NEW ISSUE

$30,185,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM LEASE REVENUE BONDS (THE CITY OF NEW YORK ISSUE), SERIES 2010A

Dated: Date of Delivery **Due:** May 15, as shown on the inside cover

Payment: The Series 2010A Bonds will be special obligations of the Dormitory Authority of the State of New York (the "Authority"). Principal and Redemption Price of and interest on the Series 2010A Bonds are payable primarily from the Basic Rent to be paid by The City of New York (the "City") under a single, master Lease and Agreement between the Authority and the City, dated as of August 22, 1996, as amended and supplemented (the "Agreement"), and all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority's Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (The City of New York Issue), adopted August 22, 1996, as amended and supplemented by the First Supplemental Resolution, adopted September 28, 2005 (the "Resolution"), and by the Authority's Series Resolution Authorizing Up To $35,000,000 Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), adopted May 28, 2008 (the "Series Resolution"). The obligation of the City to pay the Rentals, including the Basic Rent, is subject to the appropriation of moneys by the City for such purpose. In the event the City fails to pay to the Authority when due all or any part of the Rentals, the Act directs the State Comptroller, upon receipt of a certificate from the Authority, 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 such law as more fully described herein.

The Series 2010A Bonds will not be a debt of the State of New York (the "State") or of the City nor will the State or the City be liable thereon. The Authority has no taxing power.

Description: The Series 2010A 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 (payable on each May 15 and November 15, commencing May 15, 2011) on the Series 2010A Bonds will be paid by check or draft mailed by U.S. Bank National Association, as trustee (the "Trustee"), to the registered owners of the Series 2010A Bonds or, at the option of an owner of at least $1,000,000 in principal amount of such Series 2010A Bonds, by wire transfer to the registered owner thereof, as more fully described herein. Individual purchases of beneficial interests in the Series 2010A Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2010A Bonds, references herein to the Holders (except under "PART 9 - TAX MATTERS" and "PART 16 - CONTINUING DISCLOSURE" herein) or registered owners of the Series 2010A Bonds shall mean Cede &Co. and shall not mean the Beneficial Owners of the Series 2010A Bonds.

So long as Cede & Co. is the registered owner of the Series 2010A Bonds, payments of the principal, Sinking Fund Installments or Redemption Price of and interest on the Series 2010A 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 SERIES 2010A BONDS - Book-Entry Only System" herein.)

Redemption: The Series 2010A Bonds are subject to redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Winston & Strawn LLP, Bond Counsel to the Authority, based on existing statutes, regulations, rulings and court decisions, interest on the Series 2010A Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance with certain covenants and the accuracy of certain representations. In the further opinion of Bond Counsel, interest on the Series 2010A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations. Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is under existing statutes exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010A Bonds. See "PART 9-TAX MATTERS" herein

The Series 2010A Bonds are offered when, as and if issued. The offer of the Series 2010A 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 Winston & Strawn LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the City by its Corporation Counsel and Orrick, Herrington & Sutcliffe LLP, New York, New York, its Special Disclosure Counsel, and for the Underwriter by its Counsel, Hawkins Delafield & Wood LLP, New York, New York. The Authority expects to deliver the Series 2010A Bonds in definitive form in New York, New York, on or about August 26, 2010.

Wells Fargo Securities

August 12, 2010

$30,185,000
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM
LEASE REVENUE BONDS
(THE CITY OF NEW YORK ISSUE),
SERIES 2010A

Due May 15	Amount	Interest Rate	Yield	CUSIP Numbers*	Due May 15	Amount	Interest Rate	Yield	CUSIP Numbers*
2011	$ 965,000	2.00%	0.64%	6499053J3	2019	$ 2,240,000	4.50 %	3.07%	6499053S3
2012	1,735,000	3.00	0.86	6499053K0	2020	2,335,000	3.25	3.31	6499053T1
2013	1,785,000	3.00	1.16	6499053L8	2021	2,410,000	3.375	3.45	6499053U8
2014	1,835,000	3.00	1.42	6499053M6	2022	2,500,000	3.50	3.59	6499053V6
2015	1,900,000	4.00	1.87	6499053N4	2023	2,590,000	3.625	3.71	6499053W4
2016	1,975,000	4.00	2.31	6499053P9	2024	2,640,000	3.75	3.82	6499053X2
2017	2,055,000	5.00	2.61	6499053Q7	2025	1,070,000	3.875	3.94	6499053Y0
2018	2,150,000	4.00	2.83	6499053R5					

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2010A Bonds. No representations are made with respect to such numbers nor does any party undertake any responsibility for the accuracy of the CUSIP numbers now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2010A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2010A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, Primary Care Development Corporation ("PCDC") (as described herein), the Department of Health of the State of New York ("DOH") or the Operators (as defined herein) to give any information or to make any representations with respect to the Series 2010A 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 the Authority, the City, PCDC or the Operators.

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 Series 2010A 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 and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantees the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority. The Underwriter has provided the following sentence in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The City reviewed the parts of this Official Statement describing the City and Appendix B of this Official Statement. It is a condition to the sale and the delivery of the Series 2010A Bonds that the City certify as of the dates of sale and delivery of the Series 2010A 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.

References in this Official Statement to the Act, the Resolution, the Series Resolution, the Continuing Disclosure Agreement and the Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series Resolution, the Continuing Disclosure Agreement and the Agreement for full and complete details of their provisions. Copies of the Resolution, the Series Resolution, the Continuing Disclosure Agreement and the Agreement are on file with the Authority 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 the Authority, the City, PCDC or the Operators have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

DORMITORY AUTHORITY – STATE OF NEW YORK – 515 BROADWAY, ALBANY, N.Y. 12207
PAUL T. WILLIAMS, JR. – PRESIDENT ALFONSO L. CARNEY, JR., ESQ. – CHAIR

OFFICIAL STATEMENT RELATING TO

$30,185,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
MUNICIPAL HEALTH FACILITIES IMPROVEMENT PROGRAM
LEASE REVENUE BONDS
(THE CITY OF NEW YORK ISSUE),
SERIES 2010A

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 the Authority, the Project and the City in connection with the offering by the Authority of $30,185,000 principal amount of its Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2010A (the "Series 2010A Bonds").

The following is a brief description of certain information concerning the Series 2010A Bonds, the Authority and the City. A more complete description of such information and additional information that may affect decisions to invest in the Series 2010A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2010A Bonds are being issued (i) to refund the Series 1996A Bonds and the Series 1997A Bonds (each as hereinafter defined), as more fully described in "PART 4 - THE REFUNDING PLAN" herein (the "Refunded Bonds"), (ii) to make a deposit to the Debt Service Reserve Fund, and (iii) to pay all or a portion of the Costs of Issuance of the Series 2010A Bonds. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2010A Bonds will be issued pursuant to the Resolution, the Series Resolution and the Act. In addition to the Series 2010A 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, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds of the Authority issued on behalf of the City. The Bonds permitted to be issued under the Resolution include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds.

In October 1996, the Authority issued $26,165,000 aggregate principal amount of Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 1996A (the "Series 1996A Bonds"), the first Series of Bonds issued under the Resolution, in order to finance three Health Facilities. In March 1997, the Authority issued $17,460,000 aggregate principal amount of Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 1997A (the "Series 1997A Bonds"), the second Series of Bonds issued under the Resolution in order to finance two Health Facilities. In July 1998, the Authority issued $14,660,000 aggregate principal amount of Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 1998A (the "Series 1998A Bonds"), the third Series of Bonds issued under the Resolution in order to finance one Health Facility. The Series 1998A Bonds were defeased on June 29, 2006. In June 2006, the Authority issued $12,135,000 aggregate principal amount of Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2006A (the "Series 2006A Bonds"), the fourth Series of Bonds issued under the Resolution in order to finance one Health Facility. The Series 2010A Bonds are the fifth Series of Bonds issued under the Resolution. It is anticipated that additional Series of Bonds may be issued in connection with the financing of additional Health Facilities. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other.

The Bonds, including the Series 2010A Bonds, have no lien on, and are not secured by, the Health Facilities or any revenues derived from the property or operations of the Health Facilities.

The Authority

The Authority 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. See "PART 6 - THE AUTHORITY."

The City

The City, with a population of approximately 8.0 million, is an international center of business and culture. Its non-manufacturing economy is broadly-based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is a leading tourist destination. Manufacturing activity in the City is conducted primarily in apparel and printing. See "Appendix B - The City of New York."

The Series 2010A Bonds

The Series 2010A Bonds will be dated and bear interest from their date of issuance, payable each May 15 and November 15, commencing May 15, 2011. The Series 2010A Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2010A BONDS - General Description."

Payment of the Series 2010A Bonds

The principal and Redemption Price of and interest on the Bonds, including the Series 2010A Bonds, are payable primarily from the Basic Rent to be paid by the City under the Agreement.

The City's obligation to pay the Rentals, which includes the Basic Rent, is subject to annual appropriation by the City and to the availability of moneys for such payment. 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 SERIES 2010A BONDS - Payment of the Series 2010A Bonds." In the event the City fails to pay the Rentals to the Authority when due, the Act directs the State Comptroller, upon receipt of a certificate from the Authority, to pay to the Authority 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.

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 Series 2010A Bonds

The Bonds issued under the Resolution, including the Series 2010A Bonds, are secured by the pledge of the Revenues, which include the Basic Rent payable by the City, the proceeds of all Bonds, including the Series 2010A Bonds, subject to their application in accordance with the terms of the Resolution, and all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund or any fund or account established for the payment of the purchase price or Redemption Price of Option Bonds tendered for purchase or redemption), which include a Debt Service Reserve Fund. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS - Security for the Series 2010A Bonds."

The Refunding Plan

Proceeds of the Series 2010A Bonds will be applied to refund the Refunded Bonds. See "PART 4 - THE REFUNDING PLAN."

PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS

Set forth below is a narrative 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. Copies of the Resolution and the Agreement are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2010A Bonds

Special Obligations

The Bonds issued under the Resolution, including the Series 2010A Bonds, are special obligations of the Authority payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) 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 the Authority from certain moneys appropriated by the State as Medicaid funds and other payments of State assistance under the Social Services Law otherwise payable to or on behalf of the City. The Revenues and the right to receive them have been pledged for the benefit of the Holders of the Bonds, including the Series 2010A Bonds.

The Authority has no taxing power and the Series 2010A Bonds are not a debt of the State nor will the State be liable thereon.

Payment of the Rentals

The Rentals include, among other amounts, the Basic Rent which is comprised of semi-annual payments in amounts which are sufficient to pay the interest on and principal and Sinking Fund Installments of the Bonds as the same become due and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement. Payment of the Rentals by the City is subject to the appropriation and availability of moneys therefor, as hereinafter described.

The Basic Rent is to be paid directly to the Trustee in semi-annual installments payable on October 15 and April 15 of each Bond Year, except that payments to be made by the City on account of interest on certain Variable Interest Rate Bonds is payable three Business Days prior to the interest payment date on such Bonds. Basic Rent is at least equal to an amount sufficient to pay the interest on, and principal and Sinking Fund Installments of, the Outstanding Bonds payable on the next succeeding interest payment date, and the amount, if any, certified by the

Trustee as necessary as of the preceding June 30 to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. Amounts required to be paid for the fees, costs and expenses of the Authority and the Trustee are to be paid to the Authority.

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 AND THE AVAILABILITY OF MONEYS FOR SUCH PURPOSE. THE CITY CANNOT BE COMPELLED TO APPROPRIATE MONEYS. THE CITY'S PAYMENT OBLIGATION UNDER THE AGREEMENT, HOWEVER, IS INDEPENDENT OF WHETHER IT HAS RECEIVED PAYMENTS PURSUANT TO THE SUBLEASE AGREEMENT DESCRIBED BELOW. (See "PART 4 - THE REFUNDING PLAN-Lease Financing Structure.")

Payment of Rentals Out of State Aid

In the event the City fails or is unable to pay all or any part of the Rentals when due, the Act directs the State Comptroller to pay the Authority 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 of the State or funds appropriated for the purpose of making payments on behalf of the City pursuant to Section 367-b of such Law. To the extent any such payments to the Authority 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. Not later than the first of November in each year, the Authority is to file with the City a certificate setting forth the amount of Rentals, if any, due and not paid. If the City fails to pay, or is unable to pay the stated amount, the State Comptroller is to make such payment from the sources described above upon receipt of a certificate of the Authority on or before December first, restating the amount due and not paid by the City. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS - The State Medicaid Program" and "- State Appropriations for Medicaid," herein.

Pursuant to the Act, the Authority is authorized to issue up to $2 billion of certain health facilities bonds, including Municipal Health Facilities Improvement Program Lease Revenue Bonds. As of June 30, 2010, approximately $1,116,660,000 of Municipal Health Facilities Improvement Program Lease Revenue Bonds have been issued by the Authority (consisting of $70,420,000 of Bonds issued under the Resolution and $1,046,240,000 of other Municipal Health Facilities Improvement Program Lease Revenue Bonds issued under separate instruments). Though not issued under the Resolution, these other bonds are payable from the same source of funds, including the same statutory intercept provision described above, as the Bonds. As of June 30, 2010, approximately $761,120,000 of Municipal Health Facilities Improvement Program Lease Revenue Bonds of the Authority remain 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 as the Bonds. As of the date of this Official Statement, no such HFA Bonds were outstanding.

In addition, 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. State assistance payable to or on behalf of the City pursuant to Sections 368-a and 367-b of the Social Services Law, from which payment to the Authority may be made by the State Comptroller, exceeded, in each of the State's fiscal years 2005 through 2009, and in each of the City's fiscal years 2005 through 2009, the sum of the maximum annual rental due from the City with respect to outstanding Series 2010A Bonds and other bonds with respect to health facilities issued pursuant to the Act.

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 indigent. Currently, nearly all State Medicaid payments are made by the State directly to Medicaid providers pursuant to Section 367-b of the Social Services

Law; however, certain administrative expenses and healthcare services provided by the social service district itself associated with Medicaid continue to be paid by social service districts and directly reimbursed by the State pursuant to Section 368-a of such Law. Pursuant to Part C, Chapter 58, of the Laws of 2005, social service districts make payments directly to the State which represent their maximum Medicaid liability. Under Section 1 of this law, each social services district's Medicaid spending is capped based on its 2005 Medicaid spending and increased thereafter by a statutory trend factor. If the amount that is owed under this law is greater than the amount that would have been owed under the old formula, the social services district is refunded the difference by the State.

State payments are made on behalf of social services districts to Medicaid providers pursuant to Section 367-b of the Social Services Law continuously during each year, as bills are received by the State from Medicaid providers. State payments are made to social services districts pursuant to Section 368-a periodically during each year on a summary basis, subject to audit.

Various proposals to limit or restrict the amounts provided for financing health care have been discussed recently 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 service 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 State Medicaid program or the availability of such amounts.

State Appropriations for Medicaid

State Medicaid payments made to 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. In addition, the annual amount of State Medicaid payments to or on behalf of the City may be affected by changes in the allocation of Medicaid payments among the Federal, State and City governments. For example, Federal legislation increased the Federal government contribution on eligible Medicaid expenditures for the period from October 2008 through December 31, 2010, thereby temporarily decreasing the amounts paid by the State and the City, and Federal legislation is currently pending that proposes to extend the increased Federal government contribution through June 30, 2011, which will result in a continuing decrease in the amounts paid by the State and the City. The total 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 State fiscal years ended March 31, 2006 through March 31, 2009 were as follows:

Annual Amount of State Medicaid Payments to or on behalf of The City
(in thousands)

Fiscal Year	Amount
2005-2006	$7,937,283
2006-2007	8,415,670
2007-2008	8,528,732
2008-2009	8,051,679

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.

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 New York 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 the current economic slowdown in the State, the 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 and the availability of moneys for such payment. 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 enforceable up to the amount appropriated and available therefor and the failure of the City to pay the Rentals will be an event of default 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 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 Series 2010A Bonds

The Series 2010A Bonds will be secured by the payments described above to be made under the Agreement and all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund or any fund or account established for the payment of the purchase price or Redemption Price of Option Bonds tendered for purchase or redemption). The security for the Series 2010A Bonds will also be for the benefit of all other Bonds issued under the Resolution, which Bonds will rank on a parity and be secured equally and ratably with each other and with the Series 2010A Bonds. See "Appendix D - Summary of Certain Provisions of the Resolution."

Debt Service Reserve Fund

The Resolution establishes the Debt Service Reserve Fund as a reserve fund. Such fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all Bonds Outstanding under the Resolution, including the Series 2010A Bonds.

The Resolution requires that the Debt Service Reserve Fund be maintained at an amount equal to its requirement, which is 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 Outstanding Bonds payable during such year (excluding interest accrued on such Bonds prior to May 15 of the next preceding year). However, the maximum amount by which the Debt Service Reserve Fund Requirement can increase as a result of the issuance of a Series of Bonds is limited to the amount of proceeds of such Bonds that are permitted by the Code to be used to fund the Debt Service Reserve Fund. In calculating the Debt Service Reserve Fund Requirement when Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds or Variable Interest Rate Bonds are Outstanding, the Resolution requires that certain assumptions be made. See "Appendix A - Definitions - Debt Service Reserve Fund Requirement."

Bonds may not be issued under the Resolution unless, upon such issuance, the amount on deposit in the Debt Service Reserve Fund will be equal to the Debt Service Reserve Fund Requirement.

In lieu of, or in substitution for, moneys, the Authority may deposit or cause to be deposited to the Debt Service Reserve Fund surety bonds, insurance policies or letters of credit for the benefit of the Holders of the Bonds for all or any part of the Debt Service Reserve Fund Requirement (individually, a "Reserve Fund Facility"). In order for a surety bond or insurance policy to be permitted under the Resolution the claims paying ability of the insurance company must be rated the highest rating accorded by a nationally recognized insurance rating agency or the obligations insured by a surety bond or an insurance policy issued by such company must be rated, at the time of its delivery, without regard to qualification of such rating by "+" or "-" or numerical notation, in the highest rating category for such obligations by each rating agency which then rates the Outstanding Bonds. Similarly, a letter of credit may be delivered only if the unsecured or uncollateralized long term debt obligations of the issuer of the letter of credit, or long term debt obligations secured or supported by a letter of credit of such issuer are rated, at the time such letter of credit is delivered without regard to qualification of such rating by "+" or "-" or numerical notation, in at least the second highest rating category for such obligations by each rating agency which then rates the Outstanding Bonds. In addition, if the ratings of a Facility Provider's long term debt or of obligations supported by a surety bond, insurance policy or letter of credit of such Facility Provider, is reduced below A by Moody's or Standard & Poor's, another Reserve Fund Facility must be obtained to replace the affected facility or, over a five year period, the affected facility must be replaced by moneys.

For purposes of computing the amount on deposit in the Debt Service Reserve Fund, a Debt Service Reserve Fund Facility will be valued at the amount available to be paid thereunder on the date of computation.

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund on the fourth business day prior to an interest payment date for the Series 2010A Bonds is less than the amount which is necessary to pay the principal and Sinking Fund Installments of and interest on Outstanding Series 2010A Bonds payable on such interest payment date and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption. Moneys in the Debt Service Reserve Fund in excess of the requirement may be withdrawn and applied in accordance with the Resolution. See "Appendix D - Summary of Certain Provisions of the Resolution."

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 occurrence of any event of default under the Agreement, the Authority may exercise its rights under Section 7418-(2)(b) of the Act to certify to the City and to State officials, the amount of Rentals which the City has failed to pay and to be paid such amount from certain State aid that would otherwise have been paid to the City. See "Payment of the Series 2010A Bonds - Payment of Rentals Out of State Aid" above. In addition, the Authority may exercise any other remedies available at law or in equity. For a more complete description of the defaults and remedies under the Agreement, see "Appendix C - Summary of Certain Provisions of the Agreement."

The failure of the City to pay when due any payment required to be made 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, the Authority 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.

PART 3 - THE SERIES 2010A BONDS

General Description

The Series 2010A Bonds will be issued pursuant to the Resolution and the Series Resolution as fully registered bonds in the initial aggregate principal amount set forth on the cover page hereof. The Series 2010A Bonds will be dated their date of delivery and will bear interest from such date payable on each May 15 and November 15, commencing May 15, 2011, and will bear interest at the rates and mature on the dates set forth on the inside cover page hereof. Interest on the Series 2010A Bonds shall accrue based upon a 360-day year of twelve 30-day months.

The Series 2010A Bonds will be issued as fully registered bonds. The Series 2010A Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The Series 2010A 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 Series 2010A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2010A Bonds, the Series 2010A Bonds will be exchangeable for other fully registered Series 2010A 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 "PART 3 - THE SERIES 2010A BONDS - Book-Entry Only System" herein and "Appendix D - Summary of Certain Provisions of the Resolution."

Interest on the Series 2010A Bonds will be paid by check mailed to the registered owners thereof. The principal or Redemption Price of the Series 2010A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, New York, New York, the Trustee and Paying Agent. As long as the Series 2010A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "PART 3 - THE SERIES 2010A BONDS - Book-Entry Only System" herein.

In addition to the Series 2010A Bonds, the Resolution authorizes the issuance of other Series of Bonds for specified limited purposes, including the financing of additional Health Facilities and the refunding of all or a portion of the Outstanding Bonds. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. The Series 2010A Bonds are the fifth Series of Bonds issued under the Resolution. For a more complete description of the Series 2010A Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Redemption Provisions

Optional Redemption

The Series 2010A Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the election or direction of the Authority, on or after May 15, 2020, in any order, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date, without premium.

Special Redemption

The Series 2010A Bonds are also subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority on any interest payment date, from proceeds of condemnation or insurance awards, which proceeds are not used to repair, restore or replace the Health Facilities refinanced with the proceeds of the Series 2010A Bonds.

Selection of Bonds to be Redeemed

In the case of Series 2010A Bonds to be redeemed at the election or direction of the Authority, the Authority will select the principal amounts and maturities of the Series 2010A Bonds to be redeemed. If less than all of the Series 2010A Bonds of a maturity are to be redeemed, the Series 2010A Bonds of such maturity to be redeemed 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 the Authority that so long as DTC acts as securities depository for the Series 2010A Bonds of a maturity, if less than all of the Series 2010A Bonds of such maturity are called for redemption, the particular Series 2010A Bonds or portions thereof to be redeemed will be selected by lot by DTC and the DTC Participants in accordance with their procedures. See "PART 3 - THE SERIES 2010A BONDS - Book-Entry Only System," herein.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2010A Bonds in the name of the Authority by mailing a copy of such notice, postage prepaid, not less than 30 days nor more than 60 days prior to the redemption date, to the registered owners of any Series 2010A Bonds which are to be redeemed, at their last known addresses appearing on the registration books not more than ten (10) 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 of Series 2010A Bonds.

If on the redemption date moneys for the redemption of the Series 2010A 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 Series 2010A Bonds to be redeemed will cease to accrue from and after the redemption date and such Series 2010A Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2010A Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2010A Bonds. The Series 2010A 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 Series 2010A Bond certificate will be issued for each maturity of the Series 2010A Bonds, totaling in the aggregate the principal amount of the Series 2010A Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income 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 or www.dtc.org.

Purchases of the Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A 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 Series 2010A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010A Bonds, except in the event that use of the book-entry system for such Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A 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 Series 2010A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A 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. Beneficial Owners of Series 2010A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010A Bond documents. For example, Beneficial Owners of the Series 2010A Bonds may wish to ascertain that the nominee holding the Series 2010A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of redemption proceeds and principal and interest payments on the Series 2010A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority 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 Underwriter, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

DTC may discontinue providing its services as securities depository with respect to the Series 2010A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2010A Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriter believe to be reliable, but the Authority and the Underwriter do not take responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2010A 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. NONE OF THE AUTHORITY, THE UNDERWRITER, OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2010A 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 Series 2010A 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.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof:

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2010A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010A Bonds (other than under the caption "PART 9 - TAX MATTERS" and "PART 16 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010A Bonds.

PART 4 – THE REFUNDING PLAN

General

A portion of the proceeds of the Series 2010A Bonds will be used to refund the Refunded Bonds, consisting of (i) $18,360,000 aggregate principal amount of the Series 1996A Bonds, and (ii) $12,725,000 aggregate principal amount of the Series 1997A Bonds. Upon the issuance of the Series 2010A Bonds, such proceeds are expected to be used to acquire noncallable direct obligations of the United States of America (the "Investment Securities"), sufficient to pay the redemption price of the Refunded Bonds and the interest on such Refunded Bonds to the applicable date fixed for redemption.

Investment Securities will be deposited with the Trustee and will be held in trust by the Trustee solely for the payment of the redemption price of and interest on the applicable Refunded Bonds. At the time of such deposits, the Authority will give the Trustee irrevocable instructions to give notice of the redemption of the applicable Refunded Bonds and to apply the proceeds from the Investment Securities together with any initial cash deposit to the payment of the redemption price of and interest on the applicable Refunded Bonds. In the opinion of Bond Counsel, upon making such deposits with the Trustee and the issuance of certain irrevocable instructions to the Trustee, the applicable Refunded Bonds, will, under the terms of the Resolution, be deemed to have been paid and will no longer be Outstanding and the pledge of the revenues or other moneys and securities pledged to the applicable Refunded Bonds and all other rights granted by the Resolution to the applicable Refunded Bonds shall be discharged and satisfied.

Lease Financing Structure

The financing of the Health Facilities was accomplished through a chain of leases which begins and ends with each owner and/or operator of a Health Facility (each, an "Operator"). Each Operator, which is the owner or the lessee, leases the land upon or the space within which its Health Facility is located and all buildings and/or improvements at any time existing thereon or therein to the Authority pursuant to substantially identical ground leases (each, a "Ground Lease," and collectively, the "Ground Leases.") The land or space and improvements conveyed by the several Ground Leases each constitutes leased property (the "Leased Property") which the Authority leases to the City through the addition of such property to a single, master Agreement. The City leases the Leased Property to Primary Care Development Corporation ("PCDC"), a New York not-for-profit corporation, pursuant to a single, master Sublease Agreement. PCDC leases each parcel of Leased Property which is the subject of a Ground Lease to the respective Operator pursuant to separate Operating Lease Agreements.

Both the master Agreement and the master Sublease Agreement are in place for the present financing, having been executed in connection with the issuance and delivery of the Series 1996A Bonds. A Ground Lease and an Operating Lease Agreement have been entered into with each Operator in order to finance the Health Facility constructed with a portion of the proceeds of the applicable Series of Refunded Bonds. The Operators of the Health Facilities being refinanced with the proceeds of the Series 2010A Bonds are: Community Health Project, Inc., dba Callen-Lorde Community Health Center, Settlement Health and Medical Services, Inc., The Joseph P. Addabbo Family Health Center, Inc., as successor by acquisition to Caritas Health Care Inc., which was the successor by acquisition to St. Vincent's Catholic Medical Centers of New York (as successor by merger to Catholic Medical Center of Brooklyn and Queens, Inc.), and The Jamaica Hospital Medical Center Diagnostic and Treatment Center Corporation.

Rental Obligations under the Leases

With respect to each Ground Lease, the Authority will pay an annual rent to each Operator of one dollar during the term of each Ground Lease. Under the master Agreement, the City is obligated, subject to annual appropriation, to pay Basic Rent to the Authority in an amount sufficient to pay debt service on the Bonds regardless of whether the City receives payments from PCDC or PCDC receives payment from the Operator, as described in this paragraph. Under the master Sublease Agreement, the City expects that the rent paid by PCDC to the City will be approximately equal to the City's rental payment due the Authority under the master Agreement. The City will deposit any moneys received from PCDC in its general fund for use in accordance with applicable law. Finally, under each Operating Lease Agreement, PCDC expects that the rent paid by each Operator to PCDC will be approximately equal to the PCDC's rental payment due the City under the master Sublease Agreement.

HOLDERS OF THE BONDS, INCLUDING THE SERIES 2010A BONDS, SHOULD NOTE THAT THE BONDS, INCLUDING THE SERIES 2010A BONDS, HAVE NO LIEN ON, AND ARE NOT SECURED BY (1) THE HEALTH FACILITIES OR THE LEASED PROPERTY, OR (2) THE PAYMENTS MADE BY THE OPERATORS TO PCDC UNDER THE OPERATING LEASE AGREEMENTS, OR (3) THE PAYMENTS MADE BY PCDC TO THE CITY UNDER THE SUBLEASE AGREEMENT.

SEE "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS" FOR A DESCRIPTION OF SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS.

PART 5 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds	
Principal Amount of Series 2010A Bonds	$ 30,185,000.00
Net Premium	1,242,957.90
Debt Service Fund[(1)]	1,024,554.79
Debt Service Reserve Fund[(2)]	3,189,602.72
Total Sources	$ 35,642,115.41
Uses of Funds	
Refunding of the Refunded Bonds	$ 31,707,992.00
Costs of Issuance[(3)]	1,127,511.62
Debt Service Reserve Fund[(4)]	2,800,743.15
Debt Service Fund[(5)]	5,868.64
Total Uses	$ 35,642,115.41

(1) Represents the amount to be released from the accounts established within the Debt Service Fund for the Refunded Bonds.

(2) Represents the amount to be released from the accounts established within the Debt Service Reserve Fund for the Refunded Bonds.

(3) Includes fees and expenses incurred in connection with the issuance of the Series 2010A Bonds, including Underwriter's discount, the State bond issuance fee, counsel fees and other fees and expenses.

(4) Represents the deposit to the account established within the Debt Service Reserve Fund for the Series 2010A Bonds.

(5) Represents the deposit to the account established within the Debt Service Fund for the Series 2010A Bonds.

PART 6 - THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services ("BOCES"), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the "Consolidation Act") succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the "Agency") and the Facilities Development Corporation (the "Corporation"), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the

Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other 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, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At June 30, 2010, the Authority had approximately $42.7 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority's bonds and notes include both special obligations and general obligations of the Authority. The Authority's special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority's general obligations are payable from any moneys of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2010 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
State University of New York Dormitory Facilities	$ 2,350,316,000	$ 1,043,710,000	$ 0	$ 1,043,710,000
State University of New York Educational and Athletic Facilities	14,043,272,999	6,283,774,856	0	6,283,774,856
Upstate Community Colleges of the State University of New York	1,590,645,000	662,375,000	0	662,375,000
Senior Colleges of the City University of New York	10,262,671,762	3,346,519,213	0	3,346,519,213
Community Colleges of the City University of New York	2,444,968,350	542,365,787	0	542,365,787
BOCES and School Districts	2,771,681,208	2,168,100,000	0	2,168,100,000
Judicial Facilities	2,161,277,717	704,492,717	0	704,492,717
New York State Departments of Health and Education and Other	6,138,795,000	4,184,350,000	0	4,184,350,000
Mental Health Services Facilities	8,032,895,000	3,881,765,000	0	3,881,765,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,116,660,000	761,120,000	0	761,120,000
Totals Public Programs	$ 51,686,658,036	$ 23,578,572,573	$ 0	$ 23,578,572,573

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
Independent Colleges, Universities and Other Institutions	$ 19,251,245,259	$ 10,186,626,435	$ 30,730,000	$ 10,217,356,435
Voluntary Non-Profit Hospitals	14,434,254,309	8,005,120,000	0	8,005,120,000
Facilities for the Aged	2,010,975,000	873,025,000	0	873,025,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 35,791,474,568	$ 19,064,771,435	$ 30,730,000	$ 19,095,501,435
Grand Totals Bonds and Notes	$ 87,478,132,604	$ 42,643,344,008	$ 30,730,000	$ 42,674,074,008

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2010, the Agency had approximately $324.9 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2010 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**
Mental Health Services Improvement Facilities..............	$ 3,817,230,725	$ 0
Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program.........	$ 226,230,000	$ 2,880,000
Insured Mortgage Programs	6,625,079,927	314,970,000
Revenue Bonds, Secured Loan and Other Programs........	2,414,240,000	7,045,000
Total Non-Public Programs...	$ 9,265,549,927	$ 324,895,000
Total MCFFA Outstanding Debt.....................................	$ 13,082,780,652	$ 324,895,000

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. 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 Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he 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 directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer 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 is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. 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 expires on March 31, 2013.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President / Chief Operating Officer & Chief Financial Officer of Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed assets valued at $120 billion and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2011.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. Mr. Moerdler also specializes in State and Federal appellate practice. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation and as a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 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 Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, 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. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. 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.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. 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, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Romski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

DAVID M. STEINER, Ph.D., *Commissioner of Education of the State of New York,* Albany; *ex-officio.*

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University.

RICHARD F. DAINES, M.D., *Commissioner of Health*, Albany; *ex-officio*.

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

ROBERT L. MEGNA, *Budget Director of the State of New York,* Albany*; ex-officio.*

Mr. Megna was appointed Budget Director on June 15, 2009. 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, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of the Authority, and assists the President in the administration and operation of the Authority. Mr. Corrigan came to the Authority 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 the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority 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. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority 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 Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. 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.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

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 the Authority 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. The Authority has obtained the approval of the PACB for the issuance of the Series 2010A Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority 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 the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority 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 respecting the Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2009. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 7- LEGALITY OF THE SERIES 2010A BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2010A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees, and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control and belonging to them. 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 Series 2010A Bonds.

The Series 2010A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 8- NEGOTIABLE INSTRUMENTS

The Series 2010A 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 Series 2010A Bonds.

PART 9- TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2010A Bonds in order that interest on the Series 2010A Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Series 2010A Bonds and the facilities refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate to the United States of certain earnings with respect to investments, required ownership by a Section 501(c)(3) organization or a governmental unit of the facilities refinanced by the Series 2010A Bonds and a limit of $150 million on the sum of the amount of the Series 2010A Bonds and the amount outstanding on the date of issue of the Series 2010A Bonds of other "nonhospital" bonds issued for the benefit of the Operators (and certain related parties and organizations under common management and control) or other "test-period beneficiaries" of the facilities refinanced by the Series 2010A Bonds. Failure to comply with the continuing requirements may cause interest on the Series 2010A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Series Resolution, the Agreement, the master Sublease Agreement, the Operating Lease Agreements and in other documents and certificates contained in the transcript of proceedings, the Authority, the City, PCDC and the Operators have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

In the opinion of Winston & Strawn LLP, New York, New York ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series 2010A Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Authority, the City, PCDC and the Operators (and their successors) with the covenants, and the accuracy of the representations (as to which Bond Counsel has made no independent investigation) referenced above. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

In addition, Bond Counsel has relied on, among other things, (i) the opinion of Manatt, Phelps & Phillips, LLP, counsel to PCDC regarding the current status of PCDC as an organization described in Section 501(c)(3) of the Code, which opinion is subject to a number of qualifications and limitations, and (ii) the opinion of Manatt, Phelps & Phillips, LLP, counsel to the Community Health Project, Inc. dba Callen-Lourde Community Health Center, the opinion of Epstein Becker & Green, P.C., counsel to Settlement Health and Medical Services, Inc., the opinion of Foley & Lardner LLP, counsel to The Jamaica Hospital Medical Center Diagnostic and Treatment Center Corporation and the opinion of Chadbourne & Park LLP, counsel to The Joseph P. Addabbo Family Health Center, Inc., regarding the current status of the Operators as organizations described in Section 501(c)(3) of the Code, which opinions are subject to a number of qualifications and limitations. Neither Bond Counsel nor counsel to PCDC or the Operators can give or has given any opinion or assurance about the future activities of the PCDC and the Operators, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service ("IRS"). Failure of any of PCDC and the Operators to be organized and operated in accordance with the IRS' requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities refinanced by the Series 2010A Bonds in a manner that is substantially related to such Operator's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2010A Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2010A Bonds. Bond Counsel will not independently verify the accuracy of the opinion of counsel to PCDC and the opinion of each Operator's counsel and will not independently verify the accuracy of the Authority's, the City's, PCDC's and each Operator's certifications and representations or the continuing compliance with the Authority's, the City's, PCDC's and each Operator's covenants.

Certain requirements and procedures contained or referred to in the Series Resolution, the Agreement, the master Sublease Agreement, the Operating Lease Agreements and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2010A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Bond Counsel is further of the opinion that interest on the Series 2010A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2010A Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of the Series 2010A Bonds should consult their tax advisors concerning the computation of any alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2010A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the IRS or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2010A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2010A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2010A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Certain maturities of the Series 2010A Bonds may be initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2010A Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount with respect to each Series 2008A Bond of the same maturity (the "Discount Bonds"). Bond Counsel is of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2010A Bonds. Original issue discount accrues in each taxable year over the term of the Discount Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code, with certain adjustments. Original issue discount may be treated as continuing to accrue in each taxable year even if payment of the Discount Bonds becomes doubtful. Accruals of original issue discount are treated as tax-exempt interest earned by owners on the accrual basis of tax accounting and as tax-exempt interest received by owners on the cash basis of tax accounting (with possible tax consequences under the alternative minimum tax, as described above) even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of a Discount Bond if held by an original purchaser, can be determined by adding to such owner's purchase price of such Discount Bond the original issue discount that has accrued. Holders of Discount Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount that will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of such owners and with respect to other federal, state and local tax consequences of owning and disposing of the Discount Bonds.

Certain maturities of the Series 2010A Bonds may be initially offered to the public at prices in excess of their principal amounts (the "Premium Series 2010A Bonds"). An initial purchaser (other than a purchaser who holds such Series 2010A Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium Series 2010A Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Series 2010A Bond based on the purchaser's yield to maturity (or, in the case of Premium Series 2010A Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series 2010A Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Series 2010A Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Series 2010A Bonds. Owners of Premium Series 2010A Bonds are advised that they should consult with their own advisors with respect to the federal, state and local tax consequences of owning Premium Series 2010A Bonds.

Prospective purchasers of the Series 2010A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2010A Bonds. Bond Counsel expresses no opinion regarding any such collateral consequences.

In the opinion of Bond Counsel, the interest on the Series 2010A Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York and its political subdivisions (including The City of New York).

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2010A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010A Bonds. Future tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2010A Bonds under federal or state law and could affect the market price or marketability of the Series 2010A Bonds. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation and prospective purchasers of the Series 2010A Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2010A Bonds ends with the issuance of the Series 2010A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City, PCDC, the Operators or the beneficial owners regarding the tax status of interest on the Series 2010A Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2010A Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2010A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2010A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Series 2010A Bonds.

PART 10- STATE NOT LIABLE ON THE SERIES 2010A BONDS

The Act provides that notes and bonds of the Authority 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 the Authority. The Resolution specifically provides that the Series 2010A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 11- COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds issued under the Act, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements with the holders of the Authority'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 together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the holders, 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 the Authority and with the holders of the Authority's notes or bonds.

PART 12- LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2010A Bonds by the Authority are subject to the approval of Winston & Strawn LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2010A Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E 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, its Special Disclosure Counsel, and for the Underwriter by its Counsel, Hawkins Delafield & Wood LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010A Bonds or questioning or affecting the validity of the Series 2010A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to refund the Refunded Bonds in accordance with the provisions of the Act, the Resolution, the Series Resolution and the Agreement.

PART 13- RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P"), are expected to assign ratings of "Aa3" and "AA-", respectively, to the Series 2010A Bonds. Such credit rating reflects only the view of such credit rating agencies, and an explanation of the significance of such credit rating may be obtained from the rating agency furnishing the same. There is no assurance that such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by any such credit rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such credit rating may have an adverse effect on the market price of the Series 2010A Bonds.

PART 14- UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2010A Bonds from the Authority at an aggregate purchase price of $31,180,609.50 (reflecting an Underwriter's discount of $247,348.40 and a net original issue premium of $1,242,957.90) and to make a public offering of Series 2010A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2010A Bonds if any are purchased.

The Authority has been advised by the Underwriter that (i) it presently intends to make a market in the Series 2010A Bonds, (ii) it is not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the Series 2010A Bonds will develop. The Series 2010A Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

PART 15 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver to the Authority 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 the Authority and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations (i) of the adequacy of the cash, the maturing principal amounts and the interest on the Investment Securities deposited with the Trustee to pay the principal, interest and redemption price coming due on the Refunding Bonds on and prior to their respective maturity or redemption dates as described in "PART 4 - THE REFUNDING PLAN" and (ii) supporting the conclusion of Bond Counsel that the Series 2010A Bonds are not "arbitrage bonds" under the Code and regulations promulgated thereunder. Causey Demgen & Moore Inc. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2010A Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2010A Bonds from gross income for federal income tax purposes.

PART 16- CONTINUING DISCLOSURE

As authorized by the Agreement, and to the extent that (i) Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), requires the Underwriter to determine, as a condition to purchasing the Series 2010A Bonds, that the parties to the hereinafter defined Undertaking will covenant to the effect of the provisions hereinafter summarized (the "Undertaking"), and (ii) the Rule, as so applied, is authorized by a Federal law that as so construed is within the powers of Congress, the City agrees with the record and beneficial owners from time to time of the Outstanding Series 2010A Bonds (the "Bondholders") to provide:

(a) within 185 days after the end of its 2010 fiscal year and each subsequent fiscal year, to the Electronic Municipal Market Access System ("EMMA") (www.emma.msrb.org) established by the Municipal Securities Rulemaking Board (the "MSRB"), core financial information and operating data for the prior fiscal year, including (i) the City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, (ii) material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type found in Appendix B to this Official Statement in Sections IV, V and VIII and under the captions "2005-2009 Summary of Operations" in Section VI and "Pension Systems" in Section IX; and

(b) in a timely manner, to EMMA, notice of the failure of the City to comply with clause (a) above with respect to the Series 2010A Bonds, if material, provided that such event has not otherwise been the subject of notice pursuant to the Undertaking.

The City has provided and expects to continue to provide the information described in clause (a) above by delivering its first bond official statement is issued by the 185-day deadline, by delivering the Comprehensive Annual Financial Report of the City Comptroller by such deadline.

In the Undertaking, the Authority agrees to provide in a timely manner, to EMMA, notice of any of the following events with respect to the Series 2010A Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

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

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

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

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2010A Bonds;

(7) modifications to rights of Bondholders;

(8) Bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2010A Bonds; and

(11) ratings changes.

With respect to the following numbered events:

Events (4) and (5). The Authority does not undertake to provide any notice with respect to a credit enhancement added after the primary offering of the Series 2010A Bonds, unless the Authority applies for or participates in obtaining the enhancement.

Event (6). For information on the tax status of the Series 2010A Bonds. see "PART 9 - TAX MATTERS."

Event (8). The Authority does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which Series 2010A Bonds will be redeemed in the case of a partial redemption, notice of a redemption is given to the Bondholders as required under the terms of the Resolution and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional or mandatory redemption or Series 2010A Bond purchases.

The Division of the Budget of the State of New York (the "Division of the Budget") will undertake to provide within 120 days after the end of the State 2009-2010 fiscal year and each subsequent fiscal year, to EMMA, the financial data of the type included in this Official Statement under the heading "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE 2010A BONDS - State Appropriations 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 four most recent fiscal years as available.

The Authority also will undertake, for the benefit of the Bondholders, to provide, to EMMA, in a timely manner, notice of the event described in clause (b) above.

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 above, 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 Outstanding Series 2010A Bonds, and no remedy shall be sought or granted other than specific performance of the covenant at issue. In the case of challenges to the adequacy of the information provided by the City, the Trustee may bring such an 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 Series 2010A Bonds then Outstanding.

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, the Undertaking against the Division of the Budget or the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under the Undertaking; provided that the sole and exclusive remedy for breach of the Undertaking shall be an action to compel specific performance of the obligations of the Authority under the Undertaking and no person or entity shall be entitled to recover monetary damages thereunder under any circumstances; provided, further, that in the case of challenges to the adequacy of the information provided by the Authority or the Division of the Budget 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 Series 2010A Bonds then Outstanding.

Any amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of the Series 2010A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; the amendment does not materially impair the interests of the 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 the 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 the word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

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

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

Failure of any party to perform its obligations under the Undertaking shall not constitute an "event of default" under the Resolution or the Agreement or any other agreement executed and delivered in connection with the issuance of the Series 2010A Bonds. In addition, if all or a portion of the Rule ceases to be in effect for any reason, then the information required to be provided under the provision of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided.

Copies of the Undertaking when executed by the parties thereto upon the delivery of the Series 2010A Bonds will be on file at the principal office of the Authority.

PART 17 - MISCELLANEOUS

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

The agreements of the Authority with Holders of the Series 2010A Bonds are fully set forth in the Resolution and the Series Resolution. Neither any advertisement of the Series 2010A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2010A 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. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

"Appendix A - Definitions," "Appendix C - Summary of Certain Provisions of the Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinion of Bond Counsel" have been prepared by Winston & Strawn LLP, New York, New York, Bond Counsel.

"Appendix B - The City of New York" includes the audited financial statements of the City for the year ended June 30, 2009 and the report of the City's independent auditors on such financial statements.

The City has reviewed the parts of this Official Statement describing the City and Appendix B. It is a condition to the sale and delivery of the Series 2010A Bonds that the City certify as of the dates of sale and delivery of the Series 2010A 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.

Pursuant to the Agreement, the City, to the extent permitted by law, has agreed to indemnify the Authority and each member, officer and employee of the Authority against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: /s/ Michael T. Corrigan_____
Authorized Officer

APPENDIX A

DEFINITIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix A

DEFINITIONS

The following definitions of certain of the terms defined herein or in the Resolution or in the Agreement and used in this Official Statement.

"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;

"Administrative Expenses" means expenses incurred by the Authority in carrying out its duties under the Agreement and under the Resolution, the Ground Leases, the Construction Disbursement Agreements and any other document, instrument, agreement, law, rule or regulation related to any Leased Property, including, without limitation, accounting, administrative, financial advisory and legal expenses incurred in connection with the financing and construction of the Project, 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 required under any Operating Lease Agreement or any other agreement to the extent such insurance is not provided by the Operator, judgments or claims payable by the Authority for the payment of which the Authority has been indemnified or held harmless pursuant to the Agreement, 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 Ground Lease, the Agreement, the Non-Disturbance Agreement, the Sublease Agreement, any Operating Lease Agreement or any document, instrument or agreement related thereto in accordance with its terms;

"Agreement" means the Lease and Agreement between the Authority and the City, as from time to time amended or supplemented in accordance with the terms and provisions of the Resolution and of the Agreement;

"Annual Administrative Fee" means a fee payable during each Bond Year for a portion of the general administrative and overhead expenses of the Authority in an amount equal to 0.08% of the aggregate principal amount of Bonds issued by the Authority;

"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 the Resolution;

"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 Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, a Deputy Executive Director, the General Counsel, the Deputy General Counsel, an Assistant General Counsel, the Director, Asset Management and the Comptroller, 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 in the Resolution 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 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 that portion of Rentals payable as described in the first paragraph under the heading "Payment of Rents" of Appendix C of this Official Statement;

"Bond or *Bonds"* means any of the bonds of the Authority authorized and issued pursuant to the Resolution 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, or the Attorney General of the State;

"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 under the Resolution or under the Series Resolution authorizing the issuance of such Bonds;

"Bond Year" means a period of twelve (12) consecutive months beginning May 15 in any calendar year and ending on May 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;

"Comptroller" means the Comptroller of the City or the Comptroller's Designee;

"Construction Disbursement Agreements" means one or more Construction Disbursement Agreements among the Authority, each of the Operators and the New York City Economic Development Corporation, pursuant to which the Operators shall request disbursement of funds on deposit in the Construction Fund to acquire, design, construct and fit out the Health Facilities, as from time to time modified, amended or supplemented;

"Construction Fund" means the fund so designated, created and established pursuant to the Resolution;

"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 famish and equip the Health Facilities upon completion thereof, (vi) all other costs which the Owners, the City 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 Owners, the City, 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 to the Resolution 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 saving 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 with the Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Resolution;

"Debt Service Fund" means the fund so designated, created and established pursuant to the Resolution;

"Debt Service Reserve Fund" means the fund so designated, created and established pursuant to the Resolution;

"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 Outstanding Bonds payable during such year, excluding interest accrued thereon prior to May 15 of the next preceding year, except that if, upon the issuance of a Series of Bonds, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, to be deposited therein, the Debt Service Reserve Fund Requirement shall mean an amount equal to the sum of the Debt Service Reserve Fund Requirement immediately preceding issuance of such Bonds and the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Officer of the Authority; 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 May 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 any of the following:

(a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations;

(b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and

(c) 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 Government Obligations, 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 nationally recognized statistical rating services in the highest raring category for such Exempt Obligation; provided, however, that (1) such tern shall not include 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;

"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 May 15 and November 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;

"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 the Agreement;

"Director" means the Director of the Office of Management and Budget of the City or the Director's Designee;

"Exempt Obligation" means any of the following:

(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 under the Resolution, 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 nationally recognized statistical 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 wholly comprised of any of the foregoing obligations;

"Facility Provider" means the issuer of a Credit Facility, a Liquidity Facility or a Reserve Fund Facility delivered to the Trustee pursuant to the Resolution;

"Federal Agency Obligation" means any of the following:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

(iii) 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

(iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

"Government Obligation" means any of the following:

(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 of principal and interest 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 wholly comprised of any of the foregoing obligations;

"Ground Leases" means one or more Ground Leases by and between each of the owners of the Leased Property and the Authority pursuant to which the Authority shall obtain a valid leasehold in the Leased Property;

"Health Facility or *Health Facilities"* means a building or improvement acquired or to be acquired, constructed, reconstructed, rehabilitated or improved for use as a "health facility", as such term is defined in the Act;

"Health Facility Identification Agreements" means one or more of the Health Facility Identification Agreements from time to time executed by the City and the Authority each setting forth, inter alia, the Leased Property and Health Facility covered by the Agreement and the owners and Operators thereof, the legal description of the Leased Property, matters affecting title thereto, the portion of the Bond proceeds allocable thereto, and identifying the related Ground Lease and the related Construction Disbursement Agreement, as from time to time modified, supplemented or amended;

"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 May 15 and November 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 an agreement for the investment of moneys with a Qualified Financial Institution;

"Lease Term" means the duration of the leasehold estate or estates created as specified in the Agreement unless sooner terminated in accordance with the provisions of the Agreement;

"Leased Property" means the real property described from time to time in the Health Facility Identification Agreements, the buildings and improvements thereon or to be erected thereon, the personal property leased to the Authority pursuant to the applicable Ground Leases and the rights of the Authority with respect thereto (including Health Facilities);

"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 of the Resolution 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 Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns;

"Non-Disturbance Agreements" means the Subordination, Non-Disturbance and Attornment Agreements entered into by the Authority, PCDC and the Operators concerning the various Operating Lease Agreements, as from time to time amended, modified or supplemented;

"Operating Lease Agreements" means the Operating Lease Agreement or Agreements by and between PCDC and each of the Operators providing for the lease by the Operators of the Leased Property, which are from time to time attached to the Health Facility Identification Agreement as from time to time modified, supplemented or amended with the consent of the Authority;

"Operators" means the owners and/or operators of the Leased Property, as the lessees under the applicable Operating Lease Agreements, and their permitted 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 under the Resolution 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 the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; 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 in the Resolution 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 of the Resolution 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;

"PCDC" means Primary Care Development Corporation, a not-for-profit local development corporation established under the laws of the State;

"Permitted Collateral" means any of the following:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(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 nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and

(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 nationally recognized statistical rating service in the highest rating category;

"Permitted Encumbrances" means and includes with respect to any Leased Property:

(i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed on record which are being contested in good faith and have not proceeded to judgment;

(ii) the lien of taxes and assessments which are not delinquent;

(iii) the lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby any of the Leased Property or the interest of the Authority may be in danger of being lost or forfeited;

(iv) 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;

(v) 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;

(vi) 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;

(vii) any obligations or duties affecting any portion of the Leased Property of any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit;

(viii) present or future valid zoning laws and ordinances;

(ix) the applicable Ground Leases;

(x) the Resolution; and

(xi) all other matters of record and state of title at the commencement date of the Ground Lease, rights of parties in possession and any state of facts which an accurate survey or physical inspection would show;

(xii) Any other matters affecting title with respect to any Leased Property specifically set out in the applicable Health Facility Identification Agreement; and

(xiii) such other encumbrances or items to which the Authority shall have consented in writing signed by an Authorized Officer,

"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 or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; and

(vi) Investment Agreements that are fully collateralized by Permitted Collateral;

"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 nationally recognized statistical 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 nationally recognized statistical 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 Facility Provider of a Credit Facility of Outstanding Bonds of a Series;

(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 nationally recognized statistical 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 nationally recognized statistical 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 Facility Provider of a Credit Facility of Outstanding Bonds of a Series;

(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 nationally recognized statistical 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 nationally recognized statistical 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 Facility Provider of a Credit Facility of Outstanding Bonds of a Series;

(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 moneys held under the Resolution purchased from such corporation, are insured by an insurer that meet the applicable raring requirements set forth above;

"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 fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date;

"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 to the Resolution 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 the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution;

"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;

"Rentals" means the rent payable under the Agreement;

"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 the Resolution;

"Resolution" means the Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (The City of New York Issue) of the Authority, adopted August 22, 1996, as amended and supplemented by the First Supplemental Resolution, adopted September 28, 2005 and as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution;

"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 from State aid or local assistance, (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 Standard & Poor's Ratings Group, 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 to the Resolution 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 the Resolution, 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 the Resolution;

"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 by the Resolution 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 May 15 for the retirement of any Outstanding Bonds of said Series which mature after said future

May 15, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future May 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;

"Sublease Agreement" means the Sublease Agreement by and between the City and PCDC, as from time to time amended or supplemented in accordance with the terms and provisions thereof and of the Agreement;

"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 the Resolution;

"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 the Resolution and having the duties, responsibilities and rights provided for in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution;

"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 Bonds; 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; and

"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.

APPENDIX B

THE CITY OF NEW YORK DESCRIPTION INCLUDING FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

THE CITY OF NEW YORK

This Appendix consists of information which was furnished to the Authority by The City of New York (the "City"). Although the Authority considers the sources to be reliable, the Authority has made no independent verification of the information presented herein and does not warrant its accuracy. The City will not be liable on the Series 2010A Bonds and the Series 2010A Bonds will not be a debt of the City. The obligation of the City to pay the amounts due under the Agreement is subject to, and dependent upon, the making of annual appropriations by the City and the availability of moneys to fund such payments. References in this Appendix to Appendix A refer to Appendix A to this Appendix, and references in this Appendix to Appendix B refer to Appendix B to this Appendix.

SECTION I: INTRODUCTORY STATEMENT

The City, with a population of approximately 8,400,000, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is a leading tourist destination. Manufacturing activity in the City is conducted primarily in apparel and printing.

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

As required by the New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act") and the New York City Charter (the "City Charter"), the City prepares a four-year annual financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections and outlines proposed gap-closing programs for years with projected budget gaps. The City's current financial plan projects budget balance in the 2010 and 2011 fiscal years in accordance with GAAP except for the application of GASB 49. The City's current financial plan projects budget gaps for each of the 2012 through 2014 fiscal years. A pattern of current year balance and projected subsequent year budget gaps has been consistent through the entire period since 1982, during which the City has achieved an excess of revenues over expenditures, before discretionary transfers, for each fiscal year. For information regarding the current financial plan and actions by the New York State Financial Control Board (the "Control Board") and the recent amendment of the Financial Emergency Act with respect to the application of GASB 49 to the City budget, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS" and "SECTION VII: FINANCIAL PLAN." The City is required to submit its financial plans to the Control Board. For further information regarding the Control Board, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS—City Financial Management, Budgeting and Controls—*Financial Review and Oversight*."

For its normal operations, the City depends on aid from the State both to enable the City to balance its budget and to meet its cash requirements. There can be no assurance that there will not be delays or reductions in State aid to the City from amounts currently projected; when the State budget that was due by April 1, 2010 will be adopted; 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. See "SECTION II: RECENT FINANCIAL DEVELOPMENTS—2010-2014 Financial

Plan." In addition, the City has made various assumptions with respect to federal aid. Future federal actions could have adverse effects on the City's cash flow or revenues.

The Mayor is responsible for preparing the City's financial plan which relates to the City and certain entities that receive funds from the City, including the financial plan for the 2010 through 2013 fiscal years submitted to the Control Board on June 23, 2009 (the "June 2009 Financial Plan"), the financial plan for the 2011 through 2014 fiscal years submitted to the Control Board on June 30, 2010 (the "June 2010 Financial Plan"), and Modification No. 10-5 to the June 2009 Financial Plan and Modification No. 11-1 to the June 2010 Financial Plan submitted to the Control Board on July 13, 2010 (as so modified, the "2010-2014 Financial Plan" or "Financial Plan"). The City's projections set forth in the Financial Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Such assumptions and contingencies are described throughout this Appendix and include the condition of the regional and local economies, the provision of State and federal aid, the impact on City revenues and expenditures of any future federal or State legislation and policies affecting the City and the cost of future labor settlements. See "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

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

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

The factors affecting the City's financial condition described throughout this 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 financial, social, economic, geo-political and other factors which could have a material effect on the City. This Appendix should be read in its entirety.

SECTION II: RECENT FINANCIAL DEVELOPMENTS

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

2010-2014 Financial Plan

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

On July 13, 2010, the City submitted to the Control Board the Financial Plan for the 2010 through 2014 fiscal years, which relates to the City and certain entities that receive funds from the City. The Financial Plan is a modification to the June 2009 Financial Plan, as subsequently modified by the financial plans submitted to the Control Board on November 16, 2009, January 28, 2010, May 6, 2010 and June 30, 2010, and the June 2010 Financial Plan. The Financial Plan projects revenues and expenses for the 2010 and 2011 fiscal years balanced in accordance with GAAP, except for the application of GASB 49, and projects gaps of $3.3 billion,

$4.1 billion and $4.8 billion in fiscal years 2012 through 2014, respectively, after the implementation of a gap-closing program described below.

The Financial Plan reflects, since the June 2009 Financial Plan, increases in projected net revenues of $2.1 billion, $606 million, $705 million and $524 million in fiscal years 2010 through 2013, respectively. Changes in projected revenues include: (i) increases in personal income tax revenues of $890 million, $671 million, $615 million and $587 million in fiscal years 2010 through 2013, respectively; (ii) net increases in business tax revenues of $459 million, $328 million, $230 million and $257 million in fiscal years 2010 through 2013, respectively; (iii) decreases in real property transfer and mortgage recording tax revenues of $106 million, $117 million, $60 million and $90 million in fiscal years 2010 through 2013, respectively; (iv) an increase of $83 million in real property tax revenues in fiscal year 2010 and decreases in real property tax revenues of $372 million, $318 million and $436 million in fiscal years 2011 through 2013, respectively; (v) increases in sales tax revenues of $223 million, $195 million, $98 million and $69 million in fiscal years 2010 through 2013, respectively; (vi) an increase of $285 million in tax audit revenues in fiscal year 2010; (vii) increases in commercial rent tax revenues of $58 million in fiscal year 2010 and $35 million in each of fiscal years 2011 through 2013; (viii) net increases in all other taxes of $111 million, $104 million, $84 million and $87 million in fiscal years 2010 through 2013, respectively; (ix) increases in Battery Park City Authority joint purpose funds of $134 million and $66 million in fiscal years 2010 and 2011, respectively; (x) a decrease in revenues from the Health and Hospitals Corporation ("HHC") of $181 million in fiscal year 2010; (xi) decreases in State aid of $327 million and $346 million in fiscal years 2010 and 2011, respectively, primarily due to the elimination of State revenue sharing and decreases in State aid of $45 million in each of fiscal years 2012 and 2013; (xii) an increase of $15 million from the elimination of the reserve for disallowances in fiscal year 2010; and (xiii) net increases in miscellaneous revenues of $414 million, $42 million, $66 million and $60 million in fiscal years 2010 through 2013, respectively.

The Financial Plan also reflects, since the June 2009 Financial Plan, a decrease in projected net expenditures of $1.1 billion in fiscal year 2010 and increases in projected net expenditures of $614 million, $255 million and $241 million in fiscal years 2011 through 2013, respectively. Changes in projected expenditures include: (i) increases resulting from the elimination of savings from employee and retiree health insurance cost containment of $357 million, $386 million and $418 million in fiscal years 2011 through 2013, respectively; (ii) increases resulting from the elimination of savings from pension reform of $200 million in each of fiscal years 2011 through 2013; (iii) decreases of $35 million, $190 million, $469 million and $730 million in fiscal years 2010 through 2013, respectively, associated with the elimination of assumed 1.25% annual wage increases for the next round of collective bargaining; (iv) an increase of $187 million in fiscal year 2010 and decreases of $561 million, $395 million and $422 million in fiscal years 2011 through 2013, respectively, as a result of previously proposed changes to federal Medicaid participation; (v) increases in payments to HHC for deficit reduction of $167 million, $83 million, $229 million and $300 million in fiscal years 2010 through 2013, respectively; (vi) increases in the reserve for changes in pension funding assumptions and methodology of $400 million, $150 million and $150 million in fiscal years 2011 through 2013; (vii) decreases in labor reserves for collective bargaining of $213 million, $268 million $336 million and $266 million in fiscal years 2010 through 2013, respectively; (viii) increases in interfund revenue reimbursements of eligible capital costs of $74 million, $61 million, $36 million and $36 million in fiscal years 2010 through 2013, respectively; (ix) increases of $15 million, $154 million, $111 million and $111 million in fiscal years 2010 through 2013, respectively, as a result of decreased State aid in State budget actions; (x) the roll of $124 million of the Department of Education ("DOE") labor reserve from fiscal year 2010 to fiscal year 2011 resulting in decreased expense in fiscal year 2010 and increased expense in fiscal year 2011; (xi) a reduction in prior year payables of $817 million and a reduction in the general reserve of $300 million in fiscal year 2010; (xii) an increase of $137 million in the general reserve in fiscal year 2011 to partially address the shortfall in additional federal Medicaid participation; (xiii) decreases in debt service of $170 million, $524 million, $61 million and $33 million in fiscal years 2010 through 2013, respectively, primarily due to projected lower interest rates and refunding savings; (xiv) an increase of $395 million in fiscal year 2011 as a result of City Council restorations and initiatives; and (xv) increases in other expenses of $269 million, $368 million, $476 million and $549 million in fiscal years 2010 through 2013, respectively.

The Financial Plan also reflects, since the June 2009 Financial Plan, an increase in the provision for prepayments of future expenses of $3.6 billion in fiscal year 2010 resulting in net expenditure reductions of $3.6 billion in fiscal year 2011.

In addition, the Financial Plan sets forth a gap-closing program to maintain budget balance in fiscal year 2011, to increase the transfer of financial resources from fiscal year 2010 to fiscal year 2011 and to reduce previously projected gaps for each of fiscal years 2012 and 2013. The gap-closing actions include agency programs reflecting reduced agency expenditures or increased revenues totaling $489 million in fiscal year 2010, $1.2 billion in fiscal year 2011 and $1.3 billion in each of fiscal years 2012 and 2013, including proposed headcount reductions of 3,333 through either layoffs or attrition.

The Financial Plan includes a total reduction of approximately $1.2 billion in fiscal years 2010 and 2011, reflecting State actions, as of the date of the Financial Plan, with respect to the 2010-2011 State budget. This reduction includes the elimination of revenue sharing and reductions in other aid payments reflected above. It also includes the reduction in education aid of $493 million in fiscal year 2011 which will result in pedagogical headcount reductions of 2,018 through either layoffs or attrition, and the reallocation of funding from previously planned salary increases to the retention of 4,400 pedagogical positions, the elimination of which had been previously planned. In addition, although to date the State has made statutorily required aid payments to the City, no assurance can be given that State aid payments to the City will not be significantly delayed in the future.

The federal government recently enacted legislation extending federal Medicaid participation in an amount less than assumed in the Financial Plan, which will result in increased City expenditures of $82 million, $15 million and $109 million in fiscal years 2011 through 2013, respectively. In addition, such federal legislation is expected to result in a reduction in State aid to the City of approximately $100 million in fiscal year 2011 beyond the State aid reductions assumed in the Financial Plan.

The Financial Plan reflects the impact of actions by the Control Board, and the recent amendment of the Financial Emergency Act, relating to the budgetary impact of GASB 49 and the accounting treatment of pollution remediation costs. In April 2008, the Control Board, pursuant to the Financial Emergency Act, approved a phase-in of the budgetary impact of GASB 49, enabling the City to continue to finance with the issuance of bonds certain remediation costs and, consequently, to achieve balance in fiscal years 2009 and 2010 in accordance with GAAP, except in the application of GASB 49. 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. For information on GASB 49 and reported pollution remediation obligation liability, see "SECTION III: GOVERNMENT AND FINANCIAL CONTROLS — City Financial Management, Budgeting and Controls."

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

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

The State

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

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

On May 12, 2010, the State released a supplement to the February AIS Update (the "May AIS Supplement"). Since the date of the February AIS Update, the State Division of the Budget (the "Division of Budget") increased the projected General Fund budget gap for fiscal year 2010-2011 by approximately $1 billion, to $9.2 billion. The change in the projected budget gap reflects the impact of a decrease in projected tax revenues of $850 million and an increase in the budget shortfall for fiscal year 2009-2010 of $160 million that was carried forward into fiscal year 2010-2011. As described in the May AIS Supplement, the Governor's gap-closing proposals total $9.2 billion as a result of an additional $620 million in proposed gap-closing actions. Additionally, the Governor's proposal to require furloughs equal to a 20 percent reduction in the work week for certain executive branch employees was enjoined by a federal district court on May 28, 2010. The State's cash position is identified in the May AIS Supplement as a serious concern. The Division of Budget expects the State to continue to experience significant intermittent cash-flow difficulties, especially during the months of September and December 2010. Additionally, the Division of Budget estimated in the May AIS Supplement that the Governor's Executive Budget recommendations, if enacted in their entirety, would leave projected budget gaps in the range of $6 billion in fiscal year 2011-2012, $11 billion in fiscal year 2012-2013, and $13 billion in fiscal year 2013-2014.

On August 3, 2010, the State Legislature adopted a $136.5 billion budget for its fiscal year 2010-2011, which commenced April 1, 2010. The State expects to release an annual information statement reflecting the adopted budget by the end of August 2010. It is likely that the annual information statement will contain larger projected budget gaps for fiscal years 2011-2012, 2012-2013 and 2013-14 than contained in the May AIS Supplement.

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

SECTION III: GOVERNMENT AND FINANCIAL CONTROLS

Structure of City Government

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

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

— *The City Comptroller.* John C. Liu, the Comptroller of the City, took office on January 1, 2010. The City Comptroller is elected in a general election for a four-year term and is the chief fiscal officer of the City. The City Comptroller has extensive investigative and audit powers and responsibilities which include keeping the financial books and records of the City. The City Comptroller's audit responsibilities include a program of performance audits of City agencies in connection with the City's management, planning and control of operations. In addition, the City Comptroller is required to evaluate the Mayor's budget, including the assumptions and methodology used in the budget. The Office of the City Comptroller is responsible under the City Charter and pursuant to State law and City investment guidelines for managing and investing City funds for operating and capital purposes. The City Comptroller is also a member of the Control Board and is a trustee, the custodian and the delegated investment manager of the City's five pension systems. The investments of those pension system assets, aggregating approximately $100.3 billion as of May 31, 2010, are made pursuant to the directions of the respective boards of trustees.

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

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

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

On November 3, 2008, the City Charter was amended to provide that no person shall be eligible to be elected to or serve in the office of Mayor, Public Advocate, Comptroller, Borough President or Council member if that person has previously held such office for three or more full consecutive terms, unless one full term or more has elapsed since that person last held such office.

City Financial Management, Budgeting and Controls

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

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

Office of Management and Budget

The City's Office of Management and Budget ("OMB"), with a staff of approximately 300, is the Mayor's primary advisory group on fiscal issues and is also responsible for the preparation, monitoring and control of the City's Budgets and four-year financial plans. In addition, OMB is responsible for the preparation of a Ten-Year Capital Strategy.

State law and the City Charter require the City to maintain its Expense Budget balanced when reported in accordance with GAAP. For fiscal years 2009 and 2010, the City was authorized to phase in implementation of GASB 49 for budgetary purposes. 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. See "SECTION II: RECENT FINANCIAL DEVELOPMENTS—2010-2014 Financial Plan." In addition to the Budgets, the City prepares a four-year financial plan which encompasses the City's revenue, expenditure, cash flow and capital projections. All Covered Organizations (as defined below) are also required to maintain budgets that are balanced when reported in accordance with GAAP. From time to time certain Covered Organizations have had budgets providing for operations on a cash basis but not balanced under GAAP.

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

Office of the Comptroller

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

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

The Comprehensive Annual Financial Report of the Comptroller (the "CAFR") for the 2009 fiscal year, which includes, among other things, the City's financial statements for the 2009 fiscal year, was issued on October 23, 2009. The CAFR for the 2008 fiscal year received the Government Finance Officers Association award of the Certificate of Achievement for Excellence in Financial Reporting, the twenty-ninth consecutive year the CAFR has won such award.

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

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

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

Financial Reporting and Control Systems

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

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

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

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

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

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

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

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

More than 93% of the aggregate assets of the City's five defined benefit pension systems are managed by outside managers, supervised by the Office of the City Comptroller, and the remainder is held in cash or managed by the City Comptroller. Allocations of investment assets are determined by each fund's board of trustees. As of May 31, 2010, aggregate pension assets were allocated approximately as follows: 43.2% U.S. equities; 29.3% U.S. fixed income; 14.6% international equities; 9.1% private equity and real estate; 1.6% cash; 1.6% opportunistic equity; and 0.6% opportunistic fixed income.

Financial Emergency Act and City Charter

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

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

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

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

While the State Legislature amended the Act to extend the termination date of the Control Board, the power to impose or continue a Control Period terminated July 1, 2008. The power to impose or continue a Control Period is covered by a section of the Act that provides that no Control Period shall continue beyond the earlier of July 1, 2008 or the date on which all bonds containing the State Covenant are discharged. The

State Legislature did not amend this provision. Therefore, under current law, although the Act continues in effect beyond July 1, 2008, no Control Period may be imposed after July 1, 2008.

Financial Review and Oversight

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

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

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

SECTION IV: SOURCES OF CITY REVENUES

The City derives its revenues from a variety of local taxes, user charges and miscellaneous revenues, as well as from federal and State unrestricted and categorical grants. State aid as a percentage of the City's revenues has remained relatively constant over the period from 1980 to 2010, while federal aid has been sharply reduced. The City projects that local revenues will provide approximately 71.2% of total revenues in the 2011 fiscal year while federal aid, including categorical grants, will provide 10.8%, and State aid, including unrestricted aid and categorical grants, will provide 18.0%. Adjusting the data for comparability, local revenues provided approximately 60.6% of total revenues in 1980, while federal and State aid each provided approximately 19.7%. A discussion of the City's principal revenue sources follows. For additional information regarding assumptions on which the City's revenue projections are based, see "SECTION VII: FINANCIAL PLAN—Assumptions." For information regarding the City's tax base, see "APPENDIX A—ECONOMIC AND DEMOGRAPHIC INFORMATION."

Real Estate Tax

The real estate tax, the single largest source of the City's revenues, is the primary source of funds for the City's General Debt Service Fund. The City expects to derive approximately 43.1% of its total tax revenues and 26.6% of its total revenues for the 2011 fiscal year from the real estate tax. For information concerning tax revenues and total revenues of the City for prior fiscal years, see "SECTION VI: FINANCIAL OPERATIONS—2005-2009 Summary of Operations."

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

COMPARISON OF REAL ESTATE TAX LEVIES, TAX LIMITS AND TAX RATES

Fiscal Year	Total Levy(1)	Levy Within Operating Limit	Debt Service Levy(2)	Debt Service Levy as a Percentage of Total Levy	Operating Limit	Levy Within Operating Limit as a Percentage of Operating Limit	Rate Per $100 of Full Valuation(3)	Average Tax Rate Per $100 of Assessed Valuation(4)
	(Dollars in Millions, except for Tax Rates)							
2005	$12,720.0	$ 9,615.0	$2,485.6	19.5%	$10,675.8	90.1%	$2.46	$12.28
2006	13,668.1	11,633.5	1,141.0	8.3	11,666.2	99.7	2.49	12.28
2007	14,291.2	13,094.4	221.0	1.5	13,224.4	99.0	2.30	12.28
2008	14,356.2	10,462.4	2,952.1	20.6	14,949.0	70.0	2.02	11.42
2009(5) . . .	15,903.5	13,213.6	1,168.9	7.6	17,525.7	75.4	1.87	12.28
2010	17,588.1	16,472.3	295.8	1.7	18,641.4	88.4	2.01	12.28
2011	18,323.7	16,418.4	921.2	5.0	18,896.0	86.9	2.17	12.28

(1) As approved by the City Council.

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

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

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

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

Assessment

The City has traditionally assessed real property at less than market value. The State Board of Real Property Services (the "State Board") is required by law to determine annually the relationship between taxable assessed value and market value which is expressed as the "special equalization ratio." The special equalization ratio is used to compute full value for the purpose of measuring the City's compliance with the operating limit and general debt limit. For a discussion of the City's debt limit, see "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Limitations on the City's Authority to Contract Indebtedness.*" The ratios are calculated by using the most recent market value surveys available and a projection of market value based on recent survey trends, in accordance with methodologies established by the State Board from time to time. Ratios, and therefore full values, may be revised when new surveys are completed. The ratios and full values shown in the table below, which were used to compute the 2011 fiscal year operating limit and general debt limit, have been established by the State Board and include the results of the fiscal year 2009 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)
2007	$116,477,764,261		0.1599		$728,441,302,445
2008	125,777,268,853		0.1703		738,562,941,004
2009	134,294,731,881		0.1848		726,703,094,594
2010	143,334,172,616		0.1852		773,942,616,717
2011	149,311,931,232		0.1770		843,570,232,949
				Average:	$762,244,037,542

(1) Also assessed by the City, but excluded from the computation of taxable real estate, are various categories of property exempt from taxation under State law. For the 2009 fiscal year, the billable assessed value of all real estate (taxable and exempt) was $228.3 billion comprised of $80.9 billion of fully exempt real estate, $53.0 billion of partially taxable real estate and $94.3 billion of fully taxable real estate.

(2) Figures are based on estimates of the special equalization ratio which are revised annually. These figures are derived from official City Council Tax Resolutions adopted with respect to the 2011 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 2011, class one was assessed at approximately 6% of market value and classes two, three and four were each assessed at 45.0% of market value. In addition, individual assessments on class one parcels cannot increase by more than 6% per year or 20% over a five-year period. Market value increases and decreases for most of class two and all of class four are phased in over a period of five years. Increases in class one market value in excess of applicable limitations are not phased in over subsequent years. There is also no phase in for class three property.

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

The share of the total levy that can be borne by each class is regulated by the provisions of the State Real Property Tax Law. Each class share of the total tax levy is updated annually to reflect new construction, demolition, alterations or changes in taxable status and is subject to limited adjustment to reflect market value changes among the four classes. Class share adjustments are limited to a 5% maximum increase per year. Maximum class increases below 5% must be, and typically are, approved by the State legislature. Fiscal year 2011 tax rates were set on June 29, 2010 and reflect a 5% limitation on the market value adjustment for 2010. The average tax rate for fiscal year 2010 was maintained at $12.28 per $100 of assessed value.

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

Trend in Taxable Assessed Value

During the decade prior to fiscal year 1993, real estate tax revenues grew substantially. Because State law provides for increases in assessed values of most properties to be phased into property tax bills over five-year periods, billable assessed values continued to grow and real estate tax revenue increased through fiscal year 1993 even as market values declined during the local recession. From fiscal year 1994 through fiscal year 1997 billable assessed values declined, reflecting the impact of the protracted local recession on office vacancy rates and on office building valuations. Billable assessed value resumed slow growth in fiscal year 1998, growing 0.7%, 2.2%, 3.1%, 4.0%, 6.0%, 5.7% and 5.7% in fiscal years 1998 through 2004, respectively.

For fiscal year 2005, billable assessed valuation rose by $3.8 billion to $102.4 billion. The billable assessed valuation as determined by the City Department of Finance rose to $110.0 billion, $115.1 billion, $124.5 billion, $133.0 billion and $141.8 billion for fiscal years 2006 through 2010, respectively. The Department of Finance released the final assessment roll for fiscal year 2011 on May 25, 2010. The billable assessed value rose by $5.8 billion over the 2010 assessment roll to $147.6 billion, a growth of 4.1%. With a forecast decline in the class two and class four market values combined with a deflated level of existing pipeline of deferred assessment increases yet to be phased in, the billable assessed valuations are forecast to grow by 3.5%, 1.0% and 0.8% in fiscal years 2012 through 2014, respectively.

Collection of the Real Estate Tax

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

The City primarily uses two methods to enforce the collection of real estate taxes. The City has been authorized to sell real estate tax liens on class one properties which are delinquent for at least three years and class two, three and four properties which are delinquent for at least one year. The authorization to sell real estate tax liens is effective through December 31, 2010. In addition, the City is entitled to foreclose delinquent tax liens by *in rem* proceedings after one year of delinquency with respect to properties other than one- and two-family dwellings and condominium apartments for which the annual tax bills do not exceed $2,750, as to which a three-year delinquency rule is in effect.

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

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

From time to time, the City sells tax liens to separate statutory trusts. In fiscal years 2005 through 2010, the City's tax lien program resulted in net proceeds of approximately $37.7 million, $93.8 million, $40.2 million, $35.5 million, $33.9 million and $35 million, respectively. The Financial Plan reflects receipt of $40 million in fiscal year 2011 from tax lien sales.

REAL ESTATE TAX COLLECTIONS AND DELINQUENCIES

Fiscal Year	Tax Levy(1)	Tax Collections on Current Year Levy(2)	Tax Collections as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds(3)	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of End of Fiscal Year(4)	Delinquency as a Percentage of Tax Levy	Lien Sale(5)
				(Dollars In Millions)					
2005	$12,720.0	$11,521.7	90.6%	$136.2	$(231.4)	$ (898.0)	$(300.3)	2.36%	$37.7
2006	13,668.1	12,459.0	91.2	140.3	(222.1)	(929.9)	(279.2)	2.04	93.8
2007	14,291.2	12,986.7	90.9	159.5	(228.8)	(1,067.4)	(306.4)	2.14	40.2
2008	14,356.2	13,070.7	91.0	194.8	(239.3)	(1,023.6)	(261.9)	1.82	35.5
2009	15,903.5	14,423.4	90.7	162.6	(290.4)	(1,187.3)	(283.9)	1.79	33.9
2010(6)	17,588.1	16,187.2	92.0	202.2	(268.0)	(1,079.7)	(215.2)	1.83	35.0
2011(6)	18,323.7	16,928.6	92.4	205.0	(394.0)	(1,020.6)	(374.5)	2.04	40.0

(1) As approved by the City Council through fiscal year 2011.

(2) Quarterly collections on current year levy.

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

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

(5) Net of reserve for defective liens.

(6) Forecast.

Other Taxes

The City expects to derive 56.9% of its total tax revenues for the 2011 fiscal year from a variety of taxes other than the real estate tax, such as: (i) the 4½% sales and compensating use tax, commencing August 1, 2009, in addition to the 4% sales and use tax imposed by the State upon receipts from retail sales of tangible personal property and certain services in the City and the .375% metropolitan transportation district surcharge imposed by the State for the Metropolitan Transit Authority ("MTA"); (ii) the personal income tax on City residents; (iii) a general corporation tax levied on the income of corporations doing business in the City; and (iv) a banking corporation tax imposed on the income of banking corporations doing business in the City.

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

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

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

Note: Totals may not add due to rounding.

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

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

Miscellaneous Revenues

Miscellaneous revenues include revenue sources such as charges collected by the City for the issuance of licenses, permits and franchises, interest earned by the City on the investment of City cash balances, tuition and fees at the Community Colleges, reimbursement to the City from the proceeds of water and sewer rates charged by the New York City Water Board (the "Water Board") for costs of delivery of water and sewer services and paid to the City by the Water Board for its lease interest in the water and sewer system, rents collected from tenants in City-owned property and from The Port Authority of New York and New Jersey (the "Port Authority") with respect to airports, and the collection of fines. The following table sets forth amounts of miscellaneous revenues for each of the City's 2005 through 2009 fiscal years.

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

Note: Totals may not add due to rounding.

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

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

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

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

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

Unrestricted Intergovernmental Aid

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

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

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

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

Federal and State Categorical Grants

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

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

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

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

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

SECTION V: CITY SERVICES AND EXPENDITURES

Expenditures for City Services

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

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

The City also provides funding for many other social services such as day care, foster care, family planning, services for the elderly and special employment services for welfare recipients some of which are mandated, and may be wholly or partially subsidized, by either the federal or State government. See "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—6. FEDERAL AND STATE CATEGORICAL GRANTS."

As of July 2002, the Mayor assumed responsibility for the City's public schools. The Board of Education ("BOE") has been replaced by the DOE which is overseen by a Chancellor, appointed by the Mayor, and the 13-member Panel for Educational Policy where the Mayor appoints 8 members including the Chancellor, and the Borough Presidents each appoint one member. The number of pupils in the school system is estimated to be approximately 1 million in each of the 2011 through 2014 fiscal years. Actual enrollment in fiscal years 2006 through 2010 has been 1,033,366, 1,015,586, 1,011,240, 1,011,950 and 1,027,497, 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 42.9% of the costs of the Community Colleges in the 2011 fiscal year. The State has full responsibility for the costs of operating the Senior Colleges, although the City is required initially to fund these costs.

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

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

The City's Expense Budget increased during the five-year period ended June 30, 2009, due to, among other factors, the increasing costs of pensions and Medicaid, the costs of labor settlements and the impact of inflation on various other than personal services costs.

Employees and Labor Relations

Employees

The following table presents the number of full-time and full-time equivalent employees of the City, including the mayoral agencies, the DOE and CUNY, at the end of each of the City's 2005 through 2009 fiscal years.

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

The following table presents the number of full-time employees of certain Covered Organizations, as reported by such Organizations, at the end of each of the City's 2005 through 2009 fiscal years.

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

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

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

Labor Relations

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

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

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

Pensions

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

Capital Expenditures

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

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

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

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

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

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

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

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

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

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

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

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

SECTION VI: FINANCIAL OPERATIONS

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

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

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

2005-2009 Summary of Operations

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

The information regarding the 2005 through 2009 fiscal years has been derived from the City's audited financial statements and should be read in conjunction with the notes accompanying this table and the City's 2008 and 2009 financial statements included in "APPENDIX B—FINANCIAL STATEMENTS." The 2005 through 2007 financial statements are not separately presented herein. For further information regarding the City's revenues and expenditures, see "SECTION IV: SOURCES OF CITY REVENUES" and "SECTION V: CITY SERVICES AND EXPENDITURES."

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

(Footnotes on next page)

(Footnotes from previous page)

---

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

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

(3) Other Taxes and MAC Debt Service and Administrative Expenses include amounts paid to MAC by the State for debt service, operating expenses and State oversight costs from sales tax receipts, stock transfer tax receipts and State per capita aid otherwise payable by the State to the City. For more information see "SECTION IV: SOURCES OF CITY REVENUES—Other Taxes." MAC Debt Service and Administrative Expenses was reduced by payments by the City of debt service on City obligations held by MAC through fiscal year 2005. Other Taxes excludes $497 million, $350 million, $685 million, $164 million and $138 million of personal income taxes in fiscal years 2005 through 2009, respectively, retained by the TFA. Debt Service does not include debt service on TFA bonds or TSASC bonds. Miscellaneous Revenues includes TSRs that are not retained by TSASC for debt service and operating expenses.

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

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

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

(7) Surplus is the surplus after discretionary and other transfers and expenditures. The City had general fund operating revenues exceeding expenditures of $2.919 billion, $4.640 billion, $4.670 billion, $3.756 billion, and $3.534 billion before discretionary and other transfers and expenditures for the 2009, 2008, 2007, 2006 and 2005 fiscal years, respectively. Discretionary and other transfers are included in Debt Service, MAC Debt Service and Administrative Expenses and for transit and other subsidies, including grants and payments to the TFA, in All Other.

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

Forecast of 2010 Results

The following table compares the forecast for the 2010 fiscal year contained in the June 2009 Financial Plan, which was submitted to the Control Board in June 2009 (the "June 2009 Forecast") with the forecast contained in the Financial Plan, which was submitted to the Control Board on July 13, 2010 (the "July 2010 Forecast"). Each forecast was prepared on a basis consistent with GAAP except for the application of GASB 49. The July 2010 Forecast reflects as revenues to the City personal income tax revenues retained by the TFA and as expenditures the funding requirements associated with TFA Future Tax Secured Bonds. For information regarding recent developments, including actions by the Control Board and the amendment of the Financial Emergency Act with respect to the application of GASB 49 to the City budget, and the inclusion of the TFA in the Financial Plan, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

	June 2009 Forecast	July 2010 Forecast	Increase/(Decrease) from June 2009 Forecast
		(In Millions)	
REVENUES			
Taxes			
General Property Tax	$16,072	$16,156	84
Other Taxes	16,725	20,277	3,552(1)(2)
FY 2009 Discretionary Transfer	546	—	(546)(2)
Debt Defeasance	382	—	(382)(2)
Tax Audit Revenue	596	890	294(3)
Tax Program	879	—	(879)(1)(4)
Subtotal — Taxes	$35,200	$37,323	$2,123
Miscellaneous Revenues	5,973	6,562	589(5)
Unrestricted Intergovernmental Aid	340	21	(319)(6)
Less: Intra-City Revenues	(1,669)	(1,834)	(165)
Disallowances Against Categorical Grants	(15)	—	15
Subtotal – City Funds	$39,829	$42,072	$2,243
Other Categorical Grants	1,053	1,128	75
Inter-Fund Revenues	486	583	97
Total City Funds, Other Categorical Grants & Inter-Fund Revenues	$41,368	$43,783	$2,415
Federal Categorical Grants	6,600	8,200	1,600(7)
State Categorical Grants	11,512	11,819	307(8)
Total Revenues	$59,480	$63,802	$4,322
EXPENDITURES			
Personal Services			
Salaries and Wages	$22,563	$22,272	$ (291)(9)
Pensions	6,700	6,760	60
Fringe Benefits	6,911	7,328	417(10)
Retiree Health Benefits Trust	—	(82)	(82)(11)
Total – Personal Services	$36,174	$36,278	$ 104
Other Than Personal Services			
Medical Assistance	4,907	5,140	233
Public Assistance	1,299	1,580	281
All Other	18,859	19,505	646(12)
Total – Other Than Personal Services	$25,065	$26,225	$1,160
General Obligation, Lease and TFA Debt Service	4,187	5,030	843(13)
General Obligation, Lease and TFA Debt Defeasance	(2,313)	(2,726)	(413)(14)
FY 2009 Budget Stabilization & Discretionary Transfers	(2,264)	(2,813)	(549)(15)
FY 2010 Budget Stabilization	—	3,642	3,642(16)
General Reserve	300	—	(300)
Total Expenditures	$61,149	$65,636	$4,487
Less: Intra-City Expenses	(1,669)	(1,834)	(165)
Net Total Expenditures	$59,480	$63,802	$4,322

(Footnotes on next page)

(Footnotes from previous page)

---

(1) The increase in Other Taxes is due in part to an increase of $1.038 billion as a result of including in the Financial Plan, as revenues to the City, personal income tax revenues to be retained by the TFA. In addition, the increase is due to increases of $650 million in sales tax and $159 million in various business taxes as a result of the enactment of tax proposals, reflected under Anticipated Tax Program in the June 2009 Forecast, effective August 1, 2009, increases in personal income tax of $890 million, sales tax of $292 million, real property transfer tax of $3 million, banking corporation tax of $465 million, unincorporated business tax of $122 million, commercial rent tax of $58 million, hotel tax of $30 million, all other taxes of $101 million and State STAR Program aid of $2 million offset by decreases in general corporation tax of $128 million, cigarette tax of $3 million, mortgage recording tax of $109 million and utility tax of $18 million.

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

(3) The increase in Tax Audit Revenue is due to an increase of $185 million in general corporation tax, $100 million in banking corporation tax and $9 million in other taxes.

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

(5) The increase in Miscellaneous Revenues is due to increases of $62 million in charges for services, $254 million in water and sewer payments, $13 million in rental income, $171 million in other miscellaneous revenues and $165 million in intra-city revenues offset by decreases of $69 million in fines and forfeitures and $7 million in interest income.

(6) The decrease in Unrestricted Intergovernmental Aid is due to the elimination of $327 million in State revenue sharing offset by an increase of $8 million in other aid.

(7) The increase in Federal Categorical Grants is due to increases of $421 million in social services funding, $199.4 million in police department funding, $68.8 million in health and mental hygiene funding, $89.9 million in transportation funding, $217.5 million in housing development and preservation funding, $129.5 million in fire department funding, $21.2 million for emergency management, $42.2 million in youth and community development funding, $56.9 million in homeless services funding, $203.3 million in education funding, $30.1 million in children services funding, $19.8 million in environmental protection funding, $15.6 million in debt service funding and $84.8 million in other grants.

(8) The increase in State Categorical Grants is due to increases of $181.5 million in children services funding, $45.9 million in transportation funding, $42.1 million in social services funding, $36.5 million in administrative services funding, $33.5 million in miscellaneous agency funding, $17.7 million in police department funding, $15.7 million in homeless services funding, $9.3 million in health and mental hygiene funding and $26.2 million in other agency funding offset by a decrease of $101.4 million in education funding.

(9) The decrease in Personal Services — Salaries and Wages is due to an increase of $190 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, an increase of $275 million for collective bargaining for certain water and sewer system workers which is offset in water and sewer payments in miscellaneous revenues, and decreases of $312 million from the transfer of labor reserve to pension expense, $35 million from the elimination of the 1.25% wage increase in the labor reserve, $124 million from the roll of the DOE labor reserve into fiscal year 2011 for pedagogical employee retention, $212 million in other reductions to the labor reserve and $73 million in net agency expenditures.

(10) The increase in Personal Services — Fringe Benefits is due to an increase of $160 million in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants, an increase of $175 million in health benefits spending reflecting the elimination of additional health cost containment savings, and an increase of $82 million for retiree health benefits as a result of reflecting an $82 million offset in Retiree Health Benefits Trust.

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

(12) The increase in Other Than Personal Services—All Other is due to an increase of $1.593 billion in budget modifications reflecting increases in federal and categorical expenditures which are offset by federal and categorical grants and decreases of $130 million in net agency expenditures and $817 million in prior year payables.

(13) General Obligation, Lease and TFA Debt Service reflected only general obligation and lease debt service in the June 2009 Forecast. In the July 2010 Forecast, General Obligation, Lease and TFA Debt Service reflects the addition of $1.118 billion in TFA funding requirements offset by decreases totaling $275 million in other debt service.

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

(Footnotes continued on next page)

(Footnotes continued from previous page)

2008 through 2010, respectively. The use in fiscal year 2007 of $65 million in lease debt defeasance reduced debt service by $34 million and $31 million in fiscal years 2009 and 2010, respectively. The change in General Obligation, Lease and TFA Debt Defeasance is due to the inclusion of the impact in fiscal year 2010 of lease and TFA debt defeasance.

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

(16) FY 2010 Budget Stabilization reflects the discretionary transfer of $2.888 billion into the General Debt Service Fund in fiscal year 2010 for debt service due in fiscal year 2011 and the payment in fiscal year 2010 of $371 million in TFA funding requirements and $383 million in other subsidies otherwise due in fiscal year 2011.

SECTION VII: FINANCIAL PLAN

The following table sets forth the City's projected operations on a basis consistent with GAAP, except for the application of GASB 49, for the 2010 through 2014 fiscal years as contained in the Financial Plan. This table should be read in conjunction with the accompanying notes, "Actions to Close the Remaining Gaps" and "Assumptions" below. For information regarding recent developments, including actions by the Control Board and the amendment of the Financial Emergency Act with respect to the application of GASB 49 to the City budget, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

	Fiscal Years(1)(2)				
	2010	2011	2012	2013	2014
			(In Millions)		
REVENUES					
Taxes					
General Property Tax(3)	$16,156	$16,780	$17,423	$17,692	$17,829
Other Taxes(4)(5)(6)	20,277	21,504	22,766	24,012	25,204
Tax Audit Revenue	890	622	621	620	620
Subtotal – Taxes	$37,323	$38,906	$40,810	$42,324	$43,653
Miscellaneous Revenues(7)	6,562	5,912	5,738	5,769	5,819
Unrestricted Intergovernmental Aid	21	14	314	314	314
Less: Intra-City Revenues	(1,834)	(1,616)	(1,498)	(1,502)	(1,502)
Disallowances Against Categorical Grants	—	(15)	(15)	(15)	(15)
Subtotal – City Funds	$42,072	$43,201	$45,349	$46,890	$48,269
Other Categorical Grants	1,128	1,235	1,142	1,139	1,137
Inter-Fund Revenues(8)	583	558	493	493	493
Total City Funds, Other Categorical Grants and Inter-Fund Revenues	$43,783	$44,994	$46,984	$48,522	$49,899
Federal Categorical Grants	8,200	6,813	5,747	5,674	5,667
State Categorical Grants	11,819	11,352	12,274	12,487	12,903
Total Revenues	$63,802	$63,159	$65,005	$66,683	$68,469
EXPENDITURES					
Personal Services					
Salaries and Wages	$22,272	$21,576	$21,011	$21,329	$21,875
Pension	6,760	7,612	7,876	7,983	8,086
Fringe Benefits	7,328	7,669	8,088	8,409	8,917
Retiree Health Benefits Trust(9)	(82)	(395)	(672)	—	—
Subtotal – Personal Services	$36,278	$36,462	$36,303	$37,721	$38,878
Other Than Personal Services					
Medical Assistance	$ 5,140	$ 5,166	$ 5,947	$ 6,171	$ 6,778
Public Assistance	1,580	1,586	1,626	1,614	1,614
All Other(10)	19,505	19,415	19,290	19,832	20,377
Subtotal – Other Than Personal Services	$26,225	$26,167	$26,863	$27,617	$28,769
General Obligation, Lease and TFA Debt Service(11)	5,030	5,351	6,294	6,602	6,859
General Obligation, Lease and TFA Debt Defeasance(12)	(2,726)	—	—	—	—
FY 2009 Budget Stabilization & Discretionary Transfers(13)	(2,813)	—	—	—	—
FY 2010 Budget Stabilization(14)	3,642	(3,642)	—	—	—
General Reserve	—	437	300	300	300
Subtotal — Personal and Other Than Personal Services	$65,636	$64,775	$69,760	$72,240	$74,806
Less: Intra-City Expenses	(1,834)	(1,616)	(1,498)	(1,502)	(1,502)
Total Expenditures	$63,802	$63,159	$68,262	$70,738	$73,304
GAP TO BE CLOSED	$ —	$ —	$(3,257)	$(4,055)	$(4,835)

(1) The four year financial plan for the 2011 through 2014 fiscal years, as submitted to the Control Board on June 30, 2010, contained the following projections for the 2011-2014 fiscal years: (i) for 2011, total revenues of $63.077 billion and total expenditures of $63.077 billion; (ii) for 2012, total revenues of $64.641 billion and total expenditures of $68.357 billion, with a gap to be closed of $3.716 billion; (iii) for 2013, total revenues of $66.319 billion and total expenditures of $70.883 billion, with a gap to be closed of $4.564 billion; and (iv) for 2014, total revenues of $68.105 billion and total expenditures of $73.449 billion, with a gap to be closed of $5.344 billion.

The four year financial plan for the 2010 through 2013 fiscal years, as submitted to the Control Board on June 23, 2009, contained the following projections for the 2010-2013 fiscal years: (i) for 2010, total revenues of $59.480 billion and total expenditures of $59.480 billion; (ii) for 2011, total revenues of $61.237 billion and total expenditures of $66.162 billion, with a gap to be closed of $4.925 billion; (iii) for

(Footnotes continued on next page)

(Footnotes continued from previous page)

2012, total revenues of $62.659 billion and total expenditures of $67.653 billion, with a gap to be closed of $4.994 billion; and (iv) for 2013, total revenues of $65.024 billion and total expenditures of $70.657 billion, with a gap to be closed of $5.633 billion. The June 2009 Financial Plan did not include as revenues personal income tax revenues to be retained by the TFA and did not include as expenditures the funding requirements for TFA Future Tax Secured bonds.

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

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

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

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

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

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

(5) For Financial Plan assumptions, see "SECTION VII: FINANCIAL PLAN—Assumptions—*Revenue Assumptions*—3. Other Taxes."

(6) Other Taxes includes the impact of tax programs effective August 1, 2009, including the repeal of the sales tax exemption on clothing above $110 with estimated increased revenues of $108 million, $124 million, $133 million, $141 million and $141 million in fiscal years 2010 through 2014, respectively, an increase of 0.50 percent in the sales tax rate with estimated increased revenues of $468 million, $576 million, $598 million, $633 million and $667 million in fiscal years 2010 through 2014, respectively, the imposition of a 4.5 percent sales tax on all electric and natural gas transmission and distribution with estimated increased revenues of $75 million, $84 million, $87 million, $89 million and $89 million in fiscal years 2010 through 2014, respectively, and increases to City business taxes with estimated increased revenues of $159 million, $132 million, $153 million, $140 million and $140 million in fiscal years 2010 through 2014, respectively. Other Taxes includes the impact of the State cigarette tax increase effective July 1, 2010 with estimated decreased City cigarette tax revenues of $17 million, $17 million, $16 million and $16 million in fiscal years 2011 through 2014, respectively, as a result of declining consumption and increased tax avoidance.

(7) 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."

(8) 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.

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

(10) 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."

(Footnotes continued on next page)

(Footnotes continued from previous page)

(11) 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."

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

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

(14) FY 2010 Budget Stabilization reflects the discretionary transfer of $2.888 billion into the General Debt Service Fund in fiscal year 2010 for debt service due in fiscal year 2011 and the payment in fiscal year 2010 of $371 million in TFA funding requirements and $383 million in other subsidies otherwise due in fiscal year 2011.

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

Actions to Close the Remaining Gaps

Although the City has maintained balanced budgets in each of its last twenty-nine fiscal years, except for the application of GASB 49 with respect to fiscal year 2009, and is projected to achieve balanced operating results for the 2010 and 2011 fiscal years, except for the application of GASB 49, there can be no assurance that the Financial Plan or future actions to close projected outyear gaps can be successfully implemented or that the City will maintain a balanced budget in future years without additional State aid, revenue increases or expenditure reductions. Additional tax increases and reductions in essential City services could adversely affect the City's economic base.

Assumptions

The Financial Plan is based on numerous assumptions, including the condition of the City's and the region's economies and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for City employees exceed the annual wage costs assumed; realization of projected earnings for pension fund assets and current assumptions with respect to wages for City employees affecting the City's required pension fund contributions; the willingness and ability of the State to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City; the ability of HHC and other such entities to maintain balanced budgets; the willingness of the federal government to provide the amount of federal aid contemplated in the Financial Plan; the impact on City revenues and expenditures of federal and State legislation affecting Medicare or other entitlement programs; adoption of the City's budgets by the City Council in substantially the forms submitted by the Mayor; the ability of the City to implement cost reduction initiatives, and the success with which the City controls expenditures; the impact of conditions in the real estate market on real estate tax revenues; and the ability of the City and other financing entities to market their securities successfully in the public credit markets. See "SECTION 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 involve substantial change, and no assurance can be given that these estimates and projections, which include actions which the City expects will be taken but which are not within the City's control, will be realized. For information regarding certain recent developments, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS."

Revenue Assumptions

1. General Economic Conditions

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

Forecast of Key Economic Indicators

	Calendar Years					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
U.S. Economy						
Economic Activity and Income						
Real GDP (billions of 2005 dollars)	12,990	13,372	13,784	14,289	14,735	15,144
Percent Change	(2.4)	2.9	3.1	3.7	3.1	2.8
Non-Agricultural Employment (millions)	130.9	130.0	132.2	135.9	139.0	141.2
Change from Prior Year	(5.9)	(0.9)	2.2	3.8	3.1	2.1
CPI-All Urban (1982-84=100)	214.5	218.9	223.0	228.0	233.0	237.8
Percent Change	(0.3)	2.0	1.9	2.2	2.2	2.1
Wage Rate ($ per year)	48,007	49,361	50,743	51,969	53,494	55,205
Percent Change	0.3	2.8	2.8	2.4	2.9	3.2
Personal Income ($ billions)	12,030	12,413	13,005	13,735	14,494	15,325
Percent Change	(1.7)	3.2	4.8	5.6	5.5	5.7
Pre-Tax Corp Profits ($ billions)	1,424	1,648	1,812	1,870	1,922	1,905
Percent Change	(2.7)	15.7	10.0	3.2	2.8	(0.9)
Unemployment Rate (Percent)	9.3	9.6	9.1	8.0	7.2	6.7
10-Year Treasury Bond Rate	3.3	4.0	4.9	5.5	5.7	6.0
Federal Funds Rate	0.2	0.2	1.7	3.3	3.6	4.6
New York City Economy						
Real Gross City Product (billions of dollars)	538.7	558.1	559.4	572.6	585.8	597.8
Percent Change	(4.5)	3.6	0.2	2.4	2.3	2.1
Non-Agricultural Employment (thousands)	3,687	3,630	3,642	3,682	3,723	3,754
Change from Prior Year	(107)	(58)	12	40	41	31
CPI-All Urban NY-NJ Area (1982-84=100)	236.8	241.5	246.6	252.5	258.5	264.4
Percent Change	0.4	2.0	2.1	2.4	2.4	2.3
Wage Rate ($ per year)	73,467	76,293	79,313	80,012	82,824	85,859
Percent Change	(8.5)	3.8	4.0	0.9	3.5	3.7
Personal Income ($ billions)	413.3	425.4	441.6	457.8	478.0	501.5
Percent Change	(3.3)	2.9	3.8	3.7	4.4	4.9
New York Real Estate Market						
Manhattan Primary Office Market						
Asking Rental Rate ($ per square foot)	66.89	60.35	59.66	59.73	59.55	59.75
Percent Change	(19.2)	(9.8)	(1.1)	0.1	(0.3)	0.3
Vacancy Rate – Percent	11.5	12.9	11.8	10.8	10.5	10.7

Source: OMB.

2. Real Estate Tax

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

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

Projections of real estate tax revenues include net revenues from the sale of real property tax liens of $35 million in fiscal year 2010 and $40 million in each of fiscal years 2011 through 2014. The authorization to sell such real estate tax liens is effective until December 31, 2010. The Financial Plan assumes the enactment of local legislation to extend such authorization. Projections of real estate tax revenues include the effects of the State's STAR Program which will reduce the real estate tax revenues by an estimated $186 million and $209 million in fiscal years 2010 and 2011, respectively. 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 $399 million, $411 million, $430 million, $439 million and $439 million in fiscal years 2010 through 2014, respectively.

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

3. Other Taxes

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

	2010	**2011**	**2012**	**2013**	**2014**
			(In Millions)		
Personal Income(1)	$ 6,877	$ 7,557	$ 7,941	$ 8,272	$ 8,689
General Corporation	2,028	2,478	2,788	3,055	3,228
Banking Corporation	989	839	903	931	925
Unincorporated Business Income	1,556	1,588	1,701	1,789	1,891
Sales(2)	5,012	5,143	5,355	5,665	5,978
Commercial Rent	601	566	563	572	583
Real Property Transfer	616	628	703	765	828
Mortgage Recording	366	455	547	633	726
Utility	374	383	398	412	425
Cigarette	93	75	73	72	70
Hotel(3)	360	373	373	348	352
All Other(4)	1,405	1,419	1,421	1,498	1,509
Total	$20,277	$21,504	$22,766	$24,012	$25,204

(Footnotes on next page)

(Footnotes from previous page)

Note: Totals may not add due to rounding.

(1) Personal Income includes $191 million, $770 million, $1.615 billion, $1.837 billion and $2.0 billion of personal income tax revenues projected to be retained by the TFA for debt service and other expenses in the 2010, 2011, 2012, 2013 and 2014 fiscal years, respectively. These projections reflect reductions in personal income tax revenues as a result of the State's STAR Program under law in effect at the date of the Financial Plan in the amount of $718 million, $734 million, $771 million, $846 million and $846 million in the 2010 through 2014 fiscal years, respectively. The State will reimburse the City for reduced revenues resulting from the STAR Program.

(2) Sales reflects proposals effective August 1, 2009 including the repeal of the sales tax exemption on clothing above $110 with estimated increased revenues of $108 million, $124 million, $133 million, $141 million and $141 million in fiscal years 2010 through 2014, respectively, an increase of 0.50 percent in the sales tax rate with estimated increased revenues of $468 million, $576 million, $598 million, $633 million and $667 million in fiscal years 2010 through 2014, respectively, and the imposition of a 4.5 percent sales tax on all electric and natural gas transmissions and distribution with estimated increased revenues of $75 million, $84 million, $87 million, $89 million and $89 million in fiscal years 2010 through 2014, respectively.

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

(4) All Other includes, among others, OTB surtax revenues, beer and liquor taxes, and the automobile use tax. All Other also includes $904 million, $943 million, $980 million, $1.055 billion and $1.055 billion in fiscal years 2010 through 2014, respectively, to be provided to the City by the State as reimbursement for the reduced property tax and personal income tax revenues resulting from the State's STAR Program.

The Financial Plan reflects the following assumptions regarding projected revenues from Other Taxes: (i) with respect to the personal income tax, moderate growth in fiscal year 2010, primarily the result of the expiration of the STAR Program credit resulting in reduced middle-class tax refunds, and otherwise flat growth reflecting a moderate rebound in bonus payouts on calendar year 2009 earnings, a sharp decline in non-wage income in calendar year 2009, and no growth in non-finance wage earnings as a result of continued employment losses in calendar year 2009, strong growth in fiscal year 2011 reflecting continued strength in Wall Street bonus payouts, the stabilization in forecast employment in calendar year 2010, and a rebound in non-wage income in calendar year 2010, continued growth in fiscal years 2012 through 2014 reflecting the recovery of the national and local economies and local employment gains; (ii) with respect to the general corporation tax, a steep decline in fiscal year 2010 reflecting delayed finance sector payments on strong calendar year 2009 earnings, the impact of the local recession on non-finance sector payments and high levels of refund payouts, a rebound in fiscal year 2011 reflecting strong finance sector profitability in calendar year 2010 and a rebound in non-finance sector profitability, moderately strong growth in fiscal years 2012 through 2014 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (iii) with respect to the banking corporation tax, a decline in fiscal year 2010 primarily the result of the non-recurring revenue in fiscal year 2009 from federal/State tax shelter voluntary compliance programs and the high level of refund pay-outs, a further decline in fiscal year 2011 with the withdrawal of federal support putting pressure on bank profitability resulting in reduced payments from large banks, growth in fiscal year 2012 in part as a result of the decline in refund payouts, and for fiscal years 2013 and 2014, a conservative forecast of lower growth due to uncertainty over pending regulatory changes and the expected withdrawal of federal support; (iv) with respect to the unincorporated business tax, a decline in fiscal year 2010 reflecting steep declines in payments from smaller finance sector firms, particularly hedge funds, as well as non-finance sector firms, growth in fiscal year 2011 followed by a moderate rebound in fiscal years 2012 through 2014 reflecting a return to trend levels of Wall Street profitability and the recovery of the national and local economies; (v) with respect to the sales tax, strong growth in fiscal year 2010 reflecting several tax initiatives including the 0.5 percent sales tax rate increase, and strong local tourism-related consumption, offset by a decline in consumption stemming from continued local employment losses, and moderate growth in fiscal years 2011 through 2014 paralleling the recovery of the local economy and employment; (vi) with respect to the real property transfer tax, a continued decline in fiscal year 2010, as the local economic slowdown further reduces the number and average sales price of transactions in the residential market and the number and value of large commercial real estate transactions collapse as a result of the tighter credit market and the re-pricing of real estate related risk, no growth in fiscal year 2011 and a return to growth in fiscal year 2012 as both the volume and price of residential and commercial transactions grow with the recovery of the local economy; (vii) with respect to the mortgage recording tax, a continued decline in fiscal year 2010, as the number and average sales price of transactions in the residential market decline sharply and the tighter lending standards requiring higher down-payments reduces the average mortgage loan amount subject to tax, and a return to growth in fiscal year 2011 as both the volume and price of residential and commercial transactions grow with the recovery of the local economy; and (viii) with respect to the commercial rent tax, weak growth in fiscal year 2010, reflecting rising vacancy rates and declining asking rents as the local economy suffers from the impact of the national slowdown and contraction in office-using employment, declines in fiscal years 2011 and 2012 as the local office market suffers from employment losses, paralleling the slower employment growth forecast for the local economy, and a return to growth in fiscal years 2013 and 2014.

4. MISCELLANEOUS REVENUES

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

	2010	2011	2012 (In Millions)	2013	2014
Licenses, Permits and Franchises	$ 479	$ 481	$ 485	$ 486	$ 488
Interest Income	22	48	105	138	159
Charges for Services	736	751	748	748	747
Water & Sewer Payments (1)	1,623	1,332	1,335	1,329	1,356
Rental Income	233	243	251	255	263
Fines and Forfeitures	830	848	825	824	824
Other	805	593	491	487	480
Intra-City Revenues	1,834	1,616	1,498	1,502	1,502
	$6,562	$5,912	$5,738	$5,769	$5,819

(1) Received from the Water Board. For further information regarding the Water Board, see "SECTION VII: FINANCIAL PLAN—Financing Program."

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

Water and Sewer Payments reflects, in fiscal year 2010, approximately $275 million for collective bargaining settlements relating to certain water and sewer system workers.

Other reflects $121 million, $123 million, $124 million, $124 million and $125 million of projected resources in fiscal years 2010 through 2014, respectively, from the receipt by the City of TSRs. For more information, see "SECTION IV: SOURCES OF CITY REVENUES—Miscellaneous Revenues." Economic and legal uncertainties relating to the tobacco industry and the settlement, including pending anti-trust litigation challenging a State statute implementing the settlement agreement and adjustments provided for under the settlement agreement, may significantly affect the receipt of TSRs by TSASC and the City. Other also reflects, in fiscal year 2010, approximately $130 million in settlement revenue from a deferred prosecution and BPCA joint purpose funds of $133.8 million and $66.2 million in fiscal years 2010 and 2011, respectively.

5. UNRESTRICTED INTERGOVERNMENTAL AID

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

	2010	2011	2012 (In Millions)	2013	2014
State Revenue Sharing	$—	$—	$302	$302	$302
Other Aid	21	14	12	12	12
Total	$21	$14	$314	$314	$314

The Other Aid category consists of prior year claims settlements. State Revenue Sharing reflects the elimination of State Revenue Sharing in fiscal years 2010 and 2011. For information concerning projected State budget gaps, and the status of the State budget, see "SECTION II: RECENT FINANCIAL DEVELOPMENTS—The State."

6. FEDERAL AND STATE CATEGORICAL GRANTS

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

	2010	2011	2012	2013	2014
Federal					
Community Development	$ 315	$ 247	$ 240	$ 240	$ 240
Social Services	3,070	2,747	2,712	2,681	2,681
Education	2,949	2,568	1,723	1,723	1,723
Other	1,866	1,251	1,072	1,030	1,023
Total	$ 8,200	$ 6,813	$ 5,747	$ 5,674	$ 5,667
State					
Social Services	$ 2,186	$ 2,051	$ 2,040	$ 2,013	$ 2,012
Education	8,085	7,983	8,806	8,960	9,288
Higher Education	206	187	220	220	220
Health and Mental Hygiene	489	445	435	434	436
Other	853	686	773	860	947
Total	$11,819	$11,352	$12,274	$12,487	$12,903

The Financial Plan assumes that all existing federal and State categorical grant programs will continue, unless specific legislation provides for their termination or adjustment, and assumes increases in aid where increased costs are projected for existing grant programs. Federal funds for education, primarily provided through the American Recovery and Reinvestment Act ("ARRA") of $1.665 billion and $1.070 billion are reflected in fiscal years 2010 and 2011, respectively. In addition, the Financial Plan assumes increased federal Medicaid participation of $561 million, $395 million and $422 million in fiscal years 2011 through 2013, respectively. The Financial Plan includes a reserve of $137 million in fiscal year 2011 to partially address a shortfall in such increased federal participation. Subsequent to the release of the Financial Plan, the federal government enacted legislation extending federal Medicaid participation in an amount less than assumed in the Financial Plan, which will result in increased City expenditures of $82 million, $15 million and $109 million in fiscal years 2011 through 2013, respectively. For information on changes to federal Medicaid participation see "SECTION II: RECENT FINANCIAL DEVELOPMENTS." For information concerning projected State budget gaps and the possible impact on State aid to the City, see "SECTION I: INTRODUCTORY STATEMENT" and "SECTION II: RECENT FINANCIAL DEVELOPMENTS—The State." As of May 31, 2010, approximately 13.3% 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, housing overcrowding and poverty.

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

Expenditure Assumptions

1. Personal Services Costs

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

	2010	2011	2012	2013	2014
			(In Millions)		
Wages and Salaries	$22,198	$21,492	$20,840	$20,996	$21,283
Pensions	6,760	7,612	7,876	7,983	8,086
Other Fringe Benefits	7,328	7,669	8,088	8,409	8,917
Retiree Health Benefits Trust	(82)	(395)	(672)	—	—
Reserve for Collective Bargaining					
Department of Education	34	26	62	60	60
Other	40	58	109	273	532
Reserve Subtotal	74	84	171	333	592
Total	$36,278	$36,462	$36,303	$37,721	$38,878

The Financial Plan projects that the authorized number of City-funded full-time and full-time equivalent employees whose salaries are paid directly from City funds, as opposed to federal or State funds or water and sewer funds, will decrease from an estimated level of 264,998 as of June 30, 2010 to an estimated level of 257,514 by June 30, 2014.

Other Fringe Benefits includes $1.683 billion, $1.854 billion, $2.020 billion, $2.169 billion and $2.332 billion in fiscal years 2010 through 2014, respectively, for OPEB expenditures for current retirees, which costs are currently paid by the City on a pay-as-you-go basis. Other Fringe Benefits does not reflect lowered expense of $225 million in fiscal year 2010 as a result of the prepayment in fiscal year 2009 of $225 million into the Retiree Health Benefits Trust Fund. For information on deposits to the trust to fund a portion of the future cost of OPEB for current and future retirees, see "Section VI: Financial Operations—2005-2009 Summary of Operations." For information on the OPEB reporting requirement, see "Section III: Government and Financial Controls—City Financial Management, Budgeting and Controls—*Financial Reporting and Control Systems,*" and "Appendix B—Financial Statements—Notes to Financial Statements—Note E.5."

Retiree Health Benefits Trust reflects lowered expense of $82 million, $395 million and $672 million in fiscal years 2010 through 2012, respectively, as a result of reduced contributions to the Retiree Health Benefits Trust Fund in those years. The lowered expense was reflected in Other Fringe Benefits in the June 2009 Financial Plan. For additional information see "Section II: Recent Financial Developments."

The Reserve for Collective Bargaining contains funds for the cost of collective bargaining increases for labor contracts not yet settled. The Reserve for Collective Bargaining reflects savings of $270 million, $630 million, $800 million, $900 million and $900 million in fiscal years 2010 through 2014, respectively, as a result of eliminating collective bargaining wage increases of 4% annually for two years for DOE pedagogical employees and supervisors included in the June 2009 Financial Plan. In addition, the Reserve for Collective Bargaining reflects savings of $35 million, $190 million, $469 million, $730 million and $952 million in fiscal years 2010 through 2014, respectively, associated with the elimination of 1.25% annual wage increases for the next round of collective bargaining that had been assumed in the June 2009 Financial Plan. For additional information, see "Section II: Recent Financial Developments" and "Section V: City Services and Expenditures — Employees and Labor Relations — *Labor Relations.*"

For a discussion of the City's pension systems, see "SECTION IX: OTHER INFORMATION—Pension Systems" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note E.6. and Note F."

2. OTHER THAN PERSONAL SERVICES COSTS

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

	2010	2011	2012 (In Millions)	2013	2014
Administrative OTPS and Energy	$16,416	$16,218	$15,996	$16,330	$16,675
Public Assistance	1,580	1,586	1,626	1,614	1,614
Medical Assistance	5,140	5,166	5,947	6,171	6,778
HHC Support	200	184	198	198	198
Other	2,888	3,013	3,096	3,304	3,504
Total	$26,224	$26,167	$26,863	$27,617	$28,769

Administrative OTPS and Energy

The Financial Plan contains estimates of the City's administrative OTPS expenditures for general supplies and materials, equipment and selected contractual services and estimates of energy costs in the 2010 fiscal year. Thereafter, to account for inflation, administrative OTPS expenditures are projected to rise by 2.5% annually in fiscal years 2012 through 2014. Energy costs for each of the 2010 through 2014 fiscal years are assumed to increase annually, with total energy expenditures projected at $921 million in fiscal year 2010 and increasing to $1.11 billion by fiscal year 2014.

Public Assistance

The number of persons receiving benefits under cash assistance programs is projected to average 355,800 per month in the 2010 fiscal year. Of total cash assistance expenditures in the City, the City-funded portion is projected to be $546 million in fiscal year 2010, $565 million in each of fiscal years 2011 and 2012 and $603 million in each of fiscal years 2013 and 2014, when the City is projected to assume the local share of a State-initiated increase in the basic public assistance grant. Public Assistance also reflects, in fiscal year 2010, $102 million combined State and ARRA federal funds for a State initiative to provide $200 per child back-to-school cash assistance to families in receipt of cash assistance or food stamps.

Medical Assistance

Medical assistance payments projected in the Financial Plan consist of payments to voluntary hospitals, skilled nursing facilities, intermediate care facilities, home care, pharmacy, managed care and physicians and other medical practitioners. The City-funded portion of medical assistance payments is estimated at $5.0 billion for the 2010 fiscal year, which is lower than subsequent fiscal years as a result of a temporary increase in the federal share of Medicaid costs under ARRA. The City-funded portion of medical assistance payments is expected to increase to $5.503 billion, $5.812 billion, $6.036 billion and $6.643 billion in fiscal years 2011 through 2014, respectively. Such payments include, among other things, City-funded Medicaid payments, including City-funded Medicaid payments to HHC. City Medicaid costs (including City-funded Medicaid payments to HHC) assumed in the Financial Plan do not include the non-federal share of long-term care costs which have been assumed by the State.

Health and Hospitals Corporation

HHC operates under its own section of the Financial Plan as a Covered Organization. The HHC financial plan projects City-funded expenditures of $190 million in fiscal year 2010 decreasing to $189 million in fiscal year 2014. City-funded expenditures include City subsidy, intra-City payments and grants and exclude prepayments.

On an accrual basis, HHC's total receipts before implementation of the HHC gap-closing program are projected to be $6.4 billion, $6.6 billion, $6.9 billion, $6.9 billion and $6.9 billion in fiscal years 2010 through 2014, respectively. Total disbursements before implementation of the HHC gap-closing program are projected to be $6.8 billion in fiscal year 2010 increasing to $7.6 billion in fiscal year 2014. These projections assume increases in other than personal services costs and fringe benefits in fiscal years 2010 through 2014. Significant changes have been and may be made in Medicaid, Medicare and other third-party payor programs, which could have adverse impacts on HHC's financial condition.

Other

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

New York City Transit

NYCT operates under its own section of the Financial Plan as a Covered Organization. The financial plan for NYCT covering its 2010 through 2013 fiscal years was prepared in February 2010. The NYCT fiscal year coincides with the calendar year. The NYCT financial plan projects City assistance to the NYCT operating budget of $277.6 million in 2010 increasing to $304.8 million in 2013, in addition to real estate transfer tax revenue dedicated for NYCT use of $279.7 million in 2010 increasing to $429 million in 2013. The NYCT financial plan assumes decreased student fare subsidies in 2010 and the elimination of student fare subsidies beginning in 2011. The Financial Plan assumes continued reimbursement to the MTA of $45 million annually for student fare subsidies and reflects City assistance to the NYCT operating budget of $295.6 million in 2010, increasing to $349.8 million in 2013.

The State Legislature passed, and the Governor signed on May 7, 2009, legislation providing assistance to the MTA through increased revenues from new taxes and fees. These include a payroll mobility tax which is a tax on payroll expenses and net earnings from self-employment, a supplemental fee on driver licenses and automobile registration, a supplemental tax on taxi rides imposed on taxicab owners and a supplemental tax on automobile rentals. These fees and surcharges are projected to generate for NYCT $1.4 billion, $1.5 billion, $1.7 billion and $1.6 billion in 2010 through 2013, respectively. The NYCT financial plan includes service cuts, student fare revenues and other actions to achieve at least $95.7 million in 2010 in order to balance its budget in 2010. On March 24, 2010, the MTA Board approved the service cuts projected in the NYCT financial plan for savings of approximately $46.7 million in 2010.

After reflecting such revenues and actions, the NYCT financial plan projects $8.1 billion in revenues and $10.4 billion in expenses for 2010, leaving a budget gap of $2.3 billion. After accounting for accrual adjustments and cash carried over from 2009, NYCT projects a balanced budget in 2010. The NYCT financial plan forecasts operating budget gaps of $0.3 billion in 2011, $0.3 billion in 2012 and $0.6 billion in 2013.

Subsequent to the preparation of the NYCT financial plan, the MTA announced that the State indicated that the amount the MTA will receive from the payroll mobility tax may be up to $378 million below the amount projected and that additional State cuts may be forthcoming. As of June 2010, payroll mobility tax receipts were $278 million below the NYCT financial plan forecast. The impact of these reductions on the NYCT is unknown at this time, although it is expected to be substantial. The revenue shortfalls described above will reduce funds projected to be available to balance the budget for 2010, thereby requiring increased revenues or decreased expenditures to achieve budget balance. In June 2010, the MTA eliminated the plan to charge student fares as a result of the restoration of $25 million in student fare subsidy by the State. This will have no impact in 2010.

The MTA Board approved the 2010-2014 Capital Program in April 2010 and the State's Capital Program Review Board ("CPRB") approved it on June 2, 2010. The plan includes $23.8 billion for all MTA agencies, including $12.8 billion to be invested in the NYCT core system, $1.7 billion for NYCT network expansion, and $0.2 billion for security. To date, funding sources have been identified for only a portion of the 2010-2014 Capital Program. There can be no assurance that the 2010-2014 Capital Program will be fully funded. If the MTA's capital program is delayed or reduced, ridership and fare revenues may decline which could, among other things, impair the MTA's ability to meet its operating expenses without additional assistance.

The 2010-2014 Capital Program follows the 2005-2009 Capital Program, which provided approximately $17.1 billion for NYCT. In addition, the 2005-2009 Capital Program included approximately $2 billion for extension of the Number 7 subway line and other public improvements which will be funded with proceeds of bonds issued by the Hudson Yards Infrastructure Corporation ("HYIC"). See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities—*Indebtedness of the City and Related Issuers*."

Department of Education

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

Judgments and Claims

In the fiscal year ended on June 30, 2009, the City expended $623.2 million for judgments and claims, $137.5 million of which was reimbursed by HHC. The Financial Plan includes provisions for judgments and claims of $591.0 million, $687 million, $745.0 million, $805.2 million and $867.8 million for the 2010 through 2014 fiscal years, respectively. These projections incorporate a substantial amount of claims costs attributed to HHC for which HHC will reimburse the City. These amounts are estimated at $189.9 million for each of fiscal years 2011 through 2014. The City is a party to numerous lawsuits and is the subject of numerous claims and investigations. The City has estimated that its potential future liability on account of outstanding claims against it as of June 30, 2009 amounted to approximately $5.5 billion. This estimate was made by categorizing the various claims and applying a statistical model, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and by supplementing the estimated liability with information supplied by the City's Corporation Counsel. For further information regarding certain of these claims, see "SECTION IX: OTHER INFORMATION—Litigation."

In addition to the above claims, numerous real estate tax *certiorari* proceedings involving allegations of inequality of assessment, illegality and overvaluation are currently pending against the City. The City's Financial Statements for the fiscal year ended June 30, 2009 include an estimate that the City's liability in the *certiorari* proceedings, as of June 30, 2009, could amount to approximately $851 million. Provision has been made in the Financial Plan for estimated refunds of $268 million, $394 million, $409 million, $365 million and $380 million for the 2010 through 2014 fiscal years, respectively. For further information concerning these claims, certain remedial legislation related thereto and the City's estimates of potential liability, see "SECTION IX: OTHER INFORMATION—Litigation—*Taxes*" and "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note D.5."

3. GENERAL OBLIGATION, LEASE AND TFA DEBT SERVICE

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

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

The Financial Plan reflects general obligation debt service of $3.73 billion, $3.95 billion, $4.4 billion, $4.5 billion and $4.58 billion in fiscal years 2010 through 2014, respectively, conduit debt service of $179 million, $265 million, $270 million, $268 million and $263 million in fiscal years 2010 through 2014, respectively, and TFA funding requirements of $1.12 billion, $1.14 billion, $1.62 billion, $1.84 billion and $2.0 billion in fiscal years 2010 through 2014, respectively. In addition, the Financial Plan reflects, in fiscal year 2010, debt service offsets totaling $4.7 billion as a result of debt defeasance, redemptions and prepayments. See "SECTION VI: FINANCIAL OPERATIONS—Forecast of 2010 Results."

Certain Reports

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

On July 28, 2010, the City Comptroller released a report on the City's amended adopted budget for fiscal year 2011 and the Financial Plan. The report notes that the City achieved budget balance for fiscal year 2011 with the use of service reductions, an aggressive labor policy and the fiscal year 2010 surplus. The report cites collective bargaining with the City's teacher and school administrator unions, decreased federal Medicaid assistance and increased overtime as the greatest risks to the fiscal year 2011 amended adopted budget and Financial Plan. The report further notes that even following an economic recovery, the City's fiscal position will be challenged by the high cost of debt service and employee health insurance and pensions.

In his report, the City Comptroller identified net risks for fiscal years 2011 through 2014 which, when added to the results projected in the Financial Plan, would result in gaps of $690 million, $3.99 billion, $5.10 billion and $5.35 billion, respectively. The differences from the Financial Plan projections result in part from the City Comptroller's expenditure projections, which exceed those in the Financial Plan by $1.05 billion, $818 million, $1.06 billion and $735 million in fiscal years 2011 through 2014, respectively, resulting from: (i) wage increases as a result of collective bargaining with the City's teacher and school administrator unions, which would result in increased costs of $898 million, $800 million, $897 million and $900 million in fiscal years 2011 through 2014, respectively; (ii) decreased federal Medicaid assistance of $142 million, $61 million and $269 million in fiscal years 2011 through 2013, respectively; (iii) increased overtime expenditures of $96 million in fiscal year 2011 and $100 million in each of fiscal years 2012 through 2014; and (iv) decreased judgments and claims expenditures of $85 million, $143 million, $203 million and $265 million in fiscal years 2011 through 2014, respectively. The differences from the Financial Plan also result from the City Comptroller's revenue projections. The report estimates that (i) property tax revenues will be lower by $39 million, $67 million, $98 million and $92 million in fiscal years 2011 through 2014, respectively; (ii) personal income tax revenues will be lower by $96 million, $61 million and $4 million in fiscal years 2011 through 2013, respectively, and higher by $45 million in fiscal year 2014; (iii) business tax revenues will be higher by $33 million in fiscal year 2011, and lower by $43 million, $218 million and $102 million in fiscal years 2012 through 2014, respectively; (iv) sales tax revenues will be higher by $114 million, $119 million, $110 million and $78 million in fiscal years 2011 through 2014, respectively; and (v) real-estate related taxes will be higher by $349 million, $447 million, $524 million and $591 million in fiscal years 2011 through 2014, respectively. The revenue projections result in net additional tax revenues of $361 million, $395 million, $314 million and $520 million in fiscal years 2011 through 2014, respectively. Additionally, the City Comptroller estimates that State aid could be reduced by $300 million in each of fiscal years 2012 through 2014.

On July 28, 2010, the staff of the OSDC released a report on the Financial Plan. The OSDC report states that though the City has managed the budget in a fiscally prudent manner during the recent recession, significant challenges lay ahead. The City achieved budget balance in fiscal year 2011 with the use of the fiscal year 2010 surplus, non-recurring resources and revenue actions. In fiscal years 2012 through 2014, the report cites decreased federal and State aid and the results of the collective bargaining process as risks to the Financial Plan.

The report quantifies certain risks, partially offset by possible additional resources, to the Financial Plan. The report identifies possible net risks to the Financial Plan of $726 million, $1.89 billion, $2.19 billion and $1.92 billion in fiscal years 2011 through 2014, respectively. When combined with the results projected in the Financial Plan, the report estimates that these risks could result in budget gaps of $726 million, $5.15 billion, $6.25 billion and $6.75 billion in fiscal years 2011 through 2014, respectively. The possible additional resources identified in the report result from (i) increased tax revenues of $250 million in each of fiscal years 2011 through 2014 and (ii) decreased planned contributions to the pension funds of $7 million, $16 million and $22 million in fiscal years 2012 through 2014, respectively, resulting from increased investment earnings in fiscal year 2010. The risks to the Financial Plan identified in the report include: (i) wage increases as a result of collective bargaining with the teachers union which would result in increased costs of $626 million, $800 million, $898 million and $900 million in fiscal years 2011 through 2014, respectively; (ii) decreased federal Medicaid assistance of $279 million, $61 million and $269 million in fiscal years 2011 through 2013, respectively; (iii) increased police department overtime costs of $50 million in fiscal year 2011 and $100 million in each of fiscal years 2012 through 2014; (iv) decreased savings as a result of failing to achieve certain agency actions of $21 million, $33 million, $35 million and $37 million in fiscal years 2011 through 2014, respectively; (v) decreased revenue sharing from the State of $302 million in each of fiscal years 2012 through 2014; and (v) the loss of federal stimulus funds resulting in decreased revenue of $853 million in each of fiscal years 2012 through 2014.

In addition to the adjustments to the Financial Plan projections set forth above, the OSDC report identifies two additional risks that could have a significant impact on the City. First, if wages were to increase at the projected rate of inflation without any offsetting savings, costs would increase by $304 million, $803 million, $1.3 billion and $1.8 billion in fiscal years 2011 through 2014, respectively. Second, the City's authority to accrue certain education aid from the State in the current fiscal year was not reauthorized by the Governor. Though the Governor and legislative leaders have publicly stated their intent to renew such authority, the failure to do so could result in a loss of $202 million in fiscal year 2012.

On July 22, 2010, the staff of the Control Board issued a report on the Financial Plan. The report observes that though the City has adopted a balanced budget for fiscal year 2011, budget balance was partially achieved by prepaying $3.6 billion of fiscal year 2011 expenses with the fiscal year 2010 surplus. The City has fully depleted the City's Budget Stabilization Account leaving no funds to facilitate future year budget balance. The report notes that the City must increase the Budget Stabilization Account during fiscal year 2011 to help balance the fiscal year 2012 budget. During the Financial Plan years, the report notes that growth in expenditures is outpacing growth in revenues. The report cites pension, healthcare and debt service costs as areas of significant expenditure growth, and reduced federal and State aid as areas of significant revenue risk. Additionally, the report states that the gaps stated in the Financial Plan may be larger since the Financial Plan assumes no funding for future labor contracts. The report identifies risks to the Financial Plan of decreased property tax revenues and increased overtime expenses as areas which are under mayoral control, and decreased State and federal assistance as areas that are not under mayoral control.

The report quantifies certain risks, partially offset by possible additional resources, to the Financial Plan. The report identifies possible net risks of $596 million, $1.5 billion, $1.63 billion and $1.29 billion in fiscal years 2011 through 2014, respectively. When combined with the results projected in the Financial Plan, these net risks would result in estimated gaps of $596 million, $4.76 billion, $5.68 billion and $6.12 billion in fiscal years 2011 through 2014, respectively. The possible additional resources identified in the report result from increased miscellaneous revenues of $25 million, $50 million, $75 million and $100 million in fiscal years 2011 through 2014, respectively. The risks to the Financial Plan identified in the report include: (i) decreased property tax collections of $150 million, $100 million and $50 million in fiscal years 2012 through 2014, respectively; (ii) increased uniformed services overtime expenses of $140 million, $187 million, $184 million and $184 million in fiscal years 2011 through 2014, respectively; (iii) decreased aid from the State of $302 million in each of fiscal years 2012 through 2014; (iv) decreased State education aid of $202 million in fiscal year 2012 as a result of a change, expected to be temporary, in the method by which the City is authorized to accrue such aid; (v) decreased federal Medicaid assistance of $279 million, $61 million and $269 million in fiscal years 2011 through 2013, respectively; and (vi) decreased federal education aid as a result of as a result of expiring stimulus funds resulting in reduced revenue of $850 million in each of fiscal years 2012 through 2014, respectively.

The report identifies rising debt service costs as having a significant impact on the City's finances and notes that the vast majority of the increasing debt service costs in the Financial Plan years are largely nondiscretionary since such costs are generated by existing contract liabilities. The report identifies as discretionary that portion of debt service associated with borrowing commitments to be entered into during the Financial Plan years, which represents less than one percent of total debt service costs in fiscal year 2011 and ten percent of total debt service costs in fiscal year 2014. Debt service costs will require an increase in per capita spending from $628 in fiscal year 2011 to $851 in fiscal year 2014 and are projected to consume larger shares of tax and total revenues.

Long-Term Capital Program

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

The City utilizes a three-tiered capital planning process consisting of the Ten-Year Capital Strategy, the Four-Year Capital Plan and the current-year Capital Budget. The Ten-Year Capital Strategy is a long-term planning tool designed to reflect fundamental allocation choices and basic policy objectives. The Four-Year Capital Plan translates mid-range policy goals into specific projects. The Capital Budget defines specific projects and the timing of their initiation, design, construction and completion. On May 6, 2010, the City released a capital plan covering fiscal years 2010 through 2014 (the "2010-2014 Capital Commitment Plan").

City-funded commitments, which were $344 million in fiscal year 1979, are projected to reach $10.2 billion in fiscal year 2010. City-funded expenditures are forecast at $9.0 billion in fiscal year 2010; total expenditures are forecast at $10.2 billion in fiscal year 2010. For additional information concerning the City's capital expenditures and the Ten-Year Capital Strategy covering fiscal years 2010 through 2019, see "SECTION V: CITY SERVICES AND EXPENDITURES—Capital Expenditures."

The following table sets forth the major areas of capital commitment projected in the 2010-2014 Capital Commitment Plan.

2010-2014 CAPITAL COMMITMENT PLAN

	2010		2011		2012		2013		2014		Total	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
	(In millions)											
Mass Transit(1)	$ 173	$ 243	$ 74	$ 74	$ 65	$ 65	$ 66	$ 66	$ 59	$ 59	$ 437	$ 507
Roadway, Bridges	1,082	1,840	808	1,171	548	982	406	517	586	685	3,431	5,195
Environmental Protection(2)	2,869	3,223	1,705	1,710	1,347	1,347	1,247	1,257	1,301	1,301	8,469	8,838
Education(3)	1,328	2,508	1,047	2,072	1,061	2,122	1,045	2,071	1,373	2,745	5,854	11,520
Housing	492	652	274	443	204	316	284	389	269	377	1,523	2,177
Sanitation	595	600	743	743	86	86	122	122	81	81	1,627	1,632
City Operations/Facilities	6,503	6,980	2,947	3,221	1,109	1,166	2,040	2,098	796	851	13,396	14,316
Economic and Port Development	1,177	1,423	145	145	96	96	169	169	55	55	1,642	1,887
Reserve for Unattained Commitments	(4,035)	(4,035)	509	509	711	711	(53)	(53)	282	282	(2,585)	(2,585)
Total Commitments(4)	$10,186	$13,434	$8,253	$10,087	$5,228	$6,892	$5,326	$6,637	$4,802	$6,436	$33,795	$43,486
Total Expenditures(5)	$ 8,977	$10,173	$8,133	$ 9,542	$7,377	$9,093	$6,634	$8,486	$6,453	$8,237	$37,574	$45,531

Note: Totals may not add due to rounding.

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

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

(3) All Funds reflects State funding for educational facilities in the form of financing of $4.0 billion from the proceeds of bonds of the TFA that are expected to be paid from State aid to education.

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

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

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

In December 2009, the City issued an Asset Information Management System Report (the "AIMS Report"), which is its annual assessment of the asset condition and a proposed maintenance schedule for its assets and asset systems which have a replacement cost of $10 million or more and a useful life of at least ten years, as required by the City Charter. This report does not reflect any policy considerations which could affect the appropriate amount of investment, such as whether there is a continuing need for a particular facility or whether there have been changes in the use of a facility. The AIMS Report estimated that $5.59 billion in capital investment would be needed for fiscal years 2011 through 2014 to bring the assets to a state of good repair. The report also estimated that $349 million, $193 million, $227 million and $193 million should be spent on maintenance in fiscal years 2011 through 2014, respectively.

The recommended capital investment for each inventoried asset is not readily comparable to the capital spending allocated by the City in the 2010-2014 Capital Commitment Plan and the Ten-Year Capital Strategy. Only a portion of the funding set forth in the 2010-2014 Capital Commitment Plan is allocated to specifically identified assets, and funding in the subsequent years of the Ten-Year Capital Strategy is even less identifiable with individual assets. Therefore, there is a substantial difference between the amount of investment recommended in the report for all inventoried City assets and amounts allocated to the specifically identified inventoried assets in the 2010-2014 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 2010, concluded that the capital investment in the Four-Year Capital Plan, for fiscal years 2011 through 2014, for the specifically identified inventoried assets funded 53% of the total investment recommended in the preceding AIMS Report issued in December 2009. Capital investment allocated in the Ten-Year Capital Strategy published in April 2009 funded an additional portion of the recommended investment. In the same Reconciliation Report, OMB estimated that 70% of the expense maintenance levels recommended were included in the financial plan.

Financing Program

The following table sets forth the par amount of bonds issued and expected to be issued during the 2011 through 2014 fiscal years to implement those fiscal years of the 2010-2014 Capital Commitment Plan. See "SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities."

2011-2014 FINANCING PROGRAM

	2011	2012	2013	2014	Total
City General Obligation Bonds(1)	$3,025	$2,720	$2,480	$2,440	$10,665
TFA Future Tax Secured Bonds(1)	3,025	2,720	2,480	2,440	10,665
Water Authority Bonds(1)(2)	2,005	1,811	1,543	1,406	6,765
Total	$8,055	$7,251	$6,503	$6,286	$28,095

Note: Totals may not add due to rounding.

(1) Figures exclude refunding bonds.

(2) Water Authority Bonds includes 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. The City's Ten-Year Capital Strategy applicable to the City's water and sewer system covering fiscal years 2010 through 2019, projects City-funded water and sewer investment (which is expected to be financed with proceeds of Water Authority debt) at approximately $13.9 billion. The City's Capital Commitment Plan for fiscal years 2010 through 2014 reflects total anticipated City-funded water and sewer commitments of $8.3 billion which are expected to be financed with the proceeds of Water Authority debt.

The TFA is authorized to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and may issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. Future Tax Secured Bonds are issued for general City capital purposes and are secured by the City's personal income tax revenues and, to the extent such revenues do not satisfy specified debt ratios, sales tax revenues. In addition, the TFA is authorized to have outstanding $9.4 billion of Building Aid Revenue Bonds to pay for a portion of the City's five-year educational facilities capital plan. Building Aid Revenue Bonds are secured by State building aid, which the Mayor has assigned to the TFA. The TFA expects to issue $993 million, $883 million, $1.016 billion and $1.147 billion of Building Aid Revenue Bonds in fiscal years 2011 through 2014, respectively.

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

Interest Rate Exchange Agreements

In an effort to reduce its borrowing costs over the life of its bonds, the City began entering into interest rate exchange agreements commencing in fiscal year 2003. For a description of such agreements, see "APPENDIX B—FINANCIAL STATEMENTS—Notes to Financial Statements—Note A.13." As of June 30, 2010, the aggregate notional amount of the City's interest rate exchange agreements was $2,616,230,000 and the total marked-to-market value of such agreements was ($180,810,461).

In addition, in connection with its Courts Facilities Lease Revenue Bonds (The City of New York Issue) Series 2005A and B, DASNY entered into interest rate exchange agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P. and JPMorgan Chase Bank, National Association. The City is obligated, subject to appropriation, to make lease payments to DASNY reflecting DASNY's obligations under these interest rate exchange agreements. Pursuant to such agreements with a notional amount of $125,500,000, an effective date of May 15, 2013 and a termination date of May 15, 2032, DASNY is to make payments based on the Securities Industry and Financial Markets Association Index ("SIFMA") and receive a fixed rate of 4.179%. Pursuant to such agreements with a notional amount of $125,500,000, an effective date of June 15, 2005 and a termination date of May 15, 2039, DASNY pays a fixed rate of 3.017% and receives payments based on a LIBOR-indexed variable rate. As of June 30, 2010, the total marked-to-market value of the DASNY agreements was ($8,404,697).

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 reflects the issuance of short-term obligations in the amount of $2.4 billion in each of fiscal years 2011 through 2014.

SECTION VIII: INDEBTEDNESS

Indebtedness of the City and Certain Other Entities

Outstanding City and PBC Indebtedness

The following table sets forth outstanding City and PBC indebtedness as of June 30, 2010. "City indebtedness" refers to general obligation debt of the City, net of reserves. "PBC indebtedness" refers to obligations of the City, net of reserves, to the following public benefit corporations ("PBCs"): the Housing Authority, the New York City Educational Construction Fund ("ECF"), New York State Housing Finance Agency ("HFA"), DASNY, CUCF, and the New York State Urban Development Corporation ("UDC"). PBC indebtedness is not debt of the City. However, the City has entered into agreements to make payments, subject to appropriation, to PBCs to be used for debt service on certain obligations constituting PBC indebtedness. Neither City indebtedness nor PBC indebtedness includes outstanding debt of the TFA, TSASC, Fiscal Year 2005 Securitization Corp. or STAR Corp., which are not obligations of, and are not paid by, the City; nor does such indebtedness include obligations of HYIC, for which the City has agreed to pay, as needed and subject to appropriation, interest on but not principal of such obligations.

(In Thousands)		
Gross City Long-Term Indebtedness(1)	$41,492,929	
Less: Assets Held for Debt Service(2)	(2,595)	
Net City Long-Term Indebtedness		$41,490,334
PBC Indebtedness		
Bonds Payable	329,178	
Capital Lease Obligations	1,385,740	
Gross PBC Indebtedness	1,714,918	
Less: Assets Held for Debt Service	(320,183)	
Net PBC Indebtedness		1,394,735
Combined Net City and PBC Indebtedness		$42,885,069

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

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

Trend in Outstanding Net City and PBC Indebtedness

The following table shows the trend in the outstanding net City and PBC indebtedness as of June 30 of each of the fiscal years 2000 through 2010.

	City Indebtedness		PBC	
	Long-Term	Short-Term	Indebtedness	Total
	(In Millions)			
2000	$25,543	$—	$1,575	$27,118
2001	25,609	—	1,533	27,142
2002	27,312	—	1,537	28,849
2003	29,043	—	2,059	31,102
2004	30,498	—	1,766	32,264
2005	33,688	—	1,941	35,629
2006	34,076	—	1,751	35,827
2007	34,396	—	1,637	36,033
2008	33,129	—	1,558	34,687
2009	38,648	—	1,484	40,131
2010	41,490	—	1,395	42,885

Rapidity of Principal Retirement

The following table details, as of June 30, 2010, 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	19.77%
10 years	45.30
15 years	69.02
20 years	87.31
25 years	96.68
30 years	99.94

City and PBC Debt Service Requirements

The following table summarizes future debt service requirements, as of June 30, 2010, on City and PBC indebtedness.

Fiscal Years	City Long-Term Debt Principal	City Long-Term Debt Interest	PBC Indebtedness	Total
	(In thousands)			
2011	$ 1,783,898	$ 1,789,715	$ 65,818	$ 3,639,431
2012	2,153,350	1,719,834	71,121	3,944,305
2013 through 2147	37,555,681	16,129,461	1,577,979	55,263,121
Total	$41,492,929	$19,639,010	$1,714,918	$62,846,857

Certain Debt Ratios

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

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

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

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

Indebtedness of the City and Related Issuers

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

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

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

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

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

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

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

As of July 1, 2010, approximately $41.2 billion of City general obligation bonds were outstanding.

As of June 30, 2010, $2 billion aggregate principal amount of HYIC bonds were outstanding. Such bonds were issued to finance the extension of the Number 7 subway line and other public improvements. They are secured by and payable from payments in lieu of taxes and other revenues generated by development in the Hudson Yards area. To the extent such payments in lieu of taxes and other revenues are insufficient to pay interest on the HYIC bonds, the City has agreed to pay the amount of any shortfall in interest on such bonds, subject to appropriation. The City has no obligation to pay the principal of such bonds.

Certain Provisions for the Payment of City Indebtedness

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

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

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

Limitations on the City's Authority to Contract Indebtedness

The Financial Emergency Act imposes various limitations on the issuance of City indebtedness. No TANs may be issued by the City which would cause the principal amount of such issue of TANs to exceed 90% of the "available tax levy," as defined in the Act, with respect to such issue; TANs and renewals thereof must mature not later than the last day of the fiscal year in which they were issued. No RANs may be issued by the City which would cause the principal amount of RANs outstanding to exceed 90% of the "available revenues," as defined in the Act, for that fiscal year; RANs must mature not later than the last day of the fiscal year in which they were issued; and in no event may renewals of RANs mature later than one year subsequent to the last day of the fiscal year in which such RANs were originally issued. No BANs may be issued by the City in any fiscal year which would cause the principal amount of BANs outstanding, together with interest due or to become due thereon, to exceed 50% of the principal amount of bonds issued by the City in the twelve months immediately preceding the month in which such BANs are to be issued; BANs must mature not later than six months after their date of issuance and may be renewed once for a period not to exceed six months. Budget Notes may be issued only to fund cost overruns in the expense budget; no Budget Notes, or renewals thereof, may mature later than sixty days prior to the last day of the fiscal year next succeeding the fiscal year during which the Budget Notes were originally issued.

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

Water Authority and TSASC indebtedness and the City's commitments with other PBCs or related issuers are not chargeable against the City's constitutional debt limit. The TFA and TSASC were created to provide financing for the City's capital program. Without the TFA and TSASC, or other legislative relief, new contractual commitments for the City's general obligation financed capital program would have been virtually brought to a halt during the financial plan period beginning early in the 1998 fiscal year. TSASC has issued approximately $1.3 billion of bonds that are payable from TSRs. TSASC does not intend to issue additional bonds. The TFA is permitted to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and may issue additional Future Tax Secured Bonds, provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, do not exceed the debt limit of the City. Future Tax Secured Bonds are secured by the City's personal income tax revenues and sales tax revenues, if personal income tax revenues do not satisfy specified debt ratios. The TFA currently has outstanding approximately $14.4 billion of Future Tax Secured Bonds (excluding Recovery Bonds). The TFA may also issue $9.4 billion of Building Aid Revenue Bonds, which are secured by State building aid and are not chargeable against the City's constitutional debt limit.

The following table sets forth the calculation of debt-incurring power as of July 1, 2010.

(In Thousands)

Total City Debt-Incurring Power under General Debt Limit		$76,224,403
Gross Debt-Funded	$41,223,497	
Less: Excluded Debt	(241,561)	
	40,981,935	
Less: Appropriations for Payment of Principal	1,750,331	
	39,231,603	
Contracts and Other Liabilities, Net of Prior Financings Thereof	9,745,279	
Total City Indebtedness		48,976,882
TFA Debt Outstanding above $13.5 billion		906,295
Debt-Incurring Power		$26,341,225

Note: Numbers may not add due to rounding.

Federal Bankruptcy Code

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

Public Benefit Corporation Indebtedness

City Financial Commitments to PBCs

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

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

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

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

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

Certain PBCs are further described below.

New York City Educational Construction Fund

As of June 30, 2010, $143.7 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 June 30, 2010, $595.5 million principal amount and $759.3 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 June 30, 2010, approximately $358.8 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.

New York State Urban Development Corporation

As of June 30, 2010, $30.9 million principal amount of UDC bonds subject to executed or proposed lease arrangements was outstanding. The City leases schools and certain other facilities from UDC.

SECTION IX: OTHER INFORMATION

Pension Systems

The City maintains a number of pension systems providing benefits for its employees and employees of various independent agencies (including certain Covered Organizations). The systems combine features of a defined benefit pension plan with those of a defined contribution pension plan. Membership in the City's five major actuarial systems on June 30, 2009 consisted of approximately 370,000 active employees, of whom approximately 90,000 were employees of certain independent agencies whose pension costs in some cases are provided by City appropriations. In addition, there were approximately 295,000 retirees and beneficiaries currently receiving benefits and other vested members terminated but not receiving benefits. The City also contributes to three other actuarial systems, maintains a non-actuarial retirement system for retired individuals not covered by the five major actuarial systems, provides other supplemental benefits to retirees and makes contributions to certain union annuity funds.

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

For fiscal year 2009, the City's pension contributions for the five major actuarial pension systems, made on a statutory basis based on actuarial valuations performed as of June 30, 2007, plus the other pension expenditures, were approximately $6.389 billion. Expense projections for fiscal years 2010 through 2014 are estimated at $6.760 billion, $7.612 billion, $7.877 billion, $7.983 billion and $8.086 billion, respectively. These projections are based on actuarial valuation estimates and reflect funding assumptions formulated by the Chief Actuary and the assumed rate of return on pension investments of eight percent as governed by State law. The projections incorporate the impact of actual pension fund investment performance since 2002 which include losses in fiscal year 2003, gains in fiscal years 2004 through 2007 followed by losses in fiscal years 2008 and 2009. The incremental costs or benefit of the return on pension investments in any given year is phased in using six-year averaging periods under the Chief Actuary's funding assumptions.

The statutory provision establishing the eight percent assumed rate of return was extended to July 1, 2011. Required contributions are sensitive to changes in the assumed rate of return. For example, an approximately one percent reduction in the assumed rate could require an additional annual pension contribution of at least $1 billion. Adjustments in required contributions caused by changes in the assumed rate of return would not be subject to phase-in or averaging.

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

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

As a result of the combined impact of the actual losses in fiscal years 2008 and 2009, the Financial Plan reflects additional pension contributions of $82 million, $558 million, $972 million, $1.401 billion and $1.848 billion in fiscal years 2010 through 2014, respectively.

In addition, these projections reflect the costs of settling certain litigation and the expected cost of recently enacted changes to the pension program for teachers.

An independent actuarial firm issued a report in November 2006 on its statutory audit of the actuarial assumptions and methods governing City pension contributions. The Chief Actuary of the City is reviewing the report and may recommend revised funding assumptions to the trustees of the City's pension funds. Although the report is advisory and not binding, it calls for changing certain actuarial assumptions such as life expectancy which, with other recommendations, could result in net increased annual pension contributions. The Financial Plan includes an annual reserve to address this issue of $600 million in each of fiscal years 2011 through 2014. However, actual increased pension contributions could exceed that amount. A subsequent independent audit is currently ongoing and a report is expected to be released in 2011.

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

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

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

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

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

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

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

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

Litigation

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

"SECTION VII: FINANCIAL PLAN—Assumptions—*Expenditure Assumptions*—2. Other Than Personal Services Costs—*Judgments and Claims*."

Taxes

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

Miscellaneous

1. Numerous proceedings alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill have been commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers and building clean-up workers. Complaints on behalf of approximately 11,900 plaintiffs alleging similar causes of action have been filed naming the City or other defendants. Approximately 5,000 of these plaintiffs have to date named the City as a defendant. It is not possible yet to evaluate the magnitude of liability arising from these claims. The actions were either commenced in or have been removed to federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive federal jurisdiction for all claims related to or resulting from the September 11 attack. The City's motion to dismiss these actions on immunity grounds was denied on October 17, 2006 by the District Court. On March 26, 2008, the Second Circuit upheld the District Court's decision, holding that determining whether the City had immunity for its actions requires developing the factual record. A not-for-profit "captive" insurance company, WTC Captive Insurance Company, Inc. (the "WTC Insurance Company") has been formed to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The insurance company has been funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. Most of the claims against the City and its private contractors set forth above that arise from such debris removal are expected to be eligible for coverage by the WTC Insurance Company. No assurance can be given that such insurance will be sufficient to cover all liability that might arise from such claims. On June 10, 2010, the WTC Insurance Company announced that a settlement was reached with attorneys for the plaintiffs. Under the settlement, the WTC Insurance Company would pay up to approximately $712.5 million, leaving residual funds to insure and defend the City and its contractors against claims that are not settled as part of the settlement and any new claims. In order for the settlement to take effect, at least 95 percent of the plaintiffs must accept its terms. A public hearing was held before the Court on June 23, 2010 to hear from all parties concerning the settlement and the judge found that the settlement was fair and reasonable. Plaintiffs have until September 30, 2010 to decide whether to accept the offer.

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

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

3. In 2006, a relator filed two lawsuits in the United States District Court for the Southern District of New York against the City's Department of Housing Preservation and Development ("HPD") and other defendants under the False Claims Act. The relator alleged that HPD was involved with the submission of false claims to the United States Department of Housing and Urban Development ("HUD") in connection with the federal government's Section 8 Enhanced Voucher program which provides rental subsidies to low and moderate income tenants payable to the landlord. These alleged false claims would have resulted in HUD's overpayment of subsidies to the defendant property owners, by virtue of the alleged improper removal of housing units from rent regulation. These lawsuits remained under seal pending completion of an investigation by the United States Department of Justice, which was completed in 2009. Following this investigation, the federal government elected to pursue common-law claims against the property owners, seeking a declaration that the properties are and should have remained subject to rent-regulation, and to recover any overpayments made as a result of the allegedly improper de-regulation. The federal government has not sought any relief against the City. The relator is pursuing the false claims actions against HPD and the defendant property owners, seeking treble damages of the alleged overpayments made by HUD on approximately 870 units, plus civil penalties of up to $11,000 per claim for each violation of the False Claims Act. On July 2, 2010, the Court granted the City's motion to dismiss these actions, subsequent to which the relator filed an appeal.

Environmental Regulation

On March 2, 2010, following up on an earlier notice of proposed listing, the United States Environmental Protection Agency ("EPA") listed the Gowanus Canal, a waterway located in Brooklyn, New York, as a federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). While it was evaluating listing the Gowanus Canal, on November 5, 2009, EPA notified the City that EPA considers the City a potential responsible party ("PRP") under CERCLA for hazardous wastes in the Gowanus Canal. In its PRP notice letter, EPA identified current and formerly City-owned and operated properties, including an asphalt plant, an inactive incinerator, and waterfront properties historically leased to private entities.

In September 2009, EPA also proposed to list Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, as a Superfund site. EPA has not yet listed the Newtown Creek. On April 6, 2010, EPA notified the City that EPA considers the City a PRP under CERCLA for hazardous wastes in the 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 the Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and combined sewer overflow outfalls as sources of hazardous substances in the Newtown Creek.

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 themselves. 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 Gowanus Canal or Newtown Creek, 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.

Financial Statements

The City's financial statements for the fiscal years ended June 30, 2009 and 2008 are included herein as Appendix B. Deloitte & Touche LLP, the City's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Appendix. The report of Deloitte & Touche LLP relating to the City's financial statements for the fiscal years ended June 30, 2009 and 2008, which is a matter of public record, is included in this Appendix. However, Deloitte & Touche LLP has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this 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

Moody's has rated the City's outstanding general obligation bonds Aa2. Standard & Poor's has rated the City's outstanding general obligation bonds AA. Fitch has rated the City's outstanding general obligation bonds AA. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of such bonds.

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

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, Seventh Floor, Room 720, Municipal Building, One Centre Street, New York, New York 10007. Financial plans are prepared quarterly, and the Comprehensive Annual Financial Report of the Comptroller is typically prepared at the end of October of each year.

THE CITY OF NEW YORK

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A
TO
APPENDIX B**

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

New York City Economy

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

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

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism, and the real estate market drove a broad based economic recovery. The Financial Plan assumes that a decrease in economic activity which began in the second half of calendar year 2007 persisted through the first half of 2010 and that a gradual pickup in economic activity will occur in the second half of 2010 and in 2011.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 1998 to 2008 (the most recent year for which City personal income data are available). From 1998 to 2008, personal income in the City averaged 5.3% growth, while personal income in the nation averaged 5.2% growth. After increasing by 8.9% in 2007, total personal income increased by 3.0% in 2008. The following table sets forth information regarding personal income in the City from 1998 to 2008.

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.
1998	$260.5	$33,146	$27,258	121.6%
1999	273.6	34,422	28,333	121.5
2000	293.2	36,576	30,318	120.6
2001	298.9	37,076	31,145	119.0
2002	299.7	37,035	31,462	117.7
2003	305.8	37,627	32,271	116.6
2004	327.7	40,105	33,881	118.4
2005	351.8	42,826	35,424	120.9
2006	387.0	46,901	37,698	124.4
2007	421.5	50,725	39,392	128.8
2008	434.1	52,013	40,166	129.5

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

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

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. From 1989 to 1992, the City lost approximately 9% of its employment base. From 1992 through 2000, the City experienced significant private sector job growth with the addition of approximately 452,600 new private sector jobs (an average annual growth rate of approximately 2.0%). Between 2000 and 2003 the City lost 174,300 private sector jobs. From 2003 through 2008, the City fully recovered those jobs, adding a total of 255,000 private sector jobs. In 2009, the City lost 107,800 private sector jobs.

As of June 2010, total employment in the City was 3,696,100 compared to 3,691,400 in June 2009, an increase of approximately 0.1%.

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

EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Goods Producing Sectors											
Construction	112	121	122	116	113	112	113	118	127	133	121
Manufacturing	187	177	156	139	127	121	114	106	101	96	83
Service Producing Sectors											
Trade Transportation and Utilities	556	570	557	536	534	539	547	558	570	574	549
Information	173	187	200	177	164	160	163	165	165	167	161
Financial Activities	481	489	474	445	434	435	445	458	468	465	435
Professional and Business Services	553	587	582	550	537	542	556	572	593	605	573
Education and Health Services	604	615	627	646	658	665	679	695	705	719	734
Leisure and Hospitality	244	257	260	255	260	270	277	285	298	310	308
Other Services	142	147	149	150	149	151	153	154	158	161	160
Total Private	3,052	3,149	3,127	3,015	2,975	2,995	3,047	3,111	3,185	3,230	3,122
Government	567	569	562	566	557	554	556	555	559	564	565
Total	3,619	3,718	3,689	3,581	3,531	3,549	3,603	3,667	3,744	3,794	3,687

Note: Totals may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics. Data are presented using the North American Industry Classification System ("NAICS").

Sectoral Distribution of Employment and Earnings

In 2008, the City's service producing sectors provided approximately 3.0 million jobs and accounted for approximately 79% of total employment. Figures on the sectoral distribution of employment in the City from 1980 to 2000 reflect a significant shift to the service producing sectors and a shrinking manufacturing base relative to the nation.

The structural shift to the service producing sectors affects the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In the City in 2008, the employment share for the financial activities and professional and business services sectors was approximately 28% while the earnings share for that same sector was approximately 50%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 25% of earnings in 2008. 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 2008 are set forth in the following table.

Sectoral Distribution of Employment and Earnings in 2008(1)

	Employment		Earnings(2)	
	NYC	U.S.	NYC	U.S.
Goods Producing Sectors				
Mining	0.0%	0.6%	0.2%	1.2%
Construction	3.5	5.2	3.0	6.2
Manufacturing	2.5	9.8	1.9	11.0
Total Goods Producing	6.0	15.6	5.1	18.3
Service Producing Sectors				
Trade, Transportation and Utilities	15.1	19.2	8.4	15.9
Information	4.4	2.2	7.1	3.4
Financial Activities	12.3	6.0	30.2	9.3
Professional and Business Services	16.0	13.0	19.9	16.1
Education and Health Services	19.0	13.8	10.4	11.6
Leisure & Hospitality	8.2	9.8	4.4	4.2
Other Services	4.2	4.0	3.0	3.8
Total Service Producing	79.1	68.0	83.5	64.3
Total Private Sector	85.1	83.5	89.8	82.9
Government(3)	14.9	16.5	10.2	17.1

Note: Data may not add due to rounding or restrictions on reporting earnings data. Data are presented using NAICS.
Sources: The two primary sources are the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of Economic Analysis.
(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.
(2) Includes the sum of wage and salary disbursements, other labor income and proprietor's income. The latest information available is 2008 data.
(3) Excludes military establishments.

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

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

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS(1)

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

Note: Totals may not add due to rounding. Data are presented using the Standard Industrial Classification System ("SICS").
Sources: The two primary sources of employment and earnings information are U.S. Dept. of Labor, Bureau of Labor Statistics, and U.S. Department of Commerce, Bureau of Economic Analysis.

(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.
(2) Includes the sum of wage and salary disbursements, other labor income, and proprietors' income. The latest information available for the City is 2000 data.
(3) Excludes military establishments.

Unemployment

As of June 2010, the total unemployment rate in the City was 9.5%, compared to 9.6% in June 2009, based on data provided by the New York State Department of Labor, which is not seasonally adjusted. The annual unemployment rate of the City's resident labor force is shown in the following table.

ANNUAL UNEMPLOYMENT RATE(1)

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

Source: U.S. Department of Labor, BLS.

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

Public Assistance

As of June 2010, the number of persons receiving cash assistance in the City was 346,321 compared to 346,106 in June 2009. The following table sets forth the number of persons receiving public assistance in the City.

PUBLIC ASSISTANCE

(Annual Averages in Thousands)

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

Taxable Sales

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

TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX

(In Billions)

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

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

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

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

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

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

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

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

Population

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

POPULATION

Year	Total Population
1970	7,895,563
1980	7,071,639
1990	7,322,564
2000	8,008,278
2009	8,391,881[1]

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

(1) Estimate.

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

DISTRIBUTION OF POPULATION BY AGE

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

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

Housing

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

Housing Inventory
(In Thousands)

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

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

Sources: U.S. Bureau of the Census, 1984, 1987, 1991, 1993, 1996, 1999, 2002, 2005 and 2008 New York City Housing and Vacancy Surveys.

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

FINANCIAL STATEMENTS

APPENDIX B
TO
APPENDIX B

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

Index

[This page intentionally left blank]

Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281-1414
USA
Tel: +1 212 436 2000
Fax: +1 212 436 5000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The People of The City of New York:

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

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

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

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

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

Deloitte & Touche LLP

October 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of The City of New York (City) for the fiscal years ended June 30, 2009 and 2008. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-wide financial statements

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

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

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

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

The government-wide financial statements present information about the City as a primary government, which includes the City's blended component units. All of the activities of the primary government are considered to be governmental activities. This information is presented separately from the City's discretely presented component units.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including the Financial Emergency Act.

Governmental funds

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

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

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

Fiduciary funds

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

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" (GASB43) in fiscal year 2006. GASB43 establishes financial reporting standards for other postemployment benefits (OPEB) plans. The New York City Other Postemployment Benefits Plan (the PLAN) is composed of The New York City Retiree Health Benefits Trust (the Trust) and OPEB paid for directly by the City out of its general resources rather than through the Trust. The Trust is used to accumulate assets to pay for OPEB provided by The City to its retired employees. The PLAN is reported in the City's financial statement as a fiduciary component unit. The PLAN was established for the exclusive benefit of the City's retired employees and their dependents in providing the following current postemployment benefits: a health insurance program, Medicare Part B premium reimbursements and welfare fund contributions. The City is not required to provide funding for the PLAN other than the "pay-as-you-go" amount necessary to provide OPEB to current eligible retirees and their dependents. During fiscal year 2009, the City contributed $1.7 billion to the PLAN, $1.5 billion was considered to be the pay-as-you-go OPEB cost.

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

Notes to financial statements

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

Financial Reporting Entity

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

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

Blended Component Units

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

New York City School Construction Authority (SCA)
New York City Transitional Finance Authority (TFA)
TSASC, Inc. (TSASC)
Municipal Assistance Corporation for The City of New York (MAC)
New York City Educational Construction Fund (ECF)
Fiscal Year 2005 Securitization Corporation (FSC)
Sales Tax Asset Receivable Corporation (STAR)
Hudson Yards Development Corporation (HYDC)
Hudson Yards Infrastructure Corporation (HYIC)

Discretely Presented Component Units

Discretely presented component units are legally separate from the primary government and are reported as discretely presented component units because the City appoints a majority of these organizations' governing bodies and either is able to impose its will on them or a financial benefit/burden situation exists.

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

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

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

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

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

Financial Analysis of the Government-wide Financial statements

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

As mentioned previously, the basic financial statements include a reconciliation between the fiscal year 2009 governmental funds statement of revenues, expenditures, and changes in fund balances which reports a decrease of $660 million in fund balances and the increase in the net assets deficit reported in the government-wide statement of activities $7.0 billion, a difference of $6.3 billion. A similar reconciliation is provided for fiscal year 2008 amounts.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities report the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses. Conversely, the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure, and do not reflect changes in long-term liabilities.

Key elements of these changes are as follows:

	Governmental Activities for the fiscal years ended June 30,		
	2009	2008	2007
		(in thousands)	
Revenues:			
Program revenues:			
Charges for services	$ 4,339,456	$ 4,094,423	$ 3,766,023
Operating grants and contributions	18,858,998	17,867,973	16,359,008
Capital grants and contributions	854,646	1,363,822	882,239
General revenues:			
Taxes	34,904,930	38,055,401	38,778,225
Investment income	286,868	637,711	669,173
Unrestricted Federal and State aid	806,415	632,162	498,791
Other	284,528	257,470	297,427
Total revenues	60,335,841	62,908,962	61,250,886
Expenses:			
General government	3,770,291	3,892,968	3,057,503
Public safety and judicial	15,198,415	16,253,188	15,510,212
Education	21,534,177	21,597,632	19,645,691
City University	779,539	733,165	675,888
Social services	13,076,719	13,529,238	12,080,533
Environmental protection	2,947,939	3,406,311	3,218,040
Transportation services	2,060,043	1,793,394	1,839,849
Parks, recreation and cultural activities	1,091,041	897,363	780,515
Housing	1,362,964	1,403,838	1,287,183
Health (including payments to HHC)	2,567,434	2,309,449	3,025,268
Libraries	402,299	310,048	375,453
Debt service interest	2,565,891	2,615,635	2,560,133
Total expenses	67,356,752	68,742,229	64,056,268
Change in net assets	(7,020,911)	(5,833,267)	(2,805,382)
Net deficit—beginning	(89,532,464)	(83,699,197)	(80,893,815)
Restatement of beginning net deficit	(172,842)	—	—
Net deficit—beginning of year, as restated	(89,705,306)	(83,699,197)	(80,893,815)
Net deficit—ending	$ (96,726,217)	$ (89,532,464)	$ (83,699,197)

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

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

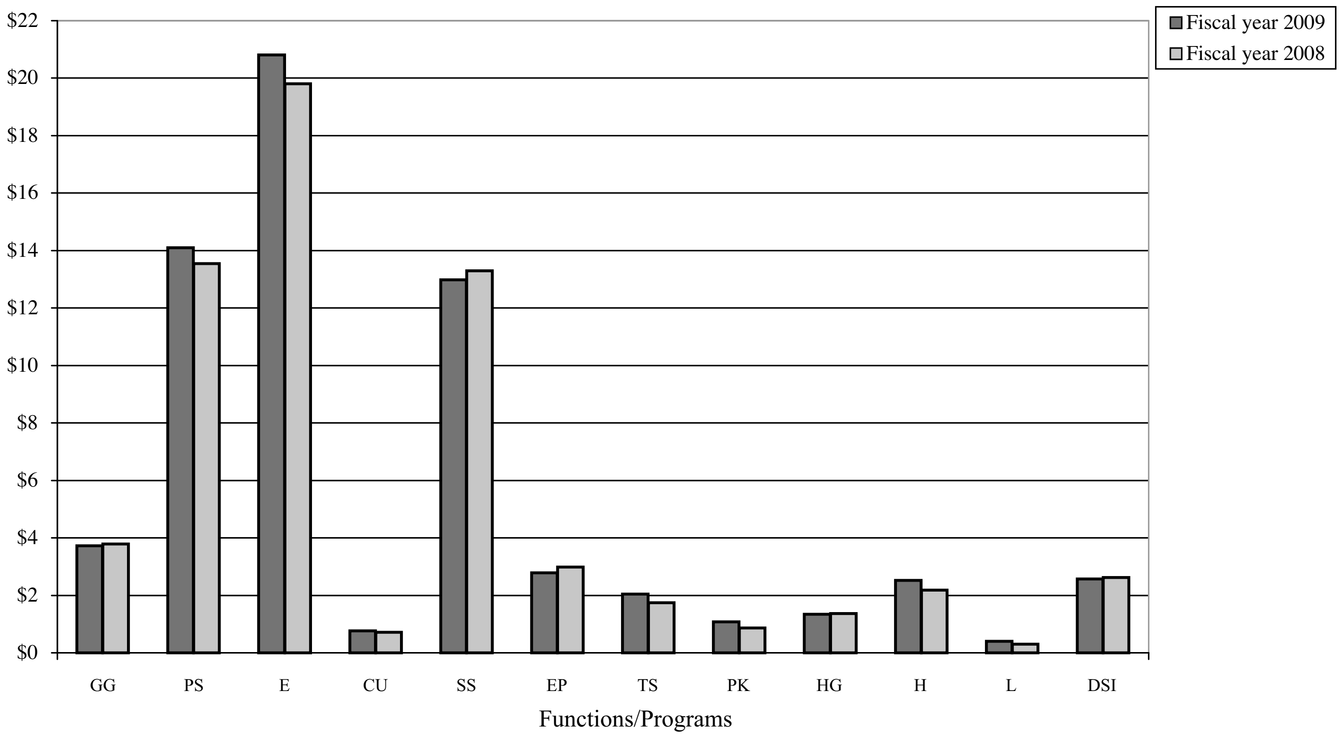
In fiscal year 2008, the increase of OPEB costs associated with GASB45 was approximately $5.5 billion. In fiscal year 2009 the increased costs of OPEB was only $2.3 billion. The lower rate of increase was the result of changes in the actuarial assumptions and plan amendments to compute the annual OPEB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

GASB45 requires the financial reports of governments to provide a systematic, accrual-basis measurement of an annual OPEB cost. The following schedule displays the effect of the GASB45 expenses as they appear in the Statement of Activities for fiscal year 2009 and a comparison to fiscal year 2008:

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

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

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



(1) Expenses exclude GASB45.

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

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

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

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

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

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

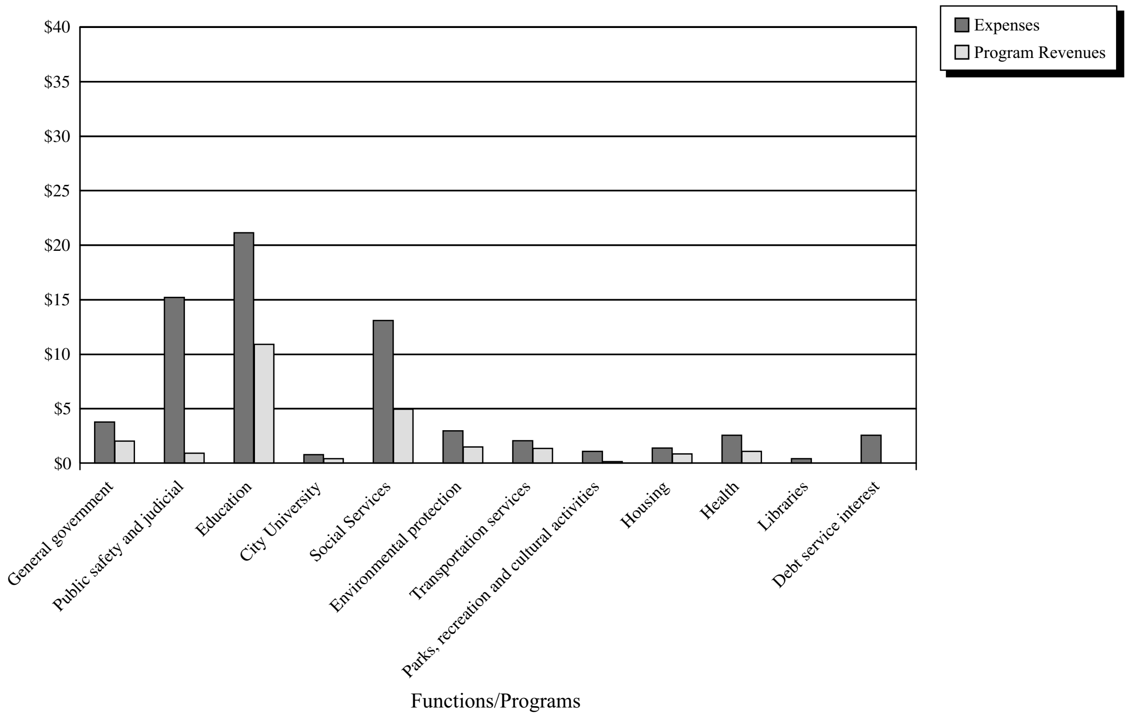
- Operating and capital grants and contributions increased primarily due to large increases in State grants for education.
- Tax revenues, net of refunds, declined overall, as categories of taxes with decreased revenues outweighed those with increases:
  - The overall decrease in sales and use taxes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

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

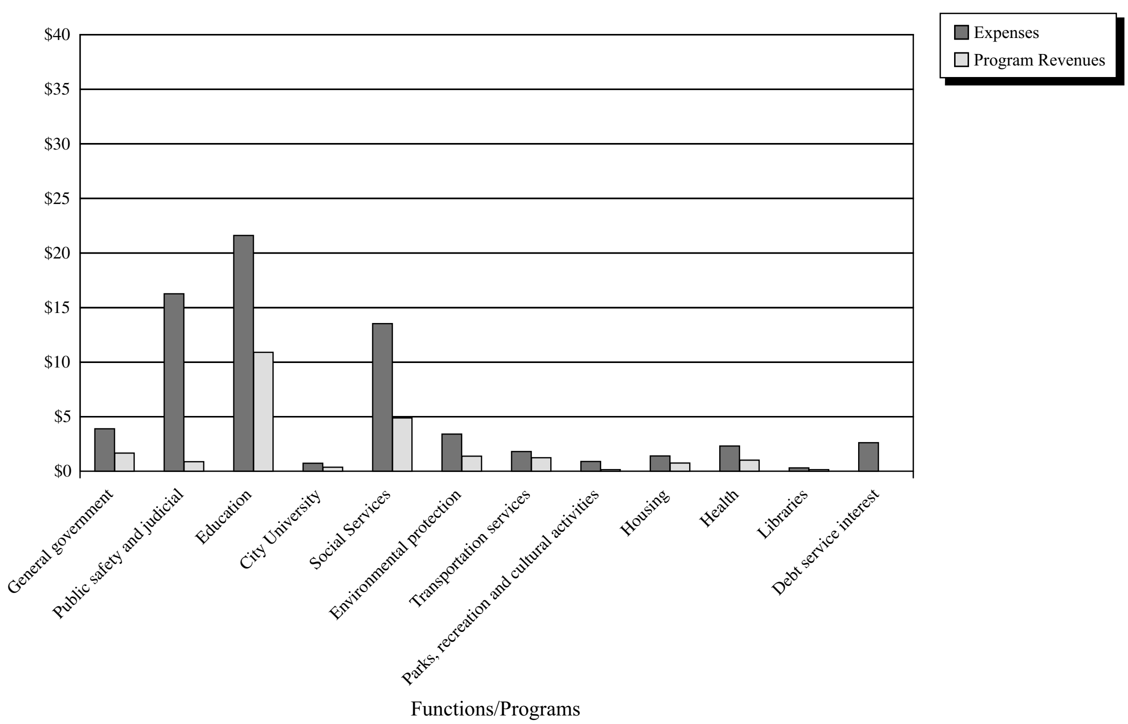
- Citywide, pension costs increased due to investment losses in previous years and growth in wages.
- General government expenses rose due to increased judgments and claims, increased operating and maintenance costs for the City's newly operational emergency communications and wireless networks, increased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

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

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



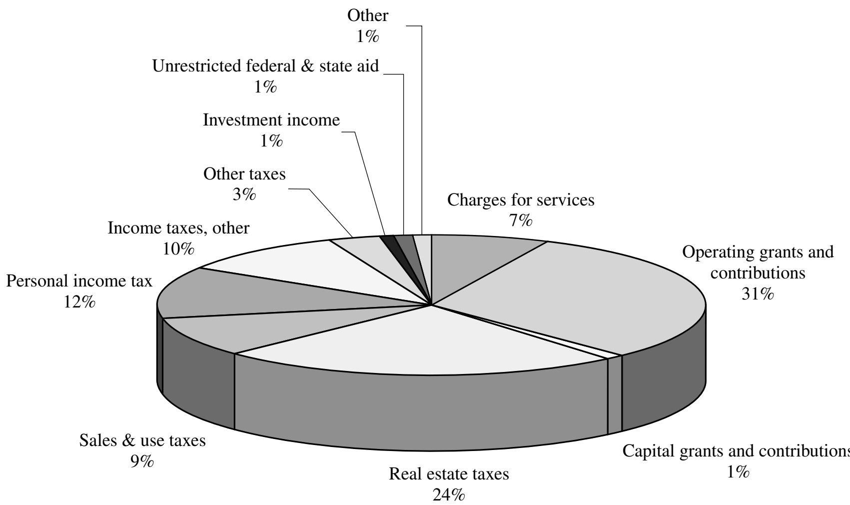
Expenses and Program Revenues — Governmental Activities[(1)]
June 30, 2008
(in billions)



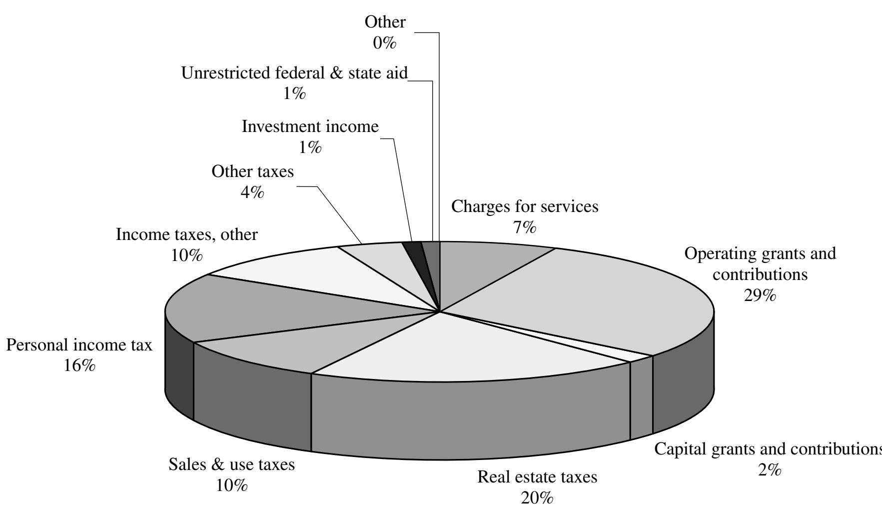
(1) Expenses include GASB45.

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

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



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



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

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

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

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

Financial Analysis of the Governmental Funds

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

Governmental Funds

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

The City's General Fund is required to adopt an annual budget prepared on a basis consistent with generally accepted accounting principles. Surpluses from any fiscal year cannot be appropriated in future fiscal years.

If the City anticipates that the General Fund will have an operating surplus, the City will make discretionary transfers to the General Debt Service Fund as well as advance payments of certain subsidies and other payments that reduce the amount of the General Fund surplus for financial reporting purposes. As detailed later, the General Fund had operating surpluses of $2.919 billion and $4.640 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2009 and 2008, respectively. After these certain expenditures and transfers (discretionary and other), the General Fund reported an operating surplus of $5 million in both fiscal years 2009 and 2008, which resulted in an increase in fund balance by this amount.

The General Debt Service Fund receives transfers (discretionary and other) from the General Fund from which it pays the City's debt service requirements. Its fund balance at June 30, 2009, can be attributed principally to transfers (discretionary transfer and other, as described above) from the General Fund totaling $1.290 billion in fiscal year 2009 for fiscal year 2010 debt service. Similar transfers in fiscal year 2008 of $3.083 billion for fiscal year 2009 debt service also primarily account for the General Debt Service Fund balance at June 30, 2008.

The New York City Capital Projects Fund accounts for the financing of the City's capital program. The primary resource is obtained from the issuance of City and TFA debt. Capital-related expenditures are first paid from the General Fund, which is reimbursed for these expenditures by the New York City Capital Projects Fund. To the extent that capital expenditures exceed proceeds from bond issuances, and other revenues and financing sources, the Capital Projects Fund will have a deficit. The deficit fund balances at June 30, 2009 and 2008 represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits will not be financed or reimbursed, a transfer from the General Fund will be required.

General Fund Budgetary Highlights

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB49). In addition to requiring recognition of pollution remediation obligations, GASB49 generally precludes costs incurred for pollution remediation from being reported as capital expenditures. Thus, the City's fiscal year 2009 General Fund expenditures include approximately $236.1 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. On April 30, 2008 pursuant to existing authority under the New York State Financial Emergency Act, the New York State Financial Control Board for the City of New York approved a phase-in of the budgetary impact of GASB49, enabling the City to continue to finance, with the issuance of bonds, certain pollution remediation costs for projects authorized prior to fiscal year 2011. Thus, $176.4 million of City bond proceeds and $59.7 of other revenues (New York

City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the $236.1 million of pollution remediation expenditures are also reported in the General Fund for fiscal year 2009. Although amounts were not established in the Adopted Budget, a modification to the budget was made to accommodate the pollution remediation expenditure charge in the General Fund. These pollution remediation expenditures were incurred by various agencies, as follows:

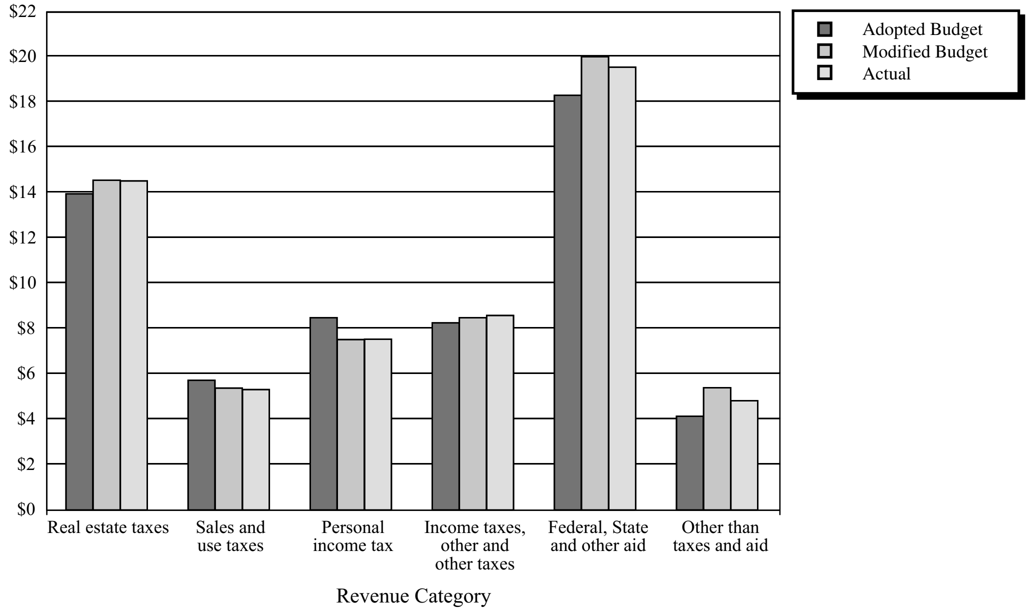
	General Fund Pollution Remediation Expenditures (in thousands)	
	Modified Budget	**Actual**
General government	$ 3,495	$ 3,495
Public safety and judicial	394	394
Education	158,543	158,543
Social services	63	63
Environmental protection	61,248	61,248
Transportation services	6,463	6,463
Parks, recreation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

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

General Fund Revenues

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

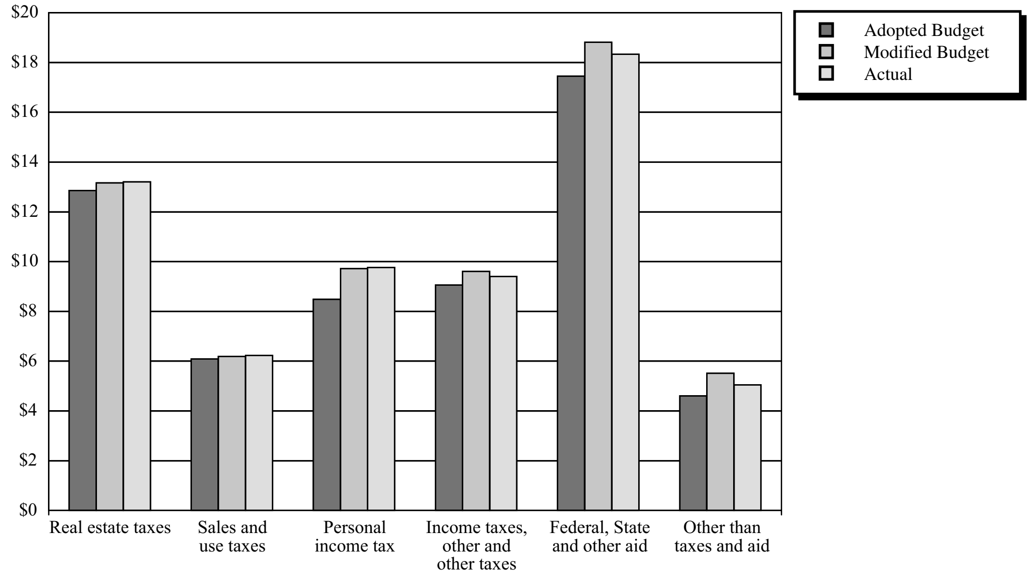
General Fund Revenues
Fiscal Year 2009
(in billions)



General Fund Revenues
Fiscal Year 2009
(in millions)

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

General Fund Revenues
Fiscal Year 2008
(in billions)



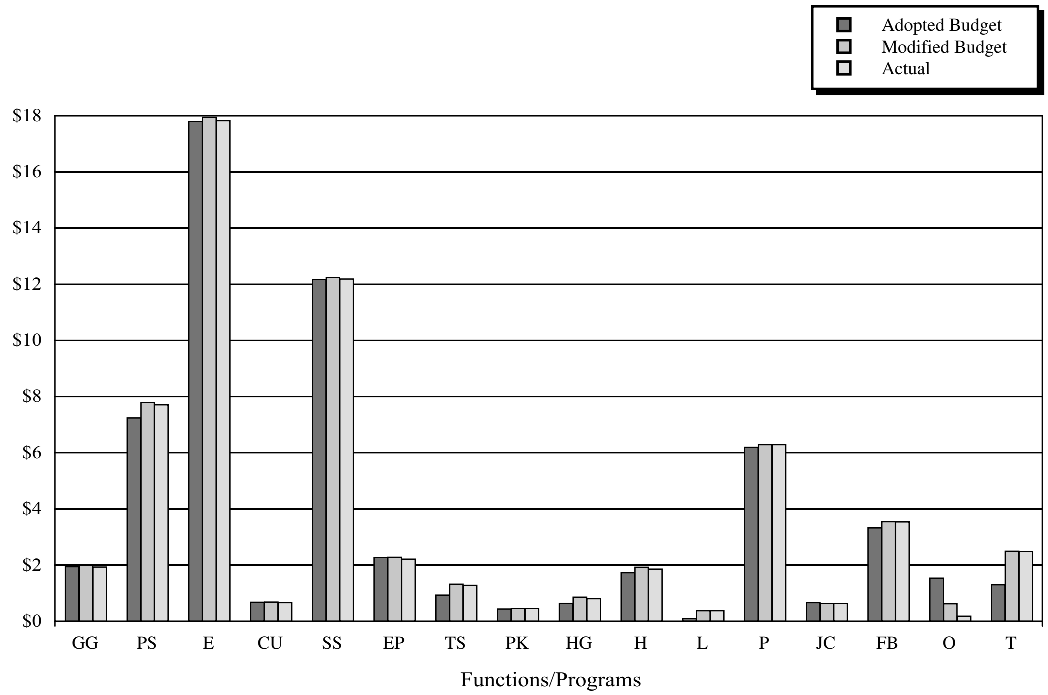
General Fund Revenues
Fiscal Year 2008
(in millions)

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

General Fund Expenditures

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

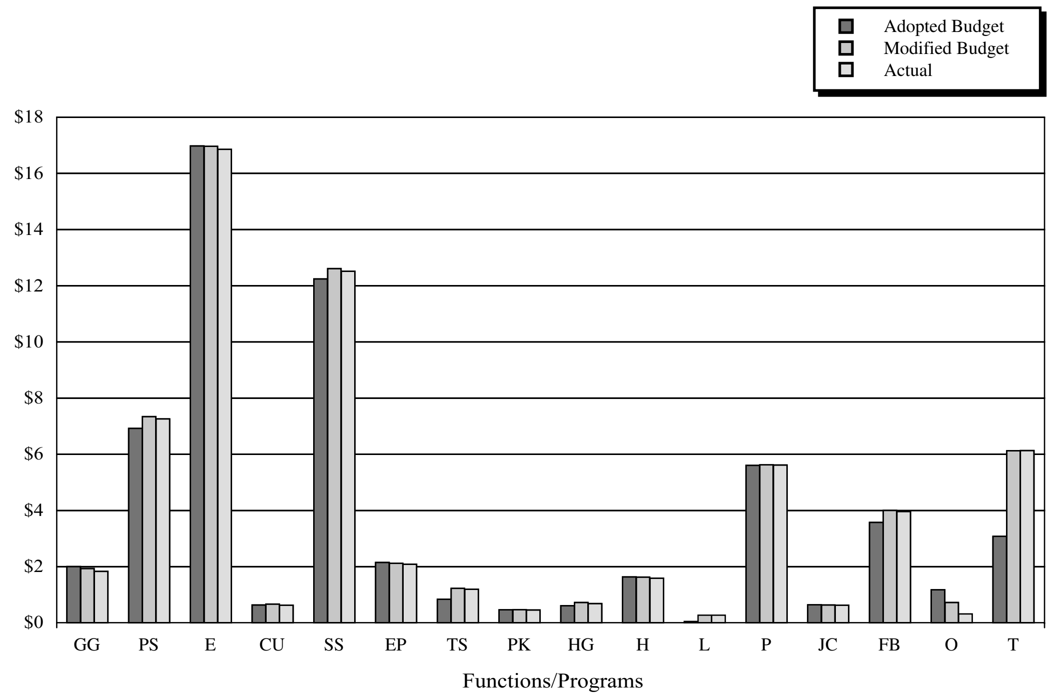
General Fund Expenditures
Fiscal Year 2009
(in billions)



General Fund Expenditures
Fiscal Year 2009
(in millions)

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

General Fund Expenditures
Fiscal Year 2008
(in billions)



General Fund Expenditures
Fiscal Year 2008
(in millions)

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

General Fund Surplus

The City had General Fund surpluses of $2.919 billion, $4.640 billion and $4.670 billion before certain expenditures and transfers (discretionary and other) for fiscal years 2009, 2008 and 2007, respectively. For the fiscal years 2009, 2008 and 2007, the General Fund surplus was $5 million after expenditures and transfers (discretionary and other).

The expenditures and transfers (discretionary and other) made by the City after the adoption of its fiscal years 2009, 2008 and 2007 budgets follow:

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

Fiscal Year 2009

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

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

Fiscal Year 2008

Final results for any given fiscal year may differ greatly from that year's Adopted Budget. The following table shows the variance between actuals and amounts for the fiscal year ended 2008 Adopted Budget:

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

Capital Assets

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

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

* not depreciable

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

The net increase in the City's capital assets during fiscal year 2009 was $2.988 billion, a 8.1% increase. Capital assets additions in fiscal year 2009 were $9.121 billion, an increase of $807 million from fiscal year 2008. Capital assets additions in the Education program totaling $1.754 billion and total new construction work-in-progress (the majority of which was in the Education program) totaling $3.758 billion accounted for 60% of the capital assets additions in fiscal year 2009.

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

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

Debt Administration

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

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

(a) Does not include capital contract liabilities.

General Obligation

On July 1, 2009, the City's outstanding General Obligation (GO) debt, including capital contract liabilities, totaled $47.2 billion (compared with $42.6 and $39.5 billion as of July 1, 2008 and 2007, respectively). The State Constitution provides that, with certain exceptions, the City may not contract indebtedness in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years. As of July 1, 2009, the City's 10% general limitation was $74.9 billion (compared with $70.4 and $60 billion as of July 1, 2008 and 2007 respectively). The City's remaining GO debt incurring power as of July 1, 2009, after providing for capital contract liabilities, totaled $27.7 billion.

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

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

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

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

Short-term Financing

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

Transitional Finance Authority

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

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

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

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

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

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

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

In fiscal year 2006, the New York State Legislature authorized TFA to issue bonds and notes or other obligations in an amount outstanding of up to $9.4 billion to finance a portion of the City's educational facilities capital plan and authorized the City to assign to TFA all or any portion of the state aid payable to the City or its school district pursuant to Section 3602.6 of the New York State Education Law (State Building Aid) as security for the obligations.

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

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

TSASC, Inc.

TSASC, Inc. (TSASC) is a special purpose, bankruptcy-remote local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York. TSASC is authorized to issue bonds to purchase from the City its future right, title and interest under a Master Settlement Agreement (the MSA) between participating cigarette manufacturers and 46 states, including the State of New York.

TSASC had no financing activity in fiscal year 2009. As of June 30, 2009, TSASC had approximately $1.27 billion of bonds outstanding.

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

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

Sales Tax Asset Receivable Corporation

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

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

Fiscal Year 2005 Securitization Corporation

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

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

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

Hudson Yards Infrastructure Corporation

In December, 2006, $2 billion of tax-exempt bonds were issued by the Hudson Yards Infrastructure Corporation (HYIC), a local development corporation established to provide financing for infrastructure improvements to facilitate economic development on Manhattan's far west side. Principal on the bonds is payable from revenues generated by the new development in the Hudson Yards District. To the extent that such revenues are not sufficient to cover interest payments, the City, subject to appropriation, has agreed to make interest support payments to HYIC. The interest support payments do not cover principal repayment of the bonds. As of June 30, 2009, HYIC had $2 billion bonds outstanding and $33.33 million in installment purchase debt related to the acquisition of certain air rights from the New York State Metropolitan Transportation Authority. It did not sell bonds in fiscal year 2009. HYIC bonds are rated A3 by Moody's, A by S&P and A- by Fitch.

New York City Educational Construction Fund

The New York City Educational Construction Fund (ECF), a public benefit corporation, established to facilitate the construction and improvement of City elementary and secondary school buildings in combination with other compatible lawful uses such as housing, office or other commercial buildings. The City is required to make rental payments on the school portions of the ECF projects sufficient to make debt service payments as they come due on ECF Bonds, less the revenue received by the ECF from the non-school portions of the ECF projects.

The ECF did not sell bonds in fiscal year 2009.

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

Interest Rate Exchange Agreements

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

No new swaps were initiated in fiscal year 2009, but one existing swap option was terminated and four swaps were transferred to a different swap counterparty.

On September 16, 2008, the City was notified that its derivative transaction with a Lehman Brothers subsidiary was being terminated as a result of the Lehman Brothers Holdings Inc.'s bankruptcy filing. This transaction, with a notional amount of $100 million, had been entered into in March, 2004, at which time Lehman paid the City an option premium of $2.9 million for the option to enter into a swap with the City on various future dates. Lehman never exercised the option and no further payments were made. Subsequent to the termination notice, the City and Lehman agreed on a settlement amount to be paid by the City to Lehman of $623.3 thousand in respect of all claims arising under the derivative transaction, which the balance of $4.0 was finally paid in April, 2009.

On March 16, 2008, the Bear Stearns Companies Inc. (Bear Stearns) and JP Morgan Chase & Co. (JP Morgan) executed an Agreement and Plan of Merger. JP Morgan agreed to guarantee certain obligations of Bear Stearns, including four derivative transactions between Bear Stearns Financial Products Inc. (BSFP) and the City. As of March 3, 2009, pursuant to novations, the City's derivative transactions with BSFP were assigned from BSFP to JP Morgan Chase Bank, N.A. No payments were made or received with respect to these transfers.

The Water Authority has also from time to time entered into interest rate exchange agreements in order to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio. In fiscal year 2009, it initiated no new swaps. As of June 30, 2009, the outstanding notional amount on Water Authority's various swap agreements was $621 million.

Subsequent Events

Subsequent to June 30, 2009, the City and TFA completed the following long-term financing:

Long-term Financing

City Debt: On October 15, 2009, the City sold its Fiscal 2010 Series A bonds of $970 million for capital purposes.

On October 15, 2009, the City sold its Fiscal 2010 Series B and C bonds of $1.10 billion for refunding purposes.

TFA Debt: On July 30, 2009, TFA sold its Fiscal 2010 Series A Future Tax Secured Subordinate bonds of $900 million for capital purposes.

On August 27, 2009, TFA sold its Fiscal 2010 Series B Future Tax Secured Subordinate bonds of $800 million for refunding purposes.

On October 22, 2009, TFA sold its Fiscal 2010 Series C Future Tax Secured Bonds of $775 million to finance general City capital expenditures.

Commitments

At June 30, 2009, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $17.5 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates New York City Capital Projects Fund expenditures of $61.7 billion over fiscal years 2010 through 2019. To help meet its capital spending program, the City and TFA borrowed $7.75 billion in the public credit market in fiscal year 2009. The City and TFA plan to borrow $6.45 billion in the public credit market in fiscal year 2010.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of New York, Office of the Comptroller, Bureau of Accountancy, 1 Centre Street, Room 808, New York, New York 10007-2341.

THE CITY OF NEW YORK
STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 10,053,785	$ 2,719,736
Investments, including accrued interest	1,065,336	2,438,441
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $202,698)	322,737	—
Federal, State and other aid	6,821,403	—
Taxes other than real estate	3,489,081	—
Other	1,770,291	4,776,475
Mortgage loans and interest receivable, net	58	6,464,582
Inventories	281,645	47,660
Due from Primary Government	—	13,328
Due from Component Units	2,000,780	—
Restricted cash, cash equivalents and investments	4,307,477	2,656,924
Deferred charges	757,261	—
Other	436,061	506,690
Capital assets:		
Land and construction work-in-progress	6,009,299	6,896,198
Other capital assets (net of depreciation):		
Property, plant and equipment	24,332,895	22,339,275
Infrastructure	9,539,409	—
Total assets	71,187,518	48,859,309
LIABILITIES:		
Accounts payable and accrued liabilities	13,052,000	1,929,317
Accrued interest payable	766,778	125,229
Unearned revenues:		
Prepaid real estate taxes	4,666,370	—
Other	2,279,118	250,988
Due to Primary Government	—	2,000,780
Due to Component Units	13,328	—
Estimated disallowance of Federal, State and other aid	1,112,915	—
Other	88,846	116,825
Noncurrent liabilities:		
Due within one year	3,949,610	1,583,964
Due in more than one year	141,984,770	37,549,850
Total liabilities	167,913,735	43,556,953
NET ASSETS:		
Invested in capital assets, net of related debt	(5,502,516)	8,101,792
Restricted for:		
Capital projects	1,667,852	63,427
Debt service	5,425,517	853,161
Loans/security deposits	—	48,761
Donor/statutory restrictions	—	56,169
Operations	—	416,906
Unrestricted (deficit)	(98,317,070)	(4,237,860)
Total net assets (deficit)	$(96,726,217)	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS:		
Cash and cash equivalents	$ 8,786,324	$ 3,173,800
Investments, including accrued interest	3,508,509	2,580,352
Receivables:		
Real estate taxes (less allowance for uncollectible amounts of $203,001)	317,470	—
Federal, State and other aid	5,890,591	—
Taxes other than real estate	4,587,246	—
Other	1,621,762	2,558,976
Mortgage loans and interest receivable, net	69	5,540,764
Inventories	257,215	50,355
Due from Primary Government	—	22,925
Due from Component Units	1,419,813	—
Restricted cash, cash equivalents and investments	4,435,551	2,894,215
Deferred charges	873,065	—
Other	437,550	1,368,825
Capital assets:		
Land and construction work-in-progress	5,477,887	5,724,768
Other capital assets (net of depreciation):		
Property, plant and equipment	22,678,469	21,577,274
Infrastructure	8,736,502	—
Total assets	69,028,023	45,492,254
LIABILITIES:		
Accounts payable and accrued liabilities	12,879,077	1,759,033
Accrued interest payable	677,361	107,310
Unearned revenues:		
Prepaid real estate taxes	3,118,576	—
Other	2,707,270	227,401
Due to Primary Government	—	1,419,813
Due to Component Units	22,925	—
Estimated disallowance of Federal, State and other aid	1,114,543	—
Payable for investment securities purchased	257,000	—
Other	85,906	113,054
Noncurrent liabilities:		
Due within one year	3,994,017	1,512,805
Due in more than one year	133,703,812	33,410,863
Total liabilities	158,560,487	38,550,279
NET ASSETS:		
Invested in capital assets, net of related debt	(3,112,434)	8,487,669
Restricted for:		
Capital projects	1,939,548	62,580
Debt service	6,986,474	746,916
Loans/security deposits	—	59,953
Donor/statutory restrictions	—	48,983
Operations	—	489,124
Unrestricted (deficit)	(95,346,052)	(2,953,250)
Total net assets (deficit)	$(89,532,464)	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
General government	$3,770,291	$1,072,334	$ 929,527	$ 12,608	$ (1,755,822)	$ —
Public safety and judicial	15,198,415	285,598	594,718	18,217	(14,299,882)	—
Education	21,534,177	59,731	10,427,188	409,907	(10,637,351)	—
City University	779,539	219,043	179,882	—	(380,614)	—
Social services	13,076,719	34,410	4,914,361	4,109	(8,123,839)	—
Environmental protection	2,947,939	1,392,941	76,433	5,668	(1,472,897)	—
Transportation services	2,060,043	859,925	226,147	268,899	(705,072)	—
Parks, recreation and cultural activities	1,091,041	110,232	14,831	23,216	(942,762)	—
Housing	1,362,964	239,892	474,284	111,724	(537,064)	—
Health (including payments to HHC)	2,567,434	65,350	1,021,627	—	(1,480,457)	—
Libraries	402,299	—	—	298	(402,001)	—
Debt service interest	2,565,891	—	—	—	(2,565,891)	—
Total primary government	$67,356,752	$4,339,456	$18,858,998	$ 854,646	(43,303,652)	—
Component Units	$14,447,789	$9,420,106	$ 1,964,512	$1,006,031	—	(2,057,140)

	Governmental Activities	Component Units
General revenues:		
Taxes (Net of Refunds):		
Real estate taxes	14,531,191	—
Sales and use taxes	5,294,107	—
Personal income tax	7,195,177	—
Income taxes, other	5,914,642	—
Other taxes	1,969,813	—
Investment income	286,868	229,838
Other Federal and State aid	806,415	5,944
Other	284,528	279,275
Total general revenues	36,282,741	515,057
Change in net assets	(7,020,911)	(1,542,083)
Net assets (deficit) - beginning	(89,532,464)	6,941,975
Restatement of beginning net deficit	(172,842)	(97,536)
Net assets (deficit) - ending	$(96,726,217)	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
General government	$ 3,892,968	$ 784,024	$ 844,807	$ 27,597	$ (2,236,540)	$ —
Public safety and judicial	16,253,188	302,161	555,770	11,395	(15,383,862)	—
Education	21,597,632	69,925	9,838,874	987,945	(10,700,888)	—
City University	733,165	195,703	176,196	—	(361,266)	—
Social services	13,529,238	33,947	4,826,623	8,277	(8,660,391)	—
Environmental protection	3,406,311	1,353,616	19,308	4,236	(2,029,151)	—
Transportation services	1,793,394	880,845	201,804	155,442	(555,303)	—
Parks, recreation and cultural activities	897,363	97,452	12,732	36,262	(750,917)	—
Housing	1,403,838	247,187	376,953	127,808	(651,890)	—
Health (including payments to HHC)	2,309,449	129,563	1,014,906	—	(1,164,980)	—
Libraries	310,048	—	—	4,860	(305,188)	—
Debt service interest	2,615,635	—	—	—	(2,615,635)	—
Total primary government	$68,742,229	$4,094,423	$17,867,973	$1,363,822	(45,416,011)	—
Component Units	$13,464,436	$9,070,937	$ 2,129,906	$1,082,222	—	(1,181,371)
General revenues:						
Taxes (Net of Refunds):						
Real estate taxes					12,823,352	—
Sales and use taxes					6,238,357	—
Personal income tax					9,813,965	—
Income taxes, other					6,514,783	—
Other taxes					2,664,944	—
Investment income					637,711	344,049
Unrestricted Federal and State aid					632,162	6,892
Other					257,470	156,024
Total general revenues					39,582,744	506,965
Change in net assets					(5,833,267)	(674,406)
Net assets (deficit) - beginning					(83,699,197)	7,616,381
Net assets (deficit) - ending					$(89,532,464)	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2009
(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 6,847,972	$ 109,122	$3,029,675	$ 67,016	$ —	$10,053,785
Investments, including accrued interest	712,109	—	351,993	1,234	—	1,065,336
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $202,698)	322,737	—	—	—	—	322,737
Federal, State and other aid	6,068,882	752,521	—	—	—	6,821,403
Taxes other than real estate	3,476,842	—	—	12,239	—	3,489,081
Other	1,685,286	—	—	85,005	—	1,770,291
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $316,316)	—	—	—	58	—	58
Due from other funds	2,199,366	182,055	—	612,893	(794,948)	2,199,366
Due from Component Units	1,120,116	880,664	—	—	—	2,000,780
Restricted cash and investments	—	916,529	—	3,390,948	—	4,307,477
Other	8,280	92,943	—	306,606	—	407,829
Total assets	$22,441,590	$ 2,933,834	$3,381,668	$4,475,999	$ (794,948)	$32,438,143
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$10,220,555	$ 1,984,838	$ 5,838	$ 840,769	$ —	$13,052,000
Accrued tax refunds:						
Real estate taxes	44,904	—	—	—	—	44,904
Personal income tax	71,890	—	—	12,239	—	84,129
Other	45,116	—	—	—	—	45,116
Accrued judgments and claims	323,308	217,441	—	—	—	540,749
Deferred revenues:						
Prepaid real estate taxes	4,666,370	—	—	—	—	4,666,370
Uncollected real estate taxes	260,677	—	—	—	—	260,677
Taxes other than real estate	2,731,292	—	—	—	—	2,731,292
Other	2,514,227	25,916	—	89,975	—	2,630,118
Due to other funds	—	2,812,203	—	182,111	(794,948)	2,199,366
Due to Component Units	13,328	—	—	—	—	13,328
Estimated disallowance of Federal, State and other aid	1,112,915	—	—	—	—	1,112,915
Total liabilities	22,004,582	5,040,398	5,838	1,125,094	(794,948)	27,380,964
Fund balances:						
Reserved for:						
Capital projects	—	652,507	—	1,015,345	—	1,667,852
Debt service	—	—	3,375,830	2,049,629	—	5,425,459
Noncurrent mortgage loans	—	—	—	58	—	58
Unreserved (deficit), reported in:						
General Fund	437,008	—	—	—	—	437,008
New York City Capital Projects Fund	—	(2,759,071)	—	—	—	(2,759,071)
Nonmajor Capital Projects Funds	—	—	—	47,928	—	47,928
Nonmajor Debt Service Funds	—	—	—	237,945	—	237,945
Total fund balances (deficit)	437,008	(2,106,564)	3,375,830	3,350,905	—	5,057,179
Total liabilities and fund balances	$22,441,590	$ 2,933,834	$3,381,668	$4,475,999	$ (794,948)	$32,438,143

The reconciliation of the fund balances of governmental funds to the net assets (deficit) of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2008
(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 4,685,418	$ 31,637	$4,023,830	$ 45,439	$ —	$ 8,786,324
Investments, including accrued interest	2,150,177	—	1,100,681	257,651	—	3,508,509
Accounts receivable:						
Real estate taxes (less allowance for uncollectible amounts of $203,001)	317,470	—	—	—	—	317,470
Federal, State and other aid	5,100,536	790,055	—	—	—	5,890,591
Taxes other than real estate	4,140,791	—	—	446,455	—	4,587,246
Other	1,537,742	—	—	84,020	—	1,621,762
Mortgage loans and interest receivable (less allowance for uncollectible amounts of $319,711)	—	—	—	69	—	69
Due from other funds	3,253,329	144,348	—	413,556	(413,556)	3,397,677
Due from Component Units	901,346	518,467	—	—	—	1,419,813
Restricted cash and investments	—	651,327	—	3,784,224	—	4,435,551
Other	—	86,339	—	313,531	—	399,870
Total assets	$22,086,809	$ 2,222,173	$5,124,511	$5,344,945	$ (413,556)	$34,364,882
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	$10,251,219	$ 1,885,357	$ 7,243	$ 735,258	$ —	$12,879,077
Accrued tax refunds:						
Real estate taxes	40,538	—	—	—	—	40,538
Personal income tax	48,056	—	—	25,455	—	73,511
Other	178,809	—	—	—	—	178,809
Accrued judgments and claims	394,833	150,620	—	—	—	545,453
Deferred revenues:						
Prepaid real estate taxes	3,118,576	—	—	—	—	3,118,576
Uncollected real estate taxes	262,741	—	—	—	—	262,741
Taxes other than real estate	3,691,170	—	—	—	—	3,691,170
Other	2,531,092	25,196	—	509,582	—	3,065,870
Due to other funds	—	3,666,885	—	144,348	(413,556)	3,397,677
Due to Component Units	22,925	—	—	—	—	22,925
Estimated disallowance of Federal, State and other aid	1,114,543	—	—	—	—	1,114,543
Payable for investment securities purchased	—	—	—	257,000	—	257,000
Total liabilities	21,654,502	5,728,058	7,243	1,671,643	(413,556)	28,647,890
Fund balances:						
Reserved for:						
Capital projects	—	411,125	—	1,528,423	—	1,939,548
Debt service	—	—	5,117,268	1,869,137	—	6,986,405
Noncurrent mortgage loans	—	—	—	69	—	69
Unreserved (deficit), reported in:						
General Fund	432,307	—	—	—	—	432,307
New York City Capital Projects Fund	—	(3,917,010)	—	—	—	(3,917,010)
Nonmajor Capital Projects Funds	—	—	—	42,770	—	42,770
Nonmajor Debt Service Funds	—	—	—	232,903	—	232,903
Total fund balances (deficit)	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
Total liabilities and fund balances	$22,086,809	$ 2,222,173	$5,124,511	$5,344,945	$ (413,556)	$34,364,882

The reconciliation of the fund balances of governmental funds to the net assets (deficit) of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Total fund balances—governmental funds	$ 5,057,179
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	281,645
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	39,881,603
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	4,128,462
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(63,816,603)
OPEB liability	(65,544,361)
Accrued interest payable	(766,778)
Capital lease obligations	(1,937,173)
Accrued vacation and sick leave	(3,682,537)
Pension liability	(658,600)
Landfill closure and post-closure care costs	(1,719,073)
Pollution Remediation	(175,536)
Other long-term liabilities	(7,774,445)
Net assets (deficit) of governmental activities	$(96,726,217)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Total fund balances—governmental funds	$ 5,716,992
Inventories recorded in the Statement of Net Assets are recorded as expenditures in the governmental funds	257,215
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	36,892,858
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	5,223,256
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(58,058,125)
OPEB liability	(63,290,218)
Accrued interest payable	(677,361)
Capital lease obligations	(2,024,663)
Accrued vacation and sick leave	(3,389,007)
Pension liability	(692,200)
Landfill closure and post-closure care costs	(1,698,490)
Other long-term liabilities	(7,792,721)
Net assets (deficit) of governmental activities	$(89,532,464)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$14,487,231	$ —	$ —	$ —	$ —	$ 14,487,231
Sales and use taxes	5,302,107	—	—	—	—	5,302,107
Personal income tax	7,518,903	—	—	138,274	—	7,657,177
Income taxes, other	6,588,642	—	—	—	—	6,588,642
Other taxes	1,975,691	—	—	—	—	1,975,691
Federal, State and other categorical aid	19,168,023	851,641	—	170,000	—	20,189,664
Unrestricted Federal and State aid	327,390	—	—	—	—	327,390
Charges for services	2,244,924	—	—	—	—	2,244,924
Tobacco settlement	—	—	—	232,612	—	232,612
Investment income	123,903	—	57,593	98,903	—	280,399
Interest on mortgages, net	—	—	—	6,469	—	6,469
Other revenues	2,112,280	2,873,723	99	2,923,569	(2,880,850)	5,028,821
Total revenues	59,849,094	3,725,364	57,692	3,569,827	(2,880,850)	64,321,127
EXPENDITURES:						
General government	1,917,783	1,341,800	—	357,784	—	3,617,367
Public safety and judicial	7,683,112	336,506	—	—	—	8,019,618
Education	17,774,247	2,750,256	—	2,877,279	(2,880,850)	20,520,932
City University	658,484	66,581	—	—	—	725,065
Social services	12,151,263	90,959	—	—	—	12,242,222
Environmental protection	2,199,569	2,930,162	—	—	—	5,129,731
Transportation services	1,269,989	1,002,396	—	—	—	2,272,385
Parks, recreation and cultural activities	445,188	831,811	—	—	—	1,276,999
Housing	796,803	412,990	—	—	—	1,209,793
Health (including payments to HHC)	1,843,326	232,595	—	—	—	2,075,921
Libraries	366,307	47,466	—	—	—	413,773
Pensions	6,264,914	—	—	—	—	6,264,914
Judgments and claims	623,192	—	—	—	—	623,192
Fringe benefits and other benefit payments	3,524,852	—	—	—	—	3,524,852
Administrative and other	172,347	—	92,878	61,173	—	326,398
Debt Service:						
Interest	—	—	1,562,328	921,687	—	2,484,015
Redemptions	—	—	1,560,296	319,380	—	1,879,676
Lease payments	174,523	—	—	—	—	174,523
Total expenditures	57,865,899	10,043,522	3,215,502	4,537,303	(2,880,850)	72,781,376
Excess (deficiency) of revenues over expenditures	1,983,195	(6,318,158)	(3,157,810)	(967,476)	—	(8,460,249)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	1,413,106	741,812	—	2,154,918
Transfers from Nonmajor Capital Projects Funds	—	2,321,950	—	123,163	—	2,445,113
Principal amount of bonds issued	176,424	5,304,576	—	2,270,000	—	7,751,000
Bond premium	—	64,716	30,692	3,090	—	98,498
Capitalized leases	—	26,237	—	—	—	26,237
Issuance of refunding debt	—	—	450,070	219,300	—	669,370
Transfers to New York City Capital Projects Fund	—	—	—	(2,321,950)	—	(2,321,950)
Transfers to General Debt Service Fund	(1,413,106)	—	—	(961)	—	(1,414,067)
Transfers from (to) Nonmajor Debt Service Funds, net	(741,812)	—	961	(123,163)	—	(864,014)
Payments to refunded bond escrow holder	—	—	(478,457)	(232,879)	—	(711,336)
Transferable development rights installment purchase agreement	—	—	—	(33,333)	—	(33,333)
Total other financing sources (uses)	(1,978,494)	7,717,479	1,416,372	645,079	—	7,800,436
Net change in fund balances	4,701	1,399,321	(1,741,438)	(322,397)	—	(659,813)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	432,307	(3,505,885)	5,117,268	3,673,302	—	5,716,992
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 437,008	$ (2,106,564)	$ 3,375,830	$ 3,350,905	$ —	$ 5,057,179

The reconciliation of the net change in fund balances of governmental funds to the change in net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

(in thousands)

	General	New York City Capital Projects	General Debt Service	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total Governmental Funds
REVENUES:						
Real estate taxes	$13,203,930	$ —	$ —	$ —	$ —	$13,203,930
Sales and use taxes	6,228,357	—	—	—	—	6,228,357
Personal income tax	9,764,209	—	—	163,756	—	9,927,965
Income taxes, other	6,784,783	—	—	—	—	6,784,783
Other taxes	2,619,250	—	—	—	—	2,619,250
Federal, State and other categorical aid	18,088,020	1,357,927	—	170,000	—	19,615,947
Unrestricted Federal and State aid	242,115	—	—	—	—	242,115
Charges for services	2,125,870	—	—	—	—	2,125,870
Tobacco settlement	—	—	—	210,937	—	210,937
Investment income	376,798	—	18,007	239,725	—	634,530
Interest on mortgages, net	—	—	—	3,181	—	3,181
Other revenues	1,990,185	2,309,050	53	2,408,102	(2,376,158)	4,331,232
Total revenues	61,423,517	3,666,977	18,060	3,195,701	(2,376,158)	65,928,097
EXPENDITURES:						
General government	1,827,649	1,650,614	—	514,390	—	3,992,653
Public safety and judicial	7,258,568	282,627	—	—	—	7,541,195
Education	16,855,125	2,358,237	—	2,356,596	(2,376,158)	19,193,800
City University	620,730	37,345	—	—	—	658,075
Social services	12,511,340	64,448	—	—	—	12,575,788
Environmental protection	2,082,731	2,500,851	—	—	—	4,583,582
Transportation services	1,187,099	813,901	—	—	—	2,001,000
Parks, recreation and cultural activities	450,151	563,886	—	—	—	1,014,037
Housing	679,584	502,617	—	—	—	1,182,201
Health (including payments to HHC)	1,587,844	205,624	—	—	—	1,793,468
Libraries	266,399	25,294	—	—	—	291,693
Pensions	5,616,289	—	—	—	—	5,616,289
Judgments and claims	625,395	—	—	—	—	625,395
Fringe benefits and other benefit payments	3,956,861	—	—	—	—	3,956,861
Administrative and other	312,555	—	124,375	40,728	—	477,658
Debt Service:						
Interest	—	—	1,611,184	971,140	—	2,582,324
Redemptions	—	—	1,757,820	550,388	—	2,308,208
Lease payments	158,482	—	—	—	—	158,482
Total expenditures	55,996,802	9,005,444	3,493,379	4,433,242	(2,376,158)	70,552,709
Excess (deficiency) of revenues over expenditures	5,426,715	(5,338,467)	(3,475,319)	(1,237,541)	—	(4,624,612)
OTHER FINANCING SOURCES (USES):						
Transfers from General Fund	—	—	5,212,167	209,539	—	5,421,706
Transfers from Nonmajor Capital Projects Funds	—	1,656,409	—	154,931	—	1,811,340
Principal amount of bonds issued	—	3,425,400	—	700,000	—	4,125,400
Bond premium	—	62,948	87,414	5,557	—	155,919
Capitalized leases	—	16,743	—	—	—	16,743
Issuance of refunding debt	—	—	3,956,945	—	—	3,956,945
Transfers to New York City Capital Projects Fund	—	—	—	(1,656,409)	—	(1,656,409)
Transfers from (to) General Debt Service Fund	(5,212,167)	—	—	4,789	—	(5,207,378)
Transfers to Nonmajor Debt Service Funds, net	(209,539)	—	(4,789)	(154,931)	—	(369,259)
Payments to refunded bond escrow holder	—	—	(4,031,146)	(14,544)	—	(4,045,690)
Transferable development rights installment purchase agreement	—	—	—	(33,333)	—	(33,333)
Total other financing sources (uses)	(5,421,706)	5,161,500	5,220,591	(784,401)	—	4,175,984
Net change in fund balances	5,009	(176,967)	1,745,272	(2,021,942)	—	(448,628)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	427,298	(3,328,918)	3,371,996	5,695,244	—	6,165,620
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 432,307	$(3,505,885)	$ 5,117,268	$ 3,673,302	$ —	$ 5,716,992

The reconciliation of the net change in fund balances of governmental funds to the change in net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances—governmental funds		$ (659,813)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 5,843,732	
Depreciation expense	(2,289,736)	3,553,996
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		(453,331)
The issuance of long-term debt (*i.e.,* bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(8,420,370)	
Principal payments of bonds	2,492,514	
Other	(38,655)	(5,966,511)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(115,049)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(1,123,366)
OPEB obligation		(2,254,143)
Pollution Remediation		(2,694)
Change in net assets—governmental activities		$ (7,020,911)

See accompanying notes to financial statements.

THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances—governmental funds		$ (448,628)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Purchases of capital assets	$ 5,542,866	
Depreciation expense	(2,264,510)	3,278,356
The net effect of various miscellaneous transactions involving capital assets and other (*i.e.* sales, trade-ins, and donations) is to decrease net assets		86,253
The issuance of long-term debt (*i.e.,* bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(8,082,345)	
Principal payments of bonds	6,197,979	
Other	(49,849)	(1,934,215)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(567,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(719,288)
OPEB obligation		(5,528,280)
Change in net assets—governmental activities		$ (5,833,267)

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$13,915,354	$14,519,706	$14,487,231	$ (32,475)
Sales and use taxes	5,713,000	5,364,400	5,302,107	(62,293)
Personal income tax	8,469,206	7,497,730	7,518,903	21,173
Income taxes, other	5,407,000	5,543,500	6,588,642	1,045,142
Other taxes	2,822,720	2,925,367	1,975,691	(949,676)
Federal, State and other categorical aid	17,906,115	19,609,378	19,168,023	(441,355)
Unrestricted Federal and State aid	339,797	339,797	327,390	(12,407)
Charges for services	2,127,087	2,209,011	2,244,924	35,913
Investment income	85,400	124,020	123,903	(117)
Other revenues	1,777,337	2,729,022	2,112,280	(616,742)
Total revenues	58,563,016	60,861,931	59,849,094	(1,012,837)
EXPENDITURES:				
General government	1,932,330	1,985,787	1,917,783	68,004
Public safety and judicial	7,213,015	7,762,019	7,683,112	78,907
Education	17,743,707	17,892,034	17,774,247	117,787
City University	670,098	673,854	658,484	15,370
Social services	12,139,240	12,205,011	12,151,263	53,748
Environmental protection	2,257,434	2,265,492	2,199,569	65,923
Transportation services	922,257	1,309,461	1,269,989	39,472
Parks, recreation and cultural activities	428,623	448,637	445,188	3,449
Housing	631,101	847,239	796,803	50,436
Health (including payments to HHC)	1,721,597	1,910,944	1,843,326	67,618
Libraries	94,732	367,301	366,307	994
Pensions	6,171,362	6,267,894	6,264,914	2,980
Judgments and claims	657,706	623,192	623,192	—
Fringe benefits and other benefit payments	3,309,317	3,528,189	3,524,852	3,337
Lease payments for debt service	110,888	174,523	174,523	—
Other	1,522,726	612,949	172,347	440,602
Total expenditures	57,526,133	58,874,526	57,865,899	1,008,627
Excess of revenues over expenditures	1,036,883	1,987,405	1,983,195	(4,210)
OTHER FINANCING SOURCES (USES):				
Principal amount of bonds issued	—	176,424	176,424	—
Transfer to Nonmajor Debt Service Fund	(27,357)	(887,456)	(887,456)	—
Transfer from Nonmajor Debt Service Fund	142,973	145,639	145,644	5
Transfers and other payments for debt service	(1,152,499)	(1,422,012)	(1,413,106)	8,906
Total other financing uses	(1,036,883)	(1,987,405)	(1,978,494)	8,911
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ —	$ —	4,701	$ 4,701
FUND BALANCE AT BEGINNING OF YEAR			432,307	
FUND BALANCE AT END OF YEAR			$ 437,008	

See accompanying notes to financial statements.

THE CITY OF NEW YORK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Budget			Better (Worse) Than Modified Budget
	Adopted	Modified	Actual	
REVENUES:				
Real estate taxes	$12,854,090	$13,163,336	$13,203,930	$ 40,594
Sales and use taxes	6,082,000	6,185,000	6,228,357	43,357
Personal income tax	8,486,850	9,713,897	9,764,209	50,312
Income taxes, other	6,007,000	5,968,000	6,784,783	816,783
Other taxes	3,045,085	3,638,397	2,619,250	(1,019,147)
Federal, State and other categorical aid	17,110,310	18,552,901	18,088,020	(464,881)
Unrestricted Federal and State aid	339,797	254,497	242,115	(12,382)
Charges for services	1,950,572	2,085,839	2,125,870	40,031
Investment income	387,300	365,470	376,798	11,328
Other revenues	1,716,876	2,512,615	1,990,185	(522,430)
Total revenues	57,979,880	62,439,952	61,423,517	(1,016,435)
EXPENDITURES:				
General government	1,998,923	1,926,139	1,827,649	98,490
Public safety and judicial	6,918,820	7,336,835	7,258,568	78,267
Education	16,974,359	16,961,745	16,855,125	106,620
City University	628,425	659,895	620,730	39,165
Social services	12,240,877	12,609,939	12,511,340	98,599
Environmental protection	2,144,383	2,114,997	2,082,731	32,266
Transportation services	836,887	1,222,810	1,187,099	35,711
Parks, recreation and cultural activities	455,346	463,512	450,151	13,361
Housing	604,108	716,263	679,584	36,679
Health (including payments to HHC)	1,626,443	1,624,410	1,587,844	36,566
Libraries	47,261	266,724	266,399	325
Pensions	5,603,272	5,620,242	5,616,289	3,953
Judgments and claims	634,806	628,700	625,395	3,305
Fringe benefits and other benefit payments	3,573,181	3,995,113	3,956,861	38,252
Lease payments for debt service	176,914	158,482	158,482	—
Other	1,169,056	720,637	312,555	408,082
Total expenditures	55,633,061	57,026,443	55,996,802	1,029,641
Excess of revenues over expenditures	2,346,819	5,413,509	5,426,715	13,206
OTHER FINANCING SOURCES (USES):				
Transfer to Nonmajor Debt Service Fund	(10,000)	(761,545)	(761,545)	—
Transfer from Nonmajor Debt Service Fund	549,136	551,580	552,006	426
Transfer to New York City Capital Projects Fund	(100,000)	—	—	—
Transfers and other payments for debt service	(2,785,955)	(5,203,544)	(5,212,167)	(8,623)
Total other financing sources (uses)	(2,346,819)	(5,413,509)	(5,421,706)	(8,197)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ —	$ —	5,009	$ 5,009
FUND BALANCE AT BEGINNING OF YEAR			427,298	
FUND BALANCE AT END OF YEAR			$ 432,307	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	$ 1,545,983	$ 1,040	$ 725,026
Receivables:			
Member loans	1,472,834	—	—
Investment securities sold	3,961,734	—	—
Accrued interest and dividends	494,012	—	—
Tax liens receivable (less allowance for doubtful accounts of $136,795)	—	201,532	—
Other	206	—	—
Investments:			
Other short-term investments	2,348,810	—	—
Debt securities	25,433,241	—	1,125,353
Equity securities	41,260,777	—	—
Guaranteed investment contracts	3,125,396	—	—
Management investment contracts	58,906	—	—
Mutual funds	19,414,106	—	—
Collateral from securities lending transactions	9,960,507	—	—
Due from Pension Funds	4,241	—	—
Restricted investments	—	23,350	—
Other	413,545	1,145	—
Total assets	109,494,298	227,067	1,850,379
LIABILITIES:			
Accounts payable and accrued liabilities	841,458	5,172	652,634
Payable for investment securities purchased	6,595,001	—	—
Bonds payable, net of discounts	—	33,152	—
Accrued benefits payable	500,743	—	—
Payable to New York City Water Board	—	38,577	—
Due to Variable Supplements Funds	4,241	—	—
Securities lending transactions	10,052,991	—	—
Other	403	—	1,197,745
Total liabilities	17,994,837	76,901	1,850,379
Net Assets:			
Held in Trust for Benefit Payments	$ 91,499,461	—	$ —
Held in Trust for Fiduciary Net Assets		$150,166	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds	Agency Funds
ASSETS:			
Cash and cash equivalents	$1,011,866	$ 2,200	$ 819,721
Receivables:			
Member loans	1,380,848	—	—
Investment securities sold	5,108,467	—	—
Accrued interest and dividends	528,071	—	—
Tax liens receivable (less allowance for doubtful accounts of $143,324)	—	127,945	—
Other	27,074	—	—
Investments:			
Other short-term investments	2,920,948	—	—
Debt securities	27,326,198	—	952,804
Equity securities	54,269,589	—	—
Guaranteed investment contracts	2,503,315	—	—
Management investment contracts	74,549	—	—
Mutual funds	28,376,591	—	—
Collateral from securities lending transactions	17,318,580	—	—
Due from Pension Funds	4,243	—	—
Restricted investments	—	28,409	—
Other	392,192	2,273	—
Total assets	141,242,531	160,827	1,772,525
LIABILITIES:			
Accounts payable and accrued liabilities	951,610	3,324	697,596
Payable for investment securities purchased	5,785,424	—	—
Bonds payable, net of discounts	—	65,196	—
Accrued benefits payable	511,805	—	—
Payable to New York City Water Board	—	16,896	—
Due to Variable Supplements Funds	4,243	—	—
Securities lending transactions	17,345,400	—	—
Other	589	—	1,074,929
Total liabilities	24,599,071	85,416	1,772,525
NET ASSETS:			
Held in Trust for Benefit Payments	$116,643,460	—	$ —
Held in Trust for Fiduciary Net Assets		$ 75,411	

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,599,771	$ —
Employer contributions	8,967,394	—
Other employer contributions	74,145	—
Total contributions	10,641,310	—
Investment income:		
Interest income	2,061,955	—
Dividend income	1,453,108	—
Net depreciation in fair value of investments	(26,260,105)	—
Other	—	288
Less investment expenses	355,318	—
Investment income (loss), net	(23,100,360)	288
Securities lending transactions:		
Securities lending income	345,633	—
Securities lending fees	(189,349)	—
Unrealized loss in fair value of securities lending collateral	(65,669)	
Net securities lending income	90,615	—
Tax liens receivables	—	117,313
Decrease in allowance for doubtful accounts	—	15,104
Payments from Pension Funds	8,489	—
Other	51,506	91
Total additions	(12,308,440)	132,796
DEDUCTIONS:		
Benefit payments and withdrawals	12,557,097	—
Bond interest expense	—	3,219
Distributions to The City of New York	—	8,051
Additional liability due to New York City Water Board	—	21,451
Payments to Variable Supplemental Funds	8,489	—
Increase in allowance for doubtful accounts	—	8,575
Administrative expenses	124,451	6,711
Other	145,522	10,034
Total deductions	12,835,559	58,041
Increase (decrease) in plan net assets	(25,143,999)	74,755
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	116,643,460	—
End of Year	$ 91,499,461	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		75,411
End of Year		$150,166

See accompanying notes to financial statements.

THE CITY OF NEW YORK

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Pension and Other Employee Benefit Trust Funds	Other Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	$ 1,458,013	$ —
Employer contributions	8,387,130	—
Other employer contributions	27,577	—
Total contributions	9,872,720	—
Investment income:		
Interest income	2,124,510	—
Dividend income	1,712,201	—
Net depreciation in fair value of investments	(9,803,408)	—
Other	—	564
Less investment expenses	327,207	—
Investment income (loss), net	(6,293,904)	564
Securities lending transactions:		
Securities lending income	1,021,683	—
Securities lending fees	(871,639)	—
Net securities lending income	150,044	—
Tax liens receivables	—	89,265
Decrease in allowance for doubtful accounts	—	1,989
Payments from Pension Funds	8,556	—
Other	48,870	—
Total additions	3,786,286	91,818
DEDUCTIONS:		
Benefit payments and withdrawals	11,970,529	—
Bond interest expense	—	1,029
Distributions to The City of New York	—	42,805
Additional liability due to New York City Water Board	—	1,982
Payments to Variable Supplements Funds	8,556	—
Increase in allowance for doubtful accounts	—	16,509
Administrative expenses	122,697	4,673
Other	29,960	10,605
Total deductions	12,131,742	77,603
Increase (decrease) in plan net assets	(8,345,456)	14,215
NET ASSETS:		
Held in Trust for Benefit Payments:		
Beginning of Year	124,988,916	—
End of Year	$116,643,460	—
Held in Trust for Fiduciary Net Assets:		
Beginning of Year		61,196
End of Year		$ 75,411

See accompanying notes to financial statements.

THE CITY OF NEW YORK
COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2009
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2008	Housing Development Corporation October 31, 2008	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,170,442	$ 795,472	$ 275,582	$ 345,255	$ 55,156	$ 77,829	$ 2,719,736
Investments, including accrued interest	771,277	406,080	202,358	112,126	33,034	913,566	2,438,441
Lease receivables	—	—	—	—	—	1,532,340	1,532,340
Other receivables	433,431	87,387	429,691	2,093,793	177,485	22,348	3,244,135
Mortgage loans and interest receivable, net	—	55	6,416,433	—	48,094	—	6,464,582
Inventories	—	15,792	—	31,868	—	—	47,660
Due from Primary Government	13,328	—	—	—	—	—	13,328
Restricted cash and investments	—	96,271	1,866,467	258,861	107,917	327,408	2,656,924
Capital assets:							
Construction work-in-progress	5,072,496	1,525,717	—	291,346	6,639	—	6,896,198
Property, plant and equipment	24,103,459	10,004,369	4,579	5,927,667	5,686	253,855	40,299,615
Accumulated depreciation	(8,036,717)	(6,301,431)	(2,629)	(3,551,221)	(3,296)	(65,046)	(17,960,340)
Other	191,094	81,245	50,268	17,174	80,261	86,648	506,690
Total assets	23,718,810	6,710,957	9,242,749	5,526,869	510,976	3,148,948	48,859,309
LIABILITIES:							
Accounts payable and accrued liabilities	55,570	316,929	420,008	996,815	133,529	6,466	1,929,317
Accrued interest payable	41,485	7,012	61,065	15,667	—	—	125,229
Deferred revenues	77,672	18,223	136,625	—	10,686	7,782	250,988
Due to Primary Government	880,664	—	838,143	281,973	—	—	2,000,780
Other	15,945	33,076	—	—	23,615	44,189	116,825
Noncurrent Liabilities:							
Due within one year	966,026	134,702	310,756	146,690	—	25,790	1,583,964
Due in more than one year	21,421,197	2,693,348	6,314,529	4,135,459	144,796	2,840,521	37,549,850
Total liabilities	23,458,559	3,203,290	8,081,126	5,576,604	312,626	2,924,748	43,556,953
NET ASSETS:							
Invested in capital assets, net of related debt	1,253,882	4,976,964	—	1,704,747	2,390	163,809	8,101,792
Restricted for:							
Capital projects	—	—	—	—	63,427	—	63,427
Debt service	285,348	—	420,651	147,162	—	—	853,161
Loans/security deposits	—	—	—	—	45,182	3,579	48,761
Statutory reserve	—	—	—	44,728	—	—	44,728
Donor restrictions	—	—	—	11,441	—	—	11,441
Operations	195,844	185,418	35,644	—	—	—	416,906
Unrestricted (deficit)	(1,474,823)	(1,654,715)	705,328	(1,957,813)	87,351	56,812	(4,237,860)
Total net assets (deficit)	$ 260,251	$3,507,667	$1,161,623	$ (49,735)	$ 198,350	$ 224,200	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF NET ASSETS

JUNE 30, 2008
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2007	Housing Development Corporation October 31, 2007	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
ASSETS:							
Cash and cash equivalents	$ 1,249,401	$ 582,896	$ 218,545	$ 977,897	$ 68,773	$ 76,288	$ 3,173,800
Investments, including accrued interest	446,854	745,002	264,123	100,578	28,241	995,554	2,580,352
Other receivables	372,300	109,507	389,248	1,483,856	188,853	15,212	2,558,976
Mortgage loans and interest receivable, net	—	66	5,489,526	—	51,172	—	5,540,764
Inventories	—	15,643	—	34,712	—	—	50,355
Due from Primary Government	22,925	—	—	—	—	—	22,925
Restricted cash and investments	—	165,644	1,907,264	168,413	123,133	529,761	2,894,215
Capital assets:							
Construction work-in-progress	4,011,216	1,382,276	—	330,181	1,095	—	5,724,768
Property, plant and equipment	23,013,895	9,844,807	4,577	5,578,960	5,680	227,135	38,675,054
Accumulated depreciation	(7,677,961)	(5,992,091)	(2,813)	(3,363,508)	(3,043)	(58,364)	(17,097,780)
Other	154,404	61,845	48,384	17,412	52,060	1,034,720	1,368,825
Total assets	21,593,034	6,915,595	8,318,854	5,328,501	515,964	2,820,306	45,492,254
LIABILITIES:							
Accounts payable and accrued liabilities	84,183	305,475	286,968	907,364	166,075	8,968	1,759,033
Accrued interest payable	29,306	7,396	59,277	11,331	—	—	107,310
Deferred revenues	74,676	16,485	119,193	—	12,533	4,514	227,401
Due to Primary Government	518,467	—	842,988	58,358	—	—	1,419,813
Other	17,363	31,799	—	—	32,055	31,837	113,054
Noncurrent Liabilities:							
Due within one year	1,035,015	132,198	193,131	152,461	—	—	1,512,805
Due in more than one year	18,668,133	2,530,480	5,704,137	3,832,337	112,434	2,563,342	33,410,863
Total liabilities	20,427,143	3,023,833	7,205,694	4,961,851	323,097	2,608,661	38,550,279
NET ASSETS:							
Invested in capital assets, net of related debt	1,737,181	5,023,714	—	1,574,650	2,637	149,487	8,487,669
Restricted for:							
Capital projects	—	—	—	—	62,580	—	62,580
Debt service	209,130	—	425,043	112,743	—	—	746,916
Loans/security deposits	—	—	—	—	56,234	3,719	59,953
Statutory reserve	—	—	—	37,208	—	—	37,208
Donor restrictions	—	—	—	11,775	—	—	11,775
Operations	200,438	257,996	30,690	—	—	—	489,124
Unrestricted (deficit)	(980,858)	(1,389,948)	657,427	(1,369,726)	71,416	58,439	(2,953,250)
Total net assets	$ 1,165,891	$ 3,891,762	$1,113,160	$ 366,650	$ 192,867	$ 211,645	$ 6,941,975

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2008	Housing Development Corporation October 31, 2008	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
Expenses	$ 3,500,429	$ 3,172,565	$ 261,778	$ 6,667,936	$ 770,947	$ 74,134	$14,447,789
Program Revenues:							
Charges for services	2,448,567	791,092	241,497	5,677,744	227,432	33,774	9,420,106
Operating grants and contributions	—	1,689,909	—	239,860	34,743	—	1,964,512
Capital grants, contributions and other	—	269,919	—	210,851	503,130	22,131	1,006,031
Total program revenues	2,448,567	2,750,920	241,497	6,128,455	765,305	55,905	12,390,649
Net (expenses) program revenues	(1,051,862)	(421,645)	(20,281)	(539,481)	(5,642)	(18,229)	(2,057,140)
General Revenues:							
Investment income	99,122	36,751	63,714	13,736	3,373	13,142	229,838
Unrestricted Federal and State aid	—	—	—	—	5,944	—	5,944
Other	108,708	26,512	5,030	119,575	1,808	17,642	279,275
General revenues, net	207,830	63,263	68,744	133,311	11,125	30,784	515,057
Change in net assets	(844,032)	(358,382)	48,463	(406,170)	5,483	12,555	(1,542,083)
Net assets—beginning	1,165,891	3,891,762	1,113,160	366,650	192,867	211,645	6,941,975
Restatement of beginning net assets	(61,608)	(25,713)	—	(10,215)	—	—	(97,536)
Net assets (deficit)—ending	$ 260,251	$ 3,507,667	$ 1,161,623	$ (49,735)	$ 198,350	$ 224,200	$ 5,302,356

See accompanying notes to financial statements.

THE CITY OF NEW YORK

COMPONENT UNITS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Water and Sewer System	Housing Authority December 31, 2007	Housing Development Corporation October 31, 2007	Health and Hospitals Corporation	Economic Development Corporation	Nonmajor Component Units	Total
EXPENSES	$ 2,876,805	$ 2,994,987	$ 279,370	$6,380,742	$ 833,606	$ 98,926	$13,464,436
PROGRAM REVENUES:							
Charges for services	2,103,287	729,154	266,384	5,655,542	257,142	59,428	9,070,937
Operating grants and contributions	—	1,813,220	—	279,715	36,971	—	2,129,906
Capital grants, contributions and other	—	361,669	—	155,679	546,813	18,061	1,082,222
Total program revenues	2,103,287	2,904,043	266,384	6,090,936	840,926	77,489	12,283,065
Net (expenses) program revenues	(773,518)	(90,944)	(12,986)	(289,806)	7,320	(21,437)	(1,181,371)
GENERAL REVENUES:							
Investment income	108,892	61,278	84,531	47,151	7,597	34,600	344,049
Unrestricted Federal and State aid	—	—	—	—	6,892	—	6,892
Other	104,234	42,353	7,559	—	1,878	—	156,024
General revenues, net	213,126	103,631	92,090	47,151	16,367	34,600	506,965
Change in net assets	(560,392)	12,687	79,104	(242,655)	23,687	13,163	(674,406)
Net assets—beginning	1,726,283	3,879,075	1,034,056	609,305	169,180	198,482	7,616,381
Net assets—ending	$ 1,165,891	$ 3,891,762	$ 1,113,160	$ 366,650	$ 192,867	$ 211,645	$ 6,941,975

See accompanying notes to financial statements.

A. Summary of Significant Accounting Policies

The accompanying basic financial statements of The City of New York (City or primary government) are presented in conformity with generally accepted accounting principles (GAAP) for governments in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The amounts shown in the "Primary Government" and "Component Units" columns of the accompanying government-wide financial statements are only presented to facilitate financial analysis and are not the equivalent of consolidated financial statements.

The following is a summary of the significant accounting policies and reporting practices of the City:

1. Reporting Entity

The City of New York is a municipal corporation governed by the Mayor and the City Council. The City's operations also include those normally performed at the county level, and accordingly, transactions applicable to the operations of the five counties that comprise the City are included in these financial statements.

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

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

Most component units are included in the financial reporting entity by discrete presentation. Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government.

The New York City Transit Authority is an affiliated agency of the Metropolitan Transportation Authority of the State of New York which is a component unit of New York State and is excluded from the City's financial reporting entity.

Blended Component Units

These component units, although legally separate, all provide services exclusively to the City and thus are reported as if they were part of the primary government. They include the following:

Municipal Assistance Corporation for The City Of New York (MAC). MAC is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. MAC was created by State legislation enacted in 1975 (as amended to date, the Act) for purposes of providing financing assistance including funding for certain oversight of the City's financial activities. To carry out such purposes, MAC was empowered to sell bonds and notes for the purpose of paying or loaning the proceeds of such sales to the City and to exchange its obligations for those of the City.

The Act provides that MAC shall continue for a term ending the later of July 1, 2008 or one year after all its liabilities have been fully paid and discharged. On July 1, 2008, MAC paid in full all its previously defeased bonds from amounts placed in an irrevocable trust. On July 1, 2008, MAC had other liabilities such as accounts payable outstanding. On September 24, 2008, MAC had all of its liabilities paid and discharged and MAC's Board made the necessary statutory findings for dissolution and termination and set the date of termination at September 30, 2009. Upon the termination of the existence of MAC, all of its rights and property shall pass to and be vested in the State of New York.

New York City Transitional Finance Authority (TFA). TFA, a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York was created in 1997 to assist the City in funding its capital program, the purpose of which is to maintain, rebuild, and expand the infrastructure of the City and to pay TFA's operating expenditures.

In addition to State legislative authorization to issue Future Tax Secured bonds for capital purposes for which TFA had issued its statutory limit of $13.5 billion as of June 30, 2007, TFA is authorized to have outstanding Recovery bonds of $2.5 billion to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center; also, legislation enacted in

April, 2006 enables TFA to have outstanding up to $9.4 billion of Building Aid Revenue bonds (BARBs) for purposes of funding costs of the five-year educational facilities capital plan for the City school system and TFA's operating expenditures. As of June 30, 2009, $4.25 billion of BARBs have been issued and are outstanding.

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

TSASC, Inc. (TSASC). TSASC is a special purpose, local development corporation organized in 1999 under the not-for-profit corporation law of the State of New York. TSASC is an instrumentality of the City, but is a separate legal entity from the City.

Pursuant to a purchase and sale agreement with the City, the City sold to TSASC all of its future right, title, and interest in the tobacco settlement revenues (TSRs) under the Master Settlement Agreement and the Decree and Final Judgment. This settlement agreement resolved cigarette smoking-related litigation between the settling states and participating manufacturers, released the participating manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The City is allocated a share of the TSRs received by New York State. The future rights, title, and interest of the City to the TSRs were sold to TSASC.

The purchase price of the City's future right, title, and interest in the TSRs was financed by the issuance of a series of bonds and the Residual Certificate. Prior to the restructuring of TSASC's debt, the Residual Certificate represented the entitlement to receive all TSRs after payment of debt service, operating expenses, and certain other costs as set forth in the original Indenture.

Under the Amended and Restated Indenture dated January 1, 2006, the Residual Certificate represents the entitlement to receive all amounts in excess of specified percentages of TSRs and other revenues (Collections) used to fund debt service and operating expenses of TSASC. The Collections in excess of the specified percentages will be transferred to the TSASC Tobacco Settlement Trust (Trust), as owner of the Residual Certificate and then to the City as the beneficial owner of the Trust. The Indenture allows transfers to the Trust after December 6, 2007.

The Indenture provides that a specified percentage of Collections are pledged, and required to be applied to the payment of debt service and operating costs. That percentage is 37.40% and is subject to reduction at June 1, 2024, and at each June 1st thereafter, depending on the magnitude of cumulative bond redemptions under the turbo redemption feature of Series 2006-1 bonds (which requires all pledged Collections, after payment of operating costs, to be applied to payment of principal of and interest on Series 2006-1 bonds).

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

New York City Educational Construction Fund (ECF). ECF was created in 1967 as a corporate governmental agency of the State of New York, constituting a public benefit corporation. ECF was established to develop combined occupancy structures containing school and nonschool portions. ECF was created by the Education Law of the State and is authorized to issue bonds, notes, or other obligations to finance the construction and improvement of elementary and secondary school buildings within the City.

New York City School Construction Authority (SCA). SCA is a public benefit corporation created by the New York State Legislature in 1988. SCA's responsibilities as defined in the enabling legislation are the design, construction, reconstruction, improvement, rehabilitation and repair of the City's public schools. SCA is governed by a three-member Board of Trustees, all of whom are appointed by the Mayor which includes the Schools Chancellor of the City who serves as the Chairman.

SCA's operations are funded by appropriations made by the City which are guided by five-year capital plans, developed by the Department of Education (DOE) of the City. The City's appropriation for the five year capital plan for the fiscal years 2010 through 2014 is $11.3 billion.

SCA carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter.

As SCA represents a pass-through entity, in existence for the sole purpose of capital projects, all expenditures are capitalized into construction-in-progress except for pollution remediation expenditures. Upon completion of construction-in-progress projects, the assets are transferred to DOE.

Fiscal Year 2005 Securitization Corporation (FSC). FSC was established in 2004 as a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York. FSC is a financing instrumentality of the City, but is a separate legal entity from the City. FSC was formed for the purpose of issuing bonds, a major portion of the proceeds of $499 million of bonds issued in December, 2004 was used to acquire securities held in an escrow account securing City general obligation bonds. The securities, which are held by the trustee for FSC, as they mature will fully fund the debt service and operational expenditures of FSC for the life of FSC's bonds.

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

Sales Tax Asset Receivable Corporation (STAR). STAR is a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York in 2003. STAR is a financing instrumentality of the City, but is a separate legal entity from the City. STAR was created to issue debt ($2.55 billion of bonds was issued in November, 2004) to finance the payment of principal, interest, and redemption premium (if any), on all outstanding bonds of MAC, on all outstanding bonds of the City held by MAC, and to reimburse the City for amounts retained by MAC since July 1, 2003 for debt service. The payment of the outstanding MAC bonds results in the receipt by the City of tax revenues that would otherwise be paid to MAC for the payment of debt service on MAC's bonds. The foregoing was consideration for an assignment by the City of all of its rights and interest in the $170 million annual payment by the New York State Local Government Assistance Corporation which commenced with fiscal year 2004 and will terminate with fiscal year 2034 and which will be used for debt service on STAR bonds.

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

Hudson Yards Development Corporation (HYDC). HYDC, a local development corporation organized by the City under the not-for-profit corporation law of the State of New York began operations in 2005 to manage and implement the City's economic development initiative for the development and redevelopment activities (Project) of the Hudson Yards area on the West Side of Manhattan (Project Area). HYDC is governed by a Board of thirteen Directors, a majority of whom are appointed by the Mayor. HYDC works with various City and State agencies and authorities and with private developers on the design and construction and implementation of the various elements of the Project, and to further private development and redevelopment of the Project Area.

Hudson Yards Infrastructure Corporation (HYIC). HYIC, a local development corporation organized by the City under the not-for-profit corporation law of the State of New York began operations in 2005 for the purpose of financing certain infrastructure improvements in the Hudson Yards area on the West Side of Manhattan (Project). HYIC does not engage in development directly, but finances development spearheaded by HYDC and carried out by existing public entities. HYIC fulfills its purpose through the issuance of bonds to finance the Project, including the operations of HYDC, and to collect revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City, to support its operations and pay principal and interest on its outstanding bonds. HYIC is governed by a Board of Directors elected by its five Members, all of whom are officials of the City. HYIC's Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor prior to any such actions.

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

Discretely Presented Component Units

All discretely presented component units are legally separate from the primary government. These entities are reported as discretely presented component units because the City appoints a majority of these organizations' boards, is able to impose its will on them, or a financial benefit/burden situation exists.

The component units column in the government-wide financial statements include the financial data of these entities, which are reported in a separate column to emphasize that they are legally separate from the City. They include the following:

New York City Health and Hospitals Corporation (HHC). HHC, a public benefit corporation, assumed responsibility for the operation of the City's municipal hospital system in 1970. HHC's integrated health care networks provide the full continuum of care—primary and specialty care, inpatient acute, outpatient, long-term care, and home health services—under a single medical and financial management structure. HHC's financial statements include the accounts of HHC and its blended component units, MetroPlus Health Plan, Inc., HHC Insurance Company, Inc., HHC Capital Corporation, and a closely affiliated not-for-profit corporation, The HHC Foundation of New York City, Inc.

HHC mainly provides, on behalf of the City, comprehensive medical and mental health services to City residents regardless of ability to pay. Funds appropriated from the City are payments, either directly or indirectly, for services rendered by HHC. The City pays for patient care rendered to prisoners, uniformed City employees, and various discretely funded facility-specific programs. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City which includes settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts, as well as other HHC costs including interest on City debt which funded HHC capital acquisitions. HHC reimburses the City for medical malpractice settlements it pays on behalf of HHC, up to an agreed upon amount to be negotiated each year.

Jay Street Development Corporation (JSDC). JSDC is a special purpose, local development corporation organized by the City in 2000 under the not-for-profit corporation law of the State of New York. JSDC is an instrumentality of the City, but is a separate legal entity from the City. JSDC was created to purchase, lease, sublease, own, hold, sell, assign, or pledge the real property known as the Court Unit of 330 Jay Street Condominium located at 330 Jay Street in Brooklyn, New York and to finance the costs of construction of a building thereon which will be used for the "Courts Facility."

On April 23, 2008, the Courts Facility was sold to the City. On February 25, 2009, after having paid all remaining liabilities, JSDC's remaining cash was distributed to the City, resulting in JSDC having no assets or liabilities at February 28, 2009.

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

New York City Housing Development Corporation (HDC). HDC, a corporate governmental agency constituting a public benefit corporation of the State of New York was established in 1971 to encourage private housing development by providing low interest mortgage loans. The combined financial statements include: (i) the accounts of HDC and (ii) two active discretely presented component units: Housing Assistance Corporation and the New York City Residential Mortgage Insurance Corporation. Also, HDC includes the Housing New York Corporation which became an inactive subsidiary of HDC on November 3, 2003 and is not expected to be dissolved and the NYC HDC Real Estate Owned Corporation which was established as a subsidiary of HDC on September 20, 2004 and during HDC's last fiscal year, there was no activity by this subsidiary. It is treated as a blended component of HDC. To accomplish its objectives, HDC is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. HDC finances significant amounts of its activities through issuance of bonds and notes. The bonds and notes of HDC are not debts of either the State or the City. HDC has a fiscal year ending October 31.

New York City Housing Authority (HA). HA is a public benefit corporation chartered in 1934 under the New York State Public Housing Law. HA develops, constructs, manages, and maintains low cost housing for eligible low income families in the City. HA also maintains a leased housing program which provides housing assistance payments to families.

Substantial operating losses result from the essential services that HA provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, HA receives subsidies from: (a) the Federal government, primarily the U.S. Department of Housing and Urban Development, in the form of annual grants for operating assistance, debt service payments, contributions for capital, and reimbursement of expenditures incurred for certain Federal housing programs; (b) New York State in the form of debt service and capital payments; and (c) the City in the form of debt service and capital payments. Subsidies are established through budgetary procedures which establish amounts to be funded by the grantor agencies. Projected operating surplus or deficit amounts are budgeted on an annual basis and approved by the grantor agency. Capital project budgets are submitted regularly during the year. HA has a calendar year-end.

New York City Industrial Development Agency (IDA). IDA is a public benefit corporation established in 1974 to actively promote, retain, attract, encourage, and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City. IDA assists industrial, commercial, and not-for-profit organizations in obtaining long-term, low-cost financing for fixed assets through a financing transaction which includes the issuance of double and triple tax-exempt industrial development bonds (IDBs). The participating organizations, in addition to satisfying legal requirements under IDA's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. In addition, IDA assists participants who do not qualify for IDBs through a "straight lease" structure. The straight lease also provides tax benefits to the participants without having to issue IDBs or otherwise take part in the participants' financing. Whether IDA issues IDBs or merely enters into a straight lease, IDA may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property taxes that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials and machinery and equipment. IDA is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

New York City Economic Development Corporation (EDC). EDC is a local development corporation organized in 1966 according to the not-for-profit corporation law of the State of New York. EDC's financial statements include the accounts of EDC and its component units, Metropolitan Business Assistance, Ltd. and Apple Industrial Development Corporation. EDC renders a variety of services and administers certain economic development programs on behalf of the City relating to attraction, retention, and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the City, and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein.

Business Relocation Assistance Corporation (BRAC). BRAC is a not-for-profit corporation incorporated in 1981 according to the not-for-profit corporation law of the State of New York for the purpose of implementing and administering the Relocation

Incentive Program (RIP) and other related programs. BRAC provides relocation assistance to qualifying commercial and manufacturing firms moving within the City.

The funds for RIP were provided by owners/developers of certain residential projects which caused the relocation of commercial and manufacturing businesses previously located at those sites. These funds consisted of conversion contributions or escrow payments mandated by the City's Zoning Resolution for this type of development. The ability of BRAC to extract fees for residential conversion ended as of January 1, 1998 per the Zoning Resolution.

As required by the Zoning Resolution, developers/owners of specific City properties needed to pay a conversion contribution (BRAC payment) in order to receive a building permit for the conversion of space from commercial to residential use. As stipulated by the Zoning Resolution, in the event that such conversion resulted in the displacement of industrial and/or commercial firms located within the City, the developer was required to establish an escrow account for each business displaced. The funds were released to the displaced firm once eligible relocation had taken place.

Contributions were deposited to the BRAC fund in the event that a displaced firm did not relocate within the City. In addition, if the space to be converted was vacant for less than five years, the conversion contribution was made directly to the BRAC fund.

All conversion contributions received by BRAC are restricted for the use of administering industrial retention/relocation programs consistent with the Zoning Resolution. One such program, the Industrial Relocation Grant Program provides grants up to $30,000 to eligible New York City manufacturing firms to defray their moving costs. Grants are paid as reimbursement of moving costs after a firm completes its relocation. This program will continue to operate only with the current accumulated net assets now available.

In fiscal year 2007, BRAC had received $1.5 million in contributions from EDC to administer the Greenpoint Relocation Program. This program is intended to help defray relocation costs for those manufacturing and industrial firms that may need to relocate due to the rezoning of the Greenpoint-Williamsburg area of Brooklyn by providing for maximum grants of $50,000. As of June 30, 2009, the BRAC fund is valued at $1.4 million, and grants for both Industrial Relocation Grant and Greenpoint Relocation Program will be available until funds are exhausted.

Brooklyn Navy Yard Development Corporation (BNYDC). BNYDC was organized in 1966 as a not-for-profit corporation according to the not-for-profit corporation law of the State of New York. The primary purpose of BNYDC is to provide economic rehabilitation in Brooklyn, to revitalize the economy, and create job opportunities. In 1971, BNYDC leased the Brooklyn Navy Yard from the City for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended and restated in 1996. The Mayor appoints the majority of the members of the Board of Directors.

New York City Water Board (Water Board) and New York City Municipal Water Finance Authority (Water Authority). The Water and Sewer System (NYW), consisting of two legally separate and independent entities, the Water Board and the Water Authority began operations in 1985. NYW provides for water supply and distribution, and sewage collection, treatment, and disposal for the City. The Water Authority was established to issue debt to finance the cost of capital improvements to the water distribution and sewage collection system, and to refund any and all outstanding bonds and general obligation bonds of the City issued for water and sewer purposes. The Water Board was established to lease the water distribution and sewage collection system from the City and to establish and collect rates, fees, rents, and other charges for the use of, or for services furnished, rendered, or made available by the water distribution and sewage collection system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place NYW on a self-sustaining basis. The physical operation and capital improvements of NYW are performed by the City's DEP subject to contractual agreements with the Water Board and Water Authority.

WTC Captive Insurance Company, Inc. (WTC Captive). WTC Captive is a not-for-profit corporation incorporated in the State of New York in 2004 in response to the events of September 11, 2001. WTC Captive was funded with $999.9 million in funds by the Federal Emergency Management Agency (FEMA) and used this funding to support issuance of a liability insurance contract that provides specified coverage (general liability, environmental liability, professional liability, and marine liability) against certain third-party claims made against the City and approximately 145 contractors and subcontractors working on the City's FEMA-funded debris removal project at the World Trade Center site or the Fresh Kills landfill during the 'exposure period' from September 11, 2001 to August 30, 2002. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. WTC Captive has a calendar year-end.

New York City Capital Resource Corporation (CRC). CRC is a local development corporation organized in 2006 under the not-for-profit corporation law of the State of New York to assist qualified not-for-profit institutions, small manufacturing companies, and other entities eligible under the Federal tax laws in obtaining tax-exempt bond financing. CRC is a conduit bond issuer for the Loan Enhanced Assistance Program (LEAP). LEAP's goal is to facilitate access to private activity tax-exempt bond financing for qualified borrowers by simplifying the transaction structure, standardizing the required documentation, and achieving greater efficiency in marketing the tax-exempt debt.

CRC is a self-supporting entity and charges various program fees which may include application fees, financing fees, legal fees, and compliance fees. CRC is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

Note: These organizations publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

2. Basis of Presentation

Government-wide Statements: The government-wide financial statements (*i.e.,* the statement of net assets and the statement of activities), display information about the primary government and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All of the activities of the City as primary government are governmental activities.

The statement of activities presents a comparison between direct expenses, which include allocated indirect expenses, and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on markets, ports, and terminals and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, fiduciary, and proprietary. Except for proprietary (the only organizations that would be categorized as proprietary funds are reported as component units), each category, in turn, is divided into separate "fund types."

The City reports the following major governmental funds:

General Fund. This is the general operating fund of the City. Substantially all tax revenues, Federal and State aid (except aid for capital projects), and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the Expense Budget, which provides for the City's day-to-day operations, including transfers to Debt Service Funds for payment of long-term liabilities.

New York City Capital Projects Fund. This fund is used to record all revenues, expenditures, assets, and liabilities associated with City capital projects. It accounts for resources used to construct or acquire fixed assets and make capital improvements. Resources of the New York City Capital Projects Fund are derived principally from proceeds of City and TFA bond issues, payments from the Water Authority, and from Federal, State, and other aid.

General Debt Service Fund. This fund, required by State legislation on January 1, 1979 is administered and maintained by the State Comptroller into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates. Debt service on all City notes and bonds is paid from this fund.

Additionally, the City reports the following fund types:

Fiduciary Funds

The Fiduciary Funds are used to account for assets and activities when a governmental unit is functioning either as a trustee or an agent for another party. They include the following:

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

- New York City Employees' Retirement System (NYCERS)
- Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS)
- New York City Board of Education Retirement System Qualified Pension Plan (BERS)
- New York City Police Pension Fund (POLICE)
- New York City Fire Pension Fund (FIRE)
- New York City Police Department Police Officers' Variable Supplements Fund (POVSF)
- New York City Police Department Police Superior Officers' Variable Supplements Fund (PSOVSF)
- New York City Fire Department Firefighters' Variable Supplements Fund (FFVSF)
- New York City Fire Department Fire Officers' Variable Supplements Fund (FOVSF)
- New York City Transit Police Officers' Variable Supplements Fund (TPOVSF)
- New York City Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)
- New York City Housing Police Officers' Variable Supplements Fund (HPOVSF)
- New York City Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)
- Correction Officers' Variable Supplements Fund (COVSF)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/457 Plan)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/401(k) Plan)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/408(q) Plan)
- The New York City Other Postemployment Benefits Plan (PLAN)

The **Other Trust Funds** account for the operations of:

- New York City Tax Lien Trust (NYCTLT 2009-A)
- New York City Tax Lien Trust (NYCTLT 2008-A)
- New York City Tax Lien Trust (NYCTLT 2006-A)
- New York City Tax Lien Trust (NYCTLT 2005-A)
- New York City Tax Lien Trust (NYCTLT 2004-A)
- New York City Tax Lien Trust (NYCTLT 1999-1)
- New York City Tax Lien Trust (NYCTLT 1998-2)
- New York City Tax Lien Trust (NYCTLT 1998-1)
- New York City Tax Lien Trust (NYCTLT 1996-1)

Note: These organizations publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

These funds use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net assets held in trust for benefit payments.

The **Agency Funds** account for miscellaneous assets held by the City for other funds, governmental units, and individuals. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

Discretely Presented Component Units

The discretely presented component units consist of **HHC, HDC, HA, EDC, NYW** and the nonmajor component units. These activities are accounted for in a manner similar to private business enterprises, in which the focus is on the periodic determination of revenues, expenses, and net income.

New Accounting Standards Adopted

In fiscal year 2009, the City adopted four new statements and one technical bulletin of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

—Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*

—Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments*

—Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

—Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

—Technical Bulletin No. 2008-1 *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*

Statement No. 49 establishes accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution (e.g., hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups. Pollution remediation obligations exclude pollution prevention or control obligations relating to current operations and future pollution remediation activities such as landfill closure and postclosure care. Statement No. 49 identifies the obligating events which require a governmental entity to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The Statement amends: NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles,* NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,* NCGA Interpretation 6, *Notes to the Financial Statements Disclosure,* GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* to provide specific reporting guidance for pollution remediation obligations, including disclosure requirements. Comparability of financial statements among governments will be enhanced by Statement No. 49 requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. The Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components become reasonably estimable.

The financial reporting impact resulting from the implementation of Statement No. 49 is the restatement of net assets in the government-wide financial statements by $173 million for pollution remediation obligations measured at the beginning of fiscal year 2009. For periods prior to the implementation of Statement No. 49, the City does not have sufficient objective and verifiable information to apply the expected cash flow technique to measurements of pollution remediation obligations. See Note D.4. for disclosure information relating to pollution remediation obligations.

Statement No. 52 requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income. Statement No. 52 amends the scope of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* to apply the disclosure provisions of paragraph 15 of that Statement to land and other real estate held as investments by endowments. Accordingly, endowments should disclose "the methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices." The objective of this Statement is to enhance the comparability and usefulness of financial reporting by endowments by establishing a common approach to reporting land and other real estate held as investments with other entities that exist for similar purposes.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 52 since the City's governmental funds category does not include a Permanent Funds fund type.

Statement No. 55 provides for the codification of all GAAP for state and local governments so that they derive from a single source and consequently, the current GAAP hierarchy as set forth in the American Institute of Certified Public Accountants' literature will then reside in the accounting literature established by GASB. The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 55.

Statement No. 56 provides for the codification of certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards into the authoritative literature of GASB. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards by addressing three issues that establish accounting principles—related party transactions, going concern considerations, and subsequent events.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 56.

Technical Bulletin No. 2008-1 clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for calculating the annual required contribution (ARC) adjustment. The objective of the ARC adjustment procedure in Statements 27 and 45 is to offset the amount that has been included in the ARC for the amortization of past contribution deficiencies or excess contributions of the employer. Use of the ARC adjustment is intended to avoid misstatement of annual pension or OPEB costs and to maintain consistency between actuarial and accounting measurements on an ongoing basis. When the actual amount of interest (and principal, if any) is known, the known amount rather than an amount derived from the application of estimation procedures established in Statements 27 and 45 is used for purposes of determining annual pension or OPEB costs, respectively.

There was no impact on the City's financial statements as a result of the implementation of Technical Bulletin No. 2008-1.

3. Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations which are recorded on the accrual basis of accounting. Revenues from sales and income taxes are recognized when the underlying exchange transaction takes place. Revenues from property tax are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types use the flow of current financial resources measurement focus. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year-end. Revenues from categorical and other grants are generally considered available if received within one year after the fiscal year-end. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when payment is due.

The measurement focus of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds is on the flow of economic resources. This focus emphasizes the determination of net income, changes in net assets, and financial position. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The Pension Trust Funds' contributions from members are recorded when the employer makes payroll deductions from Plan members. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the discretely presented component units have elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The Agency Funds use the accrual basis of accounting and do not measure the results of operations.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The cost of those goods received and services rendered on or before June 30 are recognized as expenditures. Encumbrances not resulting in expenditures by year-end, lapse.

5. Cash and Investments

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Cash and cash equivalents include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during fiscal years 2009 and 2008 were approximately $1,902 million and $443 million, respectively.

Investments are reported in the balance sheet at fair value. Investment income, including changes in the fair value of investments, is reported in operations.

Investments in fixed income securities are recorded at fair value. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Investments of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds are reported at fair value. Investments are stated at the last reported sales price on a national securities exchange or as priced by a nationally recognized securities pricing service as on the last business day of the fiscal year except for securities held as alternative investments where fair value is determined by the general partners of the partnerships the funds are invested in, and other experts with this asset class.

A description of the City's Fiduciary Funds securities lending activities in fiscal years 2009 and 2008 is included in Deposits and Investments (see Note D.1.).

6. Inventories

Inventories on hand at June 30, 2009 and 2008 (estimated at $282 million and $257 million, respectively, based on average cost) have been reported on the government-wide statement of net assets. Inventories are recorded as expenditures in governmental funds at the time of purchase, and accordingly have not been reported on the governmental funds balance sheet.

7. Restricted Cash and Investments

Certain proceeds of the City and component unit bonds, as well as certain resources set aside for bond repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants. None of the government-wide statement of net assets is restricted by enabling legislation.

8. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection system, and other elements of the City's infrastructure having a minimum useful life of five years, having a cost of more than $35,000, and having been appropriated in the Capital Budget (see Note C.1.). Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. These statements also contain the City's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, bulkheads and tunnels. The capital assets of the water distribution and sewage collection system are recorded in the Water and Sewer System component unit financial statements under a lease agreement between the City and the Water Board.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their fair market value as of the date of the donation. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease (see Note D.3.).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of 40 to 50 years for buildings; 5 to 35 years for equipment; and 15 to 50 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

9. Allowance for Uncollectible Mortgage Loans

Mortgage loans and interest receivable in the Debt Service Funds are net of an allowance for uncollectible amounts of $316.3 million and $319.7 million for fiscal years 2009 and 2008, respectively. The allowance is composed of the balance of refinanced first lien mortgages one or more years in arrears where payments to the City are expected to be completed between the years 2012 and 2021.

10. Vacation and Sick Leave

Earned vacation and sick leave is recorded as an expenditure in the period when it is payable from current financial resources in the fund financial statements. The estimated value of vacation leave earned by employees which may be used in subsequent years or earned vacation and sick leave paid upon termination or retirement, and therefore payable from future resources, is recorded as a liability in the government-wide financial statements.

11. Judgments and Claims

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a noncurrent liability.

12. Long-term Liabilities

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

13. Derivatives

The City did not enter into any new derivative transactions during fiscal years 2009 and 2008. However, the following activity relating to existing swap transactions occurred during fiscal years 2009 and 2008.

On September 16, 2008, the City received a Notice of Trigger Event from Lehman Brothers Derivative Products Inc. (Lehman) informing the City that as a result of Lehman Brothers Holdings Inc.'s filing of a petition under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York, the City's derivative transaction with Lehman would be terminated on September 23, 2008. The derivative transaction, with a notional amount of $100 million, had been entered into in March, 2004, at which time Lehman paid the City an option premium of $2.871 million. The derivative transaction gave Lehman an option to enter into a derivative transaction with the City on various future dates. Lehman never exercised the option and no further payments were made. On April 20, 2009, Lehman and the City entered into a Termination Agreement pursuant to which Lehman and the City agreed on a settlement amount to be paid by the City to Lehman of $623.3 thousand, of which $619.3 thousand had already been paid in January, 2009 and $4.0 thousand in interest was paid shortly thereafter in April, 2009 in respect of all claims arising under the documentation concerning the derivative transaction.

On March 16, 2008, the Bear Stearns Companies Inc. (Bear Stearns) and JP Morgan Chase & Co. (JP Morgan) executed an Agreement and Plan of Merger. JP Morgan agreed to guarantee certain obligations of Bear Stearns, including four derivative transactions between Bear Stearns Financial Products Inc. (BSFP) and the City. As of March 3, 2009, pursuant to novations, the City's derivative transactions with BSFP were novated from BSFP to JP Morgan Chase Bank, N.A. The transactions are as follows:

1. $200 million notional amount derivative transaction with a trade date of October 30, 2002 pursuant to which the City pays 3.269% and receives 62.8% of USD-LIBOR-BBA.
2. $233.65 million notional amount derivative transaction with a trade date of March 4, 2004 pursuant to which the City sold an option to BSFP for $7.177 million to allow BSFP to compel the City to enter into a derivative transaction with BSFP on various future dates. The option was never exercised and expired on August 15, 2009.
3. $500 million notional amount derivative transaction with a trade date of July 29, 2004 pursuant to which the City pays the Securities Industry and Financial Markets Association Index (SIFMA) and receives various stepped percentages of the 1-month London Interbank Offered Rate (LIBOR).
4. $44.145 million notional amount derivative transaction with a trade date of February 15, 2005 pursuant to which the City pays fixed rates of 4.55%/4.63%/4.71% and receives CPI + 1.50%/CPI + 1.55%/CPI + 1.60% in connection with bonds with maturities in 2015, 2016, and 2017, respectively.

On April 1, 2008, the City executed a bond refunding transaction pursuant to which $101.6 million of bonds associated with a swap that the City had entered into with UBS on January 22, 2003 in connection with a notional amount of $135.05 million were refunded. The swap has the City paying 3.259% and receiving 60.8% of LIBOR. Accordingly, $101.6 million of the swap was deemed terminated for tax purposes as of May 1, 2008. $33.45 million of the swap remains in effect for tax purposes as a hedge on the bonds. Nevertheless, the swap remains in full effect. The marked-to-market value of the swap as of June 30, 2009 was ($13.1) million.

Certain disclosures have been made for the cumulative derivatives contracted since fiscal year 2003 which are reported at fair value on the government-wide statement of net assets and include disclosure of the objectives for entering into the derivatives and the derivatives' fair values and risk exposures.

Swap Transaction Summary

In an effort to lower its borrowing costs over the life of its bonds and to diversify some of its existing derivatives portfolio, the City has entered into Interest Rate Exchange Agreements (swaps) and sold options related to some of these swaps. As of June 30, 2009 and 2008, the total notional amount of the City's swaps and swaptions outstanding was $2.900 billion and $3.036 billion, respectively. The total marked to market value of the City's swaps and swaptions as of June 30, 2009 and 2008 was approximately $(181.5) million and $(55.7) million, respectively. The table includes certain significant terms and the marked to market values for the City's cumulative swap transactions.

Transaction Number	**Prior Years Since Fiscal Year 2003 1-14(a)**
	(in thousands)
Notional Amount:(b)	
as of 6/30/09	$2,899,585
as of 6/30/08	$3,035,780
Up-front Cash Payments to the City	$ 40,585
Option Premiums	$ 19,860
Payments Made by the City:	
as of 6/30/09	$ 458,583
as of 6/30/08	$ 390,613
Payments Received by the City:(c)	
as of 6/30/09	$ 516,347
as of 6/30/08	$ 455,779
Marked to Market Value:	
as of 6/30/09	$ (181,454)
as of 6/30/08	$ (55,662)

(a) No new swap transactions were entered into by the City during fiscal years 2009 and 2008.

(b) The $136.195 million decrease in the Notional Amount during fiscal year 2009 is due to the termination of the $100 million Lehman swap (#11) and bond amortization of $19.845 million and $16.350 million on the Morgan Stanley swap (#7) and Bear Stearns/JP Morgan swap (#10), respectively.

(c) Includes Up-front Cash Payments and Option Premiums.

Risks

While the City did not enter into any new swap transactions during fiscal years 2009 and 2008, below is a list of risks inherent in the types of swap transactions that the City has entered into since fiscal year 2003.

Counterparty Risk: The risk that a counterparty (or its guarantor) will not meet its obligations under the swap. If a counterparty were to default under its agreement when the counterparty would owe a termination payment to the City, the City may have to pay another entity to assume the position of the defaulting counterparty. The City has sought to limit its counterparty risk by contracting only with highly rated entities or requiring guarantees of the counterparty's obligations under the swap documents.

Termination Risk: The risk that a counterparty will terminate a swap at a time when the City owes it a termination payment. The City has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of certain events, including: a payment default by the City; other City defaults which remain uncured for 30 days after notice; City bankruptcy; insolvency of the City (or similar events); or a downgrade of the City's credit rating below investment grade (i.e., BBB-/Baa3). The total return swap has additional termination events in addition to those just described, including: the counterparty may terminate the swap on any business day on which the par value of the bonds exceeds the market value of the bonds by $75 million. The likelihood of such a discrepancy between the par and market values is mitigated by a reset mechanism which adjusts the bond coupon upward or downward by an amount equal to the movement of the AAA Municipal Market Data Index since its previous reset.

Basis Risk: The risk that the City's variable rate payments will not equal its variable rate receipts because they are based on different indices. Under the terms of its synthetic fixed rate swap transactions, the City pays a variable rate on its bonds based on SIFMA but receives a variable rate on the swap based on a percentage of LIBOR. In its August, 2004 basis swap, the City's variable payer rate is based on SIFMA and its variable receiver rate is based on a percentage of LIBOR. However, the stepped percentages of LIBOR received by the City mitigate the risk that the City will be harmed in low interest rate environments by the compression of the SIFMA and LIBOR indices. As the overall level of interest rates decreases, the percentage of LIBOR received by the City increases.

Tax Risk: The risk that a change in Federal tax rates will alter the fundamental relationship between the SIFMA and LIBOR indices. A reduction in Federal tax rates, for example, will likely increase the City's payment on its underlying variable rate bonds in the synthetic fixed rate transactions and its variable payer rate in the basis swaps.

14. Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 2009 were due July 1, 2008 and January 1, 2009 except that payments by owners of real property assessed at $250,000 or less and cooperatives whose individual units on average are valued at $250,000 or less were due in quarterly installments on the first day of each quarter beginning on July 1.

The levy date for fiscal year 2009 taxes was June 19, 2008. The lien date is the date taxes are due.

Real estate tax revenue represents payments received during the year and payments received (against the current fiscal year and prior years' levies) within the first two months of the following fiscal year reduced by tax refunds for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue (net of refunds) which are not available to the governmental fund type in the fiscal year for which the taxes are levied.

The City offered an actual 1.5% discount for the prepayment of real estate taxes for fiscal years 2010 and 2009. Payment of real estate taxes before July 15, 2009, on properties with an assessed value of $250,000 or less and before July 1, 2009, on properties with an assessed value over $250,000 received the discount. Collections of these real estate taxes received on or before June 30, 2009 and 2008 were $4.6 billion and $3.1 billion, respectively. These amounts were recorded as deferred revenue.

The City sold approximately $37.3 million of real property tax liens, fully attributable to fiscal year 2009, at various dates in fiscal year 2009. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $3.3 million worth of liens sold in fiscal year 2009 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2009 net sale proceeds of $33.3 million.

In fiscal year 2009, $3.3 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 2008 sale. This resulted in an increase to fiscal year 2009 revenue of $.7 million for the refund amount was less than the fiscal year 2008 accrual of $4 million and increased the net sale proceeds of the fiscal year 2008 sale to $34.2 million up from the original fiscal year 2008 net sale proceeds reported as $33.5 million.

The City sold approximately $37.5 million of real property tax liens, fully attributable to fiscal year 2008, at various dates in fiscal year 2008. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $3.3 million worth of liens sold in fiscal year 2008 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2008 net sale proceeds of $33.5 million.

In fiscal year 2008, $1.9 million, including the surcharge and interest, was refunded for defective liens from the fiscal year 2007 sale. This resulted in an increase to fiscal year 2008 revenue of $2.1 million for the refund amount was less than the fiscal year 2007 accrual of $4 million and increased the net sale proceeds of the fiscal year 2007 sale to $43.3 million up from the original fiscal year 2007 net sale proceeds reported as $41.2 million.

In both fiscal years 2009 and 2008, $203 million were provided as allowances for uncollectible real estate taxes against the balance of the receivable. Delinquent real estate taxes receivable that are estimated to be collectible but which are not collected in the first two months of the next fiscal year are recorded as deferred revenues in the governmental funds balance sheet but included in general revenues on the government-wide statement of activities.

The City is permitted to levy real estate taxes for general operating purposes in an amount up to 2.5% of the average full value of taxable real estate in the City for the last five years and in unlimited amounts for the payment of principal and interest on long-term City debt. Amounts collected for payment of principal and interest on long-term debt in excess of that required for that purpose in the year of the levy must be applied towards future years' debt service. For the fiscal years ended June 30, 2009 and 2008, excess amounts of $1.043 billion and $672 million, respectively, were transferred to the General Debt Service Fund.

15. Other Taxes and Other Revenues

Taxpayer-assessed taxes, such as sales and income taxes, net of refunds, are recognized in the accounting period in which they become susceptible to accrual for the fund financial statements. Additionally, the government-wide financial statements recognize sales and income taxes (net of refunds) which are not available to the governmental fund type in the accounting period for which the taxes are assessed.

16. Federal, State, and Other Aid

For the government-wide and fund financial statements, categorical aid, net of a provision for estimated disallowances is reported as receivables when the related eligibility requirements are met. Unrestricted aid is reported as revenue in the fiscal year of entitlement.

17. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized as expenditures in the period incurred. Bond discounts in the government-wide financial statements units are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges. Bond issuance costs are amortized in the government-wide financial statements over the term of the bonds using the straight-line method.

18. Intra-entity Activity

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the primary government and the discretely presented component units are reported as if they were external transactions.

19. Subsidies

The City makes various payments to subsidize a number of organizations which provide services to City residents. These payments are recorded as expenditures in the fiscal year paid.

20. Pensions

Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Notes E.6. and F.), regardless of the amount recognized as pension expense on the modified accrual basis of accounting. Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters.

21. Other Postemployment Benefits

Other Postemployment Benefits (OPEB) cost for healthcare is required to be measured and disclosed using the accrual basis of accounting (see Note E.5.), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

22. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

23. Pronouncements Issued But Not Yet Effective

In June, 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Statement No. 51 also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The objective of Statement No. 51 is to establish accounting and financial reporting requrements for intangible assets to reduce inconsistencies relating to recognition, initial measurement, and amortization, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Statement requires that an intangible asset be recognized in the Statement of Net Assets only if it is considered indentifiable. Additionally, the Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred. Statement No. 51 also provides guidance on recognizing internally generated computer software as an intangible asset. This guidance serves as an application of the specified-conditions approach described above to the development cycle of computer software. The Statement also establishes guidance specific to intangible assets related to amortization. Guidance is provided on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful lives are subsequently determined to no longer be indefinite due to a change in circumstances.

The requirements of Statement No. 51 are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For the City, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of the Statement and those that would be considered internally generated. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 51 on its financial statements.

In June, 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of the Statement is to enhance the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their government-wide financial statements. This provision should allow users of those financial statements to more fully understand a government's resources available to provide services. The application of interperiod equity means that changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. The Statement describes several quantitative methods and a qualitative method for evaluating effectiveness. The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets,* have been incorporated into Statement No. 53. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments.

The requirements of Statement No. 53 are effective for financial statements for periods beginning after June 15, 2009. While earlier application of the Statement is encouraged, the City has not completed the task of evaluating the impact of Statement No. 53 on its financial statements.

In February, 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. Governments are also required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balances for all prior periods presented. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 54 on its financial statements.

B. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances (deficit) as reflected on the governmental funds balance sheet and total net assets (deficit) of governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the difference are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net change in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net assets of governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Stewardship, Compliance, and Accountability

1. Budgets and Financial Plans

Budgets

Annual Expense Budget appropriations, which are prepared on the modified accrual basis, are adopted for the General Fund, and unused appropriations lapse at fiscal year-end. The City uses appropriations in the Capital Budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

The City is required by State Law to adopt and adhere to a budget, on a basis consistent with GAAP, that would not have General Fund expenditures in excess of revenues.

Expenditures made against the Expense Budget are controlled through the use of quarterly spending allotments and units of appropriation. A unit of appropriation represents a subdivision of an agency's budget and is the level of control at which expenditures may not legally exceed the appropriation. The number of units of appropriation and the span of operating responsibility which each unit represents, differs from agency to agency depending on the size of the agency and the level of control required. Transfers between units of appropriation and supplementary appropriations may be made by the Mayor subject to the approval provisions set forth in the City Charter. Supplementary appropriations increased the Expense Budget by $2.478 billion and $4.463 billion subsequent to its original adoption in fiscal years 2009 and 2008, respectively.

Financial Plans

The New York State Financial Emergency Act for The City of New York, as amended in 1978, requires the City to operate under a "rolling" Four-Year Financial Plan (Plan). Revenues and expenditures, including operating transfers, of each year of the Plan are required to be balanced on a basis consistent with GAAP. The Plan is broader in scope than the Expense Budget; it comprises General Fund revenues and expenditures, Capital Projects Fund revenues and expenditures, and all short and long-term financing.

The Expense Budget is generally consistent with the first year of the Plan and operations under the Expense Budget must reflect the aggregate limitations contained in the approved Plan. The City reviews its Plan periodically during the year and, if necessary, makes modifications to incorporate actual results and revisions to assumptions.

2. Deficit Fund Balance

The New York City Capital Projects Fund has cumulative deficits of $2.1 billion and $3.5 billion at June 30, 2009 and 2008, respectively. These deficits represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits will not be financed or reimbursed, a transfer from the General Fund will be required.

D. Detailed Notes on All Funds

1. Deposits and Investments

Deposits

The City's bank depositories are designated by the Banking Commission, which consists of the Comptroller, the Mayor, and the Finance Commissioner. Independent bank rating agencies are used to determine the financial soundness of each bank, and the City's banking relationships are under periodic operational and credit reviews.

The City Charter limits the amount of deposits at any time in any one bank or trust company to a maximum of one-half of the amount of the capital and net surplus of such bank or trust company. The discretely presented component units included in the City's reporting entity maintain their own banking relationships which generally conform with the City's. Bank balances are currently insured up to $250,000 through December 31, 2013 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank for all funds and collateralized by Treasury Notes at 105% for balances in excess of $250,000 or collateralized by other securities ranging from 110% to 120% depending on the securities pledged by the bank for balances in excess of $250,000. On January 1, 2014, the standard coverage limit will return to $100,000 for all deposit categories except IRAs and certain retirement accounts which will continue to be insured up to $250,000 per owner. Also, the temporary Transaction Account Guarantee Program (TAGP) provides unlimited coverage for noninterest-bearing transaction deposit accounts (covers the City's demand deposit accounts including Central Treasury, Pool, and controlled disbursement accounts) at participating FDIC-insured institutions through December 31, 2009. Consequently, these noninterest-bearing transaction deposit accounts that are fully insured by FDIC's TAGP do not need to be collateralized for calendar year 2009.

At June 30, 2009 and 2008, the carrying amount of the City's unrestricted cash and cash equivalents was $10.054 billion and $8.786 billion, respectively, and the bank balances were $5.373 billion and $2.881 billion, respectively. Of the unrestricted bank balances, $29.2 million and $9.5 million were exposed to custodial credit risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the respective bank balances were uninsured and uncollateralized at June 30, 2009 and 2008, respectively. The blended component units: SCA and Private Housing Loan Programs as of June 30, 2009 and 2008 did not have a deposit policy for custodial credit risk; also, HYDC, a blended component unit lacked a deposit policy for custodial credit risk as of June 30, 2008. At June 30, 2009 and 2008, the carrying amount of the restricted cash and cash equivalents was $1.307 billion and $1.182 billion, respectively, and the bank balances were $24.4 million and $.7 million, respectively. Of the restricted bank balances, $24 thousand and $.6 million were exposed to custodial credit risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the respective bank balances were uninsured and uncollateralized at June 30, 2009 and 2008, respectively. FSC, a blended component unit did not have a deposit policy for custodial credit risk as of June 30, 2009 and 2008; also, the blended component units TFA and HYIC lacked a deposit policy for custodial credit risk as of June 30, 2008.

Investments

The City's investment of cash in its governmental fund types is currently limited to U.S. Government guaranteed securities and U.S. Government agency securities purchased directly and through repurchase agreements from primary dealers as well as commercial paper rated A1 and P1 by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency securities, or eligible commercial paper in a range of 100% to 102% of the matured value of the repurchase agreements. The following is a summary of the fair value of investments of the City as of June 30, 2009 and 2008:

Governmental activities:

	Investment Maturities (in years)			
	2009		2008	
Investment Type	Less than 1	1 to 5	Less than 1	1 to 5
	(in thousands)			
Unrestricted				
U.S. Government securities	$ 351,993	$ 59,798	$2,959,910	$ 59,798
U.S. Government agency obligations	653,545	—	477,492	—
Commercial paper	—	—	—	—
Repurchase agreements	—	—	11,309	—
Total unrestricted	$1,005,538	$ 59,798	$3,448,711	$ 59,798
Restricted				
U.S. Government securities	$ 44,368	$ 304,391	$ 66,521	$ 309,137
U.S. Government agency obligations	1,375,639	10,932	1,294,351	33,505
Commercial paper	182,082	—	—	—
Repurchase agreements	9,950	1,073,059	4,935	1,544,859
Total restricted	$1,612,039	$1,388,382	$1,365,807	$1,887,501

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturity to a period of less than 2 years. The City's current weighted average maturity is less than 90 days.

Credit risk. Investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. As of June 30, 2009 and 2008, investments in Federal National Mortgage Association (FNMA or Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and Federal Home Loan Bank (FHLB) were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investor Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. The majority of these investments were not rated by Fitch ratings, but those that were carried its highest long-term or short-term ratings of AAA or F1+, respectively. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch ratings). Repurchase agreements are not rated. Resolution Funding Strip investments are guaranteed by the U.S. Treasury.

Concentration of credit risk. The City's investment policy limits investments to no more than $250 million invested at any time in either commercial paper of a single issuer or investment agreement with a single provider.

Custodial credit risk-investments. For investments, custodial credit risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the City.

The City's investment policy related to custodial credit risk calls for limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the City.

The investment policies of the discretely presented component units included in the City's reporting entity generally conform to those of the City's. The criteria for the Pension and Other Employee Benefit Trust Funds' and Other Trust Funds' investments are as follows:

1. Fixed income investments may be made in U.S. Government guaranteed securities or securities of U.S. Government agencies, securities of companies rated BBB or better by both Standard and Poor's Corporation and Moody's Investors Service, Inc., and any bond that meets the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.
2. Equity investments may be made only in those stocks that meet the qualifications of the New York State Retirement and Social Security Laws, the New York State Banking Law, and the New York City Administrative Code.
3. Short-term investments may be made in the following:
   a. U.S. Government guaranteed securities or U.S. Government agency securities.
   b. Commercial paper rated A1 or P1 or F1 by Standard & Poor's Corporation or Moody's Investors Service, Inc. or Fitch, respectively.
   c. Repurchase agreements collateralized in a range of 100% to 102% of matured value, purchased from primary dealers of U.S. Government securities.
   d. Investments in bankers' acceptances, certificates of deposit, and time deposits are limited to banks with worldwide assets in excess of $50 billion that are rated within the highest categories of the leading bank rating services and selected regional banks also rated within the highest categories.
4. Investments up to 25% of total pension fund assets in instruments not specifically covered by the New York State Retirement and Social Security Law.
5. No investment in any one corporation can be: (i) more than 2% of the pension plan net assets; or (ii) more than 5% of the total outstanding issues of the corporation.

All investments are held by the City's custodial banks (in bearer or book-entry form) solely as agent of the Comptroller of The City of New York on behalf of the various account owners. Payments for purchases are not released until evidence of ownership of the underlying investments are received by the City's custodial bank.

Securities Lending

State statutes and boards of trustees policies permit the Pension and certain Other Employee Benefit Trust Funds (Systems and Funds) to lend their securities (the underlying securities) to brokers-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Systems' and Funds' custodians lend the following types of securities: short-term securities, common stock, long-term corporate bonds, U.S. Government and U.S. Government agencies' bonds, asset-backed securities, and international equities and bonds held in collective investment funds. In return, the Systems and Funds receive collateral in the form of cash and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year-end, the Systems and Funds had no credit risk exposure to borrowers because the amounts the Systems and Funds owe the borrowers exceed the amounts the borrowers owe the Systems and Funds. The contracts with the Systems' and Funds' custodian requires borrowers to indemnify the Systems and Funds if the borrowers fail to return the securities, if the collateral is inadequate, and if the borrowers fail to pay the Systems and Funds for income distributions by the securities' issuers while the securities are on loan.

The securities lending program in which the Systems and Funds participate only allows pledging or selling securities in the case of borrower default.

All securities loans can be terminated on demand within a period specified in each agreement by either the Systems and Funds or the borrowers. The underlying fixed income securities have an average maturity of 10 years. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted-average maturity of 90 days. During fiscal year 2003, the value of certain underlying securities became impaired because of the credit failure of the issuer. Accordingly, the carrying amounts of the collateral reported in four of the Systems' statements of fiduciary net assets were reduced by a total of $80 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. During fiscal years 2004 through 2008, $21.6 million was recovered as a distribution of bankruptcy proceeds and $31.6 million was received as a partial settlement from litigation. In fiscal year 2009, an additional $6 thousand was recovered as an ongoing distribution of bankruptcy proceeds; also, during fiscal year

2009, the value of certain underlying securities became impaired because of the bankruptcy proceeding of the issuer. Accordingly, the carrying amount of the collateral reported in one of the Funds' statements of fiduciary net assets was reduced by a total of $24.3 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. As of June 30, 2009, it is uncertain whether these security losses will be recovered.

The City reports securities loaned as assets on the Statement of Fiduciary Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are also recorded as assets. Liabilities resulting from these transactions are reported on the Statement of Fiduciary Net Assets. Accordingly, the City records the investments purchased with the cash collateral as Investments, Collateral From Securities Lending Transactions with a corresponding liability as Securities Lending Transactions.

2. Capital Assets

The following is a summary of capital assets activity for the fiscal years ended June 30, 2008 and 2009:

Primary Government	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
				(in thousands)			
Governmental activities:							
Capital assets, not being depreciated:							
Land	$ 1,067,371	$ 29,470	$ —	$ 1,096,841	$ 50,103	$ —	$ 1,146,944
Construction work-in-progress	3,626,314	3,525,927	2,771,195	4,381,046	3,758,361	3,277,052	4,862,355
Total capital assets, not being depreciated	4,693,685	3,555,397	2,771,195	5,477,887	3,808,464	3,277,052	6,009,299
Capital assets, being depreciated:							
Buildings	33,623,308	2,771,195	861,605	35,532,898	3,277,052	1,192,439	37,617,511
Equipment	5,554,465	777,750	245,227	6,086,988	540,973	260,538	6,367,423
Infrastructure	12,374,842	1,209,719	224,417	13,360,144	1,494,295	266,913	14,587,526
Total capital assets, being depreciated	51,552,615	4,758,664	1,331,249	54,980,030	5,312,320	1,719,890	58,572,460
Less accumulated depreciation:							
Buildings	13,418,154	1,240,774	152,492	14,506,436	1,277,894	601,743	15,182,587
Equipment	4,254,009	418,662	237,690	4,434,981	360,919	326,448	4,469,452
Infrastructure	4,242,985	605,074	224,417	4,623,642	650,923	226,448	5,048,117
Total accumulated depreciation	21,915,148	2,264,510[1]	614,599	23,565,059	2,289,736[1]	1,154,639	24,700,156
Total capital assets, being depreciated, net	29,637,467	2,494,154	716,650	31,414,971	3,022,584	565,251	33,872,304
Governmental activities capital assets, net	$34,331,152	$6,049,551	$3,487,845	$36,892,858	$6,831,048	$3,842,303	$39,881,603

[1] Depreciation expense was charged to functions/programs of the City for the fiscal years ended June 30, 2009 and 2008 as follows:

	2009	2008
	(in thousands)	
Governmental activities:		
General government	$ 357,162	$ 308,430
Public safety and judicial	248,245	202,019
Education	686,729	784,181
City University	11,172	9,982
Social services	87,808	79,636
Environmental protection	103,041	87,847
Transportation services	464,913	476,153
Parks, recreation and cultural activities	275,988	214,881
Housing	2,192	49,535
Health	40,814	38,434
Libraries	11,672	13,412
Total depreciation expense—governmental activities	$2,289,736	$2,264,510

The following are the sources of funding for the governmental activities capital assets for the fiscal years ended June 30, 2009 and 2008. Sources of funding for capital assets are not available prior to fiscal year 1987.

	2009	2008
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 5,847,522	$ 5,857,898
City bonds	55,022,477	50,451,422
Federal grants	532,316	538,015
State grants	135,317	128,476
Private grants	562,212	487,516
Capitalized leases	2,481,915	2,994,590
Total funding sources	$64,581,759	$60,457,917

At June 30, 2009 and 2008, governmental activities capital assets include approximately $1.14 billion of City-owned assets leased for $1 per year to the New York City Transit Authority which operates and maintains the assets. In addition, assets leased to HHC and to the Water and Sewer System are excluded from the governmental activities capital assets and are recorded in the respective component unit financial statements.

Included in buildings at June 30, 2009 and 2008 are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	2009	2008
	(in thousands)	
Capital asset:		
Buildings, gross	$2,481,915	$2,994,590
Less accumulated amortization	544,742	969,927
Buildings, net	$1,937,173	$2,024,663

Capital Commitments

At June 30, 2009, the outstanding commitments relating to projects of the New York City Capital Projects Fund amounted to approximately $17.5 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates New York City Capital Projects Fund expenditures of $61.7 billion over fiscal years 2010 through 2019. To help meet its capital spending program, the City and TFA borrowed $7.75 billion in the public credit market in fiscal year 2009. The City and TFA plan to borrow $6.45 billion in the public credit market in fiscal year 2010.

3. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property not having elements of ownership are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total expenditures on such leases for the fiscal years ended June 30, 2009 and 2008 were approximately $715.5 million and $665 million, respectively.

As of June 30, 2009, the City (excluding discretely presented component units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases	Total
Governmental activities:		(in thousands)	
Fiscal year ending June 30:			
2010	$ 184,869	$ 410,741	$ 595,610
2011	183,609	413,792	597,401
2012	182,550	346,506	529,056
2013	181,020	324,633	505,653
2014	173,939	292,679	466,618
2015-2019	765,301	1,245,270	2,010,571
2020-2024	606,505	745,702	1,352,207
2025-2029	392,958	277,652	670,610
2030-2034	214,483	30,582	245,065
2035-2039	95,605	13,900	109,505
Future minimum payments	2,980,839	$4,101,457	$7,082,296
Less interest	1,043,666		
Present value of future minimum payments	$1,937,173		

The present value of future minimum lease payments includes approximately $1.430 billion for leases with Public Benefit Corporations (PBC) where State law generally provides that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and paid to PBC.

The City also leases City-owned property to others, primarily for markets, ports, and terminals. Total rental revenue on these capital and operating leases for the fiscal years ended June 30, 2009 and 2008 was approximately $255 million and $257 million, respectively. As of June 30, 2009, the following future minimum rentals are provided for by the leases:

	Capital Leases	Operating Leases	Total
Governmental activities:		(in thousands)	
Fiscal year ending June 30:			
2010	$ 1,468	$ 170,534	$ 172,002
2011	1,535	165,826	167,361
2012	1,622	161,614	163,236
2013	1,722	158,720	160,442
2014	1,876	151,251	153,127
2015-2019	10,827	725,280	736,107
2020-2024	11,627	671,846	683,473
2025-2029	12,330	622,621	634,951
2030-2034	13,287	617,759	631,046
2035-2039	4,856	599,759	604,615
2040-2044	2,040	568,953	570,993
2045-2049	1,900	568,247	570,147
2050-2054	1,800	202,812	204,612
2055-2059	1,800	48,239	50,039
2060-2064	1,800	48,239	50,039
2065-2069	1,800	48,239	50,039
2070-2074	1,800	46,326	48,126
2075-2079	1,800	40,332	42,132
2080-2084	180	30,979	31,159
2085-2089	—	15,420	15,420
Thereafter until 2106	—	2	2
Future minimum lease rentals	76,070	$5,662,998	$5,739,068
Less interest	47,838		
Present value of future minimum lease rentals	$ 28,232		

4. Long-Term Liabilities

Changes in Long-term liabilities

In fiscal years 2008 and 2009, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable:								
General obligation bonds	$ 34,505,711	$ 7,382,345	$ 5,787,825	$ 36,100,231	$ 5,931,070	$2,039,926	$ 39,991,375	$1,649,080
TFA bonds	14,606,825	700,000	478,995	14,827,830	2,489,300	403,770	16,913,360	173,820
TSASC bonds	1,316,860	—	19,315	1,297,545	—	23,855	1,273,690	6,135
IDA bonds	102,630	—	1,950	100,680	68,650	70,680	98,650	750
STAR bonds	2,368,115	—	29,515	2,338,600	—	85,780	2,252,820	26,450
FSC bonds	337,120	—	16,110	321,010	—	16,850	304,160	9,915
HYIC bonds	2,000,000	—	—	2,000,000	—	—	2,000,000	—
HYIC notes	100,000	—	33,333	66,667	—	33,333	33,334	33,334
ECF bonds	123,190	—	13,665	109,525	—	7,465	102,060	—
Total before premiums/discounts (net)	55,460,451	8,082,345	6,380,708	57,162,088	8,489,020	2,681,659	62,969,449	1,899,484
Less (premiums)/discounts (net)	(821,265)	108,249	183,021	(896,037)	137,059	88,176	(847,154)	—
Total bonds and notes payable	56,281,716	7,974,096	6,197,687	58,058,125	8,351,961	2,593,483	63,816,603	1,899,484
Capital lease obligations	2,831,919	16,743	823,999	2,024,663	7,302	94,792	1,937,173	70,659
Other tax refunds	1,770,308	337,320	131,308	1,976,320	319,245	252,320	2,043,245	129,245
Judgments and claims	5,354,109	1,409,461	1,087,430	5,676,140	1,000,949	1,170,845	5,506,244	1.268,203
Real estate tax certiorari	750,954	239,718	98,006	892,666	163,545	205,203	851,008	118,195
Vacation and sick leave	3,110,959	493,347	215,299	3,389,007	528,922	235,392	3,682,537	235,392
Pension liability	726,600	58,200	92,600	692,200	55,300	88,900	658,600	—
OPEB liability	57,761,938	7,419,205	1,890,925	63,290,218	3,937,583	1,683,440	65,544,361	—
Landfill closure and postclosure care costs	1,612,871	174,277	88,658	1,698,490	89,590	69,007	1,719,073	70,449
Pollution remediation obligations	—	—	—	172,842(1)	156,872	154,178	175,536	157,983
Total changes in governmental activities long-term liabilities	$130,201,374	$18,122,367	$10,625,912	$137,870,671	$14,611,269	$6,547,560	$145,934,380	$3,949,610

Note: City bonds and notes payable are generally liquidated with resources of the General Debt Service Fund. Other long-term liabilities are generally liquidated with resources of the General Fund.

(1) Opening liability determined per requirements of GASB49.

The bonds and notes payable at June 30, 2009 and 2008 summarized by type of issue are as follows:

Primary Government	2009 General Obligations	2009 Revenue	2009 Total	2008 General Obligations	2008 Revenue	2008 Total
	(in thousands)					
Governmental activities:						
Bonds and notes payable:						
General obligation bonds	$39,991,375	$ —	$39,991,375	$36,100,231	$ —	$36,100,231
TFA bonds	12,662,180	4,251,180	16,913,360	12,827,830	2,000,000	14,827,830
TSASC bonds	1,273,690	—	1,273,690	1,297,545	—	1,297,545
IDA bonds	98,650	—	98,650	100,680	—	100,680
STAR bonds	2,252,820	—	2,252,820	2,338,600	—	2,338,600
FSC bonds	304,160	—	304,160	321,010	—	321,010
HYIC bonds	—	2,000,000	2,000,000	—	2,000,000	2,000,000
HYIC notes	—	33,334	33,334	—	66,667	66,667
ECF bonds	—	102,060	102,060	—	109,525	109,525
Total bonds and notes payable	$56,582,875	$6,386,574	$62,969,449	$52,985,896	$4,176,192	$57,162,088

The following table summarizes future debt service requirements as of June 30, 2009:

Primary Government	Governmental Activities: General Obligation Bonds Principal	General Obligation Bonds Interest(1)	Revenue Bonds and Notes Principal	Revenue Bonds and Notes Interest
	(in thousands)			
Fiscal year ending June 30:				
2010	$ 1,829,240	$ 2,424,857	$ 69,494	$ 296,897
2011	2,540,646	2,341,881	71,530	311,226
2012	2,737,535	2,290,550	77,940	308,627
2013	2,779,586	2,211,567	82,240	305,684
2014	2,775,975	2,090,409	86,735	302,447
2015-2019	14,228,658	8,505,200	501,410	1,449,916
2020-2024	13,587,513	5,256,118	625,560	1,317,602
2025-2029	10,183,598	2,417,363	795,020	1,141,573
2030-2034	4,687,088	756,168	1,010,350	916,736
2035-2039	673,963	173,807	1,066,295	635,001
2040-2044	559,028	85,967	—	487,500
2045-2049	3	16	2,000,000	292,500
Thereafter until 2147	42	147	—	—
	56,582,875	28,554,050	6,386,574	7,765,709
Less interest component	—	28,554,050	—	7,765,709
Total future debt service requirements	$56,582,875	$ —	$6,386,574	$ —

(1) Includes interest for general obligation bonds estimated at 2% rate on tax-exempt adjustable rate bonds and at 3% rate on taxable adjustable rate bonds which are the rates at the end of the fiscal year.

The average (weighted) interest rates for outstanding City general obligation bonds as of June 30, 2009 and 2008 were both 4.7% and both ranged from 0% to 10%. The last maturity of the outstanding City debt is in the year 2147.

Since the City has variable rate debt outstanding, the terms by which interest rates change for variable rate debt are as follows: For Auction Rate Securities, an interest rate is established periodically by an auction agent at the lowest clearing rate based upon bids received from broker-dealers. Variable Rate Demand Bonds (VRDBs) are long-term bonds that have a daily or weekly "put" feature backed by a bank Letter of Credit or Stand By Bond Purchase Agreement. VRDBs are repriced daily or weekly and provide investors with the option to tender the bonds at each repricing. A broker, called a Remarketing Agent, is responsible for setting interest rates and reselling to new investors any securities that have been tendered. CPI Bonds pay the holder a floating interest rate tied to the consumer price index. The rate is a fixed spread plus a floating rate equal to the change in the Consumer Price Index-Urban (CPI-U) for a given period. LIBOR Bonds pay the holder a floating interest rate calculated as a percentage of the London Interbank Offering Rate. Direct Funding Bonds are fixed rate bonds that through a derivative pay the holder an adjusted rate based on the movement in the AAA Municipal Market Data (MMD) Index.

In fiscal years 2009 and 2008, the City issued $450 million and $3.96 billion, respectively, of general obligation bonds to advance refund general obligation bonds of $473 million and $4.02 billion, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $6.96 million and $71.46 million, respectively, were irrevocably placed in escrow accounts and invested in United States Government securities. As a result of providing for the payment of the principal and interest to maturity, and any redemption premium, the advance refunded bonds are considered to be defeased and, accordingly, the liability is not reported in the government-wide financial statements. In fiscal year 2009, the refunding transactions will decrease the City's aggregate debt service payments by $39.05 million and provide an economic gain of $35.45 million. In fiscal year 2008, the refunding transactions decreased the City's aggregate debt service payments by $178.80 million and provided an economic gain of $131.96 million. At June 30, 2009 and 2008, $13.77 billion and $13.91 billion, respectively, of the City's outstanding general obligation bonds were considered defeased.

The State Constitution requires the City to pledge its full faith and credit for the payment of the principal and interest on City term and serial bonds and guaranteed debt. The general debt-incurring power of the City is limited by the Constitution to 10% of the average of five years' full valuations of taxable real estate. Excluded from this debt limitation is certain indebtedness incurred for water supply, certain obligations for transit, sewage, and other specific obligations which exclusions are based on a relationship of debt service to net revenue.

As of July 1, 2009, the 10% general limitation was approximately $74.904 billion (compared with $70.419 billion as of July 1, 2008). Also, as of July 1, 2009, the City's remaining debt-incurring power totaled $27.671 billion, after providing for capital commitments.

Pursuant to State legislation on January 1, 1979, the City established a General Debt Service Fund administered and maintained by the State Comptroller into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates. Debt service on all City notes and bonds is paid from this Fund. In fiscal year 2009, discretionary and other transfers of $1.290 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2010 debt service. In addition, in fiscal year 2009, discretionary transfers of $755.75 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds. In fiscal year 2008, discretionary and other transfers of $3.083 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2009 debt service. In addition, in fiscal year 2008, discretionary transfers of $591.95 million were made for lease purchase debt service and for a transfer to a component unit of the Debt Service Funds.

Swap payments and associated debt

The table that follows represents debt service payments on certain general obligation variable-rate bonds, net of swap payments (see Note A.13.) associated with those bonds, as of June 30, 2009. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2009 remains constant over the life of the bonds.

	Governmental Activities			
	General Obligation Bonds			
Primary Government	Principal	Interest	Interest Rate Swaps, Net	Total
	(in thousands)			
Fiscal year ending June 30:				
2010	$ 49,705	$ 50,447	$ 9,504	$ 109,656
2011	37,900	50,341	8,820	97,061
2012	39,325	50,114	8,269	97,708
2013	30,590	49,944	7,825	88,359
2014	79,010	49,120	7,507	135,637
2015-2019	578,470	220,942	28,645	828,057
2020-2024	697,055	184,538	(1,094)	880,499
2025-2029	493,955	144,207	4,998	643,160
2030-2034	561,955	52,792	(3,700)	611,047
Total	$2,567,965	$852,445	$70,774	$3,491,184

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contract; alleged violations of law; and condemnation proceedings.

As of June 30, 2009 and 2008, claims in excess of $637 billion and $586 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $5.5 billion and $5.7 billion, respectively.

As explained in Note A.11., the estimate of the liability for unsettled claims has been reported in the government-wide statement of net assets under noncurrent liabilities. The liability was estimated by using the probable exposure information provided by the New York City Law Department (Law Department), and supplemented by information provided by the Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

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

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

In March, 2005, the United Federation of Teachers, the union that represents the teachers in the New York City public school system, commenced an action and an Article 78 proceeding in New York Supreme Court, New York County, against the New York City Teachers' Retirement System and the City alleging that, due to certain miscalculations relating, *inter alia,* to the interest earned on member contributions to a retirement plan known as the 20 Year Pension Plan, teachers who retired under this plan do not receive the entire amount of retirement benefits to which they are entitled. Plaintiffs sought declaratory relief and an award to 20 Year Pension Plan members of not less than $800 million to equal the difference between what plaintiffs allege they are entitled to under the 20 Year Pension Plan and the amount actually received. The City moved to dismiss the Article 78 proceeding and submitted an answer in the action. By decision dated October 17, 2006, the Court denied the City's motion to dismiss the Article 78 proceeding but granted the City's motion to dismiss the petitioners' contract claims. In October, 2007, the action and Article 78 proceeding were resolved by agreement of the parties. The parties agreed to resolve the dispute by supplementing the retirement benefits for the affected group by a total of $160 million over the appropriate actuarially calculated period, which is normally approximately ten years. On April 9, 2009, the court preliminarily approved an order certifying a class settlement and ordering class notice and a fairness hearing. The fairness hearing was held on September 30, 2009 at which time the court gave final approval of the settlement.

The Office of the Inspector General of the United States Department of Health and Human Services (HHS) has issued audit reports on claims submitted to the New York State Medicaid program by the New York City Department of Education (DOE) as well as other school districts in the State during the period between 1990 and 2001 with respect to health-related special education services to children with disabilities. The audits alleged that the State of New York improperly billed HHS for State Medicaid expenditures for services that were not sufficiently supported by documentation establishing the provision of such services in accordance with applicable standards. The audits asserted that as a result of these alleged problems, the State should return approximately $770 million of the Medicaid funding. Of the $770 million amount at issue in the audits, DOE had received approximately $270 million.

In addition, a lawsuit was filed against the State, DOE, and others by a relator, and subsequently, joined by the United States Department of Justice (DOJ), under the False Claims Act, which alleged that school districts across the State, including DOE, had submitted improper Medicaid claims to the Federal government for school-based, health-related services. This lawsuit remained under seal by order of the Federal courts until the sealing restriction was removed in connection with a settlement on July 21, 2009. On July 21, 2009, notwithstanding the City's substantial defenses to the allegations of false claims, the City and DOE agreed to resolve the outstanding audit issues and settle the lawsuit with DOJ in a settlement agreement also involving the State and the relator. Of the total $540 million settlement amount, the State agreed to pay $440 million over a specified period and the City agreed to pay $100 million to the Federal government over the next four to five years. Releases received by the City and DOE from the Centers for Medicare and Medicaid Services of HHS and the State covered claims for the broader period from 1990 to 2008, though with an exception for certain excluded claims.

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

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged overvaluation, inequality, and illegality of assessment. In response to these actions, in December, 1981, State legislation was enacted which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential liability for outstanding certiorari proceedings to be $851.0 million and $892.7 million at June 30, 2009 and 2008, respectively, as reported in the government-wide financial statements.

Pension Liability

For fiscal years 2001 through 2005 inclusive, the City incurred a pension liability that was the result of Chapter 125 of the Laws of 2000 (Chapter 125/00) which provided for a five-year phase-in schedule for funding the additional actuarial liabilities created by providing eligible retirees and eligible beneficiaries with increased Supplementation as of September, 2000 and with automatic Cost-of-Living Adjustments (COLA) beginning September, 2001. Chapter 278 of the Laws of 2002 (Chapter 278/02) extended the phase-in period for funding the additional liabilities attributable to the benefits provided under Chapter 125/00 to ten years from five years. Chapter 152 of the Laws of 2006 eliminated for fiscal year 2006 and thereafter the ten-year phase-in period arising under Chapter 278/02 and instead, the additional actuarial liabilities created by the benefits provided by Chapter 125/00 are funded as part of the normal contribution (see Notes E.6. and F.).

Landfill Closure and Postclosure Care Costs

Heretofore, the City's only active landfill available for waste disposal was the Fresh Kills landfill which initially ceased landfill operations in March, 2001. The landfill was reopened per the Governor's amended Executive Order No. 113, which authorized the City to continue the acceptance and disposal of waste materials received from the site of the World Trade Center disaster of September 11, 2001. The landfill subsequently closed in August, 2002. For government-wide financial statements, the measurement and recognition of the liability for closure and postclosure care is based on total estimated current cost and landfill usage to date. For fund financial statements, expenditures are recognized using the modified accrual basis of accounting when the related liability is incurred and payment is due.

Upon the landfill becoming inactive, the City is required by Federal and State law to close the landfill, including final cover, stormwater management, landfill gas control, and to provide postclosure care for a period of 30 years following closure. The City is also required under Consent Order with the New York State Department of Environmental Conservation to conduct certain corrective measures associated with the landfill. The corrective measures include construction and operation of a leachate mitigation system for the active portions of the landfill as well as closure, postclosure, and groundwater monitoring activities for the sections no longer accepting solid waste.

The liability for these activities as of June 30, 2009 which equates to the total estimated current cost is $1.360 billion based on the maximum cumulative landfill capacity used to date. There are no costs remaining to be recognized. During fiscal year 1996, New York State legislation was enacted which states that no waste will be accepted at the Fresh Kills landfill on or after January 1, 2002. Accordingly, the liability for closure and postclosure care costs is based upon an effective cumulative landfill capacity used to date of approximately 100%. Cost estimates are based on current data including contracts awarded by the City, contract bids, and engineering studies. These estimates are subject to adjustment for inflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates.

During fiscal year 2009, expenditures for landfill closure and postclosure care costs totaled $61.5 million.

Resource Conservation and Recovery Act Subtitle D Part 258, which became effective April, 1997, requires financial assurance regarding closure and postclosure care. This assurance was most recently provided, on March 20, 2009, by the City's Chief Financial Officer placing in the Fresh Kills landfill operating record representations in satisfaction of the Local Government Financial Test.

The City has five inactive hazardous waste sites not covered by the EPA rule. The City has recorded the long-term liability for these postclosure care costs in the government-wide financial statements.

The following represents the City's total landfill and hazardous waste sites liability which is recorded in the government-wide statement of net assets:

	Amount (in thousands)
Landfill	$1,359,937
Hazardous waste sites	359,136
Total landfill and hazardous waste sites liability	$1,719,073

Pollution Remediation Obligations

The pollution remediation obligations (PROs) at June 30, 2009 summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	Amount (in thousands)	Percentage
Imminent endangerment	$ 45,172	25.5%
Violation of pollution prevention-related permit or license	5,018	3.0
Named by regulator as a potentially responsible party	1,004	0.5
Voluntary commencement	124,342	71.0
Total	$175,536(1)	100.0%

Pollution Type	Amount (in thousands)	Percentage
Asbestos removal	$133,100	75.8%
Lead paint removal	13,563	7.7
Soil remediation	26,657	15.2
Water remediation	2,138	1.2
Other	78	0.1
Total	$175,536(1)	100.0%

(1) There are no expected recoveries deemed not yet realized or realizable to reduce the liability.

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable, responders for 99% of the PRO estimate relate that there are no such liabilities...all pollution remediation conditions as determined are estimable. The remaining 1% relates to projects which include testing activities but other remediation-related activities (e.g., design of remediation plans, remediation, and monitoring) may not be included in initial estimates.

5. Interfund Receivables, Payables, and Transfers

At June 30, 2009 and 2008, primary government and discretely presented component unit receivable and payable balances and interfund transfers were as follows:

Governmental activities:

Due from/to other funds:

Receivable Fund	Payable Fund	2009	2008
		(in thousands)	
General Fund	New York City Capital Projects Fund	$2,199,366[1]	$3,253,329[1]
New York City Capital Projects Fund	TFA	182,055	144,348
HYIC—Debt Service Fund	HYIC—Capital Projects Fund	56	—
Total due from/to other funds		$2,381,477	$3,397,677

Component Units:

Due from/to primary government and component units:

Receivable Entity	Payable Entity	2009	2008
Primary government—General Fund:	Component units—HDC	838,143	842,988
	HHC	281,973	58,358
		1,120,116	901,346
Primary government—New York City Capital Projects Fund	Component unit—Water Authority	880,664	518,467
Total due from component units		2,000,780	1,419,813
Component unit—Water Board	Primary government—General Fund	13,328	22,925
Total due to component units		13,328	22,925
Total due from/to primary government and component units		2,014,108	1,442,738
Total primary government and component units receivable and payable balances		$4,395,585	$4,840,415

(1) Net of eliminations within the same fund type.

Note: During both fiscal years 2009 and 2008, the New York City Capital Projects Fund reimbursed the General Fund for expenditures made on its behalf.

Governmental activities:

Interfund transfers

	Transfer To:									
	New York City Capital Projects Fund		General Debt Service Fund		Nonmajor Capital Projects Funds		Nonmajor Debt Service Funds		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(in thousands)									
Transfer From:										
General Fund	$ —	$ —	$1,413,106	$5,212,167	$ —	$ —	$ 741,812	$ 209,539	$2,154,918	$5,421,706
General Debt Service Fund	—	—	—	—	—	—	—	4,789	—	4,789
Nonmajor Debt Service Fund	—	—	961	—	—	—	—	—	961	—
Nonmajor Capital Projects Funds	2,321,950	1,656,409	—	—	5,214	—	123,163	154,931	2,450,327	1,811,340
Total	$2,321,950	$1,656,409	$1,414,067	$5,212,167	$ 5,214	$ —	$ 864,975	$ 369,259	$4,606,206	$7,237,835

Transfers are used to: (i) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as aids or matching funds for grant programs, (ii) move restricted amounts borrowed by authorized fund or component unit to finance Capital Projects Fund expenditures, (iii) move unrestricted surplus revenue from the General Fund to finance Capital Projects Fund expenditures and prepay debt service coming due in the next fiscal year, and (iv) move revenue from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due.

In the fiscal year ended June 30, 2009, the City made the following one-time transfer:
A transfer of an unrestricted grant of $646 million on June 26, 2009 to TFA. These funds will be used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2010.

In the fiscal year ended June 30, 2008, the City made the following one-time transfer:
A transfer of an unrestricted grant of $546 million on June 30, 2008 to TFA. These funds were used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2009.

E. Other Information

1. Audit Responsibility

In fiscal years 2009 and 2008, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Deloitte & Touche LLP are the Municipal Assistance Corporation for The City of New York, New York City Transitional Finance Authority, New York City School Construction Authority, New York City Health and Hospitals Corporation, Jay Street Development Corporation, New York City Housing Development Corporation, New York City Industrial Development Agency, New York City Economic Development Corporation, Business Relocation Assistance Corporation, Brooklyn Navy Yard Development Corporation, New York City Water Board and New York City Municipal Water Finance Authority, Deferred Compensation Plan, WTC Captive Insurance Company, Inc., New York City Capital Resource Corporation, New York City Educational Construction Fund, and the NYCTL Trusts. In addition, in fiscal year 2009, auditors other than Deloitte & Touche LLP audited Sales Tax Asset Receivable Corporation and Fiscal Year 2005 Securitization Corporation.

The following describes the proportion of certain key financial information that is audited by other auditors in fiscal years 2009 and 2008:

	Government-wide				Fund-based			
	Governmental Activities		Component Units		Nonmajor Governmental Funds		Fiduciary Funds	
	2009	2008	2009	2008	2009	2008	2009	2008
					(percent)			
Total assets	4	4	51	53	69	52	8	8
Revenues, other financing sources and net assets held in trust	7	3	79	82	98	87	8	8

2. Subsequent Events

The following events occurred subsequent to June 30, 2009:

Long-term Financing

City Debt: On October 15, 2009, the City sold its Fiscal 2010 Series A bonds of $970 million for capital purposes; also, the City sold its Fiscal 2010 Series B and C bonds of $1.10 billion for refunding purposes.

TFA Debt: On July 30, 2009, TFA sold its Fiscal 2010 Series A Future Tax Secured Subordinate bonds of $900 million for capital purposes. On August 27, 2009, TFA sold its Fiscal 2010 Series B Future Tax Secured Subordinate bonds of $800 million for refunding purposes. On October 22, 2009, TFA sold its Fiscal 2010 Series C Future Tax Secured Bonds of $775 million to finance general City capital expenditures.

Deposits

On August 26, 2009, the FDIC extended its temporary Transaction Account Guarantee Program through June 30, 2010. This program provides depositors with unlimited coverage for noninterest-bearing transaction deposit accounts at participating FDIC-insured institutions. The unlimited coverage applies to all checking deposit accounts that do not earn interest including Demand Deposit (DDA) accounts and certain other accounts.

Financial Market Developments

The systemic risk elevation in global financial markets that first became apparent in the latter half of 2007 continued in 2008 and accelerated in September, 2008 with significant financial institution stresses and failures and world-wide government interventions. With respect to Public Finance, the turmoil in global financial markets during fiscal year 2009 temporarily affected debt issuance and borrowing cost for the City and its authorities. However, active management of the City's debt portfolio, facilitated by ongoing risk management practices; close market monitoring to allow targeted debt issuance; and the City's intrinsic financial and credit ratings strength, all minimized the impact on the City and allowed continued debt issuance throughout the year to fund the City's capital needs. By the end of fiscal year 2009, stability had largely returned to the municipal bond market.

The City's exposure to the risks inherent in a large debt issuance program and portfolio remain. These risks include counterparty credit, such as exposure to banks that provide liquidity to variable rate debt obligations and to counterparties in derivative transactions; liquidity risks, including potential constraints on market access; and budget risk, with the potential for higher debt service expense due to rising interest rates, higher costs of credit facilities, and the potential refinancing of variable rate debt with fixed rate debt that amortizes more rapidly. The City actively monitors and manages these risks to the extent possible. Ongoing risk mitigations include careful initial selection of counterparties and structuring of contractual agreements; close monitoring of counterparty credit and remarketing performance; refinancing debt; reassigning remarketing and/or reconfiguring credit support; tailoring of debt offerings to meet investor demand; and prudent use of debt strategies that can reduce costs, as market conditions permit.

3. Other Employee Benefit Trust Funds

Deferred Compensation Plans For Employees of The City of New York and Related Agencies and Instrumentalities (DCP)

DCP through the City offers its employees two defined contribution plans and a deemed IRA created in accordance with Internal Revenue Code Sections 457, 401(k), and 408(q). DCP is available to certain employees of The City of New York and related agencies and instrumentalities. The deemed IRA, called the NYCE IRA is available as both a traditional and Roth IRA to those employees eligible to participate in the 457 Plan and 401(k) Plan and their spouses along with former employees and their spouses. DCP permits employees to defer a portion of their salary on a pre-tax basis for the 457 Plan and on either a pre-tax (traditional) or after-tax (Roth) basis for the 401(k) Plan until future years. The compensation deferred is not available to employees until termination, retirement, death, or unforeseen emergency or hardship (as defined by the Internal Revenue Code) or, if still working for the City, upon attainment of age 70½ in the 457 Plan or upon attainment of age 59½ in the 401(k) Plan. Deferred assets in the NYCE IRA are available for withdrawal at anytime.

Amounts maintained under a deferred compensation plan by a state or local government are to be held in trust (or in a custodial account) for the exclusive benefit of plan participants and their beneficiaries. Consequently, each plan is presented as an Other Employee Benefit Trust Fund in the City’s financial statements.

Participants in DCP can choose among seven investment options, or one of twelve target date pre-arranged portfolios consisting of varying percentages of those investment options. Participants can also invest a portion of their assets in a self-directed brokerage option.

The New York City Other Postemployment Benefits Plan (PLAN)

PLAN is a fiduciary component unit of the City and is composed of: (1) the New York City Retiree Health Benefits Trust (RHBT) which is used to accumulate assets to pay for some OPEB provided by the City to its retired employees and (2) OPEB paid for directly by the City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of the City’s retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the City’s various collective bargaining agreements and the City’s Administrative Code. Amounts contributed to RHBT by the City are held in trust and are irrevocable and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, PLAN is presented as an Other Employee Benefit Trust Fund in the City’s financial statements. The separate annual financial statements of PLAN are available at: Office of the Comptroller, Bureau of Accountancy — Room 808, 1 Centre Street, New York, New York 10007.

Summary of Significant Accounting Policies:

Basis of Accounting. The measurement focus of PLAN is on the flow of economic resources. This focus emphasizes the determination of changes in the PLAN’s net assets. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the statement of fiduciary net assets. This fund uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments. Investments are reported on the statement of fiduciary net assets at fair value based on quoted market prices.

Required Supplementary Information (Unaudited)

The schedule of funding progress presents GASB45 results of OPEB valuations as of June 30, 2008, 2007, 2006, and 2005 for the fiscal year ending June 30, 2009. The schedule provides a four year information trend about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)*	(3) Unfunded AAL (UAAL)	(4) Funded Ratio	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
			(2)-(1)	(1)÷(2)		(3)÷(5)
			(in thousands)			
6/30/08	$3,186,139	$65,164,503	$61,978,363	4.9%	$18,721,681	331.1%
6/30/07	2,594,452	62,135,453	59,541,001	4.2	17,355,874	343.1
6/30/06	1,001,332	56,077,151	55,075,819	1.8	16,546,829	332.8
6/30/05	0	50,543,963	50,543,963	0.0	15,737,531	321.2

*Based on the Frozen Entry Age Actuarial Cost Method.

4. Other Trust Funds

New York City Tax Lien Trusts (NYCTLT)

NYCTLT is a series of tax lien trusts (2009-A; 2008-A; 2006-A; 2005-A; 2004-A; 1999-1; 1998-2; 1998-1; and 1996-1) that were created to acquire certain tax liens securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents, and other charges payable to the City and the Water Board from the City in exchange for the proceeds from bonds issued by NYCTLT, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the trusts and is entitled to receive distributions from the trusts after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the trusts to make distributions to it and consequently, NYCTLT is presented as Other Trust Funds in the City's financial statements. The separate annual financial statements of NYCTLT are available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

5. Other Postemployment Benefits

Program Description. The New York City Health Benefits Program (Program) is a single-employer defined benefit healthcare plan funded by PLAN, an Other Employee Benefit Trust Fund of the City, which provides Other Postemployment Benefits (OPEB) to eligible retirees and beneficiaries. OPEB includes: health insurance, Medicare Part B reimbursements, and welfare fund contributions. PLAN issues a publicly available financial report that includes financial statements and required supplementary information for funding PLAN's OPEB and the report is available at: Office of the Comptroller, Bureau of Accountancy—Room 808, 1 Centre Street, New York, New York 10007.

Funding Policy. The Administrative Code of The City of New York (ACNY) defines OPEB to include Health Insurance and Medicare Part B Reimbursments; Welfare Benefits stem from the City's various collective bargaining agreements all of which are to be funded by PLAN. The City is not required by law or contractual agreement to provide funding for PLAN other than the pay-as-you-go amounts necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2009, the City paid $1.7 billion on behalf of the Program. Based on current practice (the Substantive Plan which is derived from ACNY), the City pays the full cost of basic coverage for non-Medicare-eligible/Medicare-eligible retiree participants. The costs of these benchmark plans are reflected in the actuarial valuations by using age-adjusted premium amounts. Program retiree participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plans. The City also reimburses covered employees 100% of the Medicare Part B premium rate applicable to a given year and there is no retiree contribution to the Welfare Funds. The City pays per capita contributions to the Welfare Funds the amounts of which are based on negotiated contract provisions.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB45). Under this method, in general, the excess of the Actuarial Present Value of Projected Benefits over the sum of: (i) the Actuarial Value of Assets plus (ii) the Unfunded

Frozen Actuarial Accrued Liability is allocated on a level basis over the earnings of the covered active employees between the valuation date and assumed exit. This allocation is performed for the group as a whole. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gains/losses, as they occur, reduce/increase future Normal Costs. The following table shows the elements of the City's annual OPEB cost for the year, the amount actually paid on behalf of the Program, and changes in the City's net OPEB obligation to the Program for the year ended June 30, 2009:

	Amount (in thousands)
Annual required contribution	$67,227,800
Interest on net OPEB obligation	2,531,597
Adjustment to annual required contribution	(65,821,814)
Annual OPEB cost (expense)	3,937,583
Payments made	1,683,440
Increase in net OPEB obligation	2,254,143
Net OPEB obligation—beginning of year	63,290,218
Net OPEB obligation—end of year	$65,544,361

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for the fiscal years ended June 30, 2009, 2008, 2007, and 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	(in thousands)		
6/30/09	$ 3,937,583	42.8%	$65,544,361
6/30/08	7,419,205	25.5	63,290,218
6/30/07	7,164,986	40.6	57,761,938
6/30/06	55,690,322	3.9	53,507,451

Funded Status and Funding Progress. As of June 30, 2008, the most recent actuarial valuation date, PLAN was 4.9% funded. The actuarial accrued liability for benefits was $65.2 billion, and the actuarial value of assets was $3.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $62.0 billion. The covered payroll (annual payroll of active employees covered by PLAN) was $18.7 billion, and the ratio of the UAAL to the covered payroll was 331.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB provided under PLAN incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status of PLAN and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information in Note E.3. disclosures required by GASB43 for OPEB Plan reporting presents GASB45 results of OPEB valuations as of June 30, 2008, 2007, 2006, and 2005 and the schedule provides a four year information trend about whether the actuarial values of PLAN assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. The actuarial assumptions used in the June 30, 2008 and 2007 OPEB actuarial valuations are classified as those used in the New York City Retirement Systems (NYCRS) valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System; (ii) Teachers' Retirement System of the City of New York Qualified Pensions Plan; (iii) New York City Board of Education Retirement System Qualified Pension Plan; (iv) New York City Police Pension Fund; and (v) New York City Fire Pension Fund. The OPEB actuarial valuations for NYCRS incorporate only the use of certain demographic and salary increase assumptions. The demographic assumptions requiring NYCRS Board approval were adopted by each respective Board of Trustees during fiscal year 2006. Those actuarial assumptions and methods that required New York State legislation were enacted, effective for fiscal year 2006 and later, as Chapter 152 of the Laws of 2006 (Chapter 152/06). These demographic assumptions are unchanged from the June 30, 2007 OPEB actuarial valuation but have been supplemented by probabilities of retirement adopted by the TRS Retirement Board applicable to active participants in the optional 55/25 Plan established under Chapter 19 of the Laws of 2008. The OPEB-specific actuarial assumptions used in the June 30, 2008 OPEB actuarial valuation of the Plan are as follows:

Valuation Date	June 30, 2008.
Discount Rate	4.0% per annum.[1]

Per Capita Claims Costs . . . . HIP HMO and GHI/EBCBS benefit costs reflect age adjusted premiums. Age adjustments from assumed average age of covered population for non-Medicare retirees and HIP HMO Medicare retirees. Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population. Insured premiums without age adjustment for other coverage. Premiums assumed to include administrative costs.

Employer premium contribution schedules by month were reported by the Mayor's Office of Labor Relations. In most cases, the premium contributions remained the same throughout the year. HIP HMO Medicare rates varied by month and by specific Plan option. These variations are the result of differing Medicare Advantage reimbursements. The various monthly rates were blended by proportion of enrollment.

(1) 2.5% CPI, 1.5% real rate of return on short-term investments.

Initial monthly premium rates used in valuations are shown in the following tables:

	Monthly Rate	
Plan	FY '09[1]	FY '08[2]
HIP HMO		
Non-Medicare Single	$372.99	$340.84
Non-Medicare Family	913.83	835.05
Medicare	44.98	50.94
GHI/EBCBS		
Non-Medicare Single	347.59	327.31
Non-Medicare Family	902.09	849.37
Medicare	153.28	152.35
Others		
Non-Medicare Single	372.99	340.84
Non-Medicare Family	913.83	835.05
Medicare	153.28	152.35

(1) Used in June 30, 2008 actuarial valuation.

(2) Used in June 30, 2007 actuarial valuation.

Welfare Funds . . . . Welfare Fund contributions have been updated to reflect a three year trended average of reported annual contribution amounts for current retirees. A trended average is used instead of a single reported Welfare Fund amount to smooth out negotiated variations. The Welfare Fund rates reported for the previous two valuations were trended to current levels based on a historic increase rate of 3.8% for fiscal year 2008 and 4.3% for fiscal year 2007 and earlier, approximating overall recent growth of Welfare Fund contributions.

Reported annual contribution amounts for the last three years shown in Appendix B, Tables 2a to 2e of the Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 24, 2009, for fiscal year 2009 used for current retirees.

Weighted average annual contribution rates used for future retirees:

	Annual Rate	
	FY'09	FY'08
NYCERS	$1,695	$1,677
TRS	1,687	1,661
BERS	1,709	1,689
POLICE	1,583	1,599
FIRE	1,696	1,679

Contributions were assumed to increase by Medicare Plans trend rates.

For Welfare Fund contribution amounts reflected in the June 30, 2007 actuarial valuation, see Report on the Third Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 25, 2008.

Medicare Part B Premiums . . . .

Calendar Year	Monthly Premium
2007	$93.50
2008	96.40
2009	96.40*

* Reflected only in the June 30, 2008 actuarial valuation.

2009 Medicare Part B premium assumed to increase by Medicare Part B trend rates.

Overall Medicare Part B premium amounts assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B premiums effective 2007 and later:

	Income-related Part B Increase'	
Fiscal Year	June 30, 2008 Valuation	June 30, 2007 Valuation
2008	1.5%	2.2%
2009	2.6%	3.7%
2010	3.3%	4.5%
2011	3.4%	4.6%
2012 and later	Increasing by .1% per year to a maximum of 5.0%	Increasing by .1% per year thereafter, no maximum

The actual 2010 Medicare Part B premium was not announced at the time these caculations were prepared and, thus, was not reflected in the valuation.

Medicare Part B Reimbursement Assumption . . . . For the June 30, 2008 actuarial valuation, 90% of Medicare participants are assumed to claim reimbursement. For the June 30, 2007 actuarial valuation, 100%.

Health Care Cost Trend Rate (HCCTR) . . Covered medical expenses are assumed to increase by the following percentages:

	HCCTR Assumptions		
Year Ending[(1)]	Pre-Medicare Plans	Medicare Plans	Part B Premium
2009[(2)]	9.0%	6.0%	9.0%
2010	8.5	5.0	8.5
2011	8.0	5.0	8.0
2012	7.5	5.0	7.5
2013	7.0	5.0	7.0
2014	6.5	5.0	6.5
2015	6.0	5.0	6.0
2016	5.5	5.0	5.5
2017 and later	5.0	5.0	5.0

(1) Fiscal year for Pre-Medicare Plans and Medicare Plans and calendar year for Medicare Part B Premiums.

(2) For the June 30, 2008 actuarial valuation, rates shown for 2009 were not reflected since actual values for the fiscal year 2009 per capita costs, fiscal year 2009 Welfare Fund contributions, and calendar year 2009 Medicare Part B premium amounts were used.

Age-Related Morbidity . . . . Assumed increases in premiums per year of age for HIP HMO and GHI/EBCBS consistent with those set forth in a July, 2005 article in the North American Actuarial Journal by Jeffrey R. Petertil.

Age	Annual Increase
Under 40	0.0%
40 – 49	3.0
50 – 54	3.3
55 – 59	3.6
60 – 64	4.2
65 – 69	3.0
70 – 74	2.5
75 – 79	2.0
80 – 84	1.0
85 – 89	0.5
90 and over	0.0

The premiums are age adjusted for HIP HMO and GHI/EBCBS participants. The age adjustments were based on assumed age 40 for non-Medicare-eligible retirees and assumed age 73 for HIP HMO Medicare-eligible retirees. An actual age distribution based on reported census information was used for Medicare-eligible GHI/EBCBS retirees and dependents.

For the June 30, 2008 actuarial valuation, the age adjustment for the non-Medicare GHI/EBCBS premium reflects a 6% reduction in the GHI portion of the premium for the estimated margin anticipated to be returned. GHI represents $171.40 of the $347.59 single non-Medicare GHI/EBCBS monthly rate.

In addition to age adjustment, the premiums for HIP HMO Medicare-eligible retirees were multiplied by the following factors to reflect anticipated changes in Medicare Advantage reimbursement rates. The adjustment factors used as of June 30, 2007 are shown for comparative purposes:

	Factor	
Fiscal Year	6/30/08 Valuation	6/30/07 Valuation
2008	NA	1.0000
2009	1.0000	0.8333
2010	1.1800	0.8333
2011	1.3700	0.9167
2012	1.5600	1.0833
2013	1.7500	1.2500
2014	1.9300	1.4167
2015	2.1200	1.5833
2016	2.3000	1.7500
2017	2.4000	1.9167
Thereafter	2.4000	2.0000

Medicare . . . . Medicare is assumed to be the primary payer over age 65 and for retirees currently on Medicare. For future disability retirements, Medicare is assumed to start 2.5 years after retirement in the June 30 actuarial valuations for the following portion of retirees:

	Valuation as of June 30	
	2008	**2007**
NYCERS	35%	35%
TRS	45	45
BERS	45	45
POLICE	15	15
FIRE	20	20

Participation . . . . Active participation assumptions based on current retiree elections. Actual elections for current retirees. Portions of current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees. Detailed assumptions appear in the following table:

Plan Participation Assumptions

Benefits	June 30, 2008 and June 30, 2007 Valuations				
	NYCERS	**TRS**	**BERS**	**POLICE**	**FIRE**
Pre-Medicare					
–GHI/EBCBS	65%	83%	73%	76%	71%
–HIP HMO	22	6	16	13	16
–Other HMO	8	4	3	9	12
–Waiver	5	7	8	2	1
Medicare					
–GHI	72	87	78	82	77
–HIP HMO	21	9	16	12	16
–Other HMO	4	2	2	4	6
–Waiver	3	2	4	2	1
Post-Medicare Migration					
–Other HMO to GHI	50	0	33	50	50
–HIP HMO to GHI	0	0	0	0	0
–Pre-Med. Waiver					
** to GHI @ 65	13	35	50	0	0
** to HIP @ 65	13	35	0	0	0

Dependent Coverage . . . . Dependent coverage is assumed to terminate when a retiree dies except in the following situations:

(i) Lifetime coverage is provided to the surviving spouse or domestic partner and to children (coverage to age 19 or 23 if full-time student) of uniformed members of the Police or Fire Departments who died in the Line-of-Duty.

(ii) Effective November 13, 2001, other surviving spouses of retired uniformed members of the Police and Fire Departments may elect to continue coverage for life by paying 102% of stated premium.

For survivors of POLICE and FIRE members who die other than in the Line-of-Duty (assumed to be all who terminate with Accidental Death Benefits), the valuation assumes that 30% of spouses eligible for survivor continuation will elect the benefit, with costs equal to 30% greater than the age-adjusted premiums for surviving spouses for HIP HMO and GHI/EBCBS participants. The valuation includes the entire cost of additional surviving spouse benefits, although the Office of the Actuary understands that some of this amount may be reimbursed through welfare funds. This assumption is unchanged from last year.

Dependents . . . . Dependent assumptions based on distribution of coverage of recent retirees which are shown in the following table. Wives assumed to be three years younger than husbands. Actual spouse data for current retirees. Child dependents of current retirees assumed to receive coverage until age 23. Child dependents of future retirees assumed to receive coverage for five years after retirement.

Dependent Coverage Assumptions

Group	June 30, 2008 and June 30, 2007 Valuations				
	NYCERS	**TRS**	**BERS**	**POLICE**	**FIRE**
Male					
–Single Coverage	30%	45%	35%	15%	10%
–Spouse	40	35	55	15	20
–Child/No Spouse	5	5	2	5	5
–Spouse and Child	25	15	8	65	65
Total	100%	100%	100%	100%	100%
Female					
–Single Coverage	70%	60%	60%	45%	10%
–Spouse	20	32	35	10	20
–Child/No Spouse	5	3	2	25	5
–Spouse and Child	5	5	3	20	65
Total	100%	100%	100%	100%	100%

For accidental death, 80% of POLICE and FIRE members are assumed to have family coverage.

Demographic Assumptions . . . . The same assumptions that were used to value the pension benefits of NYCRS for determining employer contributions for fiscal years beginning 2006 adopted by each respective Board of Trustees, with the addition of supplemental assumptions adopted by TRS to value the optional TRS 55/25 plan.

COBRA Benefits . . . . Although COBRA beneficiaries pay 102% of "premiums," typical claim costs for COBRA participants run about 50% greater than other participants. There is no cost to the City for COBRA beneficiaries in community-rated HMOs, including HIP, since these individuals pay their full community rate. However, the City's costs under the experience-rated GHI/EBCBS coverage are affected by the claims for COBRA-covered individuals.

In order to reflect the cost of COBRA coverage, the cost of excess claims for GHI covered individuals and families is estimated assuming 15% of employees not eligible for other benefits included in the valuation elect COBRA coverage for 15 months. These assumptions are based on experience of other large employers. This percentage is applied to the overall enrollment in the active plan and reflects a load for individuals not yet members of the retirement systems who are still eligible for COBRA benefits. This results in an assumption in the June 30, 2008 actuarial valuation of a lump sum COBRA cost of $575 for terminations during fiscal year 2009 ($550 lump sum cost during fiscal year 2008 was assumed in the June 30, 2007 actuarial valuation). The $575 ($550) lump sum amount is increased by the HCCTR for future years but is not adjusted for age-related morbidity.

Stabilization Fund . . . . A 1.6% load is applied on all City obligations (1.6% on all City GASB45 obligations last valuation). The load is not applicable to Component Units.

Educational Construction Fund . . . . The actuarial assumptions used for determining obligations for ECF are shown in Appendix E of the Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 24, 2009. The Report was prepared as of June 30, 2008 in accordance with

GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, NY 10007.

CUNY TIAA . . . . The actuarial assumptions used for determining obligations for CUNY TIAA are shown in Appendix F of the Report on the Fourth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 24, 2009. The Report was prepared as of June 30, 2008 in accordance with GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, NY 10007.

6. Pension and Other Employee Benefit Trust Funds

Pension Systems

Plan Descriptions

The City sponsors or participates in pension systems providing benefits to its employees. The pension systems function in accordance with existing State statutes and City laws. Each system combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employers and the members.

The majority of City employees are members of one of the following five major actuarially-funded pension systems collectively known as the New York City Retirement Systems (NYCRS):

1. New York City Employees' Retirement System (NYCERS) is a cost-sharing, multiple-employer public employee retirement system, for employees of the City not covered by one of the other pension systems and employees of certain component units of the City and certain other government units.

2. New York City Teachers' Retirement System-Qualified Pension Plan (TRS) is a cost-sharing, multiple-employer public employee retirement system, for pedagogical employees in the public schools of the City and Charter Schools and certain other specified school and college employees.

3. New York City Board of Education Retirement System-Qualified Pension Plan (BERS) is a cost-sharing, multiple-employer public employee retirement system, for nonpedagogical employees of the Department of Education and Charter Schools and certain employees of the School Construction Authority.

4. New York City Police Pension Fund (POLICE) is a single-employer public employee retirement system, for full-time uniformed employees of the Police Department. Note: In conjunction with the establishment of an administrative staff separate from the New York City Police Department in accordance with Chapter 292 of the Laws of 2001, the New York City Police Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Police Pension Fund as set forth in the Administrative Code of The City of New York (ACNY) Section 13-214.1.

5. New York City Fire Pension Fund (FIRE) is a single-employer public employee retirement system, for full-time uniformed employees of the Fire Department. Note: The New York City Fire Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Fire Pension Fund as set forth in ACNY Section 13-313.1.

The NYCRS provide pension benefits to retired employees based on salary, length of service, member contributions, Plan and Tier. In addition, the NYCRS provide automatic Cost-of-Living Adjustments (COLA) and other supplemental pension benefits to certain retirees and beneficiaries. In the event of disability during employment, participants may receive retirement allowances based on satisfaction of certain service requirements and other provisions. NYCRS also provide death benefits.

Subject to certain conditions, members become fully vested as to benefits upon the completion of 5 years of service. Except for NYCERS, permanent, full-time employees are generally required to become members of a NYCRS upon employment. Permanent full-time employees who are eligible to participate in NYCERS are required to become members within six months of their permanent employment status but may elect to become members earlier. Other employees who are eligible to participate in NYCERS and BERS may become members at their option. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances.

Currently there are four Tiers, referred to as Tier I, Tier II, Tier III and Tier IV. Members are assigned a Tier based on Plan and membership date. The Tier II Plan provisions have expired as of June 30, 2009. This affects new hires into the uniformed forces of Police and Fire (new members of POLICE and FIRE) and Detective Investigators who become new members of NYCERS. Absent new legislation, benefits for these future members will be subject to Tier III or Tier IV Plan provisions that, in general, are at a lesser level than Tier II benefits.

There is an agreement between the City and the United Federation of Teachers (UFT) to support legislation that would modify some of the Plan provisions of TRS for future members. These modifications are expected to reduce future employer pension contributions.

Plan Membership

As of June 30, 2008, June 30, 2007 and June 30, 2006, the membership of NYCRS[1] consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2008:						
Retirees and Beneficiaries Receiving Benefits	130,664	69,775	13,006	44,290	17,404	275,139
Terminated Vested Members Not Yet Receiving Benefits	8,774	7,080	283	813	32	16,982
Other Inactives*	24,265	10,891	4,019	2,168	53	41,396
Active Members	183,654	112,472	22,702	35,337	11,574	365,739
Total Plan Membership	347,357	200,218	40,010	82,608	29,063	699,256

* Represents members no longer on payroll, including pending withdrawals, members on leaves of absence, members awaiting refunds of contributions or benefit determinations, etc.

[1] Effective with Fiscal Year 2006, Employer Contributions are determined under One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. Therefore, the June 30, 2007 (Lag) valuation date was used for determining the Fiscal Year 2009 Employer Contributions.

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2007:						
Retirees and Beneficiaries Receiving Benefits	129,281	68,492	12,991	43,731	17,479	271,974
Terminated Vested Members Not Yet Receiving Benefits	7,896	6,004	323	777	35	15,035
Other Inactives*	29,753	10,666	4,019	2,636	28	47,102
Active Members	180,482	109,868	21,947	34,956	11,528	358,781
Total Plan Membership	347,412	195,030	39,280	82,100	29,070	692,892

* Represents members no longer on payroll, including members on leaves of absence and members awaiting refunds of contributions or benefit determinations, etc.

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2006:						
Retirees and Beneficiaries Receiving Benefits	128,863	67,576	12,573	42,474	17,485	268,971
Terminated Vested Members Not Yet Receiving Benefits	7,302	5,801	265	752	24	14,144
Other Inactives*	29,119	10,604	3,185	2,405	31	45,344
Active Members	178,741	109,992	23,095	35,194	11,641	358,663
Total Plan Membership	344,025	193,973	39,118	80,825	29,181	687,122

* Represents members no longer on payroll, including members on leaves of absence and members awaiting refunds of contributions or benefit determinations, etc.

Funding Policy

The City's funding policy is to contribute statutorily-required contributions (Statutory Contributions). Together with member contributions and investment income, these Statutory Contributions would ultimately be sufficient to pay benefits when due.

Statutory Contributions for the NYCRS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate fiscal year.

Member contributions are established by law and vary by Plan. In general, Tier I and Tier II member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees, are not required to make contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December, 2000, certain Transit Authority Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of NYCERS, TRS and BERS also make additional member contributions.

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws which provided Supplementation benefits and COLA for retirees (Chapter 125 of the Laws of 2000), additional service credits for certain Tier I and Tier II members, reduced member contributions for certain Tier III and Tier IV members (Chapter 126 of the Laws of 2000), and several other changes in benefits for various groups.

Chapter 152 of the Laws of 2006 (Chapter 152/06) implemented changes in the actuarial procedures for determining Employer Contributions beginning Fiscal Year 2006. In particular Chapter 152/06 provided the One-Year Lag Methodology (OYLM) and Chapter 152/06 also eliminated the use of the ten-year phase-in of Chapter 278 of the Laws of 2002 (Chapter 278/02) for funding the additional actuarial liabilities created by Chapter 125 of the Laws of 2000 (Chapter 125/00).

Annual Pension Costs

Beginning Fiscal Year 2006 the NYCRS annual pension costs and the City's Statutory Contributions are determined under OYLM on the basis of revised actuarial assumptions, the Frozen Initial Liability Actuarial Cost Method (unchanged) and a revised Actuarial Asset Valuation Method (AAVM).

The annual pension costs for NYCRS, for the Fiscal Years ended June 30, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
		(in millions)	
NYCERS	$2,150.4	$1,874.2	$1,471.0
TRS	2,223.6	1,916.5	1,600.9
BERS	134.2	143.1	129.8
POLICE	1,905.4	1,770.0	1,513.7
FIRE	837.0	773.6	676.4
Total annual pension costs	$7,250.6	$6,477.4	$5,391.8

For Fiscal Year 2009, the City's Statutory Contributions for the NYCRS, based on the actuarial valuations performed as of June 30, 2007 (Lag), plus other pension expenditures, were approximately $6,389.2 million.

For Fiscal Years 2009, 2008 and 2007, the annual pension costs for NYCERS, TRS and BERS, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are greater than the Statutory Contributions paid by the City, primarily because the City is only one of the participating employers in NYCERS, TRS, and BERS.

For Fiscal Years 2009, 2008 and 2007, the annual pension costs for POLICE and FIRE, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are less than the Statutory Contributions, primarily because of the interest on and amortization of the Net Pension Obligations for POLICE and FIRE.

The City's Statutory Contributions for the Fiscal Years ended June 30, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
		(in millions)	
NYCERS*	$1,186.4	$1,037.8	$ 824.1
TRS*	2,196.2	1,891.9	1,581.3
BERS*	127.8	136.9	124.5
POLICE	1,932.2	1,797.8	1,544.3
FIRE	843.8	780.2	683.2
OTHER**	102.8	95.9	98.9
Total actual pension contributions	$6,389.2	$5,740.5	$4,856.3

* NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems. The City's Statutory Contributions as a percentage of the total Statutory Contributions for all employers participating in NYCERS, TRS, and BERS for Fiscal Years ended June 30, 2009, 2008 and 2007 were:

	2009	2008	2007
NYCERS	55.17%	55.37%	56.02%
TRS	98.77	98.71	98.78
BERS	95.22	95.69	95.87

In accordance with GASB27, the City's obligation for NYCERS, TRS, and BERS is fulfilled by paying its portion of the total Statutory Contributions determined.

** Other pension expenditures represent contributions to other actuarial and pay-as-you-go pension systems for certain employees, retirees, and beneficiaries not covered by any of the NYCRS. The City also contributes per diem amounts into certain union-administered annuity funds.

Net Pension Obligations

NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems and the City has no net pension obligations to these systems. Note: The annual pension costs for these systems are the Statutory Contributions. For Fiscal Year 2009 the actuarially-required contributions equal the Statutory Contributions.

POLICE and FIRE are single-employer public employee retirement systems and the City's net pension obligations for Fiscal Year 2009 are as follows:

	POLICE	FIRE	TOTAL
		(in millions)	
(1) Annual Required Contribution	$1,932.2	$843.8	$2,776.0
(2) Interest on Net Pension Obligation	38.8	16.5	55.3
(3) Adjustment to Annual Required Contribution	65.6	23.3	88.9
(4) Annual Pension Cost=(1)+(2)-(3)	1,905.4	837.0	2,742.4
(5) Statutory Contribution	1,932.2	843.8	2,776.0
(6) Decrease in Net Pension Obligation=(4)-(5)	(26.8)	(6.8)	(33.6)
(7) Net Pension Obligation Beginning of Year	485.5	206.7	692.2
(8) Net Pension Obligation End of Year=(6)+(7)	$ 458.7	$199.9	$ 658.6

The following is three-year trend information for the City's actuarially-funded, single-employer pension plans:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
		(in millions)		
POLICE	6/30/09	$1,905.4	101%	$458.7
	6/30/08	1,770.0	102	485.5
	6/30/07	1,513.7	102	513.3
FIRE	6/30/09	837.0	101	199.9
	6/30/08	773.6	101	206.7
	6/30/07	676.4	101	213.3

Additional information as of the latest actuarial valuation follows:

	NYCERS	TRS	BERS	POLICE	FIRE
Valuation Date[1]	June 30, 2007 (Lag)	June 30, 2007 (Lag)	June 30, 2007 (Lag)	June 30, 2007 (Lag)	June 30, 2007 (Lag)
Actuarial Cost Method[2]	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Aggregate)	Frozen Initial Liability (Frozen Entry Age)
Amortization Method Initial Unfunded	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar
Remaining Amortization Period Initial Unfunded	NA	NA	NA	NA	2-Years
Asset Valuation Method	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market	6-Year Smoothed Market

Actuarial Assumptions and Methods

The more significant actuarial assumptions and methods used in the calculations of Employer Contributions to the actuarially-funded pension systems for the Fiscal Years ending June 30, 2009 and 2008 are as follows:

	2009	2008
Valuation Date	*June 30, 2007 (Lag).*[(1)]	*June 30, 2006 (Lag).*[(1)]
Actuarial Cost Method	*Frozen Initial Liability.*[(2)]	*Frozen Initial Liability.*[(2)]
Amortization Method for Unfunded Actuarial Accrued Liabilities (UAAL)	*Increasing dollar for FIRE.*[(3)] *All outstanding components of UAAL are being amortized over closed periods.*	*Increasing dollar for FIRE.*[(3)] *Level dollar for UAAL attributable to NYCERS, TRS and BERS 2002 ERI (Part A only).*[(4)] *All outstanding components of UAAL are being amortized over closed periods.*
Remaining Amortization Period	*2 years for FIRE*[(3)].	*3 years for FIRE*[(3)] *and 1 year for 2002 ERI (Part A only).*
Actuarial Asset Valuation Method	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*
Investment Rate of Return	*8.0% per annum*[(5)] *(4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*	*8.0% per annum*[(5)] *(4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*
Post-Retirement Mortality	*Tables adopted by Boards of Trustees during Fiscal Year 2006.*	*Tables adopted by Boards of Trustees during Fiscal Year 2006.*
Active Service: Withdrawal Death, Disability, Retirement	*Tables adopted by Board of Trustees during Fiscal Year 2006.*	*Tables adopted by Board of Trustees during Fiscal Year 2006.*
Salary Increases	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*[(5)]	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*[(5)]
Cost-of-Living Adjustments	*1.3% per annum.*[(5)]	*1.3% per annum.*[(5)]

(1) *Under One-Year Lag Methodology, the actuarial valuation determines the Employer Contribution for the second following Fiscal Year.*

(2) *Under the Frozen Initial Liability Actuarial Cost Method, the excess of the Actuarial Present Value (APV) of projected benefits of the membership as of the valuation date, over the sum of the Actuarial Value of Assets plus the UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 30, 1999 but with the UAAL not less than $0. Actuarial gains and losses are reflected in the employer normal contribution rate. For NYCERS, TRS and BERS, the financial results for Fiscal Years 2008 and 2009 using this Frozen Initial Liability Actuarial Cost Method differ minimally from those that would be produced using the Aggregate Actuarial Cost Method. For POLICE the financial results for Fiscal Years 2008 and 2009 using this Frozen Initial Liability Actuarial Cost Method are identical to those that would be produced using the Aggregate Cost Method. For FIRE, for Fiscal Years 2008 and 2009 the financial results using this Frozen Initial Liability Actuarial Cost Method are the same as those that would be produced using the Frozen Entry Age Actuarial Cost Method.*

(3) *In conjunction with Chapter 85 of the Laws of 2000 (Chapter 85/00), there is an amortization method. However, the initial UAAL of NYCERS, TRS, BERS and POLICE equal $0 and no amortization periods are required.*

(4) *Laws established UAAL for Early Retirement Incentive Programs to be amortized on a level dollar basis over periods of 5 years. These UAAL were fully amortized in Fiscal Year 2009.*

(5) *Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.*

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded NYCRS are conducted by an independent actuarial firm every two years.

The most recent actuarial study analyzed experience for Fiscal Years 2002 through 2005. In a report dated November 2006 the independent actuarial auditor made recommendations to the actuarial assumptions and methods. The Actuary is reviewing these recommendations. A study of Fiscal Years 2006 and 2007 is underway.

In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions.

In August 2005, based upon a review of an October 2003 experience study, the Actuary issued reports for the NYCRS proposing changes in actuarial assumptions and methods for determining Employer Contributions for Fiscal Years beginning on and after July 1, 2005 (August 2005 Reports). Where required, the Boards of Trustees of the NYCRS adopted those changes to actuarial assumptions that required Board approval and the State Legislature and the Governor enacted Chapter 152/06 to provide for those changes to the actuarial assumptions and methods that required legislation, including the Actuarial Interest Rate (AIR) assumption of 8.0% per annum.

Chapter 152/06 provides effective for Fiscal Years 2006 and after for the changes in actuarial assumptions and methods that require legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability (FIL) Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability (UAAL). In addition, Chapter 152/06 provides for elimination of the use of the ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities created by the benefits provided by Chapter 125/00.

Chapter 152/06 also established the One-Year Lag Methodology (OYLM). Under this methodology a Fiscal Year 20XX Employer Contribution is determined using a June 20XX-2 valuation date. This methodology requires technical adjustments to certain components determined as of a valuation date used to compute a Fiscal Year Employer Contribution.

Beginning with the June 30, 2004 (Lag) actuarial valuations, the Actuarial Asset Valuation Method (AAVM) was changed to a method which reset the Actuarial Asset Values (AAV) to Market Values (ie., Market Value Restart) as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns (UIR) for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for Fiscal Years 2000 to 2004.

For Fiscal Years 2000 through 2005, the AAVM was changed as of June 30, 1999 to reflect a market basis for investments held and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

Under this prior AAVM, any UIR for Fiscal Years 2000 through 2005 inclusive were phased into AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70% and 100% over five years).

Chapter 85/00 reestablished UAAL and eliminated the Balance Sheet Liability (BSL) for actuarial purposes as of June 30, 1999. The schedule of payments toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first equals 103% of its preceding annual payment.

Chapter 86 of the Laws of 2000 established UAAL as of June 30, 2001 for an Early Retirement Incentive Program to be amortized on a level basis over a period of 5 years beginning in Fiscal Year 2002.

Chapter 69 of the Laws of 2002 established UAAL as of June 30, 2003 for an Early Retirement Incentive Program (Part A only) to be amortized on a level basis over a period of 5 years beginning in Fiscal Year 2004.

Chapter 211 of the Laws of 2009 extended the Actuarial Interest Rate (AIR) for one year, through June 30, 2010.

Other Employee Benefit Trust Funds

Fund Descriptions

Per enabling State legislation, certain retirees of POLICE, FIRE, and NYCERS are eligible to receive scheduled supplemental benefits from certain Variable Supplements Funds (VSFs).

Under current state law, VSFs are not to be construed as constituting pension or retirement system funds. Instead, they provide scheduled supplemental payments, in accordance with applicable statutory provisions. While a portion of these payments are guaranteed by the City, the Legislature has reserved to itself and the State of New York, the right and power to amend, modify, or repeal VSFs and the payments they provide.

POLICE administers the Police Officers' Variable Supplements Fund (POVSF) and the Police Superior Officers' Variable Supplements Fund (PSOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 2 of the ACNY.

1. POVSF provides supplemental benefits to members who retire from POLICE for service (with 20 or more years) as police officers and who retired on or after October 1, 1968.

2. PSOVSF provides supplemental benefits to members who retire from POLICE for service (with 20 or more years) holding the rank of sergeant or higher, or detective and who retired on or after October 1, 1968.

FIRE administers the Firefighters' Variable Supplements Fund (FFVSF) and the Fire Officers' Variable Supplements Fund (FOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 3 of the ACNY.

3. FFVSF provides supplemental benefits to members who retire from FIRE for service (with 20 or more years) as firefighters (or wipers) and who retired on or after October 1, 1968.

4. FOVSF provides supplemental benefits to members who retire from FIRE for service (with 20 or more years) holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) and who retired on or after October 1, 1968.

NYCERS administers the Transit Police Officers' Variable Supplements Fund (TPOVSF), the Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF), the Housing Police Officers' Variable Supplements Fund (HPOVSF), the Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF), and the Correction Officers' Variable Supplements Fund (COVSF). These funds operate pursuant to the provisions of Title 13, Chapter 1 of the ACNY.

5. TPOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Transit Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of calculations performed by the Actuary during November 1993. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPOVSF whenever the assets of TPOVSF are not sufficient to pay benefits.

6. TPSOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Transit Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPSOVSF whenever the assets of TPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2004, NYCERS is required to transfer assets so that TPSOVSF can meet its benefit obligations when due.

7. HPOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Housing Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of Chapter 719 of the Laws of 1994. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPOVSF whenever the assets of HPOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2006, NYCERS is required to transfer assets so that HPOVSF can meet its benefit obligations when due.

8. HPSOVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or more years) as Housing Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPSOVSF whenever the assets of HPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2001, NYCERS is required to transfer assets so that HPSOVSF can meet its benefit obligations when due.

9. COVSF provides supplemental benefits to members who retire from NYCERS for service (with 20 or 25 years of service, depending upon the plan) as members of the Uniformed Correction Force on or after July 1, 1999. Prior to calendar year 2019, total supplemental benefits paid are limited to the assets of COVSF. For calendar years 2019 and later, the plan provides for a schedule of defined supplemental benefits that are guaranteed by the City. Scheduled benefits to COVSF participants were paid for calendar years 2000 to 2005. Due to insufficient assets, no benefits were paid to COVSF participants after Calendar Year 2005.

Funding Policy and Contributions

The Administrative Code of The City of New York provides that POLICE and FIRE transfer to their respective VSFs amounts equal to certain excess earnings on equity investments, generally limited to the unfunded accumulated benefit obligation for each VSF. The excess earnings are defined as the amount by which earnings on equity investments exceed what the earnings would have been had such funds been invested at a yield comparable to that available from fixed income securities, less any cumulative deficiencies.

ACNY provides that NYCERS transfer to COVSF amounts equal to certain excess earnings on equity investments, less any cumulative deficiencies. ACNY also provides, as a consequence of Chapter 255 of the Laws of 2000, that NYCERS make the required transfers to TPOVSF, TPSOVSF, HPOVSF and HPSOVSF, inclusive of prior year's cumulative deficiencies, sufficient to meet their annual benefit payments.

For Fiscal Years 2009 and 2008, excess earnings on equity investments, inclusive of prior year's cumulative deficiencies, are estimated to be equal to zero and, therefore, no transfers will be due to VSFs as of June 30, 2009 and June 30, 2008, respectively.

For Fiscal Years 2009 and 2008, required transfers from NYCERS of approximately $2.4 million and $2.4 million, respectively, were made to HPOVSF.

For Fiscal Years 2009 and 2008, required transfers from NYCERS of approximately $2.9 million and $3.0 million, respectively, were made to HPSOVSF.

For Fiscal Years 2009 and 2008, required transfers from NYCERS of approximately $3.2 million and $3.2 million, respectively, were made to TPSOVSF.

As of June 30, 2009, NYCERS has accrued approximately $1.2 million, $1.4 million, and $1.6 million toward the amounts expected to be transferred to HPOVSF, HPSOVSF and TPSOVSF, respectively, to meet the December 2009 benefit obligations of those funds.

The funded status of each NYCRS as of June 30, 2007, the date of the most recent actuarial valuation under One-Year Lag Methodology, where the Actuarial Accrued Liability is defined using the Entry Age Actuarial Cost Method, is as follows:

Funded Status
Entry Age Accrued Liability Basis
(in millions)

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) —Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
NYCERS	$38,925.7	$49,253.2	$10,327.5	79.0%	$10,762.0	96.0%
TRS	33,854.2	48,625.2	14,771.0	69.6	7,222.5	204.5
BERS	1,983.7	2,591.8	608.1	76.5	777.6	78.2
POLICE	19,800.6	28,728.9	8,928.3	68.9	2,961.6	301.5
FIRE	6,459.1	11,731.1	5,272.0	55.1	1,000.4	527.0

F. Required Supplementary Information (Unaudited)

The schedule of funding progress presents the following information for each of the past ten consecutive Fiscal Years for each of the NYCRS. All actuarially determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

	Actuarial Valuation Date	(1) Actuarial Asset Value (AAV) (a)	(2) Actuarial Accrued Liability (AAL)* (a) & (b)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1) (in millions)	(4) Funded Ratio (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
NYCERS	6/30/07(Lag)	$38,925.7	$38,959.1	$33.4	99.9%	$10,762.0	0.3%
	6/30/06(Lag)	38,367.1	38,431.3	64.2	99.8	10,127.8	0.6
	6/30/05(Lag)	39,692.4	39,797.1	104.7	99.7	9,670.8	1.1
	6/30/04(Lag)	40,638.6	40,786.7	148.1	99.6	9,361.2**	1.6
	6/30/04	40,088.2	40,236.3	148.1	99.6	9,157.4	1.6
	6/30/03	42,056.0	42,244.1	188.1	99.6	8,807.6	2.1
	6/30/02	43,561.1	43,619.9	58.8	99.9	8,901.1	0.7
	6/30/01	43,015.4	43,087.6	72.2	99.8	8,515.3	0.8
	6/30/00	42,393.6	42,418.7	25.1	99.9	7,871.0	0.3
	6/30/99	40,936.0	40,936.0	0.0	100.0	7,593.2	0.0
TRS	6/30/07(Lag)	33,854.2	33,856.7	2.5	100.0	7,222.5	0.0
	6/30/06(Lag)	32,405.5	32,410.5	5.0	100.0	6,978.7	0.1
	6/30/05(Lag)	32,865.1	32,872.3	7.2	100.0	6,273.9	0.1
	6/30/04(Lag)	33,149.3	33,159.7	10.4	100.0	6,175.9**	0.2
	6/30/04	32,817.1	32,827.5	10.4	100.0	6,219.8	0.2
	6/30/03	33,169.2	33,182.7	13.5	100.0	5,828.8	0.2
	6/30/02	34,177.8	34,181.1	3.3	100.0	5,469.2	0.1
	6/30/01	35,410.2	35,414.5	4.3	100.0	5,015.4	0.1
	6/30/00	36,142.4	36,147.6	5.2	100.0	4,721.5	0.1
	6/30/99	34,626.1	34,626.1	0.0	100.0	4,217.7	0.0
BERS	6/30/07(Lag)	1,983.7	1,985.6	1.9	99.9	777.6	0.2
	6/30/06(Lag)	1,830.3	1,834.0	3.7	99.8	750.0	0.5
	6/30/05(Lag)	1,841.0	1.846.3	5.3	99.7	715.1	0.7
	6/30/04(Lag)	1,843.8	1,850.6	6.8	99.6	624.9**	1.1
	6/30/04	1,822.7	1,829.5	6.8	99.6	624.9	1.1
	6/30/03	1,833.8	1,842.0	8.2	99.6	651.0	1.3
	6/30/02	1,835.8	1,835.8	0.0	100.0	736.7	0.0
	6/30/01	1,781.7	1,781.7	0.0	100.0	694.2	0.0
	6/30/00	1,749.4	1,749.4	0.0	100.0	666.0	0.0
	6/30/99	1,705.4	1,705.4	0.0	100.0	592.2	0.0
POLICE	6/30/07(Lag)	19,800.6	19,800.6	0.0	100.0	2,961.6	0.0
	6/30/06(Lag)	18,689.5	18,689.5	0.0	100.0	2,816.9	0.0
	6/30/05(Lag)	18,767.3	18,767.3	0.0	100.0	2,812.9	0.0
	6/30/04(Lag)	18,735.1	18,735.1	0.0	100.0	2,757.7**	0.0
	6/30/04	18,510.6	18,510.6	0.0	100.0	2,460.8	0.0
	6/30/03	18,781.4	18,781.4	0.0	100.0	2,433.9	0.0
	6/30/02	18,913.6	18,913.6	0.0	100.0	2,496.2	0.0
	6/30/01	18,141.7	18,141.7	0.0	100.0	2,500.1	0.0
	6/30/00	17,601.9	17,601.9	0.0	100.0	2,465.7	0.0
	6/30/99	16,877.8	16,877.8	0.0	100.0	2,332.0	0.0

	Actuarial Valuation Date	(1) Actuarial Asset Value (AAV) (a)	(2) Actuarial Accrued Liability (AAL)* (a) & (b)	(3) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1) (in millions)	(4) Funded Ratio (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
FIRE	6/30/07(Lag)	6,459.1	6,520.7	61.6	99.1	1000.4	6.2
	6/30/06(Lag)	6,174.1	6,252.0	77.9	99.8	932.7	8.4
	6/30/05(Lag)	6,169.2	6,261.6	92.4	98.5	908.3	10.2
	6/30/04(Lag)	6,277.3	6,382.5	105.2	98.4	864.8**	12.2
	6/30/04	6,185.8	6,290.9	105.1	98.3	805.0	13.1
	6/30/03	6,441.5	6,558.0	116.5	98.2	748.8	15.6
	6/30/02	6,612.3	6,738.7	126.4	98.1	789.7	16.0
	6/30/01	6,525.7	6,660.8	135.1	98.0	799.2	16.9
	6/30/00	6,388.1	6,530.6	142.5	97.8	741.5	19.2
	6/30/99	6,179.8	6,328.7	148.9	97.6	729.7	20.4

* Based on the Frozen Initial Liability Actuarial Cost Method.

** The annualized covered payrolls as of June 30, 2004 under the One-Year Lag Methodology used to compute Fiscal Year 2006 Employer Contributions differ from that as of June 30, 2004 to compute Fiscal Year 2005 Employer Contributions due to changes in actuarial assumptions and more recent information on labor contract settlements.

(a) Beginning with the June 30, 2004 (Lag) actuarial valuation the Actuarial Asset Valuation Method (“AAVM”) was changed to a method that reset the AAV to Market Value (i.e., “Market Value Restart”) as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns (“UIR”) for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at rates of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for Fiscal Years 2000 to 2004.

This revised AAVM was utilized for the first time in the June 30, 2004 (Lag) actuarial valuation to determine the Fiscal Year 2006 Employer Contribution in conjunction with the One-Year Lag Methodology and the revised economic and noneconomic assumptions. As of June 30, 1999 the economic and noneconomic assumptions were revised due to experience review. The AAVM was changed as of June 30, 1999 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

Under the AAVM used for the June 30, 1999 to June 30, 2004 actuarial valuations, any UIR for Fiscal Years 2000 and later were phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or cumulative rates of 10%, 25%, 45%, 70% and 100% over a period of five years).

(b) To effectively assess the funding progress of a Plan, it is usually appropriate to compare AAV and AAL calculated in a manner consistent with the Plan’s funding method over a period of time. AAL is the portion of the actuarial present value of pension plan benefits and expenses which is not provided for by future employer normal costs and future member contributions.

Note, however, that UAAL is the excess of AAL over AAV. Under the FIL Actuarial Cost Method, the initial UAAL is frozen at date of establishment and amortized over time. That UAAL is not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

Schedule of Employer Contributions

Total Employer Contributions to the NYCRS

(in millions)

Fiscal Year Ended June 30	NYCERS Annual Required Contribution	NYCERS Percentage Contributed	TRS Annual Required Contribution	TRS Percentage Contributed	BERS Annual Required Contribution	BERS Percentage Contributed	POLICE Annual Required Contribution	POLICE Percentage Contributed	FIRE Annual Required Contribution	FIRE Percentage Contributed
2009	$2,150.4	100.0%	$2,223.6	100.0%	$134.2	100.0%	$1,932.2	100.0%	$843.8	100.0%
2008	1,874.2	100.0	1,916.5	100.0	143.1	100.0	1,797.8	100.0	780.2	100.0
2007	1,471.0	100.0	1,600.9	100.0	129.8	100.0	1,544.3	100.0	683.2	100.0
2006	1,024.4	100.0	1,316.6	100.0	90.8	100.0	1,337.7	100.0	608.8	100.0
2005	1,020.4	80.6	1,304.0	94.2	106.4	90.9	1,123.9	91.9	518.4	94.4
2004	542.2	57.3	1,015.3	90.6	95.0	88.5	917.7	88.5	427.7	91.8
2003	197.8	54.6	805.8	79.4	87.9	79.9	821.4	76.1	389.5	81.4
2002	105.7	100.0	607.8	83.9	66.7	84.8	636.5	84.0	346.2	87.3
2001	100.0	100.0	572.0	77.8	52.1	75.3	543.8	76.0	298.9	80.7
2000	68.6	100.0	181.8	100.0	9.5	100.0	250.0	100.0	182.9	100.0

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

[This Page Intentionally Left Blank]

Appendix C

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a brief summary of certain provisions of the Agreement. This summary is intended to supplement the information provided in the body of this Official Statement and does not purport to be complete. Reference is made to the Agreement for full and complete statements of such and all provisions. Except as noted, defined terms used herein have the meanings ascribed to them in Appendix A.

Lease of Facilities

The Authority agrees to lease to the City, and the City agrees to sublease from the Authority, the Leased Property on the terms and conditions set forth in the Agreement.

(Section 2.01)

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 date on which no Bonds are Outstanding and the City has satisfied its obligations under the Agreement, unless sooner terminated in accordance with the provisions of the Agreement.

(Section 2.02)

Acquisition and Leasing of Health Facilities

The Authority shall from time to time during the Lease Term obtain pursuant to the terms of the Ground Leases, a leasehold interest to the land on which each Health Facility is or is to be located and the building and improvements thereon. Upon the Authority and the City reaching an agreement to add a further Health Facility under the Agreement, the City and the Authority shall enter into a Health Facility Identification Agreement, whereupon the Leased Property identified therein shall become fully subject to the terms and provisions of the Agreement. Each Leased Property so designated in a Lease Identification Agreement shall automatically be leased to the City pursuant to the Agreement for a term which will commence on a date on which Bonds of the Series applicable to such Leased Property are first issued and delivered by the Authority (or, if later, the commencement date of the applicable Ground Lease) and shall terminate on the termination of the related Ground Leases unless sooner terminated in accordance with the provisions of the Agreement. The provisions of the prior sentence shall be self-operative, provided that the parties shall, at the request of either party, execute an agreement or amendment of the Agreement to confirm the same.

(Section 2.03)

Construction of Health Facilities

The City shall enter into a valid and binding Sublease Agreement with PCDC pursuant to which PCDC shall agree to enter into an Operating Lease Agreement with each Operator approved pursuant to the Health Facility Identification Agreement and cause each Operator to be responsible for the letting of contracts for the design, construction, reconstruction, rehabilitation and improvement of the Health Facilities.

(Section 3.01)

Payment of Rentals

The City shall pay to the Authority the following Basic Rent in the amounts and on the dates as follows:

(i) (x) On October 15 and April 15 of each Bond Year, the interest on Outstanding Bonds, other than Variable Interest Rate Bonds, payable on the immediately succeeding November 15 or May 15, respectively, and (y) on April 15 of each Bond Year, the principal and Sinking Fund Installments of Outstanding Bonds payable during the immediately succeeding Bond Year;

(ii) Except as provided in paragraph (iii) below, on October 15 and April 15 of each Bond Year, the interest on Outstanding Variable Interest Rate Bonds accrued prior to said date and to accrue or estimated by an Authorized Officer of the Authority to accrue thereafter payable subsequent to such date and on or prior to the next succeeding date on which Basic Rent is payable pursuant to this paragraph (ii);

(iii) Three days (or the preceding Business Day if such day is not a Business Day) prior to an interest payment date on Outstanding Variable Interest Rate Bonds in connection with which an Interest Rate Exchange Agreement has been executed, the interest on such Variable Interest Rate Bonds accrued prior to said date and to accrue or estimated by an Authorized Officer of the Authority to accrue thereafter and payable on such interest payment date; and

(iv) On October 15 of each Bond Year, the amount, if any, as shall have been set forth in the certificate of the Trustee made pursuant to the Resolution as necessary on the immediately preceding June 30 to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

In addition to the options of the City to purchase the Authority's leasehold interests in the Health Facilities, the City shall, subject to the provisions of the Agreement, 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.

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 October 15 and April 15 of each Bond Year, one-half (1/2) of 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 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.

Any Basic Rent not paid by the City within seven (7) days after the due date thereof, or any additional rent not paid within seven (7) days after the due date thereof as a result of which the Authority has expended moneys to pay expenditures to have been paid or reimbursed from such additional rent, shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Bonds until paid, time being of the absolute essence of this obligation.

(Section 4.01)

Indemnification of Authority and Limitation on Liability

Both during the Lease Term and thereafter, the City, to the extent permitted by law, (i) 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 Properties pursuant to the Agreement, 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 thereto, 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 omitted to state a material fact relating to the City 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 of the Agreement 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 the Ground Leases, the Construction Disbursement Agreements, the Agreement or the Sublease Agreement or was approved by the City.

(Section 4.03)

Application of Interest Earnings

The Authority agrees that during each Bond Year it will cause to be transferred to the Debt Service Fund the interest earned and paid during such Bond Year on the investment of moneys in the Construction Fund and the Debt Service Reserve Fund; provided, however, that during the period of acquisition, construction, reconstruction and rehabilitation of a Health Facility, interest earnings on amounts on deposit in the Construction Fund allocable to such Health Facility shall remain in the Construction Fund.

(Section 4.04)

Nature of Obligations of the City

Except as hereinafter provided in the following three paragraphs, the obligation of the City to pay Rentals and to pay all other amounts provided for in the Agreement and to perform its obligations under the Agreement 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, PCDC, the

Operators, the Trustee or any other person and whether or not any or all of the Health Facilities are used or occupied or available for use or occupancy and whether or not any of the Ground Leases are in effect. If the City shall have paid all amounts required by the Agreement 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 in the Agreement to the contrary, the cost and expense of the performance by the City of its obligations under the Agreement and the incurrence of any liabilities of the City under the Agreement, including, without limitation, the payment of all Rentals and the payment of all other amounts required to be paid by the City under the Agreement, 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 the Agreement (other than such termination as is provided for under the Agreement) or be excused from performing its obligations under the Agreement 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 the Agreement.

(Section 4.05)

Operation, Maintenance and Repair

During the Lease Term, the City shall cause the Health Facilities to be operated and maintained as required in the Operating Lease Agreements and that such Health Facilities maintain the same condition suitable and sufficient for the use for which they are intended, and shall cause the making of all necessary repairs and replacements, interior and exterior, structural and non-structural.

(Section 5.01)

Enforcement of Terms of Sublease Agreement and Operating Lease Agreements

The City shall enforce the terms of the Sublease Agreement and shall cause PCDC to enforce the terms of the Operating Lease Agreements. The City shall promptly forward to the Authority and each Facility Provider copies of any written notice of default delivered by or to the City with respect to any default under the Sublease Agreement or any notice from or to an Operator with respect to any default under any Operating Lease Agreement.

(Section 5.02)

Condition of Premises

The Authority makes no representations whatsoever in connection with the condition of the Leased Property or the Health Facilities, and the Authority shall not be liable for any defects therein. The City expressly covenants and agrees that it takes the Leased Property on an "AS IS," "WHERE IS" basis, and at its own absolute and exclusive risk and expressly waives for the entire term of the Agreement any and all rights and claims at law or equity for the cancellation, recision, modification, reformation or termination of the Agreement or the leasehold estates created by the Agreement.

(Section 5.03)

Net Lease

The 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 under the Agreement, free of all deductions, without abatement, diminution and set-off.

(Section 5.04)

Casualty and Condemnation Proceeds

So long as no default or event of default has occurred and is continuing under the Agreement, the Authority grants to the City the right to exercise on behalf of the Authority any and all of the rights, powers and privileges conferred upon the Authority pursuant to each Ground Lease. The City shall have the right, subject to the terms and provisions of the Agreement, to assign, delegate or grant all or any portion of such rights to PCDC and/or any Operator, as the operator of a Health Facility under the applicable Operating Lease Agreement, so long as the applicable Ground Lease, the Sublease Agreement and/or the applicable Operating Lease Agreement shall remain in effect, as the case may be.

(Section 5.05)

Damage or Destruction

In the event the City receives net proceeds of any insurance relating to the damage or destruction of a Health Facility or any portion thereof, the City shall elect to have the net proceeds of any insurance paid either (i) to the Authority, as a prepayment of the Rentals under the Agreement allocable to the Health Facility to which such insurance proceeds relates, for deposit to the Debt Service Fund and application to the redemption of Outstanding Bonds allocable to such Health Facility or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Resolution for the payment of Outstanding Bonds allocable to such Health Facility in accordance with the written instructions of an Authorized Officer of the Authority or (ii) to the City and applied for any of its corporate purposes, provided that such payment and application, in the opinion of Bond Counsel, would not adversely affect the exclusion of interest on any of the Bonds from grass income for federal income tax purposes.

(Section 5.06)

Condemnation

In the event the City receives any net proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with the condemnation or taking during the Lease Term of a Health Facility or portion thereof and the Leased Property appertaining thereto, the City shall elect to have the award paid either (i) to the Authority, as a prepayment of the Rentals under the Agreement allocable to the Health Facility to which such award relates, for deposit to the Debt Service Fund and application to the redemption of Outstanding Bonds allocable to such Health Facility or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Resolution for the payment of Outstanding Bonds allocable to such Health Facility in accordance with the written instructions of an Authorized Officer of the Authority or (ii) to the City and applied for any of its corporate purposes, provided that such payment and application, in the opinion of Bond Counsel, would not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

(Section 5.07)

Prepayments

In the event the City receives any moneys representing a prepayment of PCDC's obligations under the Sublease Agreement, the City shall elect to have the prepayment paid either (i) to the Authority, to be applied by the Authority in accordance with the Resolution, as a prepayment of the Rentals under the Agreement allocable to the Outstanding Bonds issued in connection with such Health Facility to which such prepayment relates, for deposit to the Debt Service Fund and application to the redemption of Outstanding Bonds issued in connection with such Health Facility or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Resolution for the payment of Outstanding Bonds issued in connection with such Health Facility in accordance with the written instructions of an Authorized Officer of the Authority or (ii) to the City and applied for any of its corporate purposes, provided that such payment and application, in the opinion of Bond Counsel, would not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

(Section 5.08)

Insurance

The City agrees that during the Lease Term it shall cause PCDC and/or any Operator under any Operating Lease Agreement to provide to the Authority casualty and liability insurance coverage satisfactory to the Authority, consistent with the provisions of the applicable Operating Lease Agreement.

(Section 5.09)

Assignment and Sale by the City

The City will not sell, sublease or otherwise dispose of or encumber its interest in a Health Facility except as provided in the Agreement. The 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 under the Agreement, and in the event of any such assignment the City shall continue to remain primarily liable for the payments specified in the Agreement and for performance and observance of the other agreements on its part provided in the Agreement.

(Section 7.04)

Use of the Health Facilities and the Leased Property

The City covenants that, except as otherwise approved by the Authority in writing, the Leased Properties shall be used and occupied only by either: (i) an entity determined by the Internal Revenue Service to be exempt from federal income tax by reason of being described in Section 501(c)(3) of the Code or (ii) an agency, department or division of the State, or a political subdivision thereof, provided, however, that any such use and occupancy shall comply with the provisions of the Agreement.

(Section 7.05)

Subletting

It is contemplated that the City will immediately sublet all Health Facilities and all Leased Property to PCDC pursuant to the Sublease Agreement and that PCDC will immediately further sublet such Health Facilities and such Leased Property to the appropriate Operators pursuant to an applicable Operating Lease Agreement with each Operator.

The Authority consents to the Sublease Agreement and, upon the execution of each applicable Health Facility Identification Agreement and the applicable Non-Disturbance Agreement, to the further subletting by PCDC of the Leased Property to the Operator pursuant to the applicable Operating Lease Agreement. No Leased Property shall be further sublet by the City, PCDC, the Operator 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 and the Operating Lease Agreements 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 and each Operating Lease Agreement shall by its terms be expressly subject and subordinate to the Ground Lease and to the Agreement and each of PCDC and any Operator shall expressly agree to be bound by and observe the terms and provisions of the Agreement applicable to such Leased Property.

(Section 7.06)

Events of Default

An "event of default" or a "default" shall mean, whenever they are used in the Agreement, 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 under the Agreement 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 under the Agreement 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 paragraphs (a) and (b) above, 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 in the Agreement 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 paragraph (e).

Notwithstanding anything contained above to the contrary, a failure by the City to pay when due any payment required to be made under the Agreement or a failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Agreement, resulting from a failure by the City to appropriate moneys for such purposes, shall not constitute an event of default under the Agreement; 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 8.01)

Remedies

Whenever any event of default referred to above 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 above 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 under the Agreement.

Furthermore, whenever any event of default-referred to in the Agreement 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 November first in any year the amount due and not paid for the preceding fiscal year under the Agreement; (ii) under the Act, the amount due and not paid for the preceding fiscal year is determined without regard to the petition for relief filed by the City under Chapter 9, and such amount will not equal the total amount of the claim of the Authority in the Chapter 9 proceeding unless the Bonds were accelerated in accordance with the terms of the Resolution; (iii) in the event of the failure or inability of the City to pay over the stated amount to the Authority on or before December first of the same year, 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 for the preceding fiscal year and (iv) 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 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 under the Agreement have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the City.

(Section 8.02)

Option to Purchase Prior to Expiration of Lease

Following the completion of acquisition, construction, reconstruction and rehabilitation of a Health Facility, the City shall have and may exercise, at any time thereafter and prior to the expiration of the Lease Term, the right and option to purchase the Authority's leasehold right, title and interest in any of the Health Facilities and the Leased Property appertaining thereto upon payment to the Authority of the purchase price therefor in an amount as provided in the Agreement. The City may exercise such option by giving written notice thereof to the Authority at least sixty (60) days before the date that the purchase is to be consummated.

(Section 9.02)

Purchase Price

The purchase price for the Authority's leasehold interest in a Health Facility and the Leased Property appertaining thereto payable pursuant to the Agreement shall be such amount, if any, which, with all other funds available therefor, will be sufficient to pay or provide for payment, in full, in conformity with the Resolution, of an allocable portion of the Outstanding Bonds issued in connection with such Health Facility and all other obligations incurred and to be incurred by the Authority in connection with such Health Facility and Leased Property under the Agreement and under the Resolution. Such payment in full of such allocable portion of Outstanding Bonds shall include the principal of all such Bonds, the redemption premium, if any, and all interest accrued and to accrue on such Bonds to their earliest redemption date or their maturity date, whichever is earlier, and any expenses in connection with such payment in full.

(Section 9.03)

Date and Manner of Settlement

The purchase price of the Authority's leasehold interest in a Health Facility and the Leased Property appertaining thereto shall be paid on a date of settlement and at a place to be mutually agreed upon by the Authority and the City. Upon payment of the purchase price, the Authority shall contemporaneously assign, without recourse, to the City all of the Authority's right, title and interest in and to (i) the Ground Lease applicable to such Health Facility and the Leased Property appertaining thereto and (ii) the applicable Construction Disbursement Agreement, by an assignment and assumption agreement in form and substance satisfactory to the City and the Authority. The City shall assume all of the Authority's obligations thereon and bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of the Authority's leasehold to such Health Facility and Leased Property. Upon conveyance of its interest and payment therefor as aforesaid, the Agreement shall cease and terminate with respect to such Facility and Leased Property and all obligations of the City under the Agreement relating thereto; provided, however, the obligations of the City under the Agreement pertaining to (i) indemnification (ii) the payment to the Authority of additional amounts then due and owing, and (iii) the use of the Health Facilities and the Leased Property and the tax status of the Bonds, shall survive such termination.

(Section 9.04)

Amendments, Changes and Modifications

The 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; 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 the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution (ii) if the consent of The Trustee is required by 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 10.04)

Amounts Remaining under Bond Resolution

It is agreed by the parties that any amounts remaining in any fund or account created under the Resolution, upon expiration or sooner termination of the Lease Term, as provided in the Agreement, 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 with the Agreement and with the Resolution, shall belong to and be paid to the City.

(Section 10.05)

Investment of Moneys

The City 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 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 10.07)

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appendix D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution pertaining to the Series 2010A Bonds. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

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 under the Resolution 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 in the Resolution 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 in the Resolution or permitted by the Resolution.

(Section 1.03)

Authorization of Bonds

The Resolution authorizes the issuance of Bonds of the Authority to be designated as “Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue),” and it creates a continuing pledge and lien as provided by the Resolution 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 all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Resolution, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided by the Resolution.

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 pledged by the Resolution 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 to the Resolution 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.

(Section 2.01)

Provisions for Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions. 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 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 the Resolution;

(e) If any Provider Payments under a Reserve Fund Facility are then unpaid, the written consent of the Facility Provider thereof to the issuance of the Bonds of such Series;

(f) 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;

(g) A certificate of an Authorized Officer of the Authority stating the value of the assets of 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 after issuance of the Bonds then to be issued, and that after deposit in the Debt Service Reserve Fund of the amount, if any, to be deposited therein in connection with the issuance of such Bonds, the amount on deposit in such fund will not be less than the amount then required to be therein;

(h) 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 in the Resolution;

(i) A certificate of an Authorized Officer of the Authority stating that there will 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) the equity contribution, if any, provided by the Operators of the Health Facilities, 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;

(j) 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;

(k) 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;

(l) 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

(m) 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 2.02)

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 provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds.

(Section 2.05)

Pledge of Revenues, Funds and Accounts

Pledge of Revenues

The proceeds from the sale of the Bonds, the Revenues and, except as otherwise provided in the Resolution, all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are pledged by the Resolution 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 under the Resolution and under any Series Resolution, all in accordance with the provisions of the Resolution and each such Series Resolution. 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 under the Resolution; provided, however, that such pledge shall, in all respects, be subject and subordinate to the rights and interest therein of the Bondholders. Such pledge 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 by the Resolution and by any Series Resolution which are pledged by the Resolution 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 by the Resolution, and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution 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 Reserve Fund; and
Arbitrage Rebate Fund.

(Section 5.02)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of each Series of Bonds, the Trustee shall deposit 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 the Resolution. Except as otherwise provided in the Resolution 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.

Consistent with the provisions of the Construction Disbursement Agreements, 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 paragraph, 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.

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 the applicable Construction Disbursement 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;

Second: To the Debt Service Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement; and

Third: To the Debt Service Fund, to be applied in accordance with the Resolution, any balance remaining.

Following the occurrence and during the continuation of an Event of Default under a Construction Disbursement Agreement, the Authority may, in its sole discretion, transfer moneys allocable to such defaulted Health Facility to the Trustee for application pursuant to the provisions of the Resolution.

(Section 5.04)

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 the Debt Service Fund (i) in the case of Revenues received during the period from May 15 of a Bond Year until November 14 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable on or prior to the next succeeding November 15, including the interest estimated by the Authority to be payable on a Variable Interest Rate Bond on and prior to the next succeeding November 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 theretofore contracted to be purchased or called for redemption pursuant to the Resolution, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received during the period from November 15 of such Bond Year until May 14 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable on and prior to the next succeeding May 15, including the interest estimated by the Authority to be payable on a Variable Interest Rate Bond on and prior to the next succeeding May 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 during the next succeeding Bond Year and (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption;

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 by the Resolution; (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.

2. After making the payments required by subdivision 1 above, 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 the Resolution. The Trustee shall notify the Authority promptly after making the payments required by subdivision 1 above, of any balance of Revenues then remaining.

(Section 5.05)

Debt Service Fund

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 Debt Service Fund:

(a) the interest due and payable on all Outstanding Bonds on such interest payment date;

(b) the principal amount due and payable on all Outstanding Bonds 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 on such interest payment date.

The amounts paid out pursuant to (a), (b) and (c) above shall be irrevocably pledged to and applied to such payments.

Notwithstanding the above, 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 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.

In the event that on the fourth Business Day preceding any interest payment date there are insufficient amounts in the Debt Service Fund, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit to the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds payable during the next succeeding Bond Year, the interest on Outstanding Bonds payable on and prior to the earlier of the next succeeding November 15 or May 15 assuming that a Variable Interest Rate Bonds 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 the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority (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 the Resolution, 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.

(Section 5.06)

Debt Service Reserve Fund

The Trustee shall deposit to the credit of the Debt Service Reserve Fund such proceeds of the sale of Bonds, 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.

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 Bonds for all or any part of the Debt Service Reserve 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 or AA by S&P 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, 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 February 1 or August 1 next succeeding the reduction in said ratings.

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 the Resolution, 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; provided, however, that, if the unsecured or uncollateralized long term debt of the Facility Provider thereof, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Resolution, said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of May 15th's and November 15th's which has elapsed since such ratings were reduced and the denominator of which is ten.

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 Fund at the times and in the amounts required to comply with the provisions of the Resolution; 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 the Resolution can not 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, 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.

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 Fund or the Construction Fund in accordance with such direction. If on May 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 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 effect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

Notwithstanding the provisions described above, if, upon a Bond having been deemed to have been paid in accordance with the Resolution, 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 the Resolution, 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.

If on May 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 5.07)

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 the Resolution, 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 under the Resolution 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 under the Resolution 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 under the Resolution 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 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds 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 the Resolution for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution, or (ii) give the Trustee irrevocable instructions and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance with the Resolution.

(Section 5.09)

Transfer of Investments

Whenever moneys in any fund or account established under the Resolution are to be paid in accordance with the Resolution to another such fund or account, such payment maybe 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 moneys, 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.

(Section 5.10)

Computation of Assets of Certain Funds

The Trustee, after the end of each calendar month, shall compute the value of the assets in the Debt Service Reserve Fund on the last day of each such month, and notify the Authority, the City and each Facility Provider as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement.

(Section 5.11)

Security for Deposits and Investment of Funds

Security for Deposits

All moneys held under the Resolution 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 the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of car 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 of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts Held by the Trustee

(1) Moneys held under the Resolution 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, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Facility Provider of a Credit Facility or a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that

each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; 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.

(2) Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee under the provisions of the Resolution 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 to, as the case may be, such fund or account.

(3) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that, unless otherwise provided by or pursuant to a Series Resolution, investments held in the Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

(4) Notwithstanding anything to the contrary in the Resolution, 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 to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys 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 under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions 1 and 2 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.

(5) 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 6.02)

Particular Covenants by the Authority

Payment of Principal and Interest

The Authority covenants to 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 7.01)

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, any applicable Facility Provider of a Credit Facility, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility Provider and to the City. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each 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 7.05)

Creation of Liens

Except as permitted by the Resolution, the Authority covenants not to 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 by the Resolution or by any Series Resolution which are pledged under the Resolution; provided, however, that nothing contained in the Resolution 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 by the Resolution.

(Section 7.06)

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 7.07)

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, the equity contribution, if any, provided by the Operators of the Health Facilities, shall be deposited in the Construction Fund.

(Section 7.08)

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 the Resolution, 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 appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(Section 7.09)

Amendment, Change, Modification or Waiver of Agreement

Except as otherwise provided in the Resolution, 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 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, (ii) reduces the purchase price payable for a Health Facility pursuant to the Agreement, (iii) provides for the conveyance or transfer of a Health Facility to the City other than upon payment of the purchase price therefor or when no Bonds issued in connection with such Health Facility are Outstanding and (iv) modifies the events which constitute events of default under 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 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 the Resolution.

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 Health Facility Identification Agreements 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.

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.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by the Resolution with the same effect as a consent given by the Holder of such Bonds.

(Section 7.10)

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 7.11)

Certificate to the State Comptroller, State Budget Director, State Commissioner of Health and State Commissioner of Social Services

In order to assure the payment of the Basic Rent payable pursuant to 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, annually, not later than November 1 of each Bond Year, 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 for the preceding fiscal year of the Authority. In the event of the failure or inability of the City to pay over the stated amount to the Authority on or before December 1 of such Bond Year, 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, the Commissioner of Health of the State and the Commissioner of Social Services of the State a further certificate stating the total amount of Basic Rent required to have been paid by the City during the immediately preceding fiscal year, the date such payment(s) was due and the amount of such payment(s) remaining unpaid and required to satisfy the obligation of the City therefor.

Nothing contained in the Resolution 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, the Commissioner of Health of the State and the Commissioner of Social Services 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 which remains unpaid.

(Section 7.15)

Series Resolutions and Supplemental Resolutions

Modification and Amendment without Consent of Holders

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 of the Resolution 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 in the Resolution;

(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 of the Resolution, 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 in the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the Resolution, of the Revenues, or any pledge of any other moneys, investments thereof or funds;

(f) To modify any of the provisions of the Resolution 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; or

(g) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution 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.

(Section 9.01)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Resolution 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 the Resolution, 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 9.02)

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 the Resolution. Nothing contained in the Resolution 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 the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution 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 of the Resolution, is authorized or permitted by the Resolution 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 authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution 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 of the Resolution.

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.

(Section 9.03)

Amendments of Resolution

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in the Resolution, (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 paragraph. 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.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in the Resolution. 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 provided in the Resolution). 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 the Resolution 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 of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. 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 the Resolution. 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 the Resolution 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 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 paragraph 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 paragraph, 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 provided in the Resolution). 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.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, 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 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 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution 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 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 the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 10.03)

Consent of Facility Provider

Whenever by the terms of the Resolution the consent of any of the Holders of the Bonds to a modification or amendment of the Resolution is 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 of the Resolution 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 in the Resolution 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 10.04)

Defaults and Remedies

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution 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 in the Resolution 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 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days after such notice is given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under the Resolution) shall have be paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Resolution) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, 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 a taxability default, 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 (upon receiving indemnity to its satisfaction), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolution or under any Series Resolution or under the law's of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power 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.

(Section 11.04)

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 under the Resolution, or for any other remedy under the Resolution 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 in the performance of the covenants relating to tax exemption of the Bonds, 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 by the Resolution 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.

(Section 11.08)

Defeasance

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, in the Resolution, 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 by the Resolution 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 investments thereof held by it pursuant to the Resolution 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 moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

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 the paragraph above. 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 the paragraph above if (a) 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 the Resolution notice of redemption on said date of such Bonds, (b) 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 maybe, (c) 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, and (d) 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 (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution 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. 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 the Resolution. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with the Resolution in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution 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 thereof, as the case may be. 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. The moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created the Resolution.

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 maybe, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the Resolution, 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 the terms of the Resolution, 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. The moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds shall be deemed to have been paid in accordance with the Resolution only if there shall have been deposited with the Trustee moneys 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 the Resolution, 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. 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. The moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

(Section 12.01)

APPENDIX E

FORM OF APPROVING OPINION OF BOND COUNSEL

FORM OF APPROVING OPINION OF BOND COUNSEL

August 26, 2010

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of $30,185,000 aggregate principal amount of Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2010A (the "Series 2010A Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), organized and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State, as amended to the date hereof including, without limitation, by the Healthcare Finance Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2010A Bonds are issued under and pursuant to (i) the Constitution and laws of the State, particularly the Act, (ii) the Municipal Health Facilities Improvement Program Lease Revenue Bond Resolution (The City of New York Issue), adopted by the Authority on August 22, 1996, as amended and supplemented by the First Supplemental Resolution, adopted by the Authority on September 28, 2005 (the "General Resolution"), and (iii) the Municipal Health Facilities Improvement Program Series 2008A Resolution (The City of New York Issue) Authorizing Up To $35,000,000 Series 2008A Bonds, adopted by the Authority on May 28, 2008 (the "Series Resolution" and, together with the General Resolution, the "Resolutions").

The Series 2010A Bonds are being issued for the purposes set forth in the Resolutions. The Authority is authorized to issue Bonds, in addition to the Series 2010A Bonds, only upon the terms and conditions set forth in the Act and the Resolutions, and such Bonds, when issued, will, together with the Series 2010A Bonds, be entitled to the equal benefit, protection and security of the provisions, covenants and agreement of the Resolutions.

The Series 2010A Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2010A Bonds is to be payable on May 15 and November 15 of each year commencing May 15, 2011. The Series 2010A Bonds are dated and bear interest from their date of delivery and mature on May 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the related Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2010A Bonds.

The Series 2010A Bonds are numbered consecutively from R-1 upward in order of issuance.

The Series 2010A Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in the Resolutions and in the Bond Series Certificate executed on behalf of the Authority in connection with the issuance of the Series 2010A Bonds.

The Authority and The City of New York (the "City") have entered into the Lease and Agreement dated as of August 22, 1996, as amended and supplemented (the "Agreement"), pursuant to which the payment of principal and Sinking Fund Installments of and interest on the Series 2010A Bonds are to be paid by the City to the Authority as Rentals. The Basic Rent and the Authority's right to receive the same have been pledged by the Authority to U.S. Bank National Association, New York, New York (the "Trustee") for the benefit of the owners of the Series 2010A Bonds.

In rendering the opinions set forth herein, we have reviewed the Resolutions, the Agreement, the Tax Certificate of the Authority dated as of the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, certificates of the Authority, the Trustee and others, and such other agreements, documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing agreements, certificates, opinions and documents.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2010A Bonds in order that interest on the Series 2010A Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Series 2010A Bonds and the facilities refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate to the United States of certain earnings with respect to investments, required ownership by a Section 501(c)(3) organization or a governmental unit of the facilities refinanced by the Series 2010A Bonds and a limit of $150 million on the sum of the amount of the Series 2010A Bonds and the amount outstanding on the date of issue of the Series 2010A Bonds of other "nonhospital" bonds issued for the benefit of the Operators (and certain related parties and organizations under common management and control) or other "test-period beneficiaries" of the facilities refinanced by the Series 2010A Bonds. Failure to comply with the continuing requirements may cause interest on the Series 2010A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Series Resolution, the Agreement, the master Sublease Agreement, the Operating Lease Agreements and in other documents and certificates contained in the transcript of proceedings, the Authority, the City, PCDC and the Operators have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. Bond Counsel has not independently verified the accuracy of those representations and certifications, nor will it verify ongoing compliance with such covenants.

Certain requirements and procedures contained or referred to in the Series Resolution, the Agreement, the master Sublease Agreement, the Operating Lease Agreements and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2010A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Based upon our examination of existing laws, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion as of the date hereof that:

(1) The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Bonds, including the Series 2010A Bonds, thereunder.

(2) The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

(3) The Series 2010A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2010A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) The Authority has the right and lawful authority and power to enter into the Agreement, and the Agreement has been duly authorized and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

(5) The Series 2010A Bonds are payable solely from the sources described in the Resolutions and do not constitute a debt of the State.

(6) Under existing statutes, regulations, rulings and court decisions, interest on the Series 2010A Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Authority, the City, PCDC and the Operators (and their successors) with the covenants, and the accuracy of the representations referenced above (as to which Bond Counsel has made no independent investigation). Interest on the Series 2010A Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2010A Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals).

(7) Certain maturities of the Series 2010A Bonds were initially offered to the public at prices less than the principal amount thereof payable to maturity. If the first price at which a substantial amount of the Series 2010A Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Series 2010A Bond of the same maturity (the "Discount Bonds"). We are of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the federal alternative minimum tax, to the same extent as interest on the Series 2010A Bonds. The owner of a Discount Bond who purchases it in the initial offering at the initial offering price is deemed to accrue in each taxable year original issue discount over the term of such bond under the "constant yield method" described in regulations interpreting Section 1272 of the Code with certain adjustments.

(8) Interest on the Series 2010A Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York and its political subdivisions (including The City of New York).

Except as set forth in paragraphs (6) through (8) above, we express no opinion regarding tax consequences arising with respect to the Series 2010A Bonds. In rendering the opinions set forth in paragraphs (6) and (8) above, we have relied upon certifications and representations made by the City, PCDC and each of the Operators with respect to certain material facts within their respective knowledge, ongoing compliance with certain covenants made the foregoing entities, and also upon the accompanying opinions of (i) Manatt, Phelps & Phillips, LLP, counsel to PCDC, as to the qualification of PCDC as an organization described in Section 501(c)(3) of the Code; and (ii) counsel to each of the Operators (Epstein Becker & Green, P.C., counsel to Settlement Health and Medical Services, Inc., Manatt, Phelps & Phillips, LLP, counsel to Community Health Project, Inc., Foley & Lardner LLP, counsel to The Jamaica Hospital Medical Center Diagnosis and Treatment Center Corporation, and Chadbourne & Parke LLP, counsel to The Joseph P. Addabbo Family Health Center, Inc.) regarding, among other things, the current qualification of such Operators as organizations described in Section 501(c)(3) of the Code and have made no independent investigation thereof.

The opinions contained in paragraphs (1) through (5) above are qualified to the extent that the enforceability of the Resolutions, the Series 2010A Bonds and the Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditor's rights generally or as to the availability of any particular remedy.

In rendering the opinions expressed above, we have assumed that, other than with respect to the Authority, all of the documents referred to in this opinion letter have been duly authorized by, have been duly executed and delivered by, and constitute the legal, valid, binding and enforceable obligations of, all of the parties to such documents, that all of the signatories to such documents have been duly authorized and that all such parties are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Our opinions set forth herein are limited to the federal laws of the United States of America, the laws of the State of New York and the local laws of the jurisdictions where the Authority is located.

This opinion letter is given as of the date hereof, based upon the facts in existence and laws in effect on the date hereof and we expressly disclaim any obligation to update this opinion letter, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,

[This Page Intentionally Left Blank]

[THIS PAGE INTENTIONALLY LEFT BLANK]

Dormitory Authority of the State of New York • Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2010A

FSC
www.fsc.org
MIX
From responsible sources
FSC™ C017146

Printed by: ImageMaster, Inc.