,613	—	—	2,809,613
Accrued interest and dividends	515,885	—	5,976	521,861
Other receivables	283	—	2,023	2,306
Total receivables	5,453,142	235,905	7,999	5,697,046
INVESTMENTS:				
Short-term investments	3,153,337	—	—	3,153,337
Debt securities	40,882,792	—	3,928,421	44,811,213
Equity securities	63,428,113	—	—	63,428,113
Alternative investments	26,996,866	—	—	26,996,866
Mutual funds	—	11,484,251	—	11,484,251
Collective trust funds	65,840,204	—	—	65,840,204
Collateral from securities lending transactions	14,160,766	—	—	14,160,766
Guaranteed investment contracts	—	5,789,053	—	5,789,053
Total investments	214,462,078	17,273,304	3,928,421	235,663,803
Other assets	174,187	3,855	42	178,084
Total assets	220,520,122	17,527,962	4,987,197	243,035,281
LIABILITIES:				
Accounts payable and accrued liabilities	1,439,414	6,439	333,294	1,779,147
Payable for investment securities purchased	3,326,760	—	—	3,326,760
Accrued benefits payable	802,943	—	—	802,943
Securities lending transactions	14,160,766	—	—	14,160,766
Other liabilities	1,088	—	—	1,088
Total liabilities	19,730,971	6,439	333,294	20,070,704
NET POSITION:				
Restricted for benefits to be provided by QPPs	163,025,497	—	—	163,025,497
Restricted for benefits to be provided by VSFs	4,911,873	—	—	4,911,873
Restricted for benefits to be provided by TDA Program	32,851,781	—	—	32,851,781
Restricted for other employee benefits	—	17,521,523	4,653,903	22,175,426
Total net position	$200,789,151	$ 17,521,523	$ 4,653,903	$222,964,577

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

		Other Employee Benefit Trust Funds		
	Pension Funds*	Deferred Compensation Plans December 31, 2015	The New York City Other Postemployment Benefits Plan	Total
ASSETS:				
Cash and cash equivalents	$ 344,051	$ 15,372	$ 1,503,320	$ 1,862,743
Receivables:				
Member loans	2,089,798	229,362	—	2,319,160
Investment securities sold	4,181,594	—	—	4,181,594
Accrued interest and dividends	537,647	—	3,188	540,835
Other receivables	14	—	365	379
Total receivables	6,809,053	229,362	3,553	7,041,968
INVESTMENTS:				
Short-term investments	5,117,216	—	—	5,117,216
Debt securities	37,207,963	—	2,911,796	40,119,759
Equity securities	59,731,778	—	—	59,731,778
Alternative investments	25,752,930	—	—	25,752,930
Mutual funds	—	10,352,595	—	10,352,595
Collective trust funds	51,716,410	—	—	51,716,410
Collateral from securities lending transactions	11,902,353	—	—	11,902,353
Guaranteed investment contracts	—	5,303,762	—	5,303,762
Total investments	191,428,650	15,656,357	2,911,796	209,996,803
Other assets	273,223	2,545	41	275,809
Total assets	198,854,977	15,903,636	4,418,710	219,177,323
LIABILITIES:				
Accounts payable and accrued liabilities	1,056,030	6,128	327,321	1,389,479
Payable for investment securities purchased	5,377,323	—	55,058	5,432,381
Accrued benefits payable	787,009	—	—	787,009
Securities lending transactions	11,902,353	—	—	11,902,353
Other liabilities	97,746	—	—	97,746
Total liabilities	19,220,461	6,128	382,379	19,608,968
NET POSITION:				
Restricted for benefits to be provided by QPPs	146,917,855	—	—	146,917,855
Restricted for benefits to be provided by VSFs	2,642,245	—	—	2,642,245
Restricted for benefits to be provided by TDA Program	30,074,416	—	—	30,074,416
Restricted for other employee benefits	—	15,897,508	4,036,331	19,933,839
Total net position	$179,634,516	$ 15,897,508	$ 4,036,331	$199,568,355

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

		Other Employee Benefit Trust Funds		
	Pension Funds*	Deferred Compensation Plans December 31, 2016	The New York City Other Postemployment Benefits Plan	Total
ADDITIONS:				
Contributions:				
Member contributions	$ 1,947,508	$ 920,078	$ —	$ 2,867,586
Employer contributions	10,859,835	—	3,020,943	13,880,778
Other employer contributions	57,369	—	—	57,369
Total contributions	12,864,712	920,078	3,020,943	16,805,733
Investment income:				
Interest income	2,332,835	131,270	21,516	2,485,621
Dividend income	2,823,560	—	—	2,823,560
Net appreciation in fair value of investments	18,763,970	1,229,869	—	19,993,839
Investment expenses	(893,822)	(31,573)	—	(925,395)
Investment income, net	23,026,543	1,329,566	21,516	24,377,625
Securities lending transactions:				
Securities lending income	90,516	—	—	90,516
Securities lending fees	(6,263)	—	—	(6,263)
Securities lending income, net	84,253	—	—	84,253
Other	(110,010)	—	—	(110,010)
Total additions	35,865,498	2,249,644	3,042,459	41,157,601
DEDUCTIONS:				
Benefit payments and withdrawals	14,512,464	611,032	2,424,766	17,548,262
Administrative expenses	188,021	14,597	121	202,739
Other	10,378	—	—	10,378
Total deductions	14,710,863	625,629	2,424,887	17,761,379
Net increase in net position	21,154,635	1,624,015	617,572	23,396,222
NET POSITION:				
Restricted for benefits:				
Beginning of year	179,634,516	15,897,508	4,036,331	199,568,355
End of year	$200,789,151	$17,521,523	$ 4,653,903	$222,964,577

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

		Other Employee Benefit Trust Funds		
	Pension Funds*	Deferred Compensation Plans December 31, 2015	The New York City Other Postemployment Benefits Plan	Total
ADDITIONS:				
Contributions:				
Member contributions	$ 1,859,350	$ 879,864	$ —	$ 2,739,214
Employer contributions	10,781,973	—	2,897,129	13,679,102
Other employer contributions	58,145	—	—	58,145
Total contributions	12,699,468	879,864	2,897,129	16,476,461
Investment income:				
Interest income	2,212,985	122,953	20,565	2,356,503
Dividend income	2,561,066	—	—	2,561,066
Net depreciation in fair value of investments	(1,323,067)	(76,782)	—	(1,399,849)
Investment expenses	(640,509)	(33,008)	—	(673,517)
Investment income, net	2,810,475	13,163	20,565	2,844,203
Securities lending transactions:				
Securities lending income	88,389	—	—	88,389
Securities lending fees	(6,057)	—	—	(6,057)
Securities lending income, net	82,332	—	—	82,332
Other	(106,450)	—	—	(106,450)
Total additions	15,485,825	893,027	2,917,694	19,296,546
DEDUCTIONS:				
Benefit payments and withdrawals	14,052,394	587,624	2,277,516	16,917,534
Administrative expenses	180,828	14,132	371	195,331
Other	7,440	—	—	7,440
Total deductions	14,240,662	601,756	2,277,887	17,120,305
Net increase in net position	1,245,163	291,271	639,807	2,176,241
NET POSITION:				
Restricted for benefits:				
Beginning of year	178,389,353	15,606,237	3,396,524	197,392,114
End of year	$179,634,516	$15,897,508	$ 4,036,331	$199,568,355

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System **	Board of Education Retirement System**	New York City Police Pension Funds	New York City Fire Pension Funds	Total
ASSETS:						
Cash and cash equivalents	$ 172,223	$ 105,451	$ 3,337	$ 110,372	$ 39,332	$ 430,715
Receivables:						
Member loans	1,102,986	674,162	88,692	234,570	26,951	2,127,361
Investment securities sold	687,047	1,013,681	99,581	812,596	196,708	2,809,613
Accrued interest and dividends	301,717	176,940	9,698	3,463	24,067	515,885
Other receivables	12	—	60	—	211	283
Total receivables	2,091,762	1,864,783	198,031	1,050,629	247,937	5,453,142
Investments:						
Short-term investments	1,129,977	1,249,819	57,514	478,510	237,517	3,153,337
Debt securities	13,520,986	16,326,740	1,111,952	7,702,213	2,220,901	40,882,792
Equity securities	18,956,302	35,438,844	636,126	6,518,200	1,878,641	63,428,113
Alternative investments	9,258,955	7,523,885	612,677	7,209,973	2,391,376	26,996,866
Collective trust funds:						
Debt securities	4,558,167	4,969,005	381,830	3,163,637	1,488,894	14,561,533
Domestic equity	—	—	1,738,135	7,310,206	2,408,391	11,456,732
International equity	13,360,204	15,734,149	1,251,628	7,030,703	2,445,255	39,821,939
Collateral from securities lending transactions	7,034,093	1,718,735	380,860	3,916,225	1,110,853	14,160,766
Total investments	67,818,684	82,961,177	6,170,722	43,329,667	14,181,828	214,462,078
Other assets	93,948	28,063	32,001	17,667	2,508	174,187
Total assets	70,176,617	84,959,474	6,404,091	44,508,335	14,471,605	220,520,122
LIABILITIES:						
Accounts payable and accrued liabilities	209,227	598,802	13,884	469,334	148,167	1,439,414
Payable for investment securities purchased	955,572	1,397,219	93,608	674,766	205,595	3,326,760
Accrued benefits payable	371,690	96,902	16,480	272,239	45,632	802,943
Securities lending transactions	7,034,093	1,718,735	380,860	3,916,225	1,110,853	14,160,766
Other liabilities	1,088	—	—	—	—	1,088
Total liabilities	8,571,670	3,811,658	504,832	5,332,564	1,510,247	19,730,971
NET POSITION:						
Restricted for benefits to be provided by QPPs	61,316,782	50,095,723	4,099,571	35,423,525	12,089,896	163,025,497
Restricted for benefits to be provided by VSFs	288,165	—	—	3,752,246	871,462	4,911,873
Restricted for benefits to be provided by TDA Program	—	31,052,093	1,799,688	—	—	32,851,781
Total net position	$61,604,947	$81,147,816	$5,899,259	$39,175,771	$12,961,358	$200,789,151

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.
** Investment categories include fixed return funds and variable funds of the QPPs.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System**	Board of Education Retirement System**	New York City Police Pension Funds	New York City Fire Pension Funds	Total
ASSETS:						
Cash and cash equivalents	$ 166,041	$ 9,856	$ 532	$ 118,867	$ 48,755	$ 344,051
Receivables:						
Member loans	1,081,783	643,568	85,669	251,861	26,917	2,089,798
Investment securities sold	1,413,529	1,802,207	119,970	668,224	177,664	4,181,594
Accrued interest and dividends	280,765	164,612	873	69,223	22,174	537,647
Other receivables	11	—	3	—	—	14
Total receivables	2,776,088	2,610,387	206,515	989,308	226,755	6,809,053
Investments:						
Short-term investments	1,614,900	2,314,459	113,900	857,866	216,091	5,117,216
Debt securities	11,446,576	15,196,888	890,152	7,312,481	2,361,866	37,207,963
Equity securities	18,523,033	31,885,457	726,951	6,793,390	1,802,947	59,731,778
Alternative investments	9,873,044	6,872,850	506,922	6,382,258	2,117,856	25,752,930
Collective trust funds:						
Debt securities	4,078,137	4,576,038	354,248	2,462,140	1,096,178	12,566,741
Domestic equity	—	—	1,401,665	6,013,129	2,103,107	9,517,901
International equity	9,220,895	11,507,149	942,911	5,856,080	2,104,733	29,631,768
Collateral from securities lending transactions	5,267,092	2,141,284	493,265	3,078,231	922,481	11,902,353
Total investments	60,023,677	74,494,125	5,430,014	38,755,575	12,725,259	191,428,650
Other assets	84,632	42,280	124,031	16,104	6,176	273,223
Total assets	63,050,438	77,156,648	5,761,092	39,879,854	13,006,945	198,854,977
LIABILITIES:						
Accounts payable and accrued liabilities	177,909	499,669	6,907	279,398	92,147	1,056,030
Payable for investment securities purchased	1,794,940	2,338,120	104,115	904,834	235,314	5,377,323
Accrued benefits payable	314,386	103,690	14,140	305,412	49,381	787,009
Securities lending transactions	5,267,092	2,141,284	493,265	3,078,231	922,481	11,902,353
Other liabilities	1,590	—	96,156	—	—	97,746
Total liabilities	7,555,917	5,082,763	714,583	4,567,875	1,299,323	19,220,461
NET POSITION:						
Restricted for benefits to be provided by QPPs	55,489,504	43,629,545	3,416,433	33,482,610	10,899,763	146,917,855
Restricted for benefits to be provided by VSFs	5,017	—	—	1,829,369	807,859	2,642,245
Restricted for benefits to be provided by TDA Program	—	28,444,340	1,630,076	—	—	30,074,416
Total net position	$55,494,521	$72,073,885	$5,046,509	$35,311,979	$11,707,622	$179,634,516

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.
** Investment categories include fixed return funds and variable funds of the QPPs.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System	Board of Education Retirement System	New York City Police Pension Funds	New York City Fire Pension Funds	Total
ADDITIONS:						
Contributions:						
Member contributions	$ 513,514	$ 923,739	$ 125,586	$ 276,301	$ 108,368	$ 1,947,508
Employer contributions	3,328,193	3,888,399	288,233	2,293,840	1,061,170	10,859,835
Other employer contributions	—	57,369	—	—	—	57,369
Total contributions	3,841,707	4,869,507	413,819	2,570,141	1,169,538	12,864,712
Investment income:						
Interest income	754,089	966,537	58,528	410,332	143,349	2,332,835
Dividend income	931,480	1,119,324	85,420	515,725	171,611	2,823,560
Net appreciation in fair value of investments	5,489,005	7,734,954	818,982	3,585,394	1,135,635	18,763,970
Investment expenses	(223,756)	(308,283)	(30,665)	(245,994)	(85,124)	(893,822)
Investment income, net	6,950,818	9,512,532	932,265	4,265,457	1,365,471	23,026,543
Securities lending transactions:						
Securities lending income	33,703	20,820	6,235	23,042	6,716	90,516
Securities lending fees	(2,369)	(1,572)	(251)	(1,605)	(466)	(6,263)
Securities lending income, net	31,334	19,248	5,984	21,437	6,250	84,253
Other	3,266	—	(171,067)	10,507	47,284	(110,010)
Total additions	10,827,125	14,401,287	1,181,001	6,867,542	2,588,543	35,865,498
DEDUCTIONS:						
Benefit payments and withdrawals	4,648,941	5,231,243	312,640	2,984,833	1,334,807	14,512,464
Administrative expenses	59,671	93,822	15,611	18,917	—	188,021
Other	8,087	2,291	—	—	—	10,378
Total deductions	4,716,699	5,327,356	328,251	3,003,750	1,334,807	14,710,863
Net increase in net position	6,110,426	9,073,931	852,750	3,863,792	1,253,736	21,154,635
NET POSITION:						
Restricted for benefits:						
Beginning of year	55,494,521	72,073,885	5,046,509	35,311,979	11,707,622	179,634,516
End of year	$61,604,947	$81,147,816	$5,899,259	$39,175,771	$12,961,358	$200,789,151

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	New York City Employees' Retirement System	Teachers' Retirement System	Board of Education Retirement System	New York City Police Pension Funds	New York City Fire Pension Funds	Total
ADDITIONS:						
Contributions:						
Member contributions	$ 485,508	$ 891,262	$ 116,040	$ 249,921	$ 116,619	$ 1,859,350
Employer contributions	3,365,454	3,702,569	265,532	2,393,940	1,054,478	10,781,973
Other employer contributions	—	58,145	—	—	—	58,145
Total contributions	3,850,962	4,651,976	381,572	2,643,861	1,171,097	12,699,468
Investment income:						
Interest income	692,957	893,691	48,122	433,009	145,206	2,212,985
Dividend income	836,490	1,024,591	57,316	484,994	157,675	2,561,066
Net (depreciation) appreciation in fair value of investments	(174,204)	(780,798)	71,243	(379,436)	(59,872)	(1,323,067)
Investment expenses	(212,996)	(209,423)	(14,998)	(156,771)	(46,321)	(640,509)
Investment income, net	1,142,247	928,061	161,683	381,796	196,688	2,810,475
Securities lending transactions:						
Securities lending income.	31,719	22,796	3,763	23,249	6,862	88,389
Securities lending fees	(2,062)	(1,785)	(253)	(1,511)	(446)	(6,057)
Securities lending income, net	29,657	21,011	3,510	21,738	6,416	82,332
Other	2,928	1,233	(161,040)	6,756	43,673	(106,450)
Total additions	5,025,794	5,602,281	385,725	3,054,151	1,417,874	15,485,825
DEDUCTIONS:						
Benefit payments and withdrawals	4,496,180	5,024,644	290,916	2,882,223	1,358,431	14,052,394
Administrative expenses	56,683	91,999	13,668	18,478	—	180,828
Other	7,440	—	—	—	—	7,440
Total deductions	4,560,303	5,116,643	304,584	2,900,701	1,358,431	14,240,662
Net increase in net position	465,491	485,638	81,141	153,450	59,443	1,245,163
NET POSITION:						
Restricted for benefits:						
Beginning of year	55,029,030	71,588,247	4,965,368	35,158,529	11,648,179	178,389,353
End of year	$55,494,521	$72,073,885	$5,046,509	$35,311,979	$11,707,622	$179,634,516

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

	NYCERS Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)					Eliminations	Total New York City Employees' Retirement System
		TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	COVSF		
ASSETS:								
Cash and cash equivalents	$ 163,875	$ 45	$ 70	$ 69	$ 58	$ 8,106	$ —	$ 172,223
Receivables:								
Member loans	1,102,986	—	—	—	—	—	—	1,102,986
Investment securities sold	687,047	—	—	—	—	—	—	687,047
Accrued interest and dividends	301,680	—	—	—	—	37	—	301,717
Other receivables	—	—	—	—	—	12	—	12
Transferable earnings due from QPP to VSFs	—	—	—	—	—	281,000	(281,000)	—
Total receivables	2,091,713	—	—	—	—	281,049	(281,000)	2,091,762
Investments:								
Short-term investments	1,086,448	—	—	—	—	43,529	—	1,129,977
Debt securities	13,520,986	—	—	—	—	—	—	13,520,986
Equity securities	18,956,302	—	—	—	—	—	—	18,956,302
Alternative investments	9,258,955	—	—	—	—	—	—	9,258,955
Collective trust funds:								
Debt securities	4,558,167	—	—	—	—	—	—	4,558,167
International equity	13,360,204	—	—	—	—	—	—	13,360,204
Collateral from securities lending transactions	7,034,093	—	—	—	—	—	—	7,034,093
Total investments	67,775,155	—	—	—	—	43,529	—	67,818,684
Due from QPP	—	1,886	1,432	901	1,274	—	(5,493)	—
Other assets	93,948	—	—	—	—	—	—	93,948
Total assets	70,124,691	1,931	1,502	970	1,332	332,684	(286,493)	70,176,617
LIABILITIES:								
Accounts payable and accrued liabilities	209,206	21	—	—	—	—	—	209,227
Payable for investment securities purchased	955,572	—	—	—	—	—	—	955,572
Accrued benefits payable	321,457	1,910	1,502	970	1,332	44,519	—	371,690
Transferable earnings due from QPP to VSFs	281,000	—	—	—	—	—	(281,000)	—
Due to VSFs	5,493	—	—	—	—	—	(5,493)	—
Securities lending transactions	7,034,093	—	—	—	—	—	—	7,034,093
Other liabilities	1,088	—	—	—	—	—	—	1,088
Total liabilities	8,807,909	1,931	1,502	970	1,332	44,519	(286,493)	8,571,670
NET POSITION:								
Restricted for benefits to be provided by QPP	61,316,782	—	—	—	—	—	—	61,316,782
Restricted for benefits to be provided by VSFs	—	—	—	—	—	288,165	—	288,165
Total net position	$61,316,782	$ —	$ —	$ —	$ —	$288,165	$ —	$61,604,947

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	NYCERS Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)					Eliminations	Total New York City Employees' Retirement System
		TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	COVSF		
ASSETS:								
Cash and cash equivalents	$ 165,685	$ 29	$ 40	$ 30	$ 44	$ 213	$ —	$ 166,041
Receivables:								
Member loans	1,081,783	—	—	—	—	—	—	1,081,783
Investment securities sold	1,413,529	—	—	—	—	—	—	1,413,529
Accrued interest and dividends	280,740	—	—	—	—	25	—	280,765
Other receivables.	—	—	—	—	—	11	—	11
Transferrable earnings due from QPP to VSFs	—	—	—	—	—	3,000	(3,000)	—
Total receivables	2,776,052	—	—	—	—	3,036	(3,000)	2,776,088
Investments:								
Short-term investments	1,571,207	—	—	—	—	43,693	—	1,614,900
Debt securities	11,446,576	—	—	—	—	—	—	11,446,576
Equity securities	18,523,033	—	—	—	—	—	—	18,523,033
Alternative investments	9,873,044	—	—	—	—	—	—	9,873,044
Collective trust funds:								
Debt securities	4,078,137	—	—	—	—	—	—	4,078,137
International equity	9,220,895	—	—	—	—	—	—	9,220,895
Collateral from securities lending transactions	5,267,092	—	—	—	—	—	—	5,267,092
Total investments	59,979,984	—	—	—	—	43,693	—	60,023,677
Due from QPP	—	1,967	1,448	991	1,318	—	(5,724)	—
Other assets	84,632	—	—	—	—	—	—	84,632
Total assets	63,006,353	1,996	1,488	1,021	1,362	46,942	(8,724)	63,050,438
LIABILITIES:								
Accounts payable and accrued liabilities	177,887	22	—	—	—	—	—	177,909
Payable for investment securities purchased	1,794,940	—	—	—	—	—	—	1,794,940
Accrued benefits payable	266,616	1,974	1,488	1,021	1,362	41,925	—	314,386
Transferrable earnings due from QPP to VSFs	3,000	—	—	—	—	—	(3,000)	—
Due to VSFs	5,724	—	—	—	—	—	(5,724)	—
Securities lending transactions	5,267,092	—	—	—	—	—	—	5,267,092
Other liabilities	1,590	—	—	—	—	—	—	1,590
Total liabilities	7,516,849	1,996	1,488	1,021	1,362	41,925	(8,724)	7,555,917
NET POSITION:								
Restricted for benefits to be provided by QPP	55,489,504	—	—	—	—	—	—	55,489,504
Restricted for benefits to be provided by VSFs	—	—	—	—	—	5,017	—	5,017
Total net position	$55,489,504	$ —	$ —	$ —	$ —	$ 5,017	$ —	$ 55,494,521

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	NYCERS Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)					Eliminations	Total New York City Employees' Retirement System
		TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	COVSF		
ADDITIONS:								
Contributions:								
Member contributions	$ 513,514	$ —	$ —	$ —	$ —	$ —	$ —	$ 513,514
Employer contributions	3,328,193	—	—	—	—	—	—	3,328,193
Total contributions	3,841,707	—	—	—	—	—	—	3,841,707
Investment income:								
Interest income	753,789	—	—	—	—	300	—	754,089
Dividend income	931,480	—	—	—	—	—	—	931,480
Net appreciation (depreciation) in fair value of investments	5,489,457	—	—	—	—	(452)	—	5,489,005
Investment expenses	(223,756)	—	—	—	—	—	—	(223,756)
Investment income (loss), net	6,950,970	—	—	—	—	(152)	—	6,950,818
Securities lending transactions:								
Securities lending income	33,703	—	—	—	—	—	—	33,703
Securities lending fees	(2,369)	—	—	—	—	—	—	(2,369)
Securities lending income, net	31,334	—	—	—	—	—	—	31,334
Payments from QPP	—	3,830	2,983	1,889	2,595	—	(11,297)	—
Transferrable earnings due from QPP to VSFs	—	—	—	—	—	285,924	(285,924)	—
Other	3,266	—	—	—	—	—	—	3,266
Total additions	10,827,277	3,830	2,983	1,889	2,595	285,772	(297,221)	10,827,125
DEDUCTIONS:								
Benefit payments and withdrawals	4,635,020	3,830	2,983	1,889	2,595	2,624	—	4,648,941
Payments to VSFs	11,297	—	—	—	—	—	(11,297)	—
Transferrable earnings due from QPP to VSFs	285,924	—	—	—	—	—	(285,924)	—
Administrative expenses	59,671	—	—	—	—	—	—	59,671
Other	8,087	—	—	—	—	—	—	8,087
Total deductions	4,999,999	3,830	2,983	1,889	2,595	2,624	(297,221)	4,716,699
Net increase in net position	5,827,278	—	—	—	—	283,148	—	6,110,426
NET POSITION:								
Restricted for benefits:								
Beginning of year	55,489,504	—	—	—	—	5,017	—	55,494,521
End of year	$ 61,316,782	$ —	$ —	$ —	$ —	$ 288,165	$ —	$ 61,604,947

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*

NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

(in thousands)

	NYCERS Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)						Total New York City Employees' Retirement System
		TPOVSF	TPSOVSF	HPOVSF	HPSOVSF	COVSF	Eliminations	
ADDITIONS:								
Contributions:								
Member contributions	$ 485,508	$ —	$ —	$ —	$ —	$ —	$ —	$ 485,508
Employer contributions	3,365,454	—	—	—	—	—	—	3,365,454
Total contributions	3,850,962	—	—	—	—	—	—	3,850,962
Investment income:								
Interest income	692,773	—	—	—	—	184	—	692,957
Dividend income	836,490	—	—	—	—	—	—	836,490
Net depreciation in fair value of investments	(174,204)	—	—	—	—	—	—	(174,204)
Investment expenses	(212,996)	—	—	—	—	—	—	(212,996)
Investment income, net	1,142,063	—	—	—	—	184	—	1,142,247
Securities lending transactions:								
Securities lending income	31,719	—	—	—	—	—	—	31,719
Securities lending fees	(2,062)	—	—	—	—	—	—	(2,062)
Securities lending income, net	29,657	—	—	—	—	—	—	29,657
Payments from QPP	—	3,945	2,964	1,968	2,648	—	(11,525)	—
Transferrable earnings due from QPP to VSFs	—	—	—	—	—	(52,724)	52,724	—
Other	2,928	—	—	—	—	—	—	2,928
Total additions	5,025,610	3,945	2,964	1,968	2,648	(52,540)	41,199	5,025,794
DEDUCTIONS:								
Benefit payments and withdrawals	4,402,506	3,945	2,964	1,968	2,648	82,149	—	4,496,180
Payments to VSFs	11,525	—	—	—	—	—	(11,525)	—
Transferrable earnings due from QPP to VSFs	(52,724)	—	—	—	—	—	52,724	—
Administrative expenses	56,683	—	—	—	—	—	—	56,683
Other	7,440	—	—	—	—	—	—	7,440
Total deductions	4,425,430	3,945	2,964	1,968	2,648	82,149	41,199	4,560,303
Net increase (decrease) in net position	600,180	—	—	—	—	(134,689)	—	465,491
NET POSITION:								
Restricted for benefits:								
Beginning of year	54,889,324	—	—	—	—	139,706	—	55,029,030
End of year	$55,489,504	$ —	$ —	$ —	$ —	$ 5,017	$ —	$ 55,494,521

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
TEACHERS' RETIREMENT SYSTEM
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

	TRS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Eliminations	Total Teachers' Retirement System
ASSETS:				
Cash and cash equivalents	$ 101,499	$ 3,952	$ —	$ 105,451
Receivables:				
Member loans	298,146	376,016	—	674,162
Investment securities sold	989,725	23,956	—	1,013,681
Accrued interest and dividends	164,163	12,777	—	176,940
Total receivables	1,452,034	412,749	—	1,864,783
Investments:				
Fixed return funds:				
Short-term investments	1,070,286	—	—	1,070,286
Debt securities	15,700,893	—	—	15,700,893
Equity securities	21,086,002	—	—	21,086,002
Alternative investments	7,523,885	—	—	7,523,885
Collective trust funds:				
International equity	15,734,149	—	—	15,734,149
Debt securities	4,969,005	—	—	4,969,005
Collateral from securities lending transactions	1,530,310	—	—	1,530,310
Variable funds:				
Short-term investments	70,139	109,394	—	179,533
Debt securities	189,640	436,207	—	625,847
Equity securities	6,060,291	8,292,551	—	14,352,842
Collateral from securities lending transactions	80,011	108,414	—	188,425
Total investments	74,014,611	8,946,566	—	82,961,177
Investment in fixed return funds	—	22,004,183	(22,004,183)	—
Other assets	38,932	16,296	(27,165)	28,063
Total assets	75,607,076	31,383,746	(22,031,348)	84,959,474
LIABILITIES:				
Accounts payable and accrued liabilities	529,059	96,908	(27,165)	598,802
Payable for investment securities purchased	1,353,803	43,416	—	1,397,219
Accrued benefits payable	13,987	82,915	—	96,902
Due to TDA fixed return funds	22,004,183	—	(22,004,183)	—
Securities lending transactions	1,610,321	108,414	—	1,718,735
Total liabilities	25,511,353	331,653	(22,031,348)	3,811,658
NET POSITION:				
Restricted for benefits to be provided by QPP	50,095,723	—	—	50,095,723
Restricted for benefits to be provided by TDA Program	—	31,052,093	—	31,052,093
Total net position	$50,095,723	$31,052,093	$ —	$81,147,816

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
TEACHERS' RETIREMENT SYSTEM
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	TRS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Eliminations	Total Teachers' Retirement System
ASSETS:				
Cash and cash equivalents	$ 5,157	$ 4,699	$ —	$ 9,856
Receivables:				
Member loans	275,704	367,864	—	643,568
Investment securities sold	1,772,521	29,686	—	1,802,207
Accrued interest and dividends	151,330	13,282	—	164,612
Total receivables	2,199,555	410,832	—	2,610,387
Investments:				
Fixed return funds:				
Short-term investments	2,179,314	—	—	2,179,314
Debt securities	14,655,009	—	—	14,655,009
Equity securities	22,284,584	—	—	22,284,584
Alternative investments	6,872,850	—	—	6,872,850
Collective trust funds:				
International equity	11,507,149	—	—	11,507,149
Debt securities	4,576,038	—	—	4,576,038
Collateral from securities lending transactions	1,774,456	—	—	1,774,456
Variable funds:				
Short-term investments	30,113	105,032	—	135,145
Debt securities	74,934	466,945	—	541,879
Equity securities	2,226,196	7,374,677	—	9,600,873
Collateral from securities lending transactions	84,226	282,602	—	366,828
Total investments	66,264,869	8,229,256	—	74,494,125
Investment in fixed return funds	—	20,292,733	(20,292,733)	—
Other assets	49,873	13,429	(21,022)	42,280
Total assets	68,519,454	28,950,949	(20,313,755)	77,156,648
LIABILITIES:				
Accounts payable and accrued liabilities	417,408	103,283	(21,022)	499,669
Payable for investment securities purchased	2,308,523	29,597	—	2,338,120
Accrued benefits payable	12,563	91,127	—	103,690
Due to TDA fixed return funds	20,292,733	—	(20,292,733)	—
Securities lending transactions	1,858,682	282,602	—	2,141,284
Total liabilities	24,889,909	506,609	(20,313,755)	5,082,763
NET POSITION:				
Restricted for benefits to be provided by QPP	43,629,545	—	—	43,629,545
Restricted for benefits to be provided by TDA Program	—	28,444,340	—	28,444,340
Total net position	$43,629,545	$28,444,340	$ —	$72,073,885

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
TEACHERS' RETIREMENT SYSTEM
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	TRS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Total Teachers' Retirement System
ADDITIONS:			
Contributions:			
Member contributions	$ 180,076	$ 743,663	$ 923,739
Employer contributions	3,888,399	—	3,888,399
Other employer contributions	57,369	—	57,369
Total contributions	4,125,844	743,663	4,869,507
Investment income:			
Interest income	932,169	34,368	966,537
Dividend income	981,087	138,237	1,119,324
Net appreciation in fair value of investments	6,516,379	1,218,575	7,734,954
Investment expenses	(313,801)	5,518	(308,283)
Investment income, net	8,115,834	1,396,698	9,512,532
Securities lending transactions:			
Securities lending income	18,806	2,014	20,820
Securities lending fees	(1,360)	(212)	(1,572)
Securities lending income, net	17,446	1,802	19,248
Total additions	12,259,124	2,142,163	14,401,287
DEDUCTIONS:			
Benefit payments and withdrawals	4,219,312	1,011,931	5,231,243
Administrative expenses	60,790	33,032	93,822
Interest on TDA Program fixed return funds	1,466,615	(1,466,615)	—
Actuarial rebalance	43,938	(43,938)	—
Other	2,291	—	2,291
Total deductions	5,792,946	(465,590)	5,327,356
Net increase in net position	6,466,178	2,607,753	9,073,931
NET POSITION:			
Restricted for benefits:			
Beginning of year	43,629,545	28,444,340	72,073,885
End of year	$50,095,723	$31,052,093	$81,147,816

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
TEACHERS' RETIREMENT SYSTEM
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	TRS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Total Teachers' Retirement System
ADDITIONS:			
Contributions:			
Member contributions	$ 173,696	$ 717,566	$ 891,262
Employer contributions	3,702,569	—	3,702,569
Other employer contributions	58,145	—	58,145
Total contributions	3,934,410	717,566	4,651,976
Investment income:			
Interest income	860,222	33,469	893,691
Dividend income	896,208	128,383	1,024,591
Net depreciation in fair value of investments	(598,443)	(182,355)	(780,798)
Investment expenses	(215,068)	5,645	(209,423)
Investment income (loss), net	942,919	(14,858)	928,061
Securities lending transactions:			
Securities lending income	18,742	4,054	22,796
Securities lending fees	(1,395)	(390)	(1,785)
Securities lending income, net	17,347	3,664	21,011
Other	1,233	—	1,233
Total additions	4,895,909	706,372	5,602,281
DEDUCTIONS:			
Benefit payments and withdrawals	4,107,455	917,189	5,024,644
Administrative expenses	59,367	32,632	91,999
Interest on TDA Program fixed return funds	1,354,207	(1,354,207)	—
Total deductions	5,521,029	(404,386)	5,116,643
Net (decrease) increase in net position	(625,120)	1,110,758	485,638
NET POSITION:			
Restricted for benefits:			
Beginning of year	44,254,665	27,333,582	71,588,247
End of year	$43,629,545	$28,444,340	$72,073,885

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

	BERS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Eliminations	Total Board of Education Retirement System
ASSETS:				
Cash and cash equivalents	$ 3,232	$ 105	$ —	$ 3,337
Receivables:				
Member loans	47,935	40,757	—	88,692
Investment securities sold	98,675	906	—	99,581
Accrued interest and dividends	9,080	618	—	9,698
Other receivables	60	—	—	60
Total receivables	155,750	42,281	—	198,031
Investments:				
Fixed return funds:				
Short-term investments	52,083	—	—	52,083
Debt securities	1,103,180	—	—	1,103,180
Equity securities	145,431	—	—	145,431
Alternative investments	612,677	—	—	612,677
Collective trust funds:				
Debt securities	381,830	—	—	381,830
Domestic equity	1,738,135	—	—	1,738,135
International equity	1,251,628	—	—	1,251,628
Collateral from securities lending transactions	374,326	—	—	374,326
Variable funds:				
Short-term investments	513	4,918	—	5,431
Debt securities	828	7,944	—	8,772
Equity securities	46,309	444,386	—	490,695
Collateral from securities lending transactions	617	5,917	—	6,534
Total investments	5,707,557	463,165	—	6,170,722
Investment in fixed return funds	—	1,436,478	(1,436,478)	—
Other assets	160,453	—	(128,452)	32,001
Total assets	6,026,992	1,942,029	(1,564,930)	6,404,091
LIABILITIES:				
Accounts payable and accrued liabilities	13,884	—	—	13,884
Payable for investment securities purchased	92,173	1,435	—	93,608
Accrued benefits payable	9,943	6,537	—	16,480
Due to TDA Program fixed return funds	1,436,478	—	(1,436,478)	—
Securities lending transactions	374,943	5,917	—	380,860
Other liabilities	—	128,452	(128,452)	—
Total liabilities	1,927,421	142,341	(1,564,930)	504,832
NET POSITION:				
Restricted for benefits to be provided by QPP	4,099,571	—	—	4,099,571
Restricted for benefits to be provided by TDA Program	—	1,799,688	—	1,799,688
Total net position	$4,099,571	$1,799,688	$ —	$5,899,259

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	BERS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Eliminations	Total Board of Education Retirement System
Assets:				
Cash and cash equivalents	$ 327	$ 205	$ —	$ 532
Receivables:				
Member loans	46,748	38,921	—	85,669
Investment securities sold	119,062	908	—	119,970
Accrued interest and dividends	247	626	—	873
Other receivables	3	—	—	3
Total receivables	166,060	40,455	—	206,515
Investments:				
Fixed return funds:				
Short-term investments	107,821	—	—	107,821
Debt securities	879,762	—	—	879,762
Equity securities	291,144	—	—	291,144
Alternative investments	506,922	—	—	506,922
Collective trust funds:				
Debt securities	354,248	—	—	354,248
Domestic equity	1,401,665	—	—	1,401,665
International equity	942,911	—	—	942,911
Collateral from securities lending transactions	476,001	—	—	476,001
Variable funds:				
Short-term investments	571	5,508	—	6,079
Debt securities	976	9,414	—	10,390
Equity securities	40,953	394,854	—	435,807
Collateral from securities lending transactions	1,622	15,642	—	17,264
Total investments	5,004,596	425,418	—	5,430,014
Investment in fixed return funds	—	1,283,481	(1,283,481)	—
Other assets	124,031	—	—	124,031
Total assets	5,295,014	1,749,559	(1,283,481)	5,761,092
Liabilities:				
Accounts payable and accrued liabilities	6,907	—	—	6,907
Payable for investment securities purchased	103,213	902	—	104,115
Accrued benefits payable	7,357	6,783	—	14,140
Due to TDA Program fixed return funds	1,283,481	—	(1,283,481)	—
Securities lending transactions	477,623	15,642	—	493,265
Other liabilities	—	96,156		96,156
Total liabilities	1,878,581	119,483	(1,283,481)	714,583
Net Position:				
Restricted for benefits to be provided by QPP	3,416,433	—	—	3,416,433
Restricted for benefits to be provided by TDA Program	—	1,630,076	—	1,630,076
Total net position	$3,416,433	$1,630,076	$ —	$5,046,509

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	BERS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Total Board of Education Retirement System
ADDITIONS:			
Contributions:			
Member contributions	$ 39,821	$ 85,765	$ 125,586
Employer contributions	288,233	—	288,233
Total contributions	328,054	85,765	413,819
Investment income:			
Interest income	54,964	3,564	58,528
Dividend income	70,610	14,810	85,420
Net appreciation in fair value of investments	760,262	58,720	818,982
Investment expenses	(29,204)	(1,461)	(30,665)
Investment income, net	856,632	75,633	932,265
Securities lending transactions:			
Securities lending income	6,118	117	6,235
Securities lending fees	(240)	(11)	(251)
Securities lending income, net	5,878	106	5,984
Interest on TDA Program fixed return funds	(106,554)	106,554	—
Other receipts from other retirement systems	(122,954)	(48,113)	(171,067)
Total additions	961,056	219,945	1,181,001
DEDUCTIONS:			
Benefit payments and withdrawals	262,432	50,208	312,640
Administrative expenses	15,486	125	15,611
Total deductions	277,918	50,333	328,251
Net increase in net position	683,138	169,612	852,750
NET POSITION:			
Restricted for benefits:			
Beginning of year	3,416,433	1,630,076	5,046,509
End of year	$4,099,571	$1,799,688	$5,899,259

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	BERS Qualified Pension Plan (QPP)	Tax-Deferred Annuity Program (TDA)	Total Board of Education Retirement System
ADDITIONS:			
Contributions:			
Member contributions	$ 38,581	$ 77,459	$ 116,040
Employer contributions	265,532	—	265,532
Total contributions	304,113	77,459	381,572
Investment income:			
Interest income	44,782	3,340	48,122
Dividend income	51,328	5,988	57,316
Net appreciation (depreciation) in fair value of investments	79,014	(7,771)	71,243
Investment expenses	(14,296)	(702)	(14,998)
Investment income, net	160,828	855	161,683
Securities lending transactions:			
Securities lending income	3,547	216	3,763
Securities lending fees	(231)	(22)	(253)
Securities lending income, net	3,316	194	3,510
Interest on TDA Program fixed return funds	(94,789)	94,789	—
Other receipts from other retirement systems	(157,499)	(3,541)	(161,040)
Total additions	215,969	169,756	385,725
DEDUCTIONS:			
Benefit payments and withdrawals	240,727	50,189	290,916
Administrative expenses	12,818	850	13,668
Total deductions	253,545	51,039	304,584
Net (decrease) increase in net position	(37,576)	118,717	81,141
NET POSITION:			
Restricted for benefits:			
Beginning of year	3,454,009	1,511,359	4,965,368
End of year	$3,416,433	$1,630,076	$5,046,509

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY POLICE PENSION FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

	POLICE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)		Eliminations	Total New York City Police Pension Funds
		POVSF	PSOVSF		
ASSETS:					
Cash and cash equivalents	$ 107,908	$ 1,880	$ 584	$ —	$ 110,372
Receivables:					
Member loans	234,570	—	—	—	234,570
Investment securities sold	694,085	100,709	17,802	—	812,596
Transferrable earnings due to/from QPP to VSFs	326,195	1,038,637	1,679,802	(3,044,634)	—
Accrued interest and dividends	3,238	199	26	—	3,463
Total receivables	1,258,088	1,139,545	1,697,630	(3,044,634)	1,050,629
Investments:					
Short-term investments	465,204	8,551	4,755	—	478,510
Debt securities	7,702,198	15	—	—	7,702,213
Equity securities	6,518,200	—	—	—	6,518,200
Alternative investments	7,209,973	—	—	—	7,209,973
Collective trust funds:					
Debt securities	2,633,513	452,707	77,417	—	3,163,637
Domestic equity	6,785,844	444,732	79,630	—	7,310,206
International equity	6,552,823	404,825	73,055	—	7,030,703
Collateral from securities lending transactions	3,853,421	53,248	9,556	—	3,916,225
Total investments	41,721,176	1,364,078	244,413	—	43,329,667
Other assets	17,667	—	—	—	17,667
Total assets	43,104,839	2,505,503	1,942,627	(3,044,634)	44,508,335
LIABILITIES:					
Accounts payable and accrued liabilities	468,980	290	64	—	469,334
Payable for investment securities purchased	556,363	100,608	17,795	—	674,766
Accrued benefits payable	84,111	75,739	112,389	—	272,239
Transferrable earnings due from/to QPP to VSFs	2,718,439	250,751	75,444	(3,044,634)	—
Securities lending transactions	3,853,421	53,248	9,556	—	3,916,225
Total liabilities	7,681,314	480,636	215,248	(3,044,634)	5,332,564
NET POSITION:					
Restricted for benefits to be provided by QPP	35,423,525	—	—	—	35,423,525
Restricted for benefits to be provided by VSFs	—	2,024,867	1,727,379	—	3,752,246
Total net position	$35,423,525	$2,024,867	$1,727,379	$ —	$39,175,771

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY POLICE PENSION FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	POLICE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)		Eliminations	Total New York City Police Pension Funds
		POVSF	PSOVSF		
Assets:					
Cash and cash equivalents	$ 116,153	$ 1,851	$ 863	$ —	$ 118,867
Receivables:					
Member loans	251,861	—	—	—	251,861
Investment securities sold	575,823	65,948	26,453	—	668,224
Transferrable earnings due to/from QPP to VSFs	326,195	330,000	260,000	(916,195)	—
Accrued interest and dividends	66,102	2,317	804	—	69,223
Total receivables	1,219,981	398,265	287,257	(916,195)	989,308
Investments:					
Short-term investments	832,596	21,064	4,206	—	857,866
Debt securities	6,870,189	322,512	119,780	—	7,312,481
Equity securities	6,180,793	612,597	—	—	6,793,390
Alternative investments	6,382,258	—	—	—	6,382,258
Collective trust funds:					
Debt securities	2,462,140	—	—	—	2,462,140
Domestic equity	5,803,115	—	210,014	—	6,013,129
International equity	5,402,281	338,978	114,821	—	5,856,080
Collateral from securities lending transactions	2,945,709	97,014	35,508	—	3,078,231
Total investments	36,879,081	1,392,165	484,329	—	38,755,575
Other assets	16,104	—	—	—	16,104
Total assets	38,231,319	1,792,281	772,449	(916,195)	39,879,854
Liabilities:					
Accounts payable and accrued liabilities	260,836	12,289	6,273	—	279,398
Payable for investment securities purchased	837,047	48,023	19,764	—	904,834
Accrued benefits payable	115,117	76,586	113,709	—	305,412
Transferrable earnings due from/to QPP to VSFs	590,000	250,751	75,444	(916,195)	—
Securities lending transactions	2,945,709	97,014	35,508	—	3,078,231
Total liabilities	4,748,709	484,663	250,698	(916,195)	4,567,875
Net Position:					
Restricted for benefits to be provided by QPP	33,482,610	—	—	—	33,482,610
Restricted for benefits to be provided by VSFs	—	1,307,618	521,751	—	1,829,369
Total net position	$33,482,610	$1,307,618	$ 521,751	$ —	$35,311,979

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY POLICE PENSION FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	POLICE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs) POVSF	PSOVSF	Eliminations	Total New York City Police Pension Funds
ADDITIONS:					
Contributions:					
Member contributions	$ 276,301	$ —	$ —	$ —	$ 276,301
Employer contributions	2,293,840	—	—	—	2,293,840
Total contributions	2,570,141	—	—	—	2,570,141
Investment income:					
Interest income	400,562	7,892	1,878	—	410,332
Dividend income	485,237	24,359	6,129	—	515,725
Net appreciation in fair value of investments	3,418,739	134,327	32,328	—	3,585,394
Investment expenses	(245,288)	(561)	(145)	—	(245,994)
Investment income, net	4,059,250	166,017	40,190	—	4,265,457
Securities lending transactions:					
Securities lending income	22,034	792	216	—	23,042
Securities lending fees	(1,537)	(54)	(14)	—	(1,605)
Securities lending income, net	20,497	738	202	—	21,437
Transferrable earnings due from QPP to VSFs	25,562	738,000	1,419,802	(2,183,364)	—
Other	10,381	74	52	—	10,507
Total additions	6,685,831	904,829	1,460,246	(2,183,364)	6,867,542
DEDUCTIONS:					
Benefit payments and withdrawals	2,571,999	158,216	254,618	—	2,984,833
Transferrable earnings due from QPP to VSFs	2,154,000	29,364	—	(2,183,364)	—
Administrative expenses	18,917	—	—	—	18,917
Total deductions	4,744,916	187,580	254,618	(2,183,364)	3,003,750
Net increase in net position	1,940,915	717,249	1,205,628	—	3,863,792
NET POSITION:					
Restricted for benefits:					
Beginning of year	33,482,610	1,307,618	521,751	—	35,311,979
End of year	$35,423,525	$2,024,867	$1,727,379	$ —	$39,175,771

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY POLICE PENSION FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	POLICE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)		Eliminations	Total New York City Police Pension Funds
		POVSF	PSOVSF		
ADDITIONS:					
Contributions:					
Member contributions	$ 249,921	$ —	$ —	$ —	$ 249,921
Employer contributions	2,393,940	—	—	—	2,393,940
Total contributions	2,643,861	—	—	—	2,643,861
Investment income:					
Interest income	416,038	11,930	5,041	—	433,009
Dividend income	449,480	25,507	10,007	—	484,994
Net depreciation in fair value of investments	(85,518)	(170,921)	(122,997)	—	(379,436)
Investment expenses	(156,155)	(437)	(179)	—	(156,771)
Investment income (loss), net	623,845	(133,921)	(108,128)	—	381,796
Securities lending transactions:					
Securities lending income	21,896	967	386	—	23,249
Securities lending fees	(1,423)	(63)	(25)	—	(1,511)
Securities lending income, net	20,473	904	361	—	21,738
Transferrable earnings due from QPP to VSFs	326,195	—	—	(326,195)	—
Other	6,479	147	130	—	6,756
Total additions	3,620,853	(132,870)	(107,637)	(326,195)	3,054,151
DEDUCTIONS:					
Benefit payments and withdrawals	2,475,738	156,695	249,790	—	2,882,223
Transferrable earnings due from QPP to VSFs	—	250,751	75,444	(326,195)	—
Administrative expenses	18,478	—	—	—	18,478
Total deductions	2,494,216	407,446	325,234	(326,195)	2,900,701
Net increase (decrease) in net position	1,126,637	(540,316)	(432,871)	—	153,450
NET POSITION:					
Restricted for benefits:					
Beginning of year	32,355,973	1,847,934	954,622	—	35,158,529
End of year	$33,482,610	$1,307,618	$ 521,751	$ —	$35,311,979

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY FIRE PENSION FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017
(in thousands)

	FIRE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)		Eliminations	Total New York City Fire Pension Funds
		FFVSF	FOVSF		
Assets:					
Cash and cash equivalents	$ 37,035	$ 1,391	$ 906	$ —	$ 39,332
Receivables:					
Member loans	26,951	—	—	—	26,951
Investment securities sold	138,400	33,517	24,791	—	196,708
Accrued interest and dividends	23,004	631	432	—	24,067
Transferrable earnings due from QPP to VSFs	—	83,653	50,963	(134,616)	—
Other receivables	178	—	33	—	211
Total receivables	188,533	117,801	76,219	(134,616)	247,937
Investments:					
Short-term investments	227,909	6,971	2,637	—	237,517
Debt securities	2,219,638	—	1,263	—	2,220,901
Equity securities	1,878,641	—	—	—	1,878,641
Alternative investments	2,391,376	—	—	—	2,391,376
Collective trust funds:					
Debt securities	1,230,616	155,777	102,501	—	1,488,894
Domestic equity	2,149,785	156,098	102,508	—	2,408,391
International equity	2,209,426	142,644	93,185	—	2,445,255
Collateral from securities lending transactions	1,080,020	18,539	12,294	—	1,110,853
Total investments	13,387,411	480,029	314,388	—	14,181,828
Other assets	2,508	—	—	—	2,508
Total assets	13,615,487	599,221	391,513	(134,616)	14,471,605
Liabilities:					
Accounts payable and accrued liabilities	147,979	96	92	—	148,167
Payable for investment securities purchased	147,296	33,509	24,790	—	205,595
Accrued benefits payable	15,680	20,831	9,121	—	45,632
Transferrable earnings due from QPP to VSFs	134,616	—	—	(134,616)	—
Securities lending transactions	1,080,020	18,539	12,294	—	1,110,853
Total liabilities	1,525,591	72,975	46,297	(134,616)	1,510,247
Net Position:					
Restricted for benefits to be provided by QPP	12,089,896	—	—	—	12,089,896
Restricted for benefits to be provided by VSFs	—	526,246	345,216	—	871,462
Total net position	$12,089,896	$ 526,246	$ 345,216	$ —	$12,961,358

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY FIRE PENSION FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2016
(in thousands)

	FIRE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs) FFVSF	FOVSF	Eliminations	Total New York City Fire Pension Funds
ASSETS:					
Cash and cash equivalents	$ 37,457	$ 10,740	$ 558	$ —	$ 48,755
Receivables:					
Member loans	26,917	—	—	—	26,917
Investment securities sold	153,595	12,433	11,636	—	177,664
Accrued interest and dividends	20,518	985	671	—	22,174
Transferrable earnings due from QPP to VSFs	—	59,739	29,134	(88,873)	—
Total receivables	201,030	73,157	41,441	(88,873)	226,755
Investments:					
Short-term investments	197,458	12,719	5,914	—	216,091
Debt securities	2,211,925	93,304	56,637	—	2,361,866
Equity securities	1,802,947	—	—	—	1,802,947
Alternative investments	2,117,856	—	—	—	2,117,856
Collective trust funds:					
Debt securities	1,034,765	37,279	24,134	—	1,096,178
Domestic equity	1,736,914	221,610	144,583	—	2,103,107
International equity	1,966,228	85,780	52,725	—	2,104,733
Collateral from securities lending transactions	854,211	37,719	30,551	—	922,481
Total investments	11,922,304	488,411	314,544	—	12,725,259
Other assets	6,176	—	—	—	6,176
Total assets	12,166,967	572,308	356,543	(88,873)	13,006,945
LIABILITIES:					
Accounts payable and accrued liabilities	89,435	—	2,712	—	92,147
Payable for investment securities purchased	215,792	10,514	9,008	—	235,314
Accrued benefits payable	18,893	21,225	9,263	—	49,381
Transferrable earnings due from QPP to VSFs	88,873	—	—	(88,873)	—
Securities lending transactions	854,211	37,719	30,551	—	922,481
Total liabilities	1,267,204	69,458	51,534	(88,873)	1,299,323
NET POSITION:					
Restricted for benefits to be provided by QPP	10,899,763	—	—	—	10,899,763
Restricted for benefits to be provided by VSFs	—	502,850	305,009	—	807,859
Total net position	$10,899,763	$ 502,850	$ 305,009	$ —	$11,707,622

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK
PENSION TRUST FUNDS*
NEW YORK CITY FIRE PENSION FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	FIRE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)		Eliminations	Total New York City Fire Pension Funds
		FFVSF	FOVSF		
ADDITIONS:					
Contributions:					
Member contributions	$ 108,368	$ —	$ —	$ —	$ 108,368
Employer contributions	1,061,170	—	—	—	1,061,170
Total contributions	1,169,538	—	—	—	1,169,538
Investment income:					
Interest income	135,642	4,600	3,107	—	143,349
Dividend income	159,972	7,504	4,135	—	171,611
Net appreciation in fair value of investments	1,067,973	34,802	32,860	—	1,135,635
Investment expenses	(84,438)	(439)	(247)	—	(85,124)
Investment income, net	1,279,149	46,467	39,855	—	1,365,471
Securities lending transactions:					
Securities lending income	6,150	309	257	—	6,716
Securities lending fees	(428)	(21)	(17)	—	(466)
Securities lending income, net	5,722	288	240	—	6,250
Transferrable earnings due from QPP to VSFs	—	23,914	21,829	(45,743)	—
Other	47,284	—	—	—	47,284
Total additions	2,501,693	70,669	61,924	(45,743)	2,588,543
DEDUCTIONS:					
Benefit payments and withdrawals	1,265,817	47,273	21,717	—	1,334,807
Transferrable earnings due from QPP to VSFs	45,743	—	—	(45,743)	—
Total deductions	1,311,560	47,273	21,717	(45,743)	1,334,807
Net increase in net position	1,190,133	23,396	40,207	—	1,253,736
NET POSITION:					
Restricted for benefits:					
Beginning of year	10,899,763	502,850	305,009	—	11,707,622
End of year	$12,089,896	$ 526,246	$ 345,216	$ —	$12,961,358

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

PENSION TRUST FUNDS*
NEW YORK CITY FIRE PENSION FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	FIRE Qualified Pension Plan (QPP)	Variable Supplements Funds (VSFs)		Eliminations	Total New York City Fire Pension Funds
		FFVSF	FOVSF		
ADDITIONS:					
Contributions:					
Member contributions	$ 116,619	$ —	$ —	$ —	$ 116,619
Employer contributions	1,054,478	—	—	—	1,054,478
Total contributions	1,171,097	—	—	—	1,171,097
Investment income:					
Interest income	137,160	4,796	3,250	—	145,206
Dividend income	145,276	7,957	4,442	—	157,675
Net depreciation in fair value of investments	(44,510)	(8,428)	(6,934)	—	(59,872)
Investment expenses	(46,321)	—	—	—	(46,321)
Investment income, net	191,605	4,325	758	—	196,688
Securities lending transactions:					
Securities lending income	6,196	368	298	—	6,862
Securities lending fees	(403)	(24)	(19)	—	(446)
Securities lending income, net	5,793	344	279	—	6,416
Transferrable earnings due from QPP to VSFs	—	18,739	18,134	(36,873)	—
Other	43,673	—	—	—	43,673
Total additions	1,412,168	23,408	19,171	(36,873)	1,417,874
DEDUCTIONS:					
Benefit payments and withdrawals	1,290,862	46,002	21,567	—	1,358,431
Transferrable earnings due from QPP to VSFs	36,873	—	—	(36,873)	—
Total deductions	1,327,735	46,002	21,567	(36,873)	1,358,431
Net increase (decrease) in net position	84,433	(22,594)	(2,396)	—	59,443
NET POSITION:					
Restricted for benefits:					
Beginning of year	10,815,330	525,444	307,405	—	11,648,179
End of year	$10,899,763	$ 502,850	$ 305,009	$ —	$11,707,622

* Includes VSFs and TDAs, which are not pension funds or retirement systems under ACNY.

THE CITY OF NEW YORK

OTHER EMPLOYEE BENEFIT TRUST FUNDS
DEFERRED COMPENSATION PLANS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

DECEMBER 31, 2016
(in thousands)

	Deferred Compensation Plans			Defined Contribution Plan	
	457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	Total
ASSETS:					
Cash and cash equivalents	$ 14,246	$ 637	$ 15	$ —	$ 14,898
Receivables:					
Member loans	209,781	26,124	—	—	235,905
Total receivables	209,781	26,124	—	—	235,905
Investments:					
Mutual funds	9,833,946	1,505,981	126,337	17,987	11,484,251
Guaranteed investment contracts	4,749,910	888,005	148,322	2,816	5,789,053
Total investments	14,583,856	2,393,986	274,659	20,803	17,273,304
Other assets	1,917	1,934	—	4	3,855
Total assets	14,809,800	2,422,681	274,674	20,807	17,527,962
LIABILITIES:					
Accounts payable and accrued liabilities	5,460	765	214	—	6,439
Total liabilities	5,460	765	214	—	6,439
NET POSITION:					
Restricted for other employee benefits	14,804,340	2,421,916	274,460	20,807	17,521,523
Total net position	$14,804,340	$2,421,916	$274,460	$20,807	$17,521,523

THE CITY OF NEW YORK

OTHER EMPLOYEE BENEFIT TRUST FUNDS
DEFERRED COMPENSATION PLANS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION

DECEMBER 31, 2015
(in thousands)

	Deferred Compensation Plans			Defined Contribution Plan	
	457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	Total
ASSETS:					
Cash and cash equivalents	$ 14,177	$ 1,174	$ 21	$ —	$ 15,372
Receivables:					
Member loans	205,085	24,277	—	—	229,362
Total receivables	205,085	24,277	—	—	229,362
Investments:					
Mutual funds	8,923,630	1,302,456	110,054	16,455	10,352,595
Guaranteed investment contracts	4,419,597	751,391	130,227	2,547	5,303,762
Total investments	13,343,227	2,053,847	240,281	19,002	15,656,357
Other assets	1,427	1,116	—	2	2,545
Total assets	13,563,916	2,080,414	240,302	19,004	15,903,636
LIABILITIES:					
Accounts payable and accrued liabilities	5,822	137	169	—	6,128
Total liabilities	5,822	137	169	—	6,128
NET POSITION:					
Restricted for other employee benefits	13,558,094	2,080,277	240,133	19,004	15,897,508
Total net position	$13,558,094	$2,080,277	$240,133	$19,004	$15,897,508

THE CITY OF NEW YORK

OTHER EMPLOYEE BENEFIT TRUST FUNDS
DEFERRED COMPENSATION PLANS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016
(in thousands)

	Deferred Compensation Plans			Defined Contribution Plan	
	457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	Total
ADDITIONS:					
Contributions:					
Member contributions	$ 630,183	$ 255,873	$ 33,999	$ 23	$ 920,078
Total contributions	630,183	255,873	33,999	23	920,078
Investment income:					
Interest income	109,770	18,430	3,015	55	131,270
Net appreciation in fair value of investments	1,066,550	148,755	12,499	2,065	1,229,869
Investment expenses	(26,505)	(4,473)	(562)	(33)	(31,573)
Investment income, net	1,149,815	162,712	14,952	2,087	1,329,566
Total additions	1,779,998	418,585	48,951	2,110	2,249,644
DEDUCTIONS:					
Benefit payments and withdrawals	521,331	74,958	14,439	304	611,032
Administrative expenses	12,421	1,988	185	3	14,597
Total deductions	533,752	76,946	14,624	307	625,629
Net increase in net position	1,246,246	341,639	34,327	1,803	1,624,015
NET POSITION:					
Restricted for other employee benefits:					
Beginning of year	13,558,094	2,080,277	240,133	19,004	15,897,508
End of year	$14,804,340	$2,421,916	$274,460	$20,807	$17,521,523

THE CITY OF NEW YORK

OTHER EMPLOYEE BENEFIT TRUST FUNDS
DEFERRED COMPENSATION PLANS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2015
(in thousands)

	Deferred Compensation Plans			Defined Contribution Plan	
	457 Plan	401(k) Plan	NYCE IRA	401(a) Plan	Total
ADDITIONS:					
Contributions:					
Member contributions	$ 622,019	$ 226,803	$ 31,018	$ 24	$ 879,864
Total contributions	622,019	226,803	31,018	24	879,864
Investment income:					
Interest income	104,207	15,972	2,722	52	122,953
Net depreciation in fair value of investments	(64,767)	(10,966)	(940)	(109)	(76,782)
Investment expenses	(28,062)	(4,363)	(547)	(36)	(33,008)
Investment income (loss), net	11,378	643	1,235	(93)	13,163
Total additions	633,397	227,446	32,253	(69)	893,027
DEDUCTIONS:					
Benefit payments and withdrawals	512,324	63,961	11,068	271	587,624
Administrative expenses	12,374	1,607	149	2	14,132
Total deductions	524,698	65,568	11,217	273	601,756
Net increase (decrease) in net position	108,699	161,878	21,036	(342)	291,271
NET POSITION:					
Restricted for other employee benefits:					
Beginning of year	13,449,395	1,918,399	219,097	19,346	15,606,237
End of year	$13,558,094	$2,080,277	$240,133	$19,004	$15,897,508

THE CITY OF NEW YORK
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2017
(in thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS:				
Cash and investments	$4,472,376	$1,108,597	$1,508,598	$4,072,375
LIABILITIES:				
Other	$4,472,376	$1,108,597	$1,508,598	$4,072,375

THE CITY OF NEW YORK
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2016
(in thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS:				
Cash and investments	$3,535,037	$2,094,708	$1,157,369	$4,472,376
LIABILITIES:				
Other	$3,535,037	$2,094,708	$1,157,369	$4,472,376

Staten Island Ferry

APPENDIX C
TO
APPENDIX A

VARIABLE RATE BONDS

Variable Rate Demand Bonds

Series	Outstanding Principal Amount	Provider	Facility Type	Expiration
1994H-3	75,700,000	State Street Bank and Trust Company	SBPA(1)	October 12, 2018
2004A-4	25,000,000	Bank of Montreal	LOC(2)	August 12, 2020
2004A-5	50,000,000	Bank of Montreal	LOC	August 12, 2020
2004H-5	23,955,000	Dexia Crédit Local	LOC	February 2, 2022
2004H-6	31,305,000	Bank of America, N.A.	LOC	February 28, 2019
2004H-8	31,335,000	Bank of America, N.A.	LOC	February 28, 2019
2006E-2	87,530,000	Bank of America, N.A.	LOC	August 1, 2019
2006E-3	87,530,000	Bank of America, N.A.	LOC	August 1, 2019
2006E-4	87,525,000	Bank of America, N.A.	LOC	August 1, 2019
2006F-3	75,000,000	Sumitomo Mitsui Banking Corporation	LOC	September 17, 2021
2006F-4A	40,000,000	Sumitomo Mitsui Banking Corporation	LOC	September 17, 2021
2006F-4B	35,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD	LOC	November 15, 2019
2006H-1	50,535,000	JPMorgan Chase Bank, N.A.	SBPA	October 14, 2019
2006H-2	50,530,000	JPMorgan Chase Bank, N.A.	SBPA	October 14, 2019
2006I-3	50,000,000	Bank of America, N.A.	LOC	May 12, 2020
2006I-4	125,000,000	TD Bank, N.A.	LOC	May 24, 2019
2006I-5	75,000,000	The Bank of New York Mellon	LOC	May 31, 2019
2006I-6	75,000,000	The Bank of New York Mellon	LOC	May 31, 2019
2006I-7	50,000,000	Bank of America, N.A.	LOC	May 12, 2020
2006I-8	50,000,000	State Street Bank and Trust Company	SBPA	July 10, 2019
2008D-3	50,000,000	Bank of Montreal	SBPA	December 3, 2019
2008D-4	50,000,000	Bank of Montreal	SBPA	December 3, 2019
2008J-3	75,000,000	Barclays Bank, PLC	SBPA	March 29, 2019
2008J-5	101,405,000	Bank of America, N.A.	SBPA	March 29, 2021
2008J-6	111,225,000	Landesbank Hessen-Thüringen Girozentrale	LOC	December 14, 2020
2008J-8	74,060,000	Sumitomo Mitsui Banking Corporation	LOC	August 2, 2021
2008J-10	100,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD.	LOC	April 27, 2020
2008L-3	80,000,000	Bank of America, N.A.	LOC	April 21, 2020
2008L-4	100,000,000	US Bank, N.A.	LOC	December 18, 2020
2008L-5	145,400,000	Bank of America, N.A.	SBPA	April 19, 2021
2009B-3	100,000,000	TD Bank, N.A.	LOC	January 15, 2020
2010G-4	150,000,000	Barclays Bank, PLC	SBPA	March 29, 2019
2012A-3	25,000,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 14, 2020
2012A-4	100,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD.	LOC	June 26, 2020
2012D-3A	76,665,000	The Bank of New York Mellon	SBPA	October 30, 2020
2012G-3	300,000,000	Citibank, N.A.	LOC	March 30, 2021
2012G-4	100,000,000	Citibank, N.A.	LOC	March 30, 2021
2012G-6	200,000,000	Mizuho Bank, Ltd.	LOC	March 16, 2021
2012G-7	85,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD	LOC	April 1, 2021
2013A-2	100,000,000	Mizuho Bank, Ltd.	LOC	October 15, 2018
2013A-3	100,000,000	Mizuho Bank, Ltd.	LOC	October 15, 2018

See footnotes on page A-C-2

Series	Outstanding Principal Amount	Provider	Facility Type	Expiration
2013A-4	75,000,000	Sumitomo Mitsui Banking Corporation	LOC	October 15, 2020
2013A-5	50,000,000	Sumitomo Mitsui Banking Corporation	LOC	October 15, 2020
2013F-3	180,000,000	Bank of America, N.A.	SBPA	March 15, 2019
2014D-3	225,000,000	JPMorgan Chase Bank, N.A.	SBPA	October 14, 2019
2014D-4	100,000,000	TD Bank, N.A.	LOC	October 16, 2023
2014D-5	75,000,000	PNC Bank, National Association	LOC	October 14, 2019
2014I-2	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	March 24, 2020
2015F-4	100,000,000	Bank of Tokyo-Mitsubishi UFJ, LTD	LOC	June 14, 2021
2015F-5	100,000,000	Barclays Bank, PLC	SBPA	June 18, 2019
2015F-6	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	June 17, 2022
2017A-4	200,000,000	Citibank, N.A.	LOC	August 16, 2019
2017A-5	81,000,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	August 17, 2021
2017A-6	50,000,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	August 17, 2021
2017A-7	50,000,000	Bank of the West	LOC	August 16, 2019
2018B-4	100,000,000	Barclays Bank, PLC	SBPA	October 1, 2021
2018B-5	100,000,000	Barclays Bank, PLC	SBPA	October 1, 2021
2018E-5	50,000,000	TD Bank, N.A.	LOC	March 10, 2023
	$5,135,700,000			

Index Rate Bonds[3]

Series	Outstanding Principal Amount	Step up Date
1994E-4	$ 50,000,000	none
1995F-4	46,300,000	none
2008J-11	100,000,000	April 1, 2019
2008L-6	150,000,000	June 23, 2019
2012A-5	50,000,000	June 28, 2022
2012D-3B	50,000,000	June 28, 2022
2012G-5	75,000,000	April 3, 2020
2014I-3	200,000,000	April 1, 2019
2015F-7	50,000,000	June 28, 2022
2018E-4	200,000,000	March 1, 2023
	$ 971,300,000	

Auction Rate Bonds

Series	Outstanding Principal Amount
Various	$ 634,900,000

(1) Standby Bond Purchase Agreement.

(2) Letter of Credit.

(3) The City's index rate bonds pay interest based on a specified index. Such bonds, other than the Series 1994E-4 and 1995F-4 Bonds, also provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or refunded.

Appendix B

FORM OF THE AGREEMENT

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FORM OF THE AGREEMENT

The following is a copy of the Agreement in substantially final form pending the statutorily required approval of the New York State Attorney General. The amendment and restatement of the Agreement consolidates prior amendments and contains revisions intended to clarify ambiguities.

THIS AMENDED AND RESTATED LEASE AND AGREEMENT, dated as of June 20, 2018, by and between the Dormitory Authority of the State of New York, a public benefit corporation of the State of New York (the "Authority"), and The City of New York, a municipal corporation of the State of New York, constituting a political subdivision thereof (the "City").

WITNESSETH

WHEREAS, the Authority is authorized by the Act (defined herein) (i) to lease from a municipality existing health facilities and cause such health facilities to be reconstructed, rehabilitated and improved and (ii) to lease from a municipality real property and cause health facilities to be constructed, reconstructed, rehabilitated or improved thereon; and

WHEREAS, the Authority is also authorized by the Act to lease or sublease to a municipality health facilities which have been constructed, acquired, reconstructed, rehabilitated or improved by the Authority pursuant to the Act; and

WHEREAS, pursuant to the Act the Authority leased the Leased Property (defined herein) from the City pursuant to the Agreement of Lease, dated as of November 19, 1998 as amended, between the City and the Authority, and provided for the payment of the cost of the construction, reconstruction, rehabilitation and improvement of the health facilities comprising or to comprise the Leased Property by leasing the same to the City pursuant to the terms and conditions set forth herein; and

WHEREAS, pursuant to the Act and the terms hereof, the Authority provided for the payment of various costs related to the design, acquisition, construction, reconstruction, rehabilitation and improvement of such health facilities by the issuance of its bonds; and

WHEREAS, the Authority and the City desire to amend and restate the Agreement of Lease and this Lease and Agreement; and

WHEREAS, all events, conditions and actions necessary and required by the laws of the State of New York, including the Act, in connection with or which are conditions precedent to the due authorization, execution and delivery hereof have happened, occurred and been taken by the Authority and the City.

NOW, THEREFORE, the parties hereto mutually agree as follows:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

Section 1.01 Definitions. (a) All terms which are defined in the Resolution which are not defined herein shall have the same meanings, respectively, herein as such terms are given in the Resolution.

(b) In addition, as used herein, unless a different meaning clearly appears from the context:

"**Administrative Expenses**" means expenses incurred by the Authority in carrying out its duties hereunder and under the Resolution, the City Lease, and any other document, instrument, agreement, law, rule or regulation related to any Leased Property other than the Construction Management Agreement, including, without limitation, accounting, administrative, financial advisory and legal expenses incurred in connection with the financing and construction of the Project (other than the Construction Management Fee and expenses paid by the Authority pursuant to the Construction Management Agreement), the fees and expenses of the Trustee, any Paying Agents or any other fiduciaries acting under the Resolution, the fees and expenses of any Facility Provider, the costs and expenses incurred in connection with the determination of the rate at which a Variable Interest Rate Bond is to bear interest and the remarketing of such Bond, the fees, expenses and other amounts payable by the Authority pursuant to an Interest Rate Exchange Agreement, the cost of providing insurance with respect to a Leased Property or a Health Facility, judgments or claims payable by the Authority for the payment of which the Authority has been indemnified or held harmless pursuant to Section 4.04 hereof, but only to the extent that moneys in the Construction Fund are not available therefor, and expenditures to compel full and punctual performance of the City Lease, this Agreement, or any document, instrument or agreement related thereto in accordance with its terms;

"**Agreement**" means this Amended and Restated Lease and Agreement, dated as of June 20, 2018, between the Authority and the City, as from time to time amended or supplemented in accordance with the terms and provisions hereof and of the Resolution;

"**Annual Administrative Fee**" means the fee payable annually pursuant to Section 4.01(b)(ii) for a portion of the general administrative and overhead expenses of the Authority in an amount equal to the lesser of (i) $250,000 and (ii) the sum of (A) with respect to Series of Bonds issued prior to June 20, 2018, 0.08 % (eight basis points) of the aggregate principal amount of such Series of Bonds issued by the Authority and not refunded by another Series of Bonds, limited to a maximum of $100,000 per such Series in any year plus (B) with respect to Series of Bonds issued on and after June 20, 2018, 0.04% (four basis points) of the aggregate principal amount of such Series of Bonds Outstanding, limited to a maximum of $100,000 per such Series in any year. Notwithstanding the foregoing to the contrary, (i) the Annual Administrative Fee with respect to a Series of Bonds to be issued may be such other amount as may reflect the annual administrative fee generally charged by the Authority at the time of issuance of such Series of Bonds and (ii) the Annual Administrative Fee with respect to Outstanding Bonds may be such other amount as the Authority and the City may agree to.

"**Basic Rent**" means that portion of the Rentals payable pursuant to Section 4.01(a) hereof;

"**City**" means The City of New York, a municipal corporation of the State of New York, constituting a political subdivision thereof;

"**City Lease**" means that certain Amended and Restated Agreement of Lease, dated as of June 20, 2018, by and between the City, as lessor, and the Authority, as lessee, as it may be from time to time amended, modified and supplemented;

"**Comptroller**" means the Comptroller of the City or the Comptroller's Designee;

"**Construction Management Fee**" means a fee payable to the Authority for the management, supervision or review of the construction of a Health Facility, including the letting of contracts for the design, acquisition, construction, reconstruction, rehabilitation or improvement of a Health Facility, the performance of the duties and powers relating thereto expressly granted in Article III hereof to the Authority and all other matters incidental thereto;

"**Construction Management Agreement**" means the Operating Agreement, dated as of March 12, 1997, by and between the Authority and HHC, as from time to time amended or supplemented in accordance with the terms and provisions thereof;

"**Designee**" means an officer or employee of the City authorized in a written instrument signed by the Comptroller or Director, as the case may be, to act on behalf of such designating official under this Agreement;

"**Director**" means the Director of the Office of Management and Budget of the City or the Director's Designee;

"**Hazardous Substance**" means a hazardous substance as defined or referred to in any federal, State or local environmental protection law, rule or regulation applicable to the Leased Property or any part thereof;

"**Health Facility**" means a building or unit within a building or structure or improvement acquired, constructed, reconstructed, rehabilitated or improved for use as a "health facility", as such term is defined in the Act, comprising or to comprise the Leased Property;

"**HHC**" means the New York City Health and Hospitals Corporation, a public benefit corporation established under the laws of the State;

"**HHC Sublease**" means the lease agreement dated as of November 19, 1998 pursuant to which the City shall sublease the Leased Property to HHC and any amendments, modifications or supplements thereof, as approved by the Authority;

"**Lease Term**" means the duration of the leasehold estate or estates created hereby as specified in Section 2.02;

"**Leased Property**" means the real property described in Exhibit A hereto, the buildings and improvements situated thereon or from time to time erected thereon and the Personal Property now or hereafter situated on or used in connection therewith (but only to the extent such Personal Property is financed with the proceeds of Bonds) constituting "health facilities" as defined in the Act;

"**Permitted Encumbrances**" means and includes:

(i) the lien of taxes and assessments and water and sewer rents and charges which are not yet due and payable;

(ii) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Leased Property which do not materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;

(iii) minor defects and irregularities in the title to the Leased Property which do not in the aggregate materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;

(iv) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;

(v) present or future valid zoning laws and ordinances;

(vi) any purchase money security interests in any Personal Property, other than with respect to Personal Property financed with the proceeds of the Bonds and any replacements thereof;

(vii) all other matters of record and state of title at the commencement date of this Agreement, rights of parties in possession and any state of facts which an accurate survey or physical inspection would show;

(viii) the City Lease, the HHC Sublease and the agreements and leases between HHC and the City with respect to the Health Facilities; and

(ix) such other encumbrances or items to which the City shall have consented in writing signed by an Authorized Officer;

"**Personal Property**" means all articles of tangible personal property of every kind and description presently located or hereafter placed on or used in connection with the management or operation of the Leased Property other than those which, by the nature of their attachment to the Leased Property become real property pursuant to applicable law, including all escalators and elevators; all heating, ventilating, and air-conditioning equipment; all appliances, apparatus, machinery, motors and electrical equipment; all interior and exterior lighting equipment; all telephone, intercom, audio, music and other sound reproduction and communication equipment; all floor coverings, carpeting, wall coverings, drapes, furniture, trash containers, carts, decorative plants, planters, sculptures, fountains, artwork and other mall, common area, auditorium and office furnishings; all plumbing fixtures, facilities and equipment; all cleaning, janitorial, lawn, landscaping, disposal, firefighting, sprinkler and maintenance equipment and supplies; all books, records, files financial and accounting records relating to the ownership, operation or management of the Health Facility; all drawings, plans and specifications relating to the improvements; and all other personal property whether similar or dissimilar to the foregoing which is now or in the future used in the ownership, operation or management of the Health Facility, including all additions thereto, proceeds received upon voluntary or involuntary disposition thereof, and all renewals or replacements thereof or articles in substitution therefor;

"**Plans and Specifications**" means, when used with respect to a Health Facility, the final design for a Health Facility prepared pursuant to Article III hereof, including a complete set of architectural, structural, HVAC, plumbing, electrical, landscape and furniture and equipment drawings, specifications and a shop drawings list which comply with all applicable laws, as well as all required regulatory approvals and utility acceptances;

"**Project**" means the acquisition, design, construction, reconstruction, rehabilitation, improvement, fitting out and equipping of the Health Facilities;

"**Project Management Agreement**" means any agreement entered into between the Authority and the City, and/or any agency of the City, authorizing the authority to design, construct, reconstruct, rehabilitate, equip or otherwise improve a health facility as defined in subdivision 8 of section 7413 of the Unconsolidated Laws;

"**Rentals**" means the rent payable hereunder pursuant to Section 4.01 hereof;

"**Resolution**" means the "Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue)" of the Authority, adopted June 20, 2018, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof; and

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neutral genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement.

ARTICLE II

LEASE OF FACILITIES; TERM OF LEASE; AND ACQUISITION OF LEASED PROPERTY

Section 2.01 Lease of Facilities. The Authority hereby leases to the City, and the City hereby subleases from the Authority, the Leased Property.

SUBJECT TO the Permitted Encumbrances.

TO HAVE AND TO HOLD the Leased Property for the term set forth herein.

Section 2.02 Term of Lease. The term of this Agreement shall commence on the date on which Bonds of any Series are first issued and delivered by the Authority, and shall terminate on the earlier of January 16, 2032, and the date on which no Bonds are Outstanding and the City has satisfied its obligations hereunder.

Section 2.03 Net Lease. This Agreement shall be deemed and construed to be a "net lease," and the City shall pay absolutely net during the Lease term the Rentals and all other payments required hereunder, free of all deductions, without abatement, diminution and set-off.

ARTICLE III

CONSTRUCTION OF PROJECT AND ISSUANCE OF BONDS

Section 3.01 Construction of Health Facilities. The Authority agrees that, in accordance with the Construction Management Agreement or a Project Management Agreement, and subject to the limitations contained in Section 4.07 hereof, it will prepare or cause to be prepared the Plans and Specifications for each Health Facility and it will acquire, construct, reconstruct, rehabilitate and improve or cause to be acquired, constructed, reconstructed, rehabilitated and improved each Health Facility substantially in accordance with the Plans and Specifications therefor.

The Plans and Specifications and the cost estimates appertaining thereto prepared by the Authority pursuant to a Construction Management Agreement shall be approved in writing by HHC and the City, and the Plans and Specifications and the cost estimates appertaining thereto prepared by the Authority pursuant to a Project Management Agreement shall be approved in writing by the City, prior to the Authority letting any contract for the construction, reconstruction, rehabilitation or improvement of a Health Facility or part thereof. Any material modification of the Plans or Specifications or any proposed action which would result in an increase in total Project costs shall be subject to the prior written approval of the City. Approval by HHC of other changes or proposed changes shall be made in accordance with the applicable provisions of the Construction Management Agreement, or in the case of a Project Management Agreement, the City, or as otherwise agreed by the Authority, HHC and the City.

The Authority agrees that it will use its best efforts to cause such construction, reconstruction, rehabilitation and improvement to be completed as soon as may be practicable, delays incident to strikes, riots or acts of God or any delay beyond its reasonable control only excepted; but if for any reason such construction, reconstruction, rehabilitation and improvement is delayed there shall be no resulting liability hereunder on the part of the Authority and no diminution in or postponement of the amounts payable hereunder by the City.

The Authority shall be responsible for the letting of contracts for the design, construction, reconstruction, rehabilitation and improvement of the Health Facilities, supervision of construction, acceptance of the completed Health Facilities or parts thereof, and all other matters incidental to performance of the duties and powers expressly granted herein to the Authority in connection with the construction, reconstruction, rehabilitation and improvement of the Health Facilities, all as further provided in the Construction Management Agreement or applicable Project Management Agreement.

The Authority agrees to deliver to the Director the reports required to be delivered to HHC pursuant to Section III of the Construction Management Agreement concurrently with the delivery of such reports to HHC.

Section 3.02 Letting of Contracts and Bonding. Contracts in connection with the acquisition, construction, reconstruction, rehabilitation or improvement of a Health Facility shall be let in accordance with the Construction Management Agreement or a Project Management Agreement and applicable law. The Authority shall require each contractor engaged in the acquisition, construction, reconstruction, rehabilitation or improvement of a Health Facility to provide a performance bond in an amount equal to its contract price as security for the faithful performance of its contract and also a payment bond in an amount which is not less than one hundred per centum (100%) of its contract price as security for the payment of all persons performing labor or furnishing materials in connection with such contract.

Section 3.03 Adequacy, Sufficiency or Suitability. The Authority in this Agreement makes no warranties or representations and accepts no liabilities or responsibilities hereunder with respect to or for the adequacy, sufficiency or suitability of or defects in any contracts or agreements with respect to the construction, reconstruction, rehabilitation or improvement of the Health Facilities.

Section 3.04 Construction Fund. The Resolution authorizes the Authority to make payments from the Construction Fund to pay the Cost of the Project or to reimburse the City, HHC and the Authority for Costs of the Project paid by any of them upon the filing in the offices of the Authority of a requisition signed by an Authorized Officer of the Authority and an Authorized Officer of HHC stating with respect to each payment to be made (i) the Health Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which such payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund.

Section 3.05 Cooperation in Furnishing Documents. The City agrees to cooperate with and assist the Authority in furnishing any documents that are required to effect payments out of the Construction Fund in accordance with this Agreement. Such obligation is subject to any provisions of the Resolution requiring additional documentation with respect to such payments and shall not extend beyond the moneys in the Construction Fund available for payment under the terms of the Resolution.

Section 3.06 Completion Dates. A Health Facility shall be deemed to be complete upon the filing in the offices of the Authority of a notice of final completion which shall be issued by an Authorized Officer of the Authority and approved by HHC, or in the case of a Health Facility undertaken pursuant to a Project Management Agreement, approved by the City. Each such notice shall state (i) that the Health Facility has been completed substantially in accordance with the Plans and Specifications and the provisions of the Construction Management Agreement or Project Management Agreement relating to the completion of a Health Facility, (ii) the date of such completion and (iii) the amount, if any, required, in the opinion of such Authorized Officer of the Authority, for the payment of any Costs relating to the Health Facility and Costs of Issuance then unpaid. If, upon the completion of the Project, there shall be any moneys remaining in the Construction Fund not required to provide for the payment of the Costs of the Project, such moneys shall be deposited and applied as provided in the Resolution.

Section 3.07 Default in Contractors' Performance. In accordance with the Construction Management Agreement or Project Management Agreement, in the event of default of any contractor or subcontractor under any contract made in connection with the Health Facility, the Authority will promptly proceed, either separately or in conjunction with others, to exhaust its remedies or the remedies of the other party hereto in its own behalf and as agent of the other party hereto, against the contractor or subcontractor so in default and against each surety for the performance of such contractor. Each party hereto agrees to notify the other party hereto of the steps it intends to take in connection with any such default. Any amounts recovered by way of damage, refunds, adjustments or otherwise in connection with the foregoing and any liquidated damages or other damages, refunds, adjustments or otherwise recovered from any contractor or subcontractor under any contract even if no event of default has occurred shall be paid into the Debt Service Fund or, with the prior written consent of the City, the Construction Fund.

Section 3.08 Advances by the City and HHC. The Authority covenants to reimburse the City and HHC, from the proceeds of Bonds, for amounts advanced or expenses incurred by the City or HHC respectively, prior to the date of issuance of such Bonds by the Authority, provided that reimbursement thereof will not adversely affect the exclusion of interest on any Bonds from gross income for purposes of federal income taxation. The City agrees to submit to the Authority such documents as may be reasonably required by the Authority to establish the amount and purposes of such advances or expenses incurred by the City and to enable the Authority to execute a requisition for payment thereof in accordance with Section 5.04 of the Resolution.

Section 3.09 Records, Preservation and Inspection of Documents. (a) All records received or prepared by the City or HHC relating to the construction of a Health Facility shall be retained in its possession for at least six (6) years after such Health Facility is completed or longer if needed for purposes of pending or threatened litigation and shall be subject at all reasonable times to the inspection of the Authority and its agents and representatives.

(b) The Authority shall retain in its possession for six (6) years after the same shall have been incurred, records of all Administrative Expenses and the computations of the portion of the Authority's general overhead and administrative costs and expenses payable by the City hereunder, which records shall be subject at all reasonable times to the inspection of the City and its agents and representatives.

Section 3.10 Issuance of Bonds; Additional Bonds. In order to provide moneys for payment of the Cost of the Project, upon the written request of the City signed by the Director, the Authority will use its best reasonable efforts to issue, sell and deliver Bonds; provided, however, that the Authority shall not be obligated to issue Bonds and the failure of the Authority to issue Bonds shall not release the City from any of the provisions hereof. The proceeds of the Bonds shall be applied as provided for in the Resolution.

Section 3.11 Conditions of Bond Closings. Prior to or concurrently with the issuance and delivery of Bonds of a Series to the underwriters or purchasers thereof (the "Closing"), the City shall, as a condition thereto (any of which may be waived in the sole discretion of the Authority), deliver or cause third parties to deliver to the Authority the following documents, in each case satisfactory in form and substance to the Authority and its counsel:

(a) A certificate, dated the date of Closing, of the Director to the effect that (i) the representations and warranties of the City contained in this Agreement are true and correct in all material respects on and as of the date of Closing as if such representations and warranties had been made on and as of such date; (ii) no "event of default" under this Agreement has occurred and is continuing nor will an "event of default" under this Agreement occur as a result of the issuance of the Bonds then to be issued; (iii) unless moneys sufficient to pay such Rentals have been provided from the proceeds of the Bonds and are available therefor, attached thereto is a true and correct copy of the appropriation duly made by the City with respect to the payment of the Rentals payable during the fiscal year of the City in which the Closing occurs, that such appropriation appropriates moneys sufficient to pay such Rentals, together with all other expenditures which may be paid from said appropriation, and that moneys sufficient to pay the Rentals may be paid pursuant to said appropriation; and (iv) as of the date of Closing, the information relating to the City contained in the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(b) The opinion of the chief legal officer of the City or other counsel for the City, dated the date of Closing, to the effect set forth in Exhibit B hereto;

(c) Such additional legal opinions, certificates, instruments and other documents as the Authority or counsel for the Authority reasonably may request, satisfactory in the reasonable judgment of the Authority or counsel for the Authority, as the case may be, to evidence (i) compliance by the City with legal requirements reasonably relating to the transactions contemplated by this Agreement, the

Resolution and the Official Statement, (ii) the truth and completeness, as of the date of Closing, of the representations and warranties of the City contained in this Agreement and the certificates or other documents referred to therein and of the statements and information contained in the Official Statement relating to the City and the Project, and (iii) the due performance or satisfaction by the City prior to or concurrently with the Closing of all agreements then to be satisfied relating to the transactions contemplated by this Agreement and the Official Statement.

ARTICLE IV

RENTALS AND OTHER PAYMENTS

Section 4.01 Payment of Rentals. (a) The City shall pay to the Authority the following Basic Rent in the Amounts and on the dates as follows:

(i) On each May 15 and November 15, the City shall pay to the Authority an amount equal to the interest on Outstanding Bonds and the principal and Sinking Fund Installments of Outstanding Bonds payable (A) with respect to fixed rate Bonds, on the next succeeding July 15 and January 15, respectively, and (B) with respect to Variable Interest Rate Bonds, during the period from July 15 through January 14 and the period from January 15 through July 14, respectively. For purposes of estimating the interest to accrue on a Variable Interest Rate Bond, the Authority shall assume that interest will accrue on such Variable Interest Rate Bond at a constant rate per annum equal to the rate at which it bears interest on the applicable rental payment date plus one percent (1%) per annum. Notwithstanding the foregoing, the amount of interest payable on each May 15 and November 15 with respect to the Variable Interest Rate Bonds that are secured by the Debt Service Reserve Fund shall not be less than the difference between (A) interest on all Variable Interest Rate Bonds at the applicable Maximum Interest Rate thereon and (B) the amount on deposit in the Debt Service Reserve Fund (whether deposited in connection with Variable Interest Rate Bonds or fixed rate Bonds);

(ii) On the first day of each month, commencing February 1, 2004, the City and the Authority shall calculate the actual interest paid and the actual interest accrued on the Variable Interest Rate Bonds since January 1 of the current calendar year. If the amount of the actual interest paid or the actual interest accrued (whichever is higher) exceeds the amount of interest that would have accrued on the Variable Interest Rate Bonds had the Variable Interest Rate Bonds borne interest at the rate assumed on the applicable rental payment date pursuant to subparagraph (i), the City shall pay to the Authority the difference between such actual interest and such assumed interest (less any prior payments made pursuant to this subparagraph (ii)), as additional Basic Rent no later than the last day of such month;

(iii) On the fifth Business Day prior to each interest payment date, the City shall pay to the Authority the amount, if any, necessary to cause the amount on deposit in the Debt Service Fund to equal the amount of principal of and interest payable on the Bonds on such interest payment date;

(iv) On each May 15 and November 15, the City shall pay to the Authority the amount, if any, as shall have been set forth in the certificate of the Trustee made pursuant to Section 5.07(4) of the Resolution as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement; and

(v) If, on any January 14 or July 14, commencing January 14, 2003, the sum of 1% plus the average rate of interest accrued on the Variable Interest Rate Bonds secured by the Debt Service Reserve Fund during the six months preceding such January 14 or July 14 exceeds the interest rate assumed on the respective date of issuance of the Variable Interest Rate Bonds for purposes of calculating the Debt Service Reserve Fund Requirement, then the City shall, by the next succeeding March 31 or

September 30, respectively, pay to the Authority for deposit in the Debt Service Reserve Fund an amount equal to the difference between the amount deposited in the Debt Service Reserve Fund on the respective date of issuance of the Variable Rate Bonds and the amount that would have been deposited had the assumed rate of interest on the Variable Interest Rate Bonds been such average rate plus 1% (less any prior payments made pursuant to this subparagraph (v)).

The date on which payments shall be made under subparagraphs (i) and (iv) above and the amount of such payments may be changed following an amendment to the Act (consistent with such amendment) so long as following such change, payment of Basic Rent is due at least 60 days prior to the interest payment date on which such Basic Rent will be applied to pay debt service on the Bonds and is in an amount equal to such amount of debt service to be paid, and under the terms of the Act if such Basic Rent is not paid, the Authority will be required to deliver to the State Comptroller at least 45 days prior to such interest payment date a Certificate stating the amount of Basic Rent due and unpaid. Subparagraph (ii) of this Section 4.01(a) may be amended or deleted without the consent of the Holders of the Bonds following an amendment to the Act (consistent with such amendment to the Act and the Resolution) providing for the funding of interest with respect to Variable Interest Rate Bonds. Subparagraph (v) of this Section 4.01(a) may be amended or deleted without the consent of the Holders of the Bonds following an amendment to the Act (consistent with such amendment to the Act and the Resolution) providing for the funding of debt service reserve funds with respect to Variable Interest Rate Bonds.

The City shall have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Bonds, if such prepayment is to be used for the purchase or redemption of such Bonds. To the extent that the City prepays all of the Basic Rent payable with respect to a Health Facility (as determined by the Authority and the City), such Health Facility may be released from this Agreement. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Resolution as may be specified in writing by the Director at the time of making such prepayment.

Subject to the provisions hereof and of the Resolution, the City shall receive a credit against the amount required to be paid by the City pursuant to subparagraph (i) of this Section 4.01(a) on account of any Sinking Fund Installments, if not less than forty-five (45) days prior to a January 15 on which a Sinking Fund Installment is scheduled to be due, there shall be delivered to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such January 15. The amount of the credit shall be equal to the principal amount of Bonds so delivered and cancelled.

(b) The City shall pay to the Authority, as additional rent for the Health Facilities, the amounts, and on the dates, as follows:

(i) On the date of delivery of Bonds of a Series, to the extent not paid from the proceeds of the Bonds, the Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of Bonds of such Series;

(ii) On each March 31 or such other date as may be agreed to by the Authority, the Annual Administrative Fee;

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Bonds, within sixty (60) days after notice of the amount thereof is given to the City; provided, however, that the estimated Administrative Expenses paid pursuant to subparagraph (i) of this paragraph (b) shall be applied in reduction of the amount payable pursuant to this subparagraph; and

(iv) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund.

(c) The Authority shall furnish the City not less than sixty (60) days prior to the date on which a payment is due pursuant to this Section, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this Section.

With respect to the payment of Basic Rent pursuant to Section 4.01(a), the amount set forth in such statement shall be net of amounts on deposit in the Debt Service Fund, including interest earnings thereon, if any, as of the date of such statement.

The failure to furnish such statement shall not excuse the City's failure to pay, when due, the Basic Rent payable pursuant to this Section.

(d) Payments required to be made pursuant to paragraph (b) of this Section on account of any periodic fee payable to the Facility Provider of a Credit Facility or Liquidity Facility shall be deemed to be payments made on account of interest on the Bonds to which such Credit Facility or Liquidity Facility relates.

(e) In addition to the payments required by this Section 4.01, in the event a Reserve Fund Facility is deposited for all or part of the Debt Service Reserve Fund Requirement in accordance with Section 5.07(b) of the Resolution, the City shall be obligated (i) to make payments to the Trustee to restore the Debt Service Reserve Fund to its requirement so that the Facility Provider may be reimbursed for amounts paid by it pursuant to such Reserve Fund Facility and (ii) to pay the Administrative Expenses of the Authority incurred in connection with such Reserve Fund Facility, including without limitation, amounts necessary to pay fees, expenses and interest payable to the Facility Provider by the Authority in connection with such Reserve Fund Facility. If the Reserve Fund Facility is to be replaced with money pursuant to the third paragraph of Section 5.07(b) of the Resolution, the City shall be obligated to make payments to the Trustee in amounts and at the times that deposits are to be made to the Debt Service Reserve Fund pursuant to such paragraph.

Section 4.02 Direction as to Payment of Rentals. The Basic Rent shall be paid by the City, when due, to the Trustee for deposit in accordance with Section 5.05 of the Resolution. The additional rent payable pursuant to Section 4.01(b) hereof and interest on the Rentals payable pursuant to Section 4.01(d) hereof shall be paid by the City, when due, to the Authority.

Section 4.03 Construction Management Fee. As provided in the Construction Management Agreement, from the proceeds of the Bonds, there shall be paid to the Authority prior to the date a contract is let for the design, construction, reconstruction, rehabilitation or improvement of a Health Facility, so much of the estimated Construction Management Fee for the management, supervision or review of the design and construction, reconstruction, rehabilitation or improvement of such Health Facility as in the opinion of Bond Counsel may be paid from such proceeds.

Section 4.04 Indemnification of Authority and Limitation on Liability. (a) Both during the Lease Term and thereafter, the City, to the extent permitted by law, (i) hereby releases the Authority and each member, officer and employee of the Authority from claims for damages or liability arising from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement, or use of the Leased Property pursuant hereto, and (ii) shall indemnify and hold the Authority and each member, officer and employee of the Authority harmless against any and all liabilities, losses, costs, damages or claims, and shall pay any and all judgments or expenses of any and all kinds or nature and however arising, imposed by law, including interest thereon, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, action, suit, charge or proceeding arising from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement or use of the Leased Property (including the Health Facilities), pursuant hereto, based upon: personal injury, death, or damage to property, whether real, personal or mixed; or upon or arising out of contracts entered into by the Authority; or upon or arising out of the Authority's ownership of a leasehold estate of the Leased Property or the leasing thereof to the City; or upon or arising out of the acquisition of the Leased Property; or upon or arising out of an allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of Bonds contained an untrue or misleading statement of a material fact obtained from the City relating to the City or the Health Facilities, or omitted to state a material fact relating to the City or the Health Facilities necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that neither the Authority nor a member, officer or employee of the Authority shall be (x) released, indemnified or held harmless from any claim for damages, liability, loss, cost, damage, judgment or expense arising out of the gross negligence or willful misconduct of the Authority, such member, officer or employee or (y) released, indemnified or held harmless from any claim for damages or liability arising out of any failure to comply with the provisions hereof unless the actions taken or omitted to be taken constituting such failure were taken or omitted to be taken upon the good faith belief that such action or inaction was authorized or permitted by this Agreement or was approved by the City.

(a) The Authority agrees to give the City prompt notice in writing of the assertion of any claim or the institution of each such suit, action or proceeding and to cooperate with the City in the investigation of such claim and the defense, adjustment, settlement or compromise of any such action or proceeding. The Authority shall not settle any such suit, action or proceeding without the prior written consent of the Corporation Counsel of the City.

(b) Except as provided in paragraph (d) of this Section 4.04, the City, at its own cost and expense, shall defend any and all suits, actions or proceedings which may be brought or asserted against the Authority, its members, officers or employees for which the City is required to indemnify the Authority or hold the Authority harmless pursuant to paragraph (a) of this Section 4.04, but this provision shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for herein from its obligation to defend the City, the Authority and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

(c) The Authority and each member, officer or employee thereof shall, at the cost and expense of the City, be entitled to employ separate counsel in any action or proceeding arising out of any alleged act or omission which occurred or is alleged to have occurred while the member, officer or employee was acting within the scope of his or her employment or duties in connection with the design, acquisition, construction, reconstruction, rehabilitation, improvement or use of a Health Facility, and to conduct the defense thereof, in which (i) the Corporation Counsel of the City determines, based on his or her investigation and review of the facts and circumstances of the case, that the interests of such person and the interests of the City are in conflict, or in the event the Corporation Counsel determines that no conflict exists, a court of competent jurisdiction subsequently determines that such person is entitled to employ separate counsel, or (ii) such person may have an available defense which cannot as a matter of law be asserted on behalf of such person by the City or by counsel employed by it or (iii) such person may be subject to criminal liability, penalty or forfeiture or (iv) the City has consented to the employment of separate counsel; provided, however, that the City shall not be liable for attorneys' fees of separate counsel so retained or any other expenses incurred in connection with the defense of an action or proceeding described in clause (iii) of this paragraph, unless the member, officer or employee shall have prevailed on the merits or such action or proceeding was dismissed or withdrawn, or an adverse judgment was reversed upon appeal, and such action or proceeding may not be recommenced; provided, further, that the City shall not be liable for any attorneys' fees of separate counsel retained in accordance with this paragraph charged at a rate in excess of the maximum rate authorized by the City for outside counsel in situations involving a conflict of interest. Attorney's fees of separate counsel retained in accordance with this paragraph shall be paid only upon the audit of an appropriate City officer.

Section 4.05 Application of Interest Earnings. The Authority agrees that it will cause to be deposited in the Debt Service Fund the interest earned and paid on the investment of moneys in the Debt Service Fund and the Debt Service Reserve Fund and will cause interest earnings on amounts on deposit in the Construction Fund to be deposited in the Construction Fund. Pursuant to Section 5.06(4) of the Resolution, the Authority hereby agrees that excess amounts in the Debt Service Fund described in such Section shall be paid to the City, unless the City shall request that such amounts be applied to the purchase or redemption of Bonds.

Section 4.06 Nature of Obligations of the City. Except as hereinafter provided in this Section, the obligation of the City to pay Rentals and to pay all other amounts provided for herein and to perform its obligations hereunder shall be absolute and unconditional, and such Rentals and other amounts shall be payable without any rights of set-off, recoupment or counterclaim it might have against the Authority, HHC, the Trustee or any other person and whether or not any or all of the Health Facilities are used or occupied or available or suitable for use or occupancy and whether or not the City Lease is in effect. If the City shall have paid all amounts required hereby and continues to pay the same when due, it shall not be precluded from bringing any action it may otherwise have against the Authority; provided, however, that the City shall not as a result of the City's failure to pay any Administrative Expenses or Annual Administrative Fee be precluded from bringing any such action if the amount thereof is disputed or is being contested by the City in good faith.

Notwithstanding anything herein to the contrary, the cost and expense of the performance by the City of its obligations hereunder and the incurrence of any liabilities of the City hereunder, including, without limitation, the payment of all Rentals and the payment of all other amounts required to be paid by the City hereunder, shall be subject to and dependent upon appropriations being made from time to time by the City for such purpose.

The City will not terminate this Agreement (other than such termination as is provided for hereunder) or be excused from performing its obligations hereunder for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of any Leased Property, or the taking by eminent domain of title to or the right of temporary use of all or any part of any Leased Property, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with this Agreement.

Section 4.07 Nature of Obligations of the Authority. The cost and expense of the performance by the Authority of any of its obligations hereunder shall be limited to the availability of the proceeds of Bonds issued for such purposes or from other funds received by the Authority hereunder and available for such purposes.

Section 4.08 Assignment of Payments by Authority. It is understood that all payments by the City hereunder (except payments pursuant to Sections 4.01(b), 4.01(d) and 4.03 hereof) are to be pledged by the Authority to the Trustee pursuant to the Resolution and the City consents thereto.

Except as provided in this Section, the Authority shall not assign this Agreement or any payments hereunder without the prior written consent of the City. Except as contemplated herein, the Authority shall not sell or otherwise encumber its interest in any of the Leased Property.

ARTICLE V

OPERATION, MAINTENANCE

Section 5.01 Encumbrances. The City shall not create or suffer to be created any lien or charge upon a Health Facility or any part thereof, or upon the payments in respect thereof pursuant hereto in each case which might be or become a lien upon or result in an injunction of any payments hereunder or might result in the termination of this Agreement.

Section 5.02 Additions, Enlargements, Expansions and Personal Property. The City shall have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such additions, enlargements, and expansions to, or add Personal Property to, a Health Facility, as the City shall deem necessary or desirable in connection with the use thereof. The cost of any such additions, enlargements, expansions, or Personal Property shall be promptly paid or discharged so that the Health Facility shall at all times be free of liens for labor and materials supplied thereto which might be or become a lien upon or an injunction of any payments hereunder or might result in the termination of this Agreement. All such additions, enlargements, and expansions to, or additions of Personal Property to a Health Facility not financed with proceeds of the Bonds shall not be or become a part of the Health Facility and the Leased Property and shall remain the property of the City.

Section 5.03 Condition of Premises. The Authority makes no representations whatever in this Agreement in connection with the condition of the Health Facilities, and the Authority shall not be liable hereunder for any defects therein.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The City hereby represents and warrants as of the date of execution and delivery hereof as follows:

Section 6.01 Legal Entity. The City is a municipal corporation of the State, constituting a political subdivision thereof, duly created and validly existing under the Constitution and laws of the State.

Section 6.02 Legal Authority. The City has the good right and lawful authority and power to execute and deliver this Agreement, to perform the obligations and covenants contained herein and to consummate the transactions contemplated hereby.

Section 6.03 Due Authorization. The City has duly authorized by all necessary actions the execution and delivery hereof, the performance of its obligations and covenants hereunder, and the consummation of the transactions contemplated hereby.

Section 6.04 Validity and Enforceability. This Agreement constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors' rights generally or the availability of any particular remedy.

Section 6.05 No Conflict. This Agreement, the execution and delivery hereof and the consummation of the transactions contemplated hereby (i) do not and will not in any material respect conflict with, or constitute on the part of the City a breach of or default under (a) any existing law, administrative regulation, judgment, order, decree or ruling by or to which it or its revenues, properties or operations are bound or subject or (b) any agreement or other instrument to which the City is a party or by which it or any of its revenues, properties or operations are bound or subject which conflict, breach or default would adversely affect in any material respect the ability of the City to perform its obligations hereunder or the validity or enforceability of this Agreement and (ii) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the City's revenues, properties or operations which lien, charge or encumbrance could reasonably be expected to adversely affect in any material respect the ability of the City to perform its obligations hereunder or the validity or enforceability of this Agreement.

Section 6.06 Consents and Approvals. All consents, approvals, authorizations or orders of, or filings, registrations or declarations with any court, governmental authority, legislative body, board, agency or commission which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations hereunder or the consummation of the transactions contemplated hereby have been duly obtained and are in full force and effect; provided, however, the City makes no representation or warranty as to any consents, approvals, authorizations, orders, filings, registrations or declarations that may be required by any federal or state securities law.

Section 6.07 No Defaults. The City is not in breach of or default under any agreement or other instrument to which the City is a party or by or to which it or its revenues, properties or operations are bound or subject, or any existing administrative regulation, judgment, order, decree, ruling or other law by or to which it or its revenues, properties or operations are bound or subject, which breach or default could reasonably be expected to adversely affect in any material respect the ability of the City to perform its obligations hereunder or the validity or enforceability of this Agreement; and no event has occurred and is continuing that with the passage of time or the giving of notice, or both, would constitute, under any such agreement or instrument, such a breach or default material to such transactions.

Section 6.08 No Litigation. Except as set forth in an official statement, prospectus, placement memorandum or other similar offering document prepared in connection with the issuance and sale of Bonds, no action, suit, proceeding or investigation, in equity or at law, before or by any court or governmental agency or body, is pending or, to the best knowledge of the City, threatened wherein an adverse decision, ruling or finding would adversely affect in any material respect the transactions contemplated hereby or the validity or enforceability hereof.

Section 6.09 Not Indebtedness of City. This Agreement and the obligations of the City hereunder do not and will not constitute indebtedness of the City under Article VIII of the Constitution or the Local Finance Law of the State and do not and will not constitute evidence of indebtedness under the Local Finance Law of the State.

ARTICLE VII

SPECIAL COVENANTS

The City and the Authority each covenant with the other party hereto as follows:

Section 7.01 City's Right to Possession. Except as otherwise provided herein, the City shall be entitled to sole possession of the Health Facilities during the Lease Term subject to the terms of the Sublease Agreement and the City Lease.

Section 7.02 Quiet Enjoyment. The City, upon paying the Rentals and the other payments required hereunder and observing and performing all the terms, covenants, and conditions on the City's part to be observed and performed, may peaceably and quietly have, hold and enjoy the Leased Property, subject to all the terms and provisions hereof.

Section 7.03 Right of Inspection. The City will permit the Authority and the authorized agents and representatives of the Authority to enter the Leased Property at all times during usual business hours for the purpose of inspecting the same.

Section 7.04 Assignment and Sale by City. The City will not sell, sublease or otherwise dispose of or encumber its interest in a Health Facility except as provided in Section 7.06 hereof. This Agreement may be assigned in whole or in part by the City upon written consent of the Authority (which consent shall not be unreasonably withheld) but no assignment shall relieve the City from liability for any of its obligations hereunder, and in the event of any such assignment the City shall continue to remain primarily liable for the payments specified herein and for performance and observance of the other agreements on its part herein provided.

Section 7.05 Use of the Health Facilities and the Leased Property. The City covenants that, except as otherwise approved by the Authority in writing, the Leased Property shall be used in the trade or business of an agency, department or division of the State, or a political subdivision thereof; provided, however, that any such use shall comply with the provisions of Section 7.08 hereof.

Section 7.06 Subletting. (a) The parties acknowledge that the City will sublet all Health Facilities and all Leased Property to HHC pursuant to the Sublease Agreement.

(b) The Authority hereby consents to the Sublease Agreement. No Leased Property shall be further sublet by the City, HHC, or any other person or entity succeeding to any of their respective interests without the prior written consent of the Authority, accompanied by an opinion of Bond Counsel to the effect that such sublease would not adversely affect the exclusion of the interest on any of the Bonds from gross income for federal income tax purposes, and the Sublease Agreement shall not be amended, restated or otherwise modified and no provision thereof shall be waived without the prior written consent of the Authority, accompanied by an opinion of Bond Counsel to the effect that such amendment, restatement or modification would not adversely affect the exclusion of the interest on any of the Bonds from gross income for federal income tax purposes. The Sublease Agreement shall by its terms be expressly subject and subordinate to the City Lease and to this Agreement and HHC shall expressly agree to be bound by and observe the terms and provisions hereof applicable to such Leased Property.

Section 7.07 Cooperation by the City. The City, whenever requested by the Authority, shall provide and certify, or cause to be provided and certified, in form satisfactory to the Authority, such information concerning the City, the operations and finances of the City and such other matters that the Authority reasonably considers necessary to enable it to amend or supplement an official statement or other disclosure document prepared in connection with the sale of Bonds, or to enable the Authority to make any reports which, in the opinion of counsel acceptable to the City, is required by law or regulations of any governmental authority.

Section 7.08 Covenant not to Affect the Tax Exempt Status of the Bonds. The City, so long as it leases a Health Facility and Leased Property hereunder, (i) will take no action, or permit any action to be taken, or omit to take any action, with respect to the Project or any Health Facility which will adversely affect the exclusion of interest on any Bonds from gross income for purposes of federal income taxation; (ii) will not invest or otherwise use "gross proceeds" of the Bonds in a manner which would cause any Bond (other than a Bond designated as federally taxable) to be an "arbitrage bond" within the meaning of Section 148 of the Code, and any proposed or final regulations thereunder as are applicable to any Bond; and (iii) will not, nor will any "related person," as defined in Section 147(a)(2) of the Code, pursuant to an arrangement, formal or informal, purchase Bonds (other than Bonds designated as federally taxable) in an amount related to the amount of any obligation to be acquired by the Authority from the City.

Section 7.09 Environmental Quality Review and Historic Preservation. The City and the Authority each covenant that they shall comply or cause there to be complied with the provisions of Article 8 of the Environmental Conservation Law and any rules and regulations promulgated pursuant thereto and with the provisions of the Historic Preservation Act of 1980 of the State applicable to the Project, the alteration or expansion of the Health Facilities or additions thereto. The Authority shall assume primary responsibility or lead agency status under such laws and shall take such actions as may be required to be taken by the lead agency or agency with primary responsibility thereunder. The City will cooperate with and provide assistance to the Authority in the performance of its duties as lead agency, including the preparation and provision of such documents as may be reasonably requested of the City as are necessary to enable the Authority to comply with such laws.

Section 7.10 Mayoral Budget. (a) The expense budget submitted by the Mayor to the City Council for the City's next ensuing fiscal year shall include either as a separate unit of appropriation or as an expenditure within a unit of appropriation the amount of the Rentals projected by the City to be payable during such fiscal year, but in no event in an amount less than the Basic Rent payable during such fiscal year; **provided**, **however**, that if said Rentals are included within a unit of appropriation out of which payments other than the Rentals may be paid, the amount set forth in said expense budget for such unit of appropriation shall not be less than the amount of all payments, including the Basic Rent payable from such unit of appropriation. The Mayor will seek to increase such appropriation during such fiscal year through a budget modification if necessary to pay amounts due under the Agreement.

(b) Following adoption by the City Council and upon the written request of the Authority, the City shall provide to the Authority a copy of the adopted budget of the City for the next ensuing fiscal year.

Section 7.11 Limitation of Authority Rights. The Authority shall not, without the prior written consent of the Director, (i) call any Bond for redemption prior to maturity, other than through the application of mandatory Sinking Fund Installments, (ii) purchase any Bond, other than pursuant to Section 5.06(3) of the Resolution, (iii) change the dates on which an Option Bond is to be tendered for purchase or the period during which a Variable Interest Rate bond shall bear interest at a particular rate or (iv) convert a Variable Interest Rate Bond to bear interest at a fixed rate to its maturity.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01 Events of Default. An "event of default" or a "default" shall mean, whenever they are used herein, any one or more of the following events:

(a) Failure by the City to pay or cause to be paid when due the Rentals to be paid hereunder which failure continues for a period of seven (7) days after payment thereof was due;

(b) Failure by the City to pay or to cause to be paid when due any other payment required to be made hereunder which failure continues for a period of thirty (30) days after payment thereof was due, provided that written notice thereof shall have been given to the City not less than thirty (30) days prior to the due date thereof;

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the City by the Authority, unless by reason of the nature of such failure the same can not be remedied within such thirty (30) day period and the City has within such period commenced to take appropriate actions to remedy such failure and is diligently pursuing such actions;

(d) Any representation or warranty of the City contained herein shall have been at the time it was made untrue in any material respect; or

(e) The City shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the City seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or the City shall authorize any of the actions set forth above in this subparagraph (e).

Notwithstanding anything contained in this Section to the contrary, a failure by the City to pay when due any payment required to be made hereunder or a failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, resulting from a failure by the City to appropriate moneys for such purposes, shall not constitute an event of default hereunder; provided, however, that such failure to pay shall not impair or limit the Authority's right, and the Authority shall be entitled to exercise its right, under Section 7418-(2)(b) of the Act, to certify as provided therein the amount of the Rentals which the City has failed to pay.

Section 8.02 Remedies. Whenever any event of default referred to in Section 8.01 hereof shall have happened and be continuing, the Authority may exercise its rights under Section 7418(2)(b) of the Act.

In addition, whenever any event of default referred to in Section 8.01 hereof shall have happened and be continuing, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City hereunder.

Furthermore, whenever any event of default referred to in Section 8.01(e) hereof shall have happened and be continuing, the parties agree that notwithstanding the filing by the City of a petition seeking relief under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"), and notwithstanding the claim of the Authority against the City as a consequence of such filing for the full principal amount of the Bonds and all accrued interest to the date of filing: (i) Section 7418(2)(b) of the Act requires the Authority to certify to the City not later than the date specified in the Act the amount due and not paid under this Agreement; (ii) in the event of the failure or inability of the City to pay over the stated amount to the Authority on or before the date specified in the Act, Section 7418(2)(b) of the Act requires the Authority to deliver a certificate to the appropriate State officials restating the amount due and not paid and (iii) in the event the amounts so certified are paid, the Authority agrees that its claim against the City shall be decreased to the extent of such payment.

The parties further agree that the certification by the Authority to the City and subsequently if necessary, to the appropriate State officials, is required by the Act to effectuate Section 7418(2)(b) to provide sufficient monies for the payment of all amounts owing on the Bonds regardless of whether the City fails or is unable for any reason to make such payments.

Any amounts collected pursuant to action taken under this Section shall be applied in proportion to the total principal amount of Bonds then Outstanding in accordance with the provisions of the Resolution, or if the Bonds and all other amounts due hereunder have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the City.

Section 8.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 8.04 Waiver and Non-Waiver. In the event any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No delay or omission by the Authority to exercise any right or power accruing upon default shall impair any right or power or shall be construed to be a waiver of any such default or acquiescence therein. In particular, failure of the Authority to provide the notices specified in the third paragraph of Section 8.02 at the time therein specified shall not preclude the Authority from subsequently filing such notices.

ARTICLE IX

MISCELLANEOUS

Section 9.01 Surrender of Possession. At the termination of the term of any leasehold in a Leased Property, the City agrees to surrender possession of such Leased Property and Health Facilities peacefully and promptly to the Authority in the condition in which the Leased Property is at such time, "AS IS", "WHERE IS" (including, without limitation, the results of any wear and tear or damages caused by condemnation, or by fire or other casualty).

Section 9.02 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the City, the Authority and their respective successors and assigns, subject, however, to the provisions of Sections 7.05, 7.06 and 7.09 hereof.

Section 9.03 Severability. In the event any one or more of the covenants, stipulations, promises, obligations and agreements herein on the part of the Authority or the City to be performed should be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, obligation or obligations, or agreement or agreements shall be null and void, shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, obligations and agreements herein contained and shall in no way affect the validity or enforceability of the other provisions hereof.

Section 9.04 Amendments, Changes and Modifications. This Agreement may be amended, changed or modified in any respect provided that each amendment, change or modification is in writing signed by an Authorized Officer of the Authority and of the City and, if such amendment would adversely affect the rights or increase the obligations of HHC under the leases and agreements between HHC and the City with respect to the Health Facilities, consented to in writing by HHC; provided, however, that no amendment, change or modification shall take effect unless and until (i) if the consent of Holders of Outstanding Bonds is required by Section 7.10 of the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 7.10 of the Resolution, (ii) if the consent of the Trustee is required by Section 7.10 of the Resolution, the Trustee shall have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, shall have been filed with the Trustee.

Section 9.05 Amounts Remaining under Resolution. It is agreed by the parties hereto that any amounts remaining in any fund or account created under the Resolution, upon termination of the Lease Term, as provided herein, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Resolution) and the fees, charges and expenses of the Trustee and paying agents and the Authority in accordance herewith and with the Resolution, shall belong to and be paid to the City.

Section 9.06 Compliance with Resolution. The City hereby approves of and agrees to the provisions of the Resolution. Upon request of the Authority, the City agrees to do all reasonable things within its power in order to enable the Authority to comply with all requirements and to fulfill all covenants of the Resolution which require the City to comply with requests or obligations so that the Authority will not be in default in the performance of any covenant, condition, agreement or provision of the Resolution.

Section 9.07 No Release Under Construction Management Agreement. Nothing contained in this Agreement shall be construed to release the Authority from any obligation or liability it may have under the Construction Management Agreement or any other agreement with the City or HHC with respect to the construction of the Health Facilities.

Section 9.08 Investment of Moneys. The City hereby acknowledges that the Authority may in its sole discretion invest or direct the investment of certain moneys held under the Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of Article VI of the Resolution in the manner provided therein, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any such investment.

Section 9.09 Disclaimer of Personal Liability. No recourse shall be had against or liability incurred by any member of the Authority or any officer or employee of the Authority or of the City, or any person executing this Agreement for any covenants and provisions hereof or for any claims based thereon.

Section 9.10 Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.11 Headings. The headings preceding the text of the several Articles and Sections hereof and the exhibits appended hereto and any table of contents appended hereto or to copies hereof shall be solely for convenience of reference and shall not constitute a part hereof nor shall they affect its meaning, construction or effect.

Section 9.12 Notices. Any notices or other instruments required to be given or delivered pursuant hereto shall be in writing and shall be delivered by hand against the written receipt therefor or sent by registered or certified mail, in the case of the Authority, addressed to it to the attention of the Authority's Executive Director with a copy to the Authority's General Counsel, at 515 Broadway, Albany, New York 12207; in the case of the City, addressed to it to the attention of the City's Director of Management and Budget, at 75 Park Place, New York, New York 10007, with a copy to the City's Corporation Counsel, at 100 Church Street, New York, New York 10007; in the case of HHC, addressed to it to the attention of HHC's General Counsel at 125 Worth Street, 5th Floor, New York, New York 10013, in the case of the Trustee, addressed to it at the principal corporate trust office of the Trustee at the addresses of such principal corporate trust office; or, in each case, to such other individual and at such other address as the person to be notified shall have specified by notice to the other persons.

Section 9.13 Governing Laws. This Agreement shall be governed and construed in accordance with the laws of the State of New York.

Section 9.14 Intent of the Parties. It is the intent of the Authority and City that in accordance with the Act this Agreement is entered into for the purpose of facilitating the construction of Health Facilities financed with Bond proceeds and the payment of such Bonds.

IN WITNESS WHEREOF, the Authority has caused this Agreement to be executed in its name by the Executive Director of the Authority as its duly authorized officer and the City has caused this Agreement to be executed in its name by a Deputy Mayor of the City as its duly authorized officer, all as of the day and year first above written.

DORMITORY AUTHORITY OF THE
STATE OF NEW YORK

By: ___________________________________
Authorized Officer

THE CITY OF NEW YORK

By: ___________________________________
Deputy Mayor for Health and Human Services

APPROVED AS TO FORM:

NEW YORK CITY CORPORATION COUNSEL

By: ___________________________________
Corporation Counsel

Date: ______________, 2018

APPROVED AS TO FORM:

NEW YORK STATE ATTORNEY GENERAL

By: ___________________________________

Date: ______________, 2018

EXHIBIT A

Description of Leased Property

Exhibit A contains a description of the leased property, which includes portions of the following Health Facilities:

1. Queens Hospital Center
2. Kings County Hospital
3. Bellevue Hospital Center (including a Forensic Biology Laboratory Building)
4. Jacobs Medical Center
5. Coney Island Hospital Center

EXHIBIT B

Opinion of Counsel to the City

The opinion of the chief legal officer of the City or other counsel for the City shall be to the effect that (i) the City is a municipal corporation of the State of New York, constituting a political subdivision of the State of New York; (ii) the City has the right and lawful authority and power to execute and deliver the Agreement and to perform the obligations and covenants contained therein; (iii) the City has duly authorized by all necessary actions the execution and delivery of the Agreement and the performance of its obligations and covenants thereunder; (iv) the Agreement constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms, except to the extent that the enforceability of the Agreement is subject to the overriding State interest of promoting the health, safety and welfare of the people of the State and that enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors' rights generally or the availability of any particular remedy; (v) the execution and delivery of the Agreement and the performance of its obligations thereunder, to the best knowledge of such counsel, do not and will not conflict with, or constitute on the part of the City a breach of or default under any existing law, administrative regulation, judgment, order, decree or ruling by or which it or its revenues, properties or operations are bound or subject which conflict, breach or default would have a material adverse affect on the City's ability to perform its obligations under the Agreement; (vi) all consents, approvals, authorizations or orders of, or filings, registrations or declarations with any court, governmental authority, legislative body, board, agency or commission which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations under the Agreement have been duly obtained and are in full force and effect, other than approvals required to be obtained from any legislative body, board agency or commission of the City necessary in order to lease, acquire or construct, reconstruct or improve the Health Facilities in connection with which the Bonds then to be issued are to be issued; (vii) except as disclosed in the Official Statement, no action, suit, proceeding or investigation, in equity or at law, before or by any court or governmental agency or body, is pending or, to the best knowledge of such counsel, threatened wherein an adverse decision, ruling or finding might adversely affect the transactions contemplated by the Agreement; (viii) based upon and subject to the nature and scope of such counsel's participation in the preparation of the information relating to the City contained in the Official Statement, no facts has come to such counsel's attention which would lead such counsel to believe that as of the date of the Official Statement and the date of its distribution, the description of litigation contained therein (the "Description of Litigation") contains or contained in any untrue statement of a material fact or omits or omitted to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; (ix) the Description of Litigation, as of the date of closing, and was, as of the date of the Official Statement and the date of its distribution, a fair summary for the purpose of the Official Statement; and (x) the Agreement and the obligations of the City thereunder do not and will not constitute indebtedness of the City under the Constitution and the Local Finance Law of the State or evidence of indebtedness under the Local Finance Law, but the obligations of the City thereunder are payable by the City solely from moneys appropriated by it therefor.

<u>*Appendix C*</u>

THE RESOLUTION AND SUMMARY OF PROPOSED AMENDMENTS

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RESOLUTION AND SUMMARY OF PROPOSED AMENDMENTS

The Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bonds Resolution (New York City Issue) was adopted by the Authority on June 20, 2018 and amends and restates the Municipal Health Facilities Improvement Program Lease Revenue Bonds Resolution (New York City Issue), initially adopted by the Authority on August 12, 1998. A copy of the Resolution follows the summary set forth below and a copy of the Resolution marked to show the additions and deletions being effected through the amendment and restatement will be available on the Electronic Municipal Market Access ("EMMA") system administered by the Municipal Securities Rulemaking Board. These amendments will become effective upon the issuance of the Series 2018 Bonds. See "Part 2 – Sources of Payment and Security for the 2018 Bonds – Security for the 2018 Bonds and Proposed Amendments to the Resolution." Set forth below is a summary of the amendments effected through the amendment and restatement:

1. A number of amendments are made to permit the issuance of Series of Bonds that are not secured by the Debt Service Reserve Fund or amounts transferred to the Debt Service Fund from the Debt Service Reserve Fund. These amendments include: providing that only the "Existing Bonds" (defined to include only those Series of Bonds that will remain Outstanding upon the issuance of the Series 2018 Bonds) will be secured by the Debt Service Reserve Fund and any amounts transferred to the Debt Service Fund from the Debt Service Reserve Fund; creating two accounts in the Debt Service Fund – one for Existing Bonds and one for Bonds other than Existing Bonds; providing for Revenues to be divided pro rata between the two accounts if not sufficient to make the full deposit to each account; providing for amounts on deposit in the Debt Service Reserve Fund to be transferred only to the account in the Debt Service Fund for the Existing Bonds; permitting amendments to the Resolution to allow for a future series of bonds to be secured by the Debt Service Reserve Fund to be made without the consent of the Bondholders or the Trustee but with the consent of the Facility Providers (if any); and amending the definition of the "Debt Service Reserve Fund Requirement." These amendments are contained throughout the Resolution, including in Section 2.02, Article V, Section 9.01(i) and Section 11.05.

2. Certain amendments are included to better reflect amendments to the Act enacted in 2002 that modified the procedure for notices in connection with the intercept of State aid. These amendments include: (i) amending the covenant of the Authority relating to giving notice to the City and then to specified State officials in the event that the City fails to make a payment, (ii) changing the timing of the flow of Revenues and (iii) changing the timing of the determination that there are excess funds in the Debt Service Fund and the timing of release of such excess funds. In addition, the titles of the relevant State officials were updated. These amendments are contained in Section 5.05, Section 5.06(4) and Section 7.15.

3. Provisions relating to defeasance securities, investments and reports were revised to better reflect the current policies and practices of DASNY and/or the City. Such amendments include changes to (i) the definitions of Defeasance Securities, Exempt Obligation, Federal Agency Obligation, Government Obligation, Investment Agreement, Permitted Collateral, Permitted Investments and Qualified Financial Institution, (ii) the covenant of the Authority and the Trustee with respect to accounts, reports and audits in Section 7.05 and (iii) Article VI regarding investments.

4. Several amendments are intended to clarify matters or cure ambiguities or defects. These include: amending the definition of "Authorized Officer" and the reference to "Chairman" in Section 3.04 to reflect current offices and titles; amending the definition of "Agreement" to reflect the

amendment and restatement of such Agreement; amending definitions of "Moody's" and "S&P" to reflect each agency's current name and amending the definition of "Rating Service" to include Moody's, S&P and any other national recognized statistical rating organization which has assigned a rating to Outstanding Bonds at the request of the Authority; amending the definition of "Revenues" to clarify that the State aid intercepted relates to amounts due under the Agreement; adding definitions of the "1998 Resolution" (prior to amendment and restatement) and "Verification Report"; adding Section 1.04 relating to effective date of the amendment and restatement (which is when the requisite consents are received, requisite opinion is received and documents are filed with the Trustee – which are expected to occur simultaneously with the issuance of the Series 2018 Bonds); for Bonds other than Existing Bonds, amending Section 4.02 and Section 4.05 to permit notices of redemption to be given prior to amounts sufficient to pay the redemption price being deposited with the Trustee and permitting conditional notices of redemption; deleting the requirement in Section 4.05 for prior notice of redemption to be given to certain information services and the depository for book-entry bonds; for Bonds other than Existing Bonds, reducing the number of days' notice of redemption in Section 4.05; providing for the City to direct the Authority as to the application of excess funds in the Debt Service Fund in Section 5.06(4); in Section 5.07 clarifying that references to ratings without modifiers should be read without regard to qualification by symbols such as "+" or "-" or numerical notation and correcting the calculation of the value of a Reserve Fund Facility to be consistent with the requirement for calculation of the requisite deposit after certain downgrades; in Section 7.10 and Section 10.02, amending the provisions permitting purchasers of bonds to consent to amendments to the Agreement or the Resolution to clarify that "remarketing agents" may consent as well as "underwriters" with the same effect as if the consent is given by a Holder of Bonds; updating the defeasance provisions in Article XII, including to require a Verification Report as a condition to defeasance and to permit substitution of securities held to defease Bonds; adding Section 14.11 permitting an Authorized Officer of the Authority to make changes necessary to effectuate the intent of the Resolution.

DORMITORY AUTHORITY
OF THE STATE OF NEW YORK

AMENDED AND RESTATED
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM
LEASE REVENUE BOND RESOLUTION
(NEW YORK CITY ISSUE)

Adopted June 20, 2018

A RESOLUTION AUTHORIZING THE ISSUANCE BY THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK OF MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM LEASE REVENUE BONDS (NEW YORK CITY ISSUE); PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS; AND PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF.

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DEFINITIONS; CONTRACT AND AUTHORITY

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

ARTICLE IV

REDEMPTION OF BONDS

ARTICLE V

PLEDGE OF REVENUES; FUNDS AND ACCOUNTS;
REVENUES AND APPLICATION THEREOF

ARTICLE VI

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

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PARTICULAR COVENANTS

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CONCERNING THE TRUSTEE

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ARTICLE XIV

MISCELLANEOUS

AMENDED AND RESTATED
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM
LEASE REVENUE BOND RESOLUTION
(NEW YORK CITY ISSUE)

A Resolution Authorizing the Issuance by the Dormitory Authority of the State of New York of its Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue); Providing For The Payment Of The Principal Of And Interest On Such Bonds; And Providing For The Rights Of The Holders Thereof.

BE IT RESOLVED BY THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK AS FOLLOWS:

ARTICLE I

DEFINITIONS; CONTRACT AND AUTHORITY

SECTION 1.01. Definitions. Terms used but not otherwise defined herein, if used in the Agreement, shall have the meanings ascribed thereto in the Agreement. As used in this resolution, unless a different meaning clearly appears from the context:

"**Accreted Value**" means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates;

"**Act**" means the Dormitory Authority Act, being and constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended by the Health Care Financing Consolidation Act, being and constituting Title 4-B of Public Authorities Law of the State of New York, whereby the Authority succeeded to the powers, functions and duties set forth in the New York State Medical Care Facilities Finance Agency Act, being Chapter 392 of Laws of New York, 1973, as amended, McKinney's Unconsolidated Laws, Sections 7411 to 7432, inclusive;

"**Agreement**" means the Amended and Restated Lease and Agreement, dated as of June 20, 2018, between the Authority and the City, as from time to time amended or supplemented in accordance with the terms and provisions hereof and of the Agreement;

"**Appreciated Value**" means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or in the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding

Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date;

"**Arbitrage Rebate Fund**" means the fund so designated, created and established pursuant to Section 5.02 hereof;

"**Authority**" means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Authority;

"**Authorized Newspaper**" means **The Bond Buyer** or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority;

"**Authorized Officer**" means (i) in the case of the Authority, the Chair, the Vice–Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the President, the Deputy Executive Director, the Vice President, the Chief Financial Officer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the City, when used with reference to any act or document, means the person identified herein or in the Agreement as authorized to perform such act or execute such document, and in all other cases means the Mayor of the City, the Director or Deputy Director of the City's Office of Management and Budget or an officer or employee of the City authorized in a written instrument signed by the Mayor or by the Charter of the City or its Administrative Code to act on behalf of the Mayor; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee;

"**Basic Rent**" means the amount payable pursuant to Section 4.01(a) of the Agreement;

"**Bond or Bonds**" means any of the bonds of the Authority authorized and issued pursuant hereto and to a Series Resolution;

"**Bond Counsel**" means an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds;

"**Bond Series Certificate**" means the certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so hereunder or under the Series Resolution authorizing the issuance of such Bonds;

"**Bond Year**" means a period of twelve (12) consecutive months beginning January 15 in any calendar year and ending on January 14 of the succeeding calendar year;

"**Bondholder, Holder of Bonds or Holder**" or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond;

"**Book Entry Bond**" means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof;

"**Business Day**" means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; **provided**, **however**, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York;

"**Capital Appreciation Bond**" means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof;

"**City**" means The City of New York, a municipal corporation of the State, constituting a political subdivision thereof;

"**Code**" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder;

"**Construction Fund**" means the fund so designated, created and established pursuant to Section 5.02 hereof;

"**Cost or Costs of Issuance**" means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges of a Remarketing Agent or relating to a Credit Facility or a Liquidity Facility, costs and expenses of refunding Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

"**Cost or Costs of the Project**" means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Health Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the Project, (v) costs and expenses required for the acquisition and installation of the original furnishings, equipment, machinery and apparatus needed to furnish and equip the Health Facilities upon completion thereof, (vi) all other costs which the City, HHC or the Authority shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Health Facilities, (vii) any sums required to reimburse the City, HHC or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on borrowed money), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Health Facilities, (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant hereto or to the Agreement, a Credit Facility, a Liquidity Facility or a Remarketing Agreement and (x) working capital, if authorized by the State Department of Health, in an amount determined by the Authority to be necessary or convenient in connection with a Health Facility; **provided, however,** the amount of such working capital costs shall not exceed that amount allowable under federal tax regulations;

"**Counterparty**" means any person with which the Authority has entered into an Interest Rate Exchange Agreement, provided that, at the time the Interest Rate Exchange Agreement is executed, the senior or uncollateralized long-term debt obligations of such person, or of any person that has guaranteed for the term of the Interest Rate Exchange Agreement the obligations of such person thereunder, are rated, without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation, not lower than "A" by Moody's and "A" by S&P, or the equivalent thereof by any successor thereto or by any nationally recognized rating agency then rating the obligations of such persons;

"**Credit Facility**" means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance herewith and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default hereunder;

"**Debt Service Fund**" means the fund so designated, created and established pursuant to Section 5.02 hereof;

"**Debt Service Reserve Fund**" means the fund so designated, created and established pursuant to Section 5.02 hereof;

"**Debt Service Reserve Fund Requirement**" means, as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Existing Bonds secured by the Debt Service Reserve Fund and payable during such year; **provided**, **however**, that for purposes of this definition (a) the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of interest and principal payable on January 15 of the year in which such Capital Appreciation Bond or Deferred Income Bond matures or in which such Sinking Fund Installment is due, (b) an Option Bond Outstanding during any Bond Year shall be assumed to mature on the stated maturity date thereof, and (c) it shall be assumed that a Variable Interest Rate Bond, prior to its conversion to bear interest at a fixed rate to its maturity, bears interest during any year at the higher of (1) the lesser of (x) a fixed rate of interest equal to that rate, as estimated by an Authorized Officer of the Authority, after consultation with the remarketing agent, if any, for such Variable Interest Rate Bond if it is also an Option Bond or, if it is not, with an investment banking firm which is regularly engaged in the underwriting of or dealing in bonds of substantially similar character, on a day not more than twenty (20) days prior to the date of initial issuance of such Variable Interest Rate Bond, which such Variable Interest Rate Bond would have had to bear to be marketed at par on such date as a fixed rate obligation maturing on the maturity date of such Variable Interest Rate Bond and (y) if the Authority or the City has in connection with such Variable Interest Rate Bond entered into an interest rate exchange or swap agreement which provides that the Authority is to pay to another person an amount determined based upon a fixed rate of interest on the Outstanding principal amount of the Variable Interest Rate Bonds to which such agreement relates, the fixed rate of interest set forth in or determined in accordance with such agreement, and (2) a rate, not less than the initial rate of interest on such Variable Interest Rate Bond, set forth in or determined pursuant to a formula set forth in the Series Resolution authorizing such Variable Interest Rate Bond or in the Bond Series Certificate relating to such Bond, and (d) if a Variable Interest Rate Bond shall be converted to a fixed rate Bond for the remainder of the term thereof and as a result of such conversion a deficiency shall be created in the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement shall be calculated so as to exclude the amount of such deficiency and the Debt Service Reserve Fund Requirement shall be increased in each of the five (5) years after the date of such conversion by an amount which shall be equal to twenty per centum (20%) of the aforesaid deficiency;

"**Defeasance Security**" means, (a) with respect to Bonds other than Existing Bonds:

(i) a Government Obligation of the type described in clauses (i), (ii) or (iii) of the definition of Government Obligation;

(ii) a Federal Agency Obligation described in clause (i) of the definition of Federal Agency Obligation;

(iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Defeasance Securities described in clauses (i) and (ii) of this definition of Defeasance Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation; and

Notwithstanding the foregoing, for purposes of (i), (ii) and (iii) above, such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

(b) with respect to Existing Bonds:

(i) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (ii) an Exempt Obligation described in clause (i) of the definition of Exempt Obligation (1) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such

Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (2) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (1) above, (3) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above, and (4) which are rated by Moody's and S&P in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term shall not mean any interest in a unit investment trust or mutual fund.

"**Deferred Income Bond**" means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on January 15 and July 15 of each Bond Year;

"**Depository**" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series;

"**Exempt Obligation**" means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services;

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

"**Existing Bonds**" means the Outstanding 1998 Series 1 Bonds and the Outstanding 2010 Series 1 Bonds, each issued pursuant to the 1998 Resolution.

"**Facility Provider**" means the issuer of a Credit Facility, a Liquidity Facility or a Reserve Fund Facility delivered to the Trustee pursuant to Section 5.07 hereof;

"**Federal Agency Obligation**" means:

(i) a direct obligation of, or an obligation the timely payment of the principal of and interest on which is guaranteed by, the Federal Housing Administration, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit System or a Federal Home Loan Bank and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services;

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations;

"**Government Obligation**" means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations;

“**HHC**” means the New York City Health and Hospitals Corporation, a public benefit corporation established under the laws of the State of New York;

“**Health Facility or Health Facilities**” means any “health facilities,” as such term is defined in the Act, described from time to time in Exhibit A of the Agreement;

“**Interest Commencement Date**” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on January 15 and July 15 of each Bond Year;

“**Interest Rate Exchange Agreement**” means an agreement entered into by the Authority in connection with the issuance of or which relates to Bonds of one or more Series which (i) provides that during the term of such agreement the Authority is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on an amount equal to the principal amount of such Bonds and that the Counterparty is to pay to the Authority an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement and (ii) in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation;

“**Investment Agreement**” means a repurchase agreement or other agreement for the investment of money with a Qualified Financial Institution;

“**Liquidity Facility**” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds;

“**Maximum Interest Rate**” means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such

Bond or in the Bond Series Certificate relating to such Bond, that shall be the maximum rate at which such Bond may bear interest at any time;

"**Minimum Interest Rate**" means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that shall be the minimum rate at which such Bonds may bear interest at any time;

"**Moody's**" means Moody's Investor Service, Inc., or its successors and assigns;

"**Option Bond**" means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds;

"**Outstanding**" when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered hereunder and under any applicable Series Resolution except: (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with Section 12.01 hereof; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, Section 4.06 or Section 10.07 hereof; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided herein and in the Series Resolution authorizing such Bonds;

"**Paying Agent**" means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions hereof or of a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or paying Agents shall be so appointed;

"**Permitted Collateral**" means:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category; and

(v) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account hereunder, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged;

"**Permitted Investments**" means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposited in any fund or account hereunder, rated by at least one Rating Service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) commercial paper issued by a domestic corporation rated, at the time an investment therein is made or the same is deposited in any fund or account hereunder, in the highest short term rating category by at least one Rating Service and having maturities of not long than two hundred seventy (270) days from the date of purchase;

(vii) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account hereunder, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;

(viii) Investment Agreements that are fully collateralized by Permitted Collateral; and

(ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated, at the time an investment therein is made or the same is deposited in any fund or account hereunder, in the highest short term rating category by at least one Rating Service;

"**Project**" means the acquisition, design, construction, reconstruction, rehabilitation, improvement and equipping of the Health Facilities;

"**Provider Payments**" means the amount, certified by a Facility Provider to the Trustee, payable to such Facility Provider on account of amounts advanced by it under a Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto;

"**Qualified Financial Institution**" means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; ***provided, however,*** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; ***provided, however,*** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; ***provided, however,*** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any money held hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

"**Rating Service**" means each of Moody's, S&P and any other nationally recognized statistical rating organization, in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns.

"**Record Date**" means, unless the Series Resolution authorizing Variable Interest Rate Bonds or Option Bonds or the Bond Series Certificate relating thereto provides otherwise with respect to such Variable Rate Bonds or Option Bonds, the first (1st) day (whether or not a Business Day) of the calendar month in which an interest payment date occurs;

"**Redemption Price**", when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant hereto or to the applicable Series Resolution or Bond Series Certificate;

"**Refunding Bonds**" means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to Section 2.04 hereof, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 4.06 or Section 10.07 hereof;

"**Remarketing Agent**" means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds;

“**Remarketing Agreement**” means, with respect to Option Bonds of a Series, an agreement between the Authority and the Remarketing Agent relating to the remarketing of such Bonds;

“**Reserve Fund Facility**” means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund Requirement authorized to be delivered to the Trustee pursuant to Section 5.07 hereof;

“**Resolution**” means this Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue), as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions hereof;

“**Revenues**” means (i) the Basic Rent paid by the City pursuant to Section 4.01(a) of the Agreement, (ii) amounts paid to the Authority by the Comptroller of the State, pursuant to Section 7418-(2)(b) of the Act, relating to amounts due under the Agreement, (iii) the payments made by a Counterparty pursuant to an Interest Rate Exchange Agreement and (iv) the right to receive the same and the proceeds thereof and of such right;

“**S&P**” means S&P Global Ratings, a division of McGraw-Hill Corporation, or its successors and assigns;

“**Serial Bonds**” means the Bonds so designated in a Series Resolution or a Bond Series Certificate;

“**Series**” means all of the Bonds authenticated and delivered on original issuance and pursuant hereto and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 4.06 or Section 10.07 hereof, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions;

“**Series Resolution**” means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to Article II hereof;

“**Sinking Fund Installment**” means, as of any date of calculation, when used with respect to any Bonds of a Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required hereby or by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto, to be paid on a single future January 15 for the retirement of any Outstanding Bonds of said Series which mature after said future January 15, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future January 15 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment, and when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the

Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Rate Interest Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment;

"**Standby Purchase Agreement**" means an agreement by and between the Authority and another person or by and among the Authority, the City and another person, pursuant to which such person is obligated to purchase an Option Bond tendered for purchase;

"**State**" means the State of New York;

"**Supplemental Resolution**" means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of Article IX hereof;

"**Term Bonds**" means the Bonds so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments;

"**Trustee**" means the bank or trust company appointed as Trustee for the Bonds pursuant to Section 8.01 hereof and having the duties, responsibilities and rights provided for herein, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant hereto;

"**Valuation Date**" means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond;

"**Variable Interest Rate**" means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds, which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bond; **provided**, **however**, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Bond Series Certificate; **provided**, **further**, that such Series Resolution or Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times;

"**Variable Interest Rate Bond**" means any Bond which bears a Variable Interest Rate; **provided**, **however**, that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond;

"**Verification Report**" means, when used in connection with any Bonds for the payment of which Defeasance Securities and money have been deposited with the Trustee in accordance with Section 12.01(b) hereof, a letter or other written report verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose; and

"1998 Resolution" means the Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue) adopted by the Authority on August 12, 1998, as amended or supplemented to the date hereof.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in the Resolution, refer to the Resolution.

SECTION 1.02. Authority for the Resolution. The Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. Resolution and Bonds Constitute a Contract. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge made herein and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other Bonds except as expressly provided herein or permitted hereby.

SECTION 1.04. Amendment and Restatement; Effective Date.

(a) This Resolution amends and restates in its entirety the 1998 Resolution.

(b) This Resolution shall become effective immediately upon (i) the filing with the Trustee of the written consent of the Facility Providers and the Holders of at least a majority in principal amount of the Bonds then Outstanding (and, pursuant to the last paragraph of Section 10.02 of the 1998 Resolution, the underwriters of the Bonds of a Series may consent with the same effect as a consent given by the Holder of such Bonds), (ii) the filing with the Trustee of a copy of this Resolution certified by an Authorized Officer of the Authority, (iii) delivery to the Authority and the Trustee of an opinion of Bond Counsel to the effect that this

Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the 1998 Resolution, is authorized or permitted under the 1998 Resolution, and is valid and binding on the Authority and enforceable in accordance with its terms and (iv) the filing with the Trustee of proof of mailing of the notice required by Section 10.02 of the 1998 Resolution.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01. Authorization of Bonds. There are hereby authorized to be issued Bonds of the Authority to be designated as "Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue)," and there is hereby created a continuing pledge and lien as provided hereby to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues and the funds and accounts (excluding the Arbitrage Rebate Fund) established by the Resolution, all in the manner more particularly provided herein. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided hereby.

The Bonds of the Authority shall not be a debt of the State or the City, nor shall the State or the City be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority hereby pledged to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds.

The Bonds may, if and when authorized by the Authority pursuant hereto and to one or more Series Resolutions, be issued in one or more Series and the Bonds of each Series shall contain an appropriate Series designation.

Nothing contained herein shall be deemed to preclude or restrict the consolidation pursuant to a Series Resolution of any Bonds of any two or more separate Series authorized pursuant hereto and to any such Series Resolution to be issued pursuant to any of the provisions of Sections 2.03 and 2.04 hereof into a single Series of Bonds for purposes of sale and issuance; **provided, however,** that each of the tests, conditions and other requirements contained in Sections 2.02, 2.03 and 2.04 hereof as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in this Section or in such Series Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes hereof.

SECTION 2.02. Provisions for Issuance of Bonds. The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption hereof. The Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Bonds shall from time to time and in such amounts as directed by the Authority be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

(a) A copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority;

(b) A copy of the Agreement, certified by an Authorized Officer of the Authority;

(c) A copy of the Bond Series Certificate executed in connection with such Bonds;

(d) If such Series of Bonds is to be secured by the Debt Service Reserve Fund, a copy of the applicable Supplemental Resolution adopted pursuant to Section 9.01(i) certified by an Authorized Officer of the Authority together with a copy of the required consents of the Facility Providers and, if a Reserve Fund Facility is to be provided in connection with the issuance of the Bonds of such Series, such Reserve Fund Facility and the opinion of counsel to the Facility Provider required by Section 5.07(1)(b) hereof;

(e) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(f) A certificate of an Authorized Officer of the Authority stating the amount on deposit in the Debt Service Reserve Fund as of a date not more than five (5) days prior to the sale of such Bonds, the amount required to be in the Debt Service Reserve Fund with respect to the Existing Bonds, and that the amount on deposit in the Debt Service Reserve Fund is not less than the amount then required to be therein;

(g) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Authority stating that the Authority is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained herein;

(h) A certificate of an Authorized Officer of the Authority stating that there is estimated to be sufficient moneys from (i) the proceeds of such Bonds deposited in the Construction Fund which, together with the amount then available in the Construction Fund and the projected interest earnings on such proceeds and amount and (ii) other funds, if any, provided or to be provided by the City or HHC or others, to pay the then estimated Costs of the Project, including the Health Facilities in connection with which such Bonds are to be issued, but exclusive of interest on Bonds;

(i) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the City stating that no "event of default" under the Agreement has occurred and is continuing nor will an "event of default" under the Agreement occur as a result of the issuance of such Bonds;

(j) If Bonds of such Series are Book Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds;

(k) If any Bonds of such Series are Option Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Option Bonds of such Series if the Holders thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Option Bonds of such Series; and

(l) An opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the Authority; that the Resolution and the applicable Series Resolution are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms; that the Resolution creates the valid pledge and the valid lien upon the Revenues which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution and each applicable Series Resolution; and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; **provided**, **however**, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

SECTION 2.03. Series Resolutions. Each Series Resolution authorizing the issuance of a Series of Bonds shall specify, or delegate to an Authorized Officer of the Authority the power to determine and carry out, the following:

(a) The sale of the Bonds of such Series at public or private sale; the approval of the terms of and publication of an official statement or other offering document describing the Bonds of such Series and, if such Bonds are to be sold at public sale, publication of a notice of sale; and the execution of a contract or contracts of purchase at public or private sale on behalf of the Authority;

(b) The authorized principal amount of such Series of Bonds;

(c) The purpose or purposes for which such Series of Bonds is being issued, which shall be limited to (i) payment of the Costs of the Project, (ii) payment of the Costs of Issuance of such Series of Bonds, (iii) making a deposit to the Debt Service Reserve Fund, (iv) funding or refunding of Bonds, which may include interest thereon, and (v) funding or refunding of notes or bonds of the Authority, which may include interest thereon, all or a portion of the proceeds of which were issued to finance or refinance Costs of the Project for the payment of which Bonds may be issued hereunder;

(d) The Health Facility or Health Facilities in connection with which the Bonds of such Series are being issued;

(e) The date or dates, the maturity date or dates and principal amounts of each maturity of the Bonds of such Series, the amount and date of each Sinking Fund Installment, if any, and which Bonds of such Series are Serial Bonds or Term Bonds, if any, and the Record Date or Record Dates of the Bonds of such Series for which the Record Date or Record Dates is other than the first (1st) day of the calendar month in which an interest payment date for such Bonds occurs;

(f) Except in the case of Capital Appreciation Bonds and Deferred Income Bonds prior to the Interest Commencement Date, the interest rate or rates, if any, of the Bonds of such Series or the manner of determining such rate or rates, the date from which interest on the Bonds of such Series shall accrue, the first date on which interest on the Bonds of such Series shall be payable and the date or dates on which the rate at which Variable Interest Rate Bonds of such Series bear interest shall be adjusted and the date or dates on which interest on such Variable Interest Rate Bonds shall be paid, or the manner of determining the same and the manner in which interest is to be paid on such Variable Interest Rate Bonds;

(g) If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

(h) If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Bonds, the Valuation Date or Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

(i) The Maximum Interest Rate, if any, in connection with any Variable Interest Rate Bonds or Option Bonds of such Series;

(j) If Bonds of such Series are Option Bonds, provisions regarding the tender for purchase or redemption thereof, payment of the purchase or Redemption Price thereof and the appointment of a Remarketing Agent with respect thereto;

(k) The denomination or denominations of and the manner of numbering and lettering the Bonds of such Series;

(l) The Paying Agent or Paying Agents for such Bonds and, subject to the provisions of Section 3.01 hereof, the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds of such Series; **provided**, **however**, that such Paying Agent or Paying Agents may be appointed by resolution adopted prior to authentication and delivery of such Series of Bonds in accordance with the provisions of Section 8.02 hereof;

(m) The Redemption Price or Redemption Prices, if any, and, subject to Article IV hereof, the redemption terms, if any, for the Bonds of such Series;

(n) Provisions for the sale or exchange of the Bonds of such Series and for the delivery thereof if other than as provided herein;

(o) The form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon, and whether any Bonds of such Series are to be issued as Book Entry Bonds and the Depository therefor;

(p) Directions for the application of the proceeds of the Bonds of such Series;

(q) For all Bonds other than those denoted as federally taxable, covenants as shall be necessary to maintain the exclusion of interest on such Bonds from gross income for federal income tax purposes; and

(r) Any other provisions deemed advisable by an Authorized Officer of the Authority, not in conflict with the provisions hereof or of any Series Resolution.

An Authorized Officer to whom a Series Resolution has delegated the power to determine any of the foregoing shall execute a Bond Series Certificate evidencing such determinations or other actions taken pursuant to such delegation, and such Bond Series Certificate shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein.

Bonds of a Series of like maturity may be Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds and Bonds which bear interest from their date to the maturity or earlier redemption date thereof at a fixed rate payable semi-annually on January 15 and July 15 of each year.

SECTION 2.04. Refunding Bonds. All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this Section and of the Series Resolution authorizing such Series of Refunding Bonds.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.02 hereof) of

(a) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to duly give the notice provided for in Section 12.01 hereof to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment of the principal at maturity or the Redemption Price at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of said Section 12.01 hereof, which Defeasance Securities and moneys shall be held in trust and used only as provided in said Section; and

(d) A certificate of an Authorized Officer of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of this Section.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds.

SECTION 2.05. Additional Obligations. The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as may be provided herein, entitled to a charge, lien or right prior or equal to the charge or lien created hereby, or prior or equal to the rights of the Authority and Holders of Bonds.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 3.01. Place And Medium Of Payment. The Bonds shall be payable, with respect to interest, principal, Sinking Fund Installments and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts; **provided**, **however**, that the Bonds of a Series or of any maturity within a Series may be payable in any coin or currency of any other nation as may be authorized by the Series Resolution authorizing the issuance of such Bonds or by the Bond Series Certificate relating to such Bonds. Except as otherwise provided in Section 4.06 hereof, upon presentation and surrender of Bonds, the principal, Sinking Fund Installments or Redemption Price of such Bonds shall be payable at the principal corporate trust office of the Trustee. Except as otherwise provided in a Series Resolution authorizing the issuance of Variable Interest Rate Bonds or Option Bonds or the Bond Series Certificate relating to such Bonds, interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address thereof as it appears on the registry books of the Authority; **provided**, **however**, that interest on Bonds of a Series may be authorized to be paid, at the option of the registered owner of at least one million dollars ($1,000,000) in principal amount of Bonds of such Series, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, not less than five (5) days prior to the Record Date immediately preceding such interest payment date for such Bonds, directed the Trustee to wire such interest payment. For purposes of this Section, interest is payable to the registered owner of a Bond at the close of business on the Record Date for such Bond. All payments of principal, Sinking Fund Installments or Redemption Price of or interest on Bonds shall specify the CUSIP number or numbers of the Bonds in connection with which such payment is made.

The Bonds of each Series shall be issued in the form of fully registered Bonds without coupons.

Bonds of each Series issued prior to the first interest payment date thereof shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof or the Bond Series Certificate applicable thereto. Bonds of each Series issued on or subsequent to the first interest payment date thereof shall be dated as of the interest payment date immediately preceding the date of authentication thereof by the Trustee, unless such date of authentication shall be an interest payment date, in which case they shall be dated as of such date of authentication; **provided**, **however**, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered. Bonds of each Series shall bear interest from their date.

For all purposes of the Act relating to or dealing with the date of the Bonds, Bonds of any Series shall be deemed to be dated as of the date provided for the Bonds of such Series in the manner provided in the Series Resolution authorizing the issuance thereof or in the Bond Series Certificate applicable thereto.

All Bonds of each Series shall mature on January 15 of each year in which a maturity is fixed by the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. Interest on all Bonds of each Series, except the first installment of interest due on such Bonds of a Series and interest on Variable Interest Rate Bonds the rate at which such Bonds bear interest is adjusted annually or more frequently than annually, shall be payable semi-annually on January 15 and July 15 of each year in which an installment of interest becomes due as fixed in the Series Resolution authorizing the issuance of such Bonds or in the Bond Series Certificate relating to such Bonds. Interest on Variable Interest Rate Bonds the rate at which such Bonds bear interest is adjusted annually or more frequently than annually shall be payable at such times as shall be provided in the Series Resolution authorizing the issuance thereof or the Bond Series Certificate related thereto. The first installment of interest due on the Bonds of a Series may be for such period as the Authority shall fix in the Series Resolution authorizing the issuance thereof or the Bond Series Certificate applicable thereto.

SECTION 3.02. Legends. The Bonds may contain, or have endorsed thereon, such provisions, specifications and descriptive words not inconsistent herewith or with any Series Resolution authorizing the same, as may be necessary or desirable and as may be determined by the Authority prior to their delivery.

SECTION 3.03. CUSIP Numbers. The Authority shall provide for the assignment of CUSIP numbers for such Bonds and cause such CUSIP numbers to be printed thereon, and the Trustee shall use such CUSIP numbers in notices of redemption and of the tender of Option Bonds and on all checks payable to Bondholders as a convenience to Bondholders; **provided**, **however**, that any such notice shall state that no representation is made as to the correctness of such number either as printed on such Bonds or as contained in any notice of redemption or tender, and that an error in a CUSIP number as printed on such Bond or as contained in any notice of redemption or of tender shall not affect the validity of the proceedings for redemption or tender.

SECTION 3.04. Execution and Authentication. The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chair, Vice Chair or other

Authorized Officer and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of the Secretary, an Assistant Secretary or other Authorized Officer of the Authority, or in such other manner as may be permitted by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually authenticated and delivered by the Trustee, such Bonds may, nevertheless, be delivered as provided herein, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices or be so employed. Any Bond may be signed and sealed on behalf of the Authority by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or be employed by, the Authority, although at the date of the Bonds such persons may not have been so authorized or have held such office or employment.

The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds, executed manually by the Trustee unless the Series Resolution or a Bond Series Certificate shall authorize execution by the Trustee by facsimile signature. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit hereunder and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and that the Holder thereof is entitled to the benefits hereof.

SECTION 3.05. Interchangeability of Bonds. Bonds, upon surrender thereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and tenor of any other authorized denominations.

SECTION 3.06. Negotiability, Transfer and Registry. All Bonds issued hereunder shall be negotiable as provided in the Act, subject to the provisions for registration and transfer contained herein and in the Bonds. So long as any of the Bonds shall not have matured or been called for redemption, the Authority shall maintain and keep, or cause to be maintained and kept, at the principal corporate trust office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said office, the Authority shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds have not matured or been called for redemption, the Authority shall make all necessary provisions to permit the exchange of Bonds at the principal corporate trust office of the Trustee.

SECTION 3.07. Transfer of Bonds. Each Bond shall be transferable only upon the books of the Authority, which shall be kept for that purpose at the principal corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney and the payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Upon the transfer of any such Bond, the Authority shall cause to be issued in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, maturity and tenor as the surrendered Bond.

The Authority and the Trustee may deem and treat the person in whose name any Outstanding Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, Sinking Fund Installments, if any, or Redemption Price of and, subject to the provisions of Section 3.01 hereof with respect to Record Dates, interest on such Bond and for all other purposes whatsoever, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary. The Authority agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

SECTION 3.08. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions hereof. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provisions hereof, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, shall be paid by the person requesting such exchange or transfer. The Authority shall not be obliged to make, or cause to be made, any exchange or transfer of Bonds of any Series, other than the exchange or transfer of an Option Bond which has been tendered or deemed to have been tendered by the Holder thereof for purchase, during the period beginning on the Record Date for such Bonds next preceding an interest payment date on such Bonds and ending on such interest payment date, or, in the case of any proposed redemption of Bonds of such Series, after the date next preceding the date of the selection of Bonds to be redeemed.

SECTION 3.09. Bonds Mutilated, Destroyed, Lost or Stolen. In case any Bond shall become mutilated or be destroyed, lost or stolen, the Authority in its discretion may execute, and upon its request the Trustee shall authenticate and deliver, a new Bond of like Series, maturity, tenor and principal amount as the Bond so mutilated, destroyed, lost or stolen, in exchange and substitution for the mutilated, destroyed, lost or stolen Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for such Bond so destroyed, lost or stolen, upon filing with the Authority evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, lost or stolen and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to the Authority. In case any Bond which has matured or is about to mature shall have become mutilated or have been destroyed, lost or stolen, the Authority may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of such mutilated Bond upon the surrender on or after the maturity date thereof, or authorize the payment of such destroyed, lost or stolen Bond, upon the Holder thereof filing evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, lost or stolen and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and the Trustee may incur in connection therewith.

SECTION 3.10. Book Entry Bonds. Anything herein to the contrary notwithstanding, Bonds may be authorized and issued as Book Entry Bonds in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

For all purposes of the Resolution the Holder of a Book Entry Bond shall be the Depository therefor and neither the Authority nor the Trustee shall have responsibility or any obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Depository. Without limiting the generality of the foregoing, neither the Authority nor the Trustee shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book Entry Bond with respect to (i) the accuracy of the records of the Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Depository, the beneficial owner of such Bond or any other person, other than the Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Depository, the beneficial owner of such Bond or any other person, other than the Depository, of any amount with respect to the principal, Sinking Fund Installments or Redemption Price of, or interest on, such Bond. The Authority and the Trustee may treat the Depository therefor as the absolute owner of a Book Entry Bond for the purpose of (x) payment of the principal, Sinking Fund Installments or Redemption Price of, and interest on such Bond, (y) giving notices of redemption and of other matters with respect to such Bond, (z) registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, Sinking Fund Installments or Redemption Price of, and interest on, such Bond only to or upon the order of the Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal, Sinking Fund Installments or Redemption Price and interest to the extent of the sum or sums so paid. No person other than the Depository shall receive a Bond or other instrument evidencing the Authority's obligation to make payments of the principal, Sinking Fund Installments or Redemption Price thereof, and interest thereon.

Anything herein to the contrary notwithstanding, payment of the Redemption Price of a Book Entry Bond which is redeemed in part prior to maturity may be paid to the Depository by wire transfer without surrender of such Bond to the Trustee; **provided**, **however**, that the Trustee shall maintain records as to each such payment and of the principal amount of such Bond Outstanding, which shall be binding on the Authority and the Holders from time to time of such Bond; **provided, further**, that payment of the principal or Redemption Price of and interest on a

Book Entry Bond at the maturity date or earlier date on which such Bond has been called for redemption in whole shall only be made upon presentation and surrender of such Bond to the Trustee at its principal corporate trust office.

The Authority, in its sole discretion and without the consent of the Trustee, the beneficial owner of a Book Entry Bond or any other person, may terminate the services of the Depository with respect to a Book Entry Bond if the Authority determines that (i) the Depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds of like Series issued in book entry form be registered in the registration books of the Authority in the name of the Depository, is not in the best interest of the beneficial owners of such Bonds, and the Authority shall terminate the services of the Depository upon receipt by the Authority and the Trustee of written notice from the Depository that it has received written requests that such Depository be removed from its participants having beneficial interest, as shown in the records of the Depository, in an aggregate amount of not less than a majority in principal amount of the then Outstanding Bonds for which the Depository is serving as Depository.

Upon the termination of the services of a Depository with respect to a Book Entry Bond, or upon the resignation of a Depository with respect to a Book Entry Bond, after which no substitute securities depository willing to undertake the functions of such Depository can be found which, in the opinion of the Authority, is able to undertake such functions upon reasonable and customary terms, such Bonds shall no longer be registered in the registration books kept by the Trustee in the name of a Depository, but shall be registered in the name or names of the Bondholders transferring or exchanging such Bonds as such Bondholders shall designate, in accordance with the provisions of Article III hereof.

SECTION 3.11. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders, except that Book Entry Bonds may be typewritten. Until the definitive Bonds of any Series are prepared, the Authority may execute, in the same manner as is provided in Section 3.04 hereof, and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in authorized denominations or any whole multiples thereof authorized by the Authority, and with such omissions, insertions and variations as may be appropriate to such temporary Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender at the principal corporate trust office of the Trustee of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, at the principal corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant hereto.

All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

SECTION 3.12. Tender of Option Bonds. An Option Bond which is required to be delivered for redemption or purchase pursuant to the provisions hereof or of the Series Resolution authorizing such Bonds or of the Bond Series Certificate relating to such Bond shall be deemed surrendered as provided in the Series Resolution authorizing the issuance thereof or the Bond Series Certificate relating thereto even though such Bond has not been actually presented and surrendered by the Holder thereof.

SECTION 3.13. Cancellation of Bonds. The Trustee shall forthwith cancel all Bonds which have been redeemed or paid in full and shall dispose of them in accordance with its normal procedure and notice thereof shall be given to the Authority if requested by the Authority. No such Bonds shall be deemed Outstanding Bonds hereunder and no Bonds shall be issued in lieu thereof.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Authorization of Redemption. Bonds subject to redemption prior to maturity pursuant hereto or to a Series Resolution or a Bond Series Certificate shall be redeemable, in accordance with this Article IV, at such times, at such Redemption Prices and upon such terms as may otherwise be specified herein or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate.

SECTION 4.02. Redemption at the Election or Direction of the Authority. In the case of any redemption of Bonds other than as provided in Section 4.03 hereof, the Authority shall give written notice to the Trustee and each Facility Provider of a Reserve Fund Facility of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each maturity of such Series to be redeemed. The Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained herein or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate. Such notice shall be given to the Trustee and each Facility Provider of a Reserve Fund Facility at least thirty (30) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee and the Facility Providers, respectively. Unless the notice of redemption required by Section 4.05 hereof provides that the redemption is subject to the condition that money for payment of the Redemption Price is available on the redemption date (as is permitted with respect to Bonds other than Existing Bonds), such notice shall not be given unless prior to the date such notice is given (i) the Trustee shall have received an amount which, in addition to other amounts available therefor held by the Trustee and taking into account earnings on the investment thereof, is sufficient to redeem, on the redemption dates at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds to be so redeemed and (ii) the Authority shall have obtained the written consent of each Facility Provider to which Provider Payments are then due and unpaid.

SECTION 4.03. Redemption Other Than at Authority's Election or Direction. Whenever by the terms hereof the Trustee is required to redeem Bonds through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of the Series and maturities to be redeemed in the manner provided in Section 4.04 hereof, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV.

SECTION 4.04. Selection of Bonds to Be Redeemed. Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as in this Section 4.04 provided) which end in the same digit or in the same two digits. If in such a case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; **provided**, **however**, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

For purposes of this Section 4.04, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds, and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds.

SECTION 4.05. Notice of Redemption. Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with Section 2.01 hereof, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) with respect to each such Bond, the principal amount thereof to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on a Bond or as contained in such notice shall not affect the validity of the proceedings for redemption and (ix) with respect to Bonds other than Existing Bonds, if the Authority's obligation to redeem the Bonds is subject to conditions, a statement that describes the condition to such redemption. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue. With respect to Bonds other than Existing Bonds, such notice shall be given by mailing a copy of such notice not less than twenty (20) days nor more than forty-five (45) days prior to the redemption date and with respect to Existing Bonds, such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided herein. Such certificate shall be conclusive evidence that such notice was given in the manner required hereby. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, with respect to Bonds other than Existing Bonds, such publication to be not less than twenty (20) days nor more than forty-five (45) days prior to the redemption date and with respect to Existing Bonds, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; **provided, however**, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

SECTION 4.06. Payment of Redeemed Bonds. Notice having been given by mail in the manner provided in Section 4.05 hereof, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, upon presentation and surrender of such Bonds, other than a Book Entry Bond which has been called for redemption in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding hereunder. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

PLEDGE OF REVENUES; FUNDS AND ACCOUNTS; REVENUES AND APPLICATION THEREOF

SECTION 5.01. Pledge of Revenues. The proceeds from the sale of the Bonds, the Revenues and, except as otherwise provided in Section 5.02 hereof, all funds and accounts established hereby, other than the Arbitrage Rebate Fund and the Debt Service Reserve Fund (with respect to Bonds other than Existing Bonds), are hereby pledged to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority hereunder and under any Series Resolution, all in accordance with the provisions hereof and thereof. The Debt Service Reserve Fund and amounts transferred from the Debt Service Reserve Fund to the Debt Service Fund are hereby pledged to the Trustee solely as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Existing Bonds (and no other Bonds) and as security for the performance of any other obligation of the Authority hereunder with respect to the Existing Bonds and under any Series Resolution for any Existing Bonds, all in accordance with the provisions hereof and thereof. The pledge of the Revenues shall also be for the benefit of each Facility Provider as security for the payment of any amounts payable to such Facility Provider hereunder; **provided, however**, that such pledge shall, in all respects, be subject and subordinate to the rights and interest therein of the Bondholders. The pledge made hereby is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues and the funds and accounts established hereby and by any Series Resolution which are pledged hereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues and the funds and accounts established hereby, and which are pledged hereby as provided herein, which pledge shall constitute a first lien thereon.

SECTION 5.02. Establishment of Funds and Accounts. The following funds and separate accounts within funds are hereby established and, except for the Construction Fund which shall be held and maintained by the Authority, shall be held and maintained by the Trustee:

Construction Fund;
Debt Service Fund;
  Debt Service Account – Existing Bonds;
  Debt Service Account – Other Bonds;
Debt Service Reserve Fund; and
Arbitrage Rebate Fund.

All moneys at any time deposited in any fund, account or subaccount created and pledged hereby or by any Series Resolution or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided herein; **provided, however,** the Debt Service Reserve Fund and amounts transferred from the Debt Service Reserve Fund to the Debt Service Fund are pledged to the Trustee solely as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Existing Bonds (and no other Bonds) and as security for the performance of any other obligation of the Authority hereunder with respect to the Existing Bonds and under any Series Resolution for any Existing Bonds, all in accordance with the provisions hereof and thereof; **provided, further,** that the moneys derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility or a Credit Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than the Holders of such Option Bonds, and such moneys and each such fund and account are pledged hereby for the payment of the purchase price or Redemption Price of such Option Bonds.

SECTION 5.03. Application of Bond Proceeds and Allocation Thereof. Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified herein and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

SECTION 5.04. Application of Moneys in the Construction Fund. 1. As soon as practicable after the delivery of each Series of Bonds, there shall be deposited in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall deposit in the Construction Fund any moneys paid to the Authority pursuant to Section 7.08 hereof.

2. Except as otherwise provided in this Article V and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project. For purposes of internal accounting, the Construction Fund may contain one or more subaccounts, as the Authority may deem proper.

3. Consistent with the provisions of the Agreement, payments from the Construction Fund shall be made by the Authority upon the filing in the records of the Authority of, and in accordance with, a requisition signed by an Authorized Officer of the Authority stating with respect to each payment to be made (i) in the case of a payment for the Costs of the Project, the Health Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund. Notwithstanding the provisions of this subdivision, moneys in the Construction Fund to be applied to pay interest on Bonds shall be transferred from the Construction Fund to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

4. A Health Facility shall be deemed to be complete upon the filing in the records of the Authority of the notice of final completion required by Section 3.06 of the Agreement. Upon the filing of notices of final completion relating to all of the Health Facilities the Project shall be deemed to be complete. The moneys, if any, then remaining in the Construction Fund, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid by the Authority to the Trustee and applied by it as follows and in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein; and

Second: To the Debt Service Fund, to be applied in accordance with Section 5.06 hereof, any balance remaining.

5. Following the occurrence and during the continuation of an Event of Default under the Agreement, the Authority may, in its sole discretion, transfer moneys in the Construction Fund to the Trustee for application pursuant to the provisions of Section 5.06 hereof.

SECTION 5.05. Deposit of Revenues and Allocation Thereof. 1. The Revenues and any other moneys, which, by any of the provisions of the Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee in the following order of priority:

First: To each account of the Debt Service Fund (i) in the case of Revenues received during the period from January 15 of a Bond Year until July 14 thereof, the amount, if any, necessary to make the amount in such account equal to (a) the interest on Outstanding Bonds payable from such account on or prior to the next succeeding July 15, including the interest estimated by the Authority to be payable on a Variable Interest Rate Bond on and prior to the next succeeding July 15, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and (b) the purchase price or Redemption Price of Outstanding Bonds payable from such account theretofore contracted to be purchased or called for redemption pursuant to Section 5.06 hereof, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received during the period from July 15 of such Bond Year until January 14 thereof, the amount, if any, necessary to make the amount in each account of the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable from such account on and prior to the next succeeding January 15, including the interest estimated by the Authority to be payable on a Variable Interest Rate Bond on and prior to the next succeeding January 15, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, (b) the principal and Sinking Fund Installments of Outstanding Bonds payable from such account on the next succeeding January 15 and (c) the purchase price or Redemption Price of Outstanding Bonds payable from such account theretofore contracted to be purchased or called for redemption on or prior to the next succeeding January 15 pursuant to Section 5.06 hereof, plus accrued interest thereon to the date of purchase or redemption; **provided**, in the event Revenues and any other moneys received by the Trustee are insufficient to make the deposits described above, such Revenues and any other moneys shall be divided pro rata between the accounts of the Debt Service Fund based on the total amount required to be deposited into all accounts on such day and the respective amounts to be deposited in each Debt Service Account (without giving effect to any amounts transferred from the Debt Service Reserve Fund);

Second: To reimburse, pro rata, each Facility Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Facility Provider;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction;

Fourth: To the Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement; and

Fifth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required hereby, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph fifth.

2. After making the payments required by subdivision 1 of this Section, the balance, if any, of the Revenues remaining shall be deposited by the Trustee in the Debt Service Fund and applied pursuant to the provisions of Section 5.06(4) hereof. The Trustee shall notify the Authority promptly after making the payments required by subdivision 1 of this Section, of any balance of Revenues then remaining.

SECTION 5.06. Debt Service Fund. 1. The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the applicable account in the Debt Service Fund:

(a) the interest due and payable on all Outstanding Bonds payable from such account on such interest payment date;

(b) the principal amount due and payable on all Outstanding Bonds payable from such account on such interest payment date; and

(c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds payable from such account on such interest payment date.

Amounts in the Debt Service Account – Existing Bonds shall be used only to make the payments described above with respect to Existing Bonds and amounts in the Debt Service Account – Other Bonds shall be used only to make the payments described above with respect to Bonds other than Existing Bonds. The amounts paid out pursuant to this Section shall be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth Business Day preceding any interest payment date for a Series of Existing Bonds, the amount in the Debt Service Account – Existing Bonds shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of such Outstanding Existing Bonds due and payable on such interest payment date, together with the purchase price or Redemption Price of such Outstanding Existing Bonds theretofore contracted to be purchased or called for redemption pursuant to subdivision 3 or 4 of this Section 5.06, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit to the Debt Service Account – Existing Bonds in the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

3. Notwithstanding the provisions of subdivision 1 of this Section, the Authority may, at any time subsequent to the first day of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the applicable account in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the City and delivered to the Trustee shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such date; **provided, however**, that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

4. Promptly after making the payments from the Debt Service Fund required pursuant to this Section 5.06 (in each case taking into account amounts, if any, on deposit in the Construction Fund and available for the payment of interest on the Bonds), moneys remaining in the Debt Service Fund shall be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority pursuant to a direction of the City (i) to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct or (ii) to the redemption of Bonds as provided in Article IV hereof, at the Redemption Prices specified in the Series Resolution authorizing the issuance of the Bonds to be redeemed or Bond Series Certificate relating to such Bonds or (iii) to or for the account of the City.

SECTION 5.07. Debt Service Reserve Fund. 1. (a) The Trustee shall deposit to the credit of the Debt Service Reserve Fund such proceeds of the sale of Bonds secured by the Debt Service Reserve Fund, if any, as shall be prescribed in the Series Resolution authorizing the issuance of such Series of Bonds or the Bond Series Certificate relating to such Series. The Debt Service Reserve Fund and amounts transferred from the Debt Service Reserve Fund to the Debt Service Account – Existing Bonds of the Debt Service Fund are pledged to the Trustee solely as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Existing Bonds (and no other Series of Bonds) and as security for the performance of any other obligation of the Authority hereunder with respect to the Existing Bonds and under any Series Resolution for any Existing Bonds, all in accordance with the provisions hereof and thereof. Any reference to Bonds in this Section 5.07 refers to Existing Bonds secured by a Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Existing Bonds for all or any part of the Debt Service Reserve Fund Requirement; **provided, however,** (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as

"+" or "-" or numerical notation, in the highest rating category by Moody's and S&P or, if Outstanding Bonds are not rated by both Moody's and S&P, by whichever of said rating services that then rates Outstanding Bonds and (ii) that any such letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if Outstanding Bonds are not rated by Moody's and S&P, by whichever of said rating services that then rates Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee and each Facility Provider of a Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to each Facility Provider and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the City thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the ratings on any Outstanding Bonds are less than "Aa" by Moody's without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation or "AA" by S&P without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation and the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below "A" by Moody's or S&P without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, the Authority shall either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the two preceding paragraphs or (ii) deposit or cause to be deposited in the Debt Service Reserve Fund an amount of moneys equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the January 15 or July 15 next succeeding the reduction in said ratings (provided that no further deposits shall be required at such time as the amount on deposit in the Debt Service Reserve Fund, not including such Reserve Fund Facility, shall be at least equal to the Debt Service Reserve Fund Requirement).

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of this Section, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation (which shall be the then applicable policy limit specified in the Reserve Fund Facility); **provided, however,** that, if the Authority is required to take an action pursuant to the third paragraph of this Section 5.07(1)(b), said Reserve Fund Facility shall be valued at an amount (not less than $0) equal to the product of (i) the amount available to be paid thereunder on the date the Authority is first required to take such action (which shall be the then applicable policy limit specified in the Reserve Fund Facility) and (ii) a fraction the numerator of which is the difference between 10 and the aggregate number of January 15th's and July 15th's which has elapsed since action was required and the denominator of which is ten.

2. Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Account – Existing Bonds of the Debt Service Fund at the times and in the amounts required to comply with the provisions of subdivision 2 of Section 5.06 hereof; **provided, however,** that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund pursuant to this Subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; **provided, further,** that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be drawn therefrom, unless the Authority and the issuers of all such Reserve Fund Facilities otherwise agree, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required, but in no event less than two (2) Business Days prior to such interest payment date.

3. (a) The income or interest earned on investments held for the credit of the Debt Service Reserve Fund, upon the direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee, as received, and deposited in the Arbitrage Rebate Fund, the Debt Service Account – Existing Bonds of the Debt Service Fund or the Construction Fund in accordance with such direction. If on January 14 of a Bond Year the value of the moneys and investments held for the credit of the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, such excess shall be withdrawn by the Trustee and deposited in the Arbitrage Rebate Fund, the Debt Service Account – Existing Bonds of the Debt Service Fund or the Construction Fund in accordance with such direction; **provided, however**, that if such amount results from the substitution of a Reserve Fund Facility for moneys or investments in the Debt Service Reserve Fund, such amount shall not be deposited in the Debt Service Fund or the Construction Fund

unless in the opinion of Bond Counsel such application will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

(b) Notwithstanding the provisions hereof, if, upon an Existing Bond having been deemed to have been paid in accordance with Section 12.01 hereof, the moneys and investments held for the credit of the Debt Service Reserve Fund will exceed the Debt Service Reserve Fund Requirement, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with Section 12.01 hereof, withdraw all or any portion of such excess from the Debt Service Reserve Fund and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or to fund any reserve for the payment of the principal and Sinking Fund Installments of or interest on the bonds, notes or other obligations, if any, issued to provide for the payment of such Bond or (ii) pay such amount to the Authority for deposit to the Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; **provided, however**, that after such withdrawal the amount remaining in the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Fund Requirement.

(c) If on January 14 of a Bond Year the value of the moneys and investments held for the credit of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority, the City and each Facility Provider of such deficiency. The amount of such deficiency shall be included in the Basic Rent payable during the next succeeding Bond Year.

SECTION 5.08. Arbitrage Rebate Fund. The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the City for deposit therein and, notwithstanding any other provisions of this Article V, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee hereunder at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall first, be applied to reimburse, pro rata, each Facility Provider for moneys advanced under a Reserve Fund Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Facility Provider; and then be deposited to any fund or account established hereunder in accordance with the written direction of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held hereunder and deposit to the Arbitrage Rebate Fund, such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

SECTION 5.09. Application of Moneys in Certain Funds for Retirement of Bonds. Notwithstanding any other provisions hereof, if at any time the money held in an account of the Debt Service Fund established in connection with a Series of Bonds for the payment of the principal and Sinking Fund Installments of the Bonds of such Series, together with the money held in the Debt Service Reserve Fund securing such Bonds, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of such Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to Section 12.01(b) hereof for the payment of such Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Bonds in the manner provided for redemption of such Bonds hereby and by each Series Resolution as provided in Article IV hereof, or (ii) give the Trustee irrevocable instructions in accordance with Section 12.01(b) hereof and make provision for the payment of such Bonds at the maturity or redemption dates thereof in accordance therewith.

SECTION 5.10. Transfer of Investments. Whenever money in any fund or account established hereunder is to be paid in accordance herewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the money, if any, to be transferred, is at least equal to the amount of the payment then to be made; **provided, however,** that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

ARTICLE VI

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 6.01. Security for Deposits. All moneys held hereunder by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; **provided, however,** (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to Section 5.06 or Section 12.01 hereof and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions hereof as an investment of such moneys.

SECTION 6.02. Investment of Funds and Accounts. (a) Money held hereunder by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; **provided, however**, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes hereof.

(b) In lieu of the investments of money in obligations authorized in paragraph (a) of this Section, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund or Debt Service Reserve Fund in any Permitted Investment; **provided, however,** that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes hereof, **provided, further** that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions hereof shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) In computing the amount in any fund or account held by the Trustee under the provisions hereof, each Permitted Investment shall be valued at par if purchased at par or, if purchased at other than par, at amortized value.

(e) Notwithstanding anything to the contrary herein, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant hereto whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account hereunder and of the details of all investments held for the credit of each fund and account in its custody under the provisions hereof as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) No part of the proceeds of any Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

SECTION 6.03. Liability for Investments. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of this Article VI, in the manner provided in this Article VI, for any depreciation in value of any such investment, or for any loss, direct or indirect, resulting from any such investment.

ARTICLE VII

PARTICULAR COVENANTS

The Authority covenants and agrees with the Holders of the Bonds as follows:

SECTION 7.01. Payment of Principal and Interest. The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

SECTION 7.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of such Bonds or the time for payment of any such claims for interest shall be extended, such Bonds, or claims for interest shall not be entitled, in case of any default hereunder, to the benefit hereof or of any Series Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant hereto and to any Series Resolution) held by the Trustee, except subject to the prior payment of the principal of all Outstanding Bonds the maturity of which has not been extended and of such portion of the interest on such Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Option Bonds or Refunding Bonds or other bonds or notes to refund Outstanding Bonds as permitted hereby and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

SECTION 7.03. Powers as to Bonds and Pledge. The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge and assign the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established hereby which are pledged hereby, in the manner and to the extent provided herein and therein. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established hereby which are pledged hereby are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created hereby, other than any pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligations to a Facility Provider which has provided a Credit Facility or a Liquidity Facility, which may be of equal priority and rank with the charge and lien thereon created hereby. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions hereof and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms hereof and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and all funds and accounts established hereby which are pledged hereby and all of the rights of the Holders of Bonds under the Resolution and each Series Resolution against all claims and demands of all persons whomsoever.

SECTION 7.04. Further Assurance. The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, and the pledges hereby made or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

SECTION 7.05. Accounts and Audits. The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the City, the Trustee, any Facility Provider or any Holder of a Bond or such Holder's representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, each Facility Provider and the City. Such report shall include at least: a statement of all funds (including investments thereof) held by the Trustee and the Authority pursuant to the provisions hereof and of each Series Resolution; a statement of the Revenues collected in connection herewith and with each Series Resolution; a statement that the balance in the Debt Service Reserve Fund meets the requirements hereof and of the applicable Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report, shall upon receipt of a written request therefor and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book-Entry Bond requesting the same.

SECTION 7.06. Creation of Liens. Except as permitted hereby the Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues or the funds and accounts established hereby or by any Series Resolution which are pledged hereby; **provided, however,** that nothing contained herein shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or the lien created by such resolution is not prior or equal to the charge or lien created hereby.

SECTION 7.07. Enforcement of Obligations of the City. The Authority shall take all legally available action to cause the City to perform fully its obligation to pay the Basic Rent and other amounts which under the Agreement are to be paid to the Trustee, in the manner and at the times provided in the Agreement.

SECTION 7.08. Deposit of Certain Moneys in the Construction Fund. In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Health Facility, including without limitation, other funds, if any, provided by the City or HHC, shall be deposited in the Construction Fund.

SECTION 7.09. Offices for Payment and Registration of Bonds. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with Section 8.02 hereof, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is hereby appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this Section shall be subject to the provisions of Section 3.01 hereof.

SECTION 7.10. Amendment, Change, Modification or Waiver of Agreement. (a) Except as otherwise provided herein, the Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds as herein provided, if such amendment, change, modification, termination or waiver (i) reduces the amount of Basic Rent payable on any date or delays the date on which Basic Rent is payable (except as contemplated by the Agreement) or (ii) modifies the events which constitute events of default under Section 8.01 of the Agreement or diminishes, limits or conditions the rights of or remedies which may be exercised by the Authority upon the occurrence of an event of default under the Agreement.

No such amendment, change, modification, termination or waiver pursuant to the first paragraph of Section 7.10(a) hereof shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then Outstanding; **provided, however,** that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

(b) The Agreement may be amended, changed or modified or any provision thereof waived in any other respect without the consent of the Holders of Outstanding Bonds, including without limitation, to modify the Exhibits attached thereto, to add Leased Property, Health Facilities or to substitute one or more Health Facilities or parcels on which a Health Facility is to be constructed or renovated for the Leased Property on which such Health Facility was to be constructed or renovated, except that no amendment, change, modification or alteration of the Agreement to cure any ambiguity or defect or inconsistent provision in the Agreement or to insert such provisions clarifying matters or questions arising under the Agreement as are necessary or desirable, shall be made unless such amendment, change, modification or waiver is not contrary to or inconsistent with the Agreement as theretofore in effect and unless consented to by the Trustee.

(c) No amendment, change, modification or termination of the Agreement or waiver or a provision thereof shall be made other than pursuant to a written instrument signed by the Authority and the City. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

(d) For the purposes of this Section, the purchasers of the Bonds of a Series, whether purchasing as underwriters or Remarketing Agents, for resale or otherwise, upon such purchase, may consent to an amendment, change, modification, termination or waiver permitted by this Section with the same effect as a consent given by the Holder of such Bonds.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely effected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

For the purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, including an opinion of Bond Counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

SECTION 7.11. Notice as to Agreement Default. The Authority shall notify the Trustee in writing that an “Event of Default” under the Agreement, as such term is defined in the Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

SECTION 7.12. Basic Rent. The Agreement shall provide for the payment of Basic Rent which shall be sufficient at all times (i) to pay the principal and Sinking Fund Installments of and interest on Outstanding Bonds as the same become due and payable and (ii) to make the payments to the Debt Service Reserve Fund required hereby.

SECTION 7.13. Payment of Lawful Charges. The Authority shall pay or take all legally available action to cause the City to pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon any Revenues or any fund or account created hereunder or under any Series Resolution, when the same shall become due. Except as otherwise provided hereby and by the Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues or any fund or account created hereunder or under any Series Resolution, except the pledge and lien hereof and of the Bonds. The Authority shall pay or cause to be discharged, or shall make adequate provisions to satisfy and discharge all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the Revenues; **provided, however,** that nothing in this Section shall require the Authority to pay or cause to be paid or discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

SECTION 7.14. Disposition of a Health Facility. The Authority shall not permit the sale, lease or other disposition of a Health Facility except in accordance with the provisions of the Agreement.

SECTION 7.15. Certificate to the State Comptroller, State Budget Director and State Commissioner of Health. In order to assure the payment of the Basic Rent payable pursuant to Section 4.01(a) of the Agreement, including amounts necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement, an Authorized Officer of the Authority shall, pursuant to and in accordance with Section 7418-(2)(b) of the Act, make and deliver a certificate to the chief fiscal officer of the City setting forth the amount of Basic Rent, if any, due and not paid within five days of the due date. In the event of the failure or inability of the City to pay over the stated amount to the Authority within ten days of receipt of such certificate, or such other period of time as may be specified in the Act, the Authority shall, pursuant to and in accordance with Section 7418-(2)(b) of the Act, forthwith make and deliver to the Comptroller of the State, the Director of the Budget of the State and the Commissioner of Health of the State a further certificate restating the amount of Basic Rent due and not paid.

Nothing contained herein is intended to waive, impair or limit, or shall be construed as a waiver, impairment or limitation of, the Authority's right pursuant to Section 7418-(2)(b) of the Act to certify to the Comptroller of the State, the Director of the Budget of the State and the Commissioner of Health of the State at the time and in the manner provided therein, the amount, if any, of the rentals, other than the Basic Rent, required to have been paid by the City under the Agreement which remains unpaid.

SECTION 7.16. General. The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions hereof in accordance with the terms of such provisions.

Upon the date of issuance of Bonds, all conditions, acts and things required by the statutes of the State and hereby to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issuance of such Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the State.

ARTICLE VIII

CONCERNING THE TRUSTEE

SECTION 8.01. Appointment and Acceptance of Trustee. The Authority, prior to the issuance of any Bonds, shall appoint a Trustee who shall also serve as Paying Agent. The Trustee shall signify its acceptance of the duties and obligations of Trustee and Paying Agent imposed upon it hereby by written instrument of acceptance delivered to the Authority.

SECTION 8.02. Appointment and Acceptance of Paying Agents. In addition to the Trustee, the Authority may appoint one or more Paying Agents for the Bonds of any Series in the Series Resolution authorizing such Bonds or in the manner provided herein or in such Series Resolution or shall appoint such Paying Agent or Paying Agents by resolution of the Authority adopted prior to the authentication and delivery of the Bonds, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 8.13 hereof for the appointment of a successor Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it hereby by written instrument of acceptance deposited with the Authority and the Trustee.

SECTION 8.03. Responsibilities of Trustee and Paying Agent. The recitals of fact contained herein and in each Series Resolution and in the Bonds shall be taken as the statements of the Authority and neither the Trustee nor any Paying Agent assumes any responsibility for the correctness of the same. Neither the Trustee nor any Paying Agent makes any representations as to the validity or sufficiency hereof, of any Series Resolution or of any Bonds, or in respect of the security afforded hereby or by each Series Resolution, and neither the Trustee nor any Paying Agent shall incur any responsibility in respect thereof. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee or Paying Agent; or (iii) the application of any moneys paid to the Authority or others in accordance herewith and with each Series Resolution except as to the application of any moneys paid to it in its capacity as Trustee or Paying Agent. Neither the Trustee nor any Paying Agent shall be liable in connection with the performance of or failure to perform its duties hereunder and under each Series Resolution except for its own negligence or default; **provided, however**, that neither the Trustee nor any Paying Agent shall be liable for any default based upon an action taken or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it hereby or by any Series Resolution.

The duties and obligations of the Trustee and any Paying Agent shall be determined by the express provisions hereof and of each Series Resolution and neither the Trustee nor any Paying Agent shall be liable except for the performance of or failure to perform such duties and obligations as are specifically set forth herein and in each Series Resolution.

SECTION 8.04.Property Held in Trust. All moneys and securities conveyed to or held by the Trustee, except for amounts held in the Arbitrage Rebate Fund, at any time pursuant to the terms hereof and of each Series Resolution shall be and hereby are signed, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions hereof and of each Series Resolution.

The Trustee shall hold all moneys in the Arbitrage Rebate Fund as the agent of the Authority and shall not disburse amounts therefrom except pursuant to the written instructions of an Authorized Officer of the Authority.

SECTION 8.05. Evidence on Which Fiduciaries May Act. The Trustee and any Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. The Trustee and any Paying Agent may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever the Trustee or any Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder and under any Series Resolution, such matter (unless other evidence in respect thereof be specifically prescribed hereby) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Authority or, with the permission of an Authorized Officer of the Authority, signed by an Authorized Officer of the City. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof and of the Series Resolution upon the faith thereof, but in its discretion the Trustee or any Paying Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein and in each Series Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof and of any Series Resolution by the Authority to the Trustee or any Paying Agent shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.

SECTION 8.06. Compensation. Unless otherwise provided by contract with the Trustee or any Paying Agent, the Authority shall pay to the Trustee and to each Paying Agent, from time to time, reasonable compensation for all services rendered by it hereunder and under the applicable Series Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties hereunder and under the applicable Series Resolution and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it hereunder and under the applicable Series Resolution (other than the Arbitrage Rebate Fund) prior to any of the Bonds for which such services have been rendered. The Authority shall indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and under the applicable Series Resolution and which are not due to its negligence or default. None of the provisions contained herein or in any Series Resolution shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Trustee shall not be required to take any action at the request or direction of a Facility Provider made or given pursuant to Article XI hereof unless and until such Facility Provider shall have indemnified and saved the Trustee harmless against any liabilities and all reasonable expenses, charges, counsel fees and other disbursements, including those of the Trustee's attorneys, agents and employees, incurred in connection with or as a result of taking the action requested or directed by the Facility Provider to be taken.

SECTION 8.07. Permitted Acts. The Trustee and any Paying Agent may become the owner of or may deal in Bonds as fully and with the same rights as if it were not such Trustee or Paying Agent. The Trustee and any Paying Agent may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Authority or any committee formed to protect the rights of Holders of Bonds or to effect or aid in any reorganization growing out of the enforcement hereof or of the Bonds or any Series Resolution whether or not such committee shall represent the Holders of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

SECTION 8.08. Resignation of Trustee. The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder and under each Series Resolution by giving not less than sixty (60) days written notice to the Authority, the City and each Facility Provider and publishing notice thereof, specifying the date when such resignation shall take effect, at least once in an Authorized Newspaper, the first publication to be made within ten (10) days after the giving of such written notice. Such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed as provided in Section 8.10 hereof, in which event such resignation shall take effect immediately on the appointment of such successor; **provided, however,** that such resignation shall not take effect until a successor Trustee has been appointed and has accepted such appointment pursuant to Section 8.10 hereof.

SECTION 8.09. Removal of Trustee. The Trustee, or any successor thereof, may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to the Authority. The Trustee, or any successor thereof, may also be removed at any time for cause or any breach of trust or for acting or proceeding in violation of, or failing to act or proceed in accordance with, any provisions hereof or of any Series Resolution with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon application by the Holders of not less than twenty per centum (20%) in aggregate principal amount of the Outstanding Bonds, excluding any Bonds held by or for the account of the Authority. The Trustee may also be removed at any time, other than during the continuance of an event of default hereunder, by the Authority, by an instrument in writing signed and acknowledged by an Authorized Officer of the Authority. No removal hereunder shall take effect until a successor Trustee has been appointed. A copy of each instrument or order providing for the removal of the Trustee, or any successor thereof, shall be delivered by the Authority to the Trustee or such successor thereof, to the City and to each Facility Provider.

SECTION 8.10. Successor Trustee. In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the Authority shall forthwith appoint a Trustee to act as Trustee and Paying Agent. Copies of any resolution of the Authority providing for any such appointment shall be delivered by the Authority to the Trustee so appointed, the predecessor Trustee, to each Facility Provider and to the City. The Authority shall give notice of any such appointment to each registered owner of a Bond. Such notice shall be sent not later than thirty (30) days after such appointment, by first class mail, postage prepaid, to each registered owner at its last known address, if any, appearing on the registration books of the Authority.

If in a proper case no appointment of a successor shall be made within forty-five (45) days after the giving of written notice in accordance with Section 8.08 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondholder may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor appointed under the provisions of this Section shall be a bank located in the State having trust powers or a trust company organized under the laws of the State or national banking association located in the State having a capital and surplus aggregating at least $50,000,000, if there be such a bank having trust powers or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required hereby and by each Series Resolution.

SECTION 8.11. Transfer of Rights and Property to Successor Trustee. Any successor appointed under the provisions of Section 8.10 hereof shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder and under each Series Resolution, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request by the Authority or of such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of such Trustee in and to any property held by it hereunder, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions set forth herein. Should any deed, conveyance or instrument in writing from the Authority be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority.

SECTION 8.12. Merger or Consolidation of the Trustee. Any company into which the Trustee may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank having trust powers or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 8.10 hereof, shall be the successor to such Trustee, without any further act, deed or conveyance.

SECTION 8.13. Resignation or Removal of the Paying Agents and Appointment of Successors. Any Paying Agent (other than the Trustee) may at any time resign and be discharged of the duties, and obligations created hereby and by the applicable Series Resolution by giving at least sixty (60) days' written notice to the Authority and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent shall be appointed by the Authority and (subject to the requirements of Section 7.09 hereof) shall be a bank having trust powers or trust company organized under the laws of any state of the United States of America or a national banking association, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it hereby and by the applicable Series Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed. The Authority shall give written notice of the resignation or removal of any Paying Agent of any Series of Bonds to the City and to each Facility Provider.

SECTION 8.14. Amortization Schedule. Upon the request of an Authorized Officer of the Authority or the City, the Trustee shall prepare a schedule setting forth as of the date of such schedule the principal amount of Outstanding Bonds of each Series, the dates on which the principal and Sinking Fund Installments, if any, of all Outstanding Bonds of each Series are payable, the dates on which the interest on all Outstanding Bonds other than Variable Interest Rate Bonds are payable, the amount payable on each such date for the principal and Sinking Fund Installments, if any, of and interest on Outstanding Bonds of each Series, exclusive of the interest payable on Variable Interest Rate Bonds, the aggregate amount thereof payable on each such date and the aggregate amount payable on each such date for the principal and Sinking Fund Installments, if any, of Outstanding Bonds of all Series and interest on Outstanding Bonds of all Series other than Variable Interest Rate Bonds.

ARTICLE IX

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

SECTION 9.01. Modification and Amendment without Consent. Notwithstanding any other provisions of this Article IX or Article X hereof, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolutions or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions hereof and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained herein;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms hereof, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained herein;

(e) To confirm, as further assurance, any pledge hereunder, and the subjection to any lien, claim or pledge created or to be created by the provisions hereof, of the Revenues, or any pledge of any other moneys, investments thereof or funds;

(f) To modify any of the provisions hereof or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such Resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent herewith as theretofore in effect, or to modify any of the provisions hereof or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect;

(h) To modify any of the provisions hereof or of any previously adopted Series Resolution or Supplemental Resolution in order to conform the provisions hereof or thereof to amendments made to the Agreement pursuant to Section 4.01 of the Agreement; or

(i) With the consent of the Facility Providers, to modify any of the provisions hereof in order to provide for a Series of Bonds to be secured by the Debt Service Reserve Fund (including provisions relating to the amount of the Debt Service Reserve Fund Requirement for such Series of Bonds and provisions relating to Reserve Fund Facilities for such Series of Bonds) so long as such modification shall not reduce the Debt Service Reserve Fund Requirement for the Existing Bonds and the amount on deposit in the Debt Service Reserve Fund upon the issuance of such additional Series of Bonds shall be not less than the Debt Service Reserve Fund Requirement for the Existing Bonds and for such additional Series of Bonds.

SECTION 9.02. Supplemental Resolutions Effective with Consent of Bondholders. The provisions hereof may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders in accordance with and subject to the provisions of Article X hereof, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the City upon its becoming effective.

SECTION 9.03. General Provisions Relating to Series Resolutions and Supplemental Resolutions. The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article IX and Article X hereof. Nothing contained in this Article IX or Article X hereof shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 hereof or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere herein provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions hereof, is authorized or permitted hereby and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the City and to each Facility Provider upon its becoming effective.

The Trustee is hereby authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions hereof and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions hereof.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

ARTICLE X

AMENDMENTS OF RESOLUTION

SECTION 10.01. Powers of Amendment. Any modification or amendment hereof and of the rights and obligations of the Authority and of the Holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in Section 10.02 hereof, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; **provided, however**, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment hereof if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment hereof. The Trustee shall transmit a copy of such Supplemental Resolution to the City upon its becoming effective.

SECTION 10.02. Consent of Bondholders. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 10.01 hereof to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in Section 10.01 hereof and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions hereof, is authorized or permitted hereby, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 13.01 hereof. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 13.01 hereof shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in Section 13.01 hereof to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notices and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; **provided, however**, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of this Article X, the purchasers of the Bonds of a Series, whether purchasing as underwriters or Remarketing Agents, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by Section 10.01 or 10.03 hereof in the manner provided herein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; **provided, however,** that, if such consent is given by a purchaser who is purchasing as an underwriter or Remarketing Agent or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

SECTION 10.03. Modifications by Unanimous Consent. The terms and provisions hereof and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 10.02 hereof, except that no notice to the Bondholders either by mailing or publication shall be required.

SECTION 10.04. Consent of Facility Provider. Whenever by the terms of this Article X the consent of any of the Holders of the Bonds to a modification or amendment hereof made by a Series Resolution or Supplemental Resolution is required, such modification or amendment shall not become effective until the written consent of each Facility Provider has been obtained; **provided, however**, that the consent of a Facility Provider which has provided a Credit Facility or a Liquidity Facility shall not be required unless the modification or amendment requires the consent of the Holders of any percentage in principal amount of Outstanding Bonds or of the Holders of any percentage in principal amount of the Bonds of the Series in connection with which such Credit Facility or Liquidity Facility was provided. No modification or amendment hereof which adversely affects a Facility Provider shall be made without the written consent thereto of the Facility Provider affected thereby. Notice of the adoption of any such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby shall be given to each Facility Provider by mail at the times and in the manner provided herein with respect to notices thereof required to be given to the Holders of the Bonds. Notice thereof shall also be given to Moody's and S&P as soon as practical after adoption of such Supplemental Resolution and of the effectiveness thereof.

SECTION 10.05. Mailing and Publication. Any provision in this Article X for the mailing of a notice or other document to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Bonds then Outstanding at such person's address, if any, appearing upon the registry books of the Authority and (ii) to the Trustee.

Any provision in this Article X for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

SECTION 10.06. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action provided for herein, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for herein. At the time of any consent or other action taken hereunder, the Authority shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

SECTION 10.07. Notation on Bonds. Bonds delivered after the effective date of any action taken as provided in Article IX hereof or this Article X may, and if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Holder of any

Bond Outstanding at such effective date and upon presentation of his Bond for such purpose at the principal corporate trust office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as, in the opinion of the Trustee and the Authority, conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XI

DEFAULTS AND REMEDIES

SECTION 11.01. Trustee to Exercise Powers of Statutory Trustee. The Trustee shall be and hereby is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 7425 of the Act which are not inconsistent with the provisions of the Resolution and the right of Bondholders to appoint a trustee pursuant to Section 7425 of the Act is hereby abrogated in accordance with the provisions of paragraph (j) of subdivision 3 of Section 7416 of the Act.

SECTION 11.02. Events of Default. An event of default shall exist hereunder and under each Series Resolution (herein called "event of default") if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained herein or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof; or

(e) The State Comptroller shall have failed to make payment to or upon the order of the Authority in accordance with Section 7418-(2)(b) of the Act upon receipt of a certificate of an Authorized Officer of the Authority, as provided therein.

SECTION 11.03. No Acceleration of Maturity. The Bonds are not subject to acceleration upon an event of default hereunder.

SECTION 11.04. Enforcement of Remedies. Upon the happening and continuance of any event of default specified in Section 11.02 hereof, then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Reserve Fund Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default specified in paragraph (c) of Section 11.02 hereof, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of Section 8.06 hereof), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider hereunder or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or under any Series Resolution or in aid or execution of any power herein or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy hereunder and under each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided herein, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 11.05. Priority of Payments after Default. If at any time the moneys held by the Trustee hereunder and under each Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (by their terms), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in this Article XI or otherwise, shall be applied (after payment of all amounts owing to the Trustee hereunder) as follows; **provided,** that distributions pursuant to this section shall first be made with moneys other than amounts on deposit in the Debt Service Reserve Fund and then moneys in the Debt Service Reserve Fund shall be distributed pursuant to this Section but only to pay amounts remaining due on the Existing Bonds:

(a) Unless the principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in the Bonds.

The provisions of this Section are in all respects subject to the provisions of Section 7.02 hereof.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of this Section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions hereof as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Amounts held by the Trustee after payments to be made pursuant to this Section 11.05 have been made and no Bonds are Outstanding shall be paid and applied in accordance with Section 12.01 hereof.

SECTION 11.06. Termination of Proceedings. In case any proceedings commenced by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, each Facility Provider, the City and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been commenced.

SECTION 11.07. Bondholders' Direction of Proceedings. Anything herein to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds or, in the case of an event of default specified in paragraph (c) of Section 11.02 hereof, the Holders of a majority in principal amount of the Outstanding Bonds of the Series affected thereby shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder and under each Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions hereof and of each Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 11.08. Limitation of Rights of Individual Bondholders. No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or for any other remedy hereunder unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of an event of default specified in paragraph (c) of Section 11.02 hereof, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted hereby or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts hereof or for any other remedy hereunder and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds. Notwithstanding any other provision hereof, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 11.09. Actions by Trustee; Possession of Bonds by Trustee Not Required. All rights of action hereunder or under any of the Bonds secured hereby and thereby, enforceable by the Trustee, may be enforced by it without the possession of any of such Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of the Bonds to which such action relates, subject to the provisions hereof.

SECTION 11.10. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 11.11. Waiver and Non-Waiver of Default. No delay or omission of the Trustee or any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by this Article XI to the Trustee and the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of a default specified in paragraph (c) of Section 11.02 hereof, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof or before the completion of the enforcement of any other remedy hereunder; **provided, however**, that no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

SECTION 11.12. Notice of Event of Default. The Trustee shall give notice of each event of default hereunder known to the Trustee to the City and to each Facility Provider within five (5) days after knowledge of the occurrence thereof and to the Holders of Bonds within thirty (30) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; **provided, however**, that, except in the case of default in the payment of the principal, Sinking Fund Installments or Redemption Price of, or interest on, any of the Bonds, the Trustee shall be protected in withholding notice thereof to the Holders of Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Bonds. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (i) to all registered Holders of Bonds, as the names and addresses of such Holders appear on the books for registration and transfer of Bonds as kept by the Trustee, (ii) to each Facility Provider and (iii) to such other persons as is required by law. Any such notice required to be mailed to Holders of Bonds may, in the sole discretion of the Authority, be published by the Trustee in an Authorized Newspaper.

ARTICLE XII

DEFEASANCE

SECTION 12.01. Defeasance. (a) If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, herein, and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Bonds and all other rights granted hereby to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or securities held by it pursuant hereto and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the City. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created hereby.

(b) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if:

(i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in Article IV hereof notice of redemption on said date of such Bonds;

(ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be;

(iii) the Trustee shall have received the written consent of each Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility, Liquidity Facility or Reserve Fund Facility issued by it or the interest thereon have not been repaid to such Facility Provider;

(iv) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; and

(v) the Trustee shall have received a Verification Report.

The Authority shall give written notice to the Trustee of its selection of the Series and maturity payment of which shall be made in accordance with this Section. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this Section in the manner provided in Section 4.04 hereof. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; **provided, however,** that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date hereof, as the case may be; ***provided, further,*** with respect to Bonds other than Existing Bonds, that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a Verification Report. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility

Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the City. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created hereby.

(c) For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, in accordance with paragraph (b) of this Section 12.01, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; **provided, however,** that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (ii) of the second sentence of paragraph (b) of this Section 12.01, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the City. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created hereby.

(d) Option Bonds shall be deemed to have been paid in accordance with paragraph (b) of this Section 12.01, there shall be deposited with the Trustee money in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; **provided, however,** that if, at the time a deposit is made with the Trustee pursuant to paragraph (b) of this Section 12.01, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (d). If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the City. Such securities so paid or delivered shall be released from of any trust, pledge, lien, encumbrance or security interest created hereby.

(e) Anything herein to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; **provided, however**, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

ARTICLE XIII

EXECUTION OF INSTRUMENTS BY BOND HOLDERS AND PROOF OF OWNERSHIP OF BONDS

SECTION 13.01. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument which the Resolution may require or permit to be signed and executed by the Holder or Holders of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Holder or Holders of Bonds in person or by his or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, or the holding or owning by any person of such Bonds, shall be sufficient for any purpose hereof (except as otherwise herein expressly provided) if made in the manner set forth below, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of any officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such executions duly sworn to before such notary public or other Officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding or owning the same shall be proved by the registry books. Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done or omitted to be done by the Authority or the Trustee in accordance therewith.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Preservation and Inspection of Documents. All documents received by the Trustee from the Authority or from Bondholders under the provisions hereof or of any Series Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the City, any Bondholder and their agents and their representatives, any of whom may make copies thereof; **provided, however,** that with respect to inspection by a Bondholder a written request of such Bondholder must have been received by the Trustee at least five (5) Business Days prior to the date of inspection.

The Trustee shall maintain such records as a Facility Provider shall reasonably request with respect to matters relating to such Facility Provider.

SECTION 14.02. Moneys and Funds Held for Particular Bonds. The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the Holders of such Bonds entitled thereto, and for the purposes hereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, shall no longer be considered to be unpaid.

SECTION 14.03. No Recourse under Resolution or on the Bonds. All covenants, stipulations, promises, agreements and obligations of the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds or for any claims based thereon, hereon or on the Series Resolution against any member, officer or employee of the Authority or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

SECTION 14.04. Severability of Invalid Provision. If one or more of the covenants, stipulations, promises, agreements and obligations provided herein or in any Series Resolution on the part of the Authority or the Trustee to be performed should be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements or obligation or obligations shall be null and void, shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions hereof or of such Series Resolution or of the Bonds.

SECTION 14.05. Parties of Interest. Nothing herein or in any Series Resolution adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than the Authority, Trustee, Paying Agents, each Facility Provider and the Holders of the Bonds any rights, remedies or claims hereunder or by reason hereof or of any Series Resolution or any covenant, condition or stipulation thereof; **provided, however,** that with respect to the provisions hereof which require the Trustee to pay or deliver to the City any moneys held by the Trustee hereunder, such provisions shall also be for the benefit of the City and, upon the failure of the Trustee to comply therewith, the City shall have such rights, remedies and claims as are provided hereunder or by reason hereof or by law. All covenants, stipulations, promises and agreements herein or in any Series Resolution contained by or on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, Trustee and Paying Agents and the Holders from time to time of the Bonds.

SECTION 14.06. Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds. 1. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an “event of default”, as provided in Section 11.03 hereof or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority, the City or the Trustee any notice, consent, request, or demand pursuant hereto for any purpose whatsoever, the then current Accreted Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision hereof, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond shall not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity or the principal of which has been declared to be immediately due and payable pursuant to Section 11.03 hereof, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued shall be deemed not to be accrued and unpaid interest thereon.

2. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an “event of default,” as provided in Section 11.03 of the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Appreciated Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision hereof, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond shall not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price or principal of a Deferred Income Bond called for redemption prior to maturity or the principal of which has been declared to be immediately due and payable pursuant to Section 11.03 hereof, the difference between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon

such redemption or declaration and the principal of such Bond on the date the Bonds were first issued shall be deemed not to be accrued and unpaid interest thereon.

SECTION 14.07. Termination of Facility Provider's Rights. Whenever by the terms hereof the consent or approval of a Facility Provider is required or a Facility Provider, alone or together with any other Facility Provider or the Holders of Bonds, is authorized to request or direct the Trustee to take any action, such consent or approval shall not be required and the Trustee shall not be obligated to comply with such request or direction if such Facility Provider is then in default in its payment obligations under the provisions of the Credit Facility, Liquidity Facility or Reserve Fund Facility issued by such Facility Provider. Nothing contained herein shall limit or impair the rights of the Holders of Bonds to give any consent or approval or to request or direct the Trustee to take any action and, if a Facility Provider is then in default under such Credit Facility, Liquidity Facility or Reserve Fund Facility, such consent or approval shall be effective without the consent or approval of such Facility Provider otherwise required hereby and the Trustee shall comply with such request or direction notwithstanding that such request or direction is required to be made or given together with such Facility Provider.

SECTION 14.08. Notices. Except as otherwise provided herein, any notices, directions or other instruments required to be given or delivered pursuant hereto or to any Series Resolution shall be in writing and shall be delivered by hand against the written receipt therefor or sent by registered or certified mail addressed: in the case of the Authority, to it to the attention of the Authority's Executive Director with a copy to the Authority's General Counsel, at 515 Broadway, Albany, New York 12207; in the case of the Trustee, addressed to it at the principal corporate trust office of the Trustee at the address of such principal corporate trust office; in the case of the City, addressed to it to the attention of the City's Director of Management and Budget, at 75 Park Place, New York, New York 10007, with a copy to the City's Corporation Counsel, at 100 Church Street, New York, New York 10007; or, in each case, to such other individual and at such other address as the person to be notified shall have specified by notice to the other persons.

SECTION 14.09. Other Resolutions. The Authority expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with the provisions hereof.

SECTION 14.10. Headings. Any headings preceding the text of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part hereof nor shall they affect its meaning, construction or effect.

SECTION 14.11. Authority to Deliver this Resolution. An Authorized Officer of the Authority is hereby authorized and directed to deliver this Resolution with such changes, insertions and omissions as may be approved by such Authorized Officer, such delivery being conclusive evidence of such approval; and **provided, however,** such changes, insertions and omissions shall be necessary to effectuate the intent of this Resolution.

SECTION 14.12. Governing Laws. The Resolution shall be governed by and construed in accordance with the laws of the State.

SECTION 14.13. Effective Date. This Resolution shall take effect as provided in Section 1.04 hereof.

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__Appendix D__

FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

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July 13, 2018

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Re: Dormitory Authority of the State of New York Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2018 Series 1

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance of $340,390,000 aggregate principal amount of its Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2018 Series 1 (the "2018 Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and the Authority's Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue), adopted June 20, 2018, as supplemented and amended (the "Resolution"), and the Municipal Health Facilities Improvement Program 2018 Series Resolution (New York City Issue) Authorizing Up To $395,000,000 2018 Series Bonds (the "2018 Series Resolution"), adopted June 20, 2018. The Resolution and the 2018 Series Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into an Amended and Restated Agreement of Lease, dated as of the date hereof (the "Agreement of Lease"), between the Authority and The City of New York (the "City"), whereby the City leased the Project to the Authority. The Authority has entered into an Amended and Restated Lease and Agreement with the City, dated as of the date hereof (the "Agreement"), providing, among other things, for making the proceeds of the 2018 Bonds available to the City for the purposes permitted thereby and by the Resolutions. Pursuant to the Agreement and subject to appropriation, the City is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the 2018 Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of the 2018 Bonds.

In such connection, we have reviewed the Resolutions, the Agreement, the Agreement of Lease, the Tax Certificate and Agreement, dated as of the date hereof (the "Tax Certificate and Agreement"), among the Authority, the City and the New York Health and Hospitals Corporation, opinions of counsel to the Authority, the Trustee and the City, certificates of the Authority, the Trustee, the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2018 Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Agreement, the Agreement of Lease and the Tax Certificate and Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2018 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2018 Bonds, the Resolutions, the Agreement, the Agreement of Lease and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions, the Agreement of Lease or the Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2018 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The 2018 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the 2018 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the 2018 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the City, constitutes a valid and binding agreement of the Authority enforceable in accordance with its terms.

5. Interest on the 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the 2018 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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July 13, 2018

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Re: Dormitory Authority of the State of New York Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2018 Series 1

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance of $340,390,000 aggregate principal amount of its Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2018 Series 1 (the "2018 Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended (the "Act"), constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and the Authority's Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue), adopted June 20, 2018, as supplemented and amended (the "Bond Resolution"), and the Municipal Health Facilities Improvement Program 2018 Series Resolution (New York City Issue) Authorizing Up To $395,000,000 2018 Series Bonds, adopted June 20, 2018 (the "2018 Series Resolution" and, together with the Bond Resolution, the "Resolutions"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into an Amended and Restated Agreement of Lease, dated as of the date hereof (the "Agreement of Lease"), between the Authority and the City of New York (the "City"), whereby the City leased the Project to the Authority. The Authority has entered into an Amended and Restated Lease and Agreement with the City, dated as of the date hereof (the "Agreement"), providing, among other things, for making the proceeds of the 2018 Bonds available to the City for the purposes permitted thereby and by the Resolutions. Pursuant to the Agreement, and subject to appropriation, the City is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the 2018 Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of the 2018 Bonds.

In such connection, we have reviewed the Resolutions, the Agreement, the Agreement of Lease, the Tax Certificate and Agreement, dated as of the date hereof (the "Tax Certificate"), among the Authority, the City and the New York Health and Hospitals Corporation, opinions of counsel to the Authority, the Trustee and the City, certificates of the Authority, the Trustee, the City and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2018 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Agreement, the Agreement of Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2018 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2018 Bonds, the Resolutions, the Agreement, the Agreement of Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions, the Agreement of Lease or the Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2018 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The 2018 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the 2018 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the 2018 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the City, constitutes a valid and binding agreement of the Authority, enforceable in accordance with its terms.

Very truly yours,

GOLDEN HOLLEY JAMES LLP

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__Appendix E__

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE UNDERTAKING

To the extent that (i) Rule 15c2-12 (the "Rule") of the Securities Exchange Act of 1934, as amended (the "1934 Act"), requires the underwriters (as defined in the Rule) of the Bonds to determine, as a condition to purchasing the Bonds, that each of the City, the Authority, the Trustee and the State (as defined below) will covenant to the effect of this Undertaking, and (ii) the Rule as so applied is authorized by a Federal law that as so construed is within the powers of Congress, each of the City, the State, the Authority and the Trustee agree with the record and beneficial owners from time to time of the outstanding Bonds ("Bondholders") that:

1. Definitions.

"Agreement" shall mean the Lease and Agreement, dated as of November 19, 1998, as amended and restated by the Amended and Restated Lease and Agreement, dated as of June 20, 2018, pursuant to which the Authority, as lessor, leases certain health facilities to the City, as lessee.

"Authority" shall mean the Dormitory Authority of the State of New York, a public benefit corporation of the State of New York, its successors and assigns.

"Bonds" shall mean the Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2018 Series 1 of the Authority.

"City" shall mean The City of New York.

"DOB" shall mean the Division of the Budget of the State of New York.

"General Resolution" and "Series Resolution" shall mean, respectively, the Authority's Amended and Restated Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (New York City Issue), adopted on June 20, 2018 and the Authority's Municipal Health Facilities Improvement Program 2018 Series Resolution (New York City Issue) Authorizing Up to $395,000,000 2018 Series Bonds adopted June 20, 2018.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (www.emma.msrb.org).

"State" shall mean the State of New York, acting by and through the Division of the Budget.

"Trustee" shall mean The Bank of New York Mellon, its successors and assigns.

2. The City shall provide:

(a) By December 31, 2018, and within 185 days after the end of each subsequent City fiscal year, to EMMA, core financial information and operating data for the prior City fiscal year, including (i) the City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type found in V, VIII and IX and under the caption "2013-2017 Summary of Operations" in Section VI of Appendix A to the Official Statement of the Authority dated June 28, 2018 relating to the issuance of the Bonds (the "Official Statement"). This obligation may be fulfilled by the City's use the City's Official Statement relating to its General Obligation bonds when available to satisfy this requirement or, if no such official statement is issued by the 185-day deadline, by delivering the Comprehensive Annual Financial Report of the City Comptroller by such deadline; and

(b) In a timely manner, not in excess of ten (10) business days, to EMMA notice of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies related to the City's failure to make Basic Rent payments under the Agreement;

(2) bond calls, if material and made at the direction of the City, and tender offers, if made at the direction of the City;

(3) defeasances, if made at the direction of the City;

(4) release, substitution, or sale of property securing repayment of the Bonds, if material;

(5) bankruptcy, insolvency, receivership or similar event of the City; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;

(6) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(7) the failure of the City to comply with clause (a) above, provided that such event has not otherwise been the subject of notice pursuant to this Undertaking.

3. The Authority shall provide in a timely manner not in excess of ten (10) business days, to EMMA and to the City notice of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies, other than those related to the City's failure to make Basic Rent payments under the Agreement;

(2) non-payment related defaults, if material;
(3) unscheduled draws on the debt service reserve fund, if any, reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB or other material notices and determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
(7) modifications to rights of Bondholders, if material;
(8) bond calls, other than those made at the direction of the City, if material, and tender offers, other than those made at the direction of the City;
(9) defeasances, other than those made at the direction of the City;
(10) rating changes; and
(11) Appointment of a successor or additional trustee, if material.

The Authority does not undertake to provide any notice with respect to credit enhancement if the enhancement is added after the primary offering of the Bonds, the Authority does not apply for or participate in obtaining the enhancement and the enhancement is not described in the Official Statement. The Authority does not undertake to provide notices in the event of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms under which the redemption is to occur are set forth in detail in the Official Statement, the only open issue is which Bonds will be redeemed in case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the General Resolution and Series Resolution, public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, and the original scheduled mandatory redemption amounts and dates are set forth in the Official Statement, even if such original amounts may be reduced by prior optional redemption or Bond purchases.

4. DOB shall provide within 120 days after the end of the State's 2017 - 2018 fiscal year and each subsequent fiscal year, to EMMA, the financial data of the type included in the Official Statement under the heading "Part 2 — SOURCES OF PAYMENT AND SECURITY FOR THE 2018 BONDS — Payment of the 2018 Bonds — State Appropriations and Payments for Medicaid" which shall include information relating to the total amount of State aid paid to the City or on behalf of the City pursuant to Section 367-b and Section 368-a of the Social Services Law for the most recently completed State fiscal year for which such information is then available (as of the date of this Undertaking, the most recently completed State fiscal year for which such information is available is 2015-2016).

5. The Trustee shall provide in a timely manner not in excess of ten (10) business days, to EMMA, the Authority and the City, notice of the change of name of the Trustee, if material.

6. (a) No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") against the City for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder shall have filed with the Corporation Counsel of the City

evidence of ownership and a written notice of and request to cure such breach, and the City shall have refused to comply within a reasonable time. All Proceedings against the City shall be instituted only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the Outstanding Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue; provided, however, in the case of challenges to the adequacy of information provided by the City, the Trustee may bring such action on behalf of the Bondholders only at the direction of the Bondholders of not less than 25% of the aggregate principal amount of the Bonds then outstanding.

(b) A Bondholder may enforce, for the equal benefit and protection of all Bondholders similarly situated, by mandamus or other proceeding at law or in equity, this Undertaking against the State, the Authority and any of the officers, agents and employees of the State or the Authority, and may compel the State, the Authority or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the State or the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; provided, further, that in the case of challenges to the adequacy of the information provided by the Authority or the State, the Trustee may bring such action on behalf of the Bondholders only at the direction of the Bondholders of not less than 25% of the aggregate principal amount of the Bonds then outstanding.

7. An amendment to this Undertaking may only take effect if:

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

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

8. (a) For the purposes of this Undertaking, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, except that a person who in the ordinary course of

business is a pledgee of securities under a written pledge agreement shall not be deemed to be the beneficial owner of such pledged securities until the pledgee has taken all formal steps to declare a default and determines that the power to dispose or to direct the disposition of such pledged securities will be exercised, provided that:

(i) The pledge agreement is bona fide;

(ii) the pledgee is:

(A) a broker or dealer registered under section 15 of the 1934 Act;
(B) a bank as defined in section 3 (a)(6) of the 1934 Act;
(C) an insurance company as defined in section 3(a)(l9) of the 1934 Act;
(D) an investment company registered under section 8 of the Investment Company Act of 1940;
(E) an investment company registered under section 203 of the Investment Advisors Act of 1940;
(F) an employee benefit plan, or pension fund which is subject to the provisions of the Employee Retirement Income Security Act of 1974 or an endowment fund;
(G) a parent holding company, provided the aggregate amount held directly by the parent, and directly and indirectly by its subsidiaries which are not persons specified in items (A) through (F) of this clause (ii) does not exceed 1% of the securities of the subject class, or
(H) a group, provided that all members are persons specified in items (A) through (G) of this clause (ii); and

(iii) the pledge agreement, prior to default, does not grant to the pledgee the power to dispose or direct the disposition of the pledged securities, other than the grant of such power(s) pursuant to a pledge agreement under which credit is extended subject to Regulation T (12 CFR 220.1 to 220.8) and in which the pledgee is a broker or dealer registered under section 15 of the 1934 Act.

(b) Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described in paragraph 5(a) hereof.

9. Termination.

This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased pursuant to the General Resolution; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the Authority shall provide notice of such defeasance to the Repository, and such notice shall state whether the Bonds have been defeased to maturity or a redemption date and the timing of such maturity or redemption date.

10. The Trustee.

(a) Except as specifically provided herein, this Undertaking shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(b) The Trustee shall be indemnified and held harmless in connection with this Undertaking, to the same extent provided in the General Resolution for matters arising thereunder.

11. Parties in Interest.

This Undertaking is executed and delivered solely for the benefit of the Bondholders. Except as provided in Section 6, no other person (other than the Trustee on behalf of the Bondholders) shall have any right to enforce the provisions hereof or any other rights hereunder. Failure of any party to perform its obligations hereunder shall not constitute an "event of default" under the General Resolution, the Agreement or any other agreement executed and delivered in connection with the issuance of the Bonds.

12. Limited obligations of Authority.

The Authority, as conduit issuer, is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information will be provided.

13. Governing Law.

THIS UNDERTAKING SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

14. Terms not defined herein are used as they are used in the Rule or the Official Statement.

Dated:

THE CITY OF NEW YORK

By: ____

Approved as to Form:

____
Acting Corporation Counsel

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: ____

THE BANK OF NEW YORK MELLON, Trustee

By: ____

NEW YORK STATE DIVISION OF THE BUDGET

By: ____

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__Appendix F__

BONDS TO BE REFUNDED

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BONDS TO BE REFUNDED

The Refunded Bonds include all of the Authority's Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 1998 Series 1, 2001 Subseries 2-1, 2001 Subseries 2-2, 2001 Subseries 2-3, 2001 Subseries 2-4, 2001 Subseries 2-5 and 2008 Series 1 that are currently Outstanding, as further described below. All of the Refunded Bonds will be redeemed on August 17, 2018 at a redemption price of 100% of the principal amount thereof plus accrued interest. The refunding is contingent upon the delivery of the 2018 Bonds.

Series	Dated or Conversion Dates	Maturities January 15	Interest Rate	Refunded Par	CUSIP†
1998 Series 1	November 1, 1998	2029	4.750%	$70,865,000	64982PGE6
2001 Subseries 2-1	June 17, 2008	2019	4.150	10,960,000	649903F71
2001 Subseries 2-2	June 18, 2008	2019	4.150	6,175,000	649903F89
		2020	4.250	7,280,000	649903F97
		2020	5.000	12,670,000	649903G21
		2021	5.000	20,925,000	649903G39
		2022	4.375	21,725,000	649903G47
		2023	5.000	13,725,000	649903G54
2001 Subseries 2-3	June 12, 2008	2023	5.000	7,150,000	649903G62
		2024	5.000	23,400,000	649903G70
		2025	5.000	24,150,000	649903G88
		2026	5.000	24,535,000	649903G96
		2027	4.500	2,785,000	649903H20
2001 Subseries 2-4	June 13, 2008	2027	5.000	21,925,000	649903H38
		2028	4.625	7,090,000	649903H46
		2028	5.000	20,000,000	649903H53
		2030	4.750	35,100,000	649903H61
2001 Subseries 2-5	June 16, 2008	2032	4.800	8,945,000	649903H79
		2032	5.000	74,630,000	649903H87
2008 Series 1	June 12, 2008	2019	4.150	5,930,000	649903K26
		2019	5.000	5,925,000	649903K34

† Copyright, American Bankers Association. CUSIP numbers have been assigned by CUSIP Global Services and are provided solely for convenience. DASNY is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Refunded Bonds or as indicated above. The CUSIP numbers have been and are subject to change after the original issuance of the Refunded Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM LEASE REVENUE BONDS (NEW YORK CITY ISSUE), 2018 SERIES 1

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