

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of The City of New York (City or primary government) for the Fiscal Years ended June 30, 2018 and 2017. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

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

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

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

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

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

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

The New York City Other Postemployment Benefits Plan (the OPEB Plan) is composed of The New York City Retiree Health Benefits Trust (the Trust) and postemployment benefits other than pensions (OPEB) paid for directly by the City out of its general resources rather than through the Trust. The Trust is used to accumulate assets to pay for some of the OPEB provided by the City to its retired employees. The OPEB Plan is reported in the City’s financial statements as an Other Employee Benefit Trust Fund. The OPEB Plan was established for the exclusive benefit of the City’s retired employees and their dependents in providing the following current postemployment benefits: a health insurance program, Medicare Part B premium reimbursements, and welfare fund contributions. The City is not required to provide funding for the OPEB Plan other than the “pay-as-you-go” amounts necessary to provide current benefits to eligible retirees and their dependents. During Fiscal Year 2018, the City contributed approximately \$2.7 billion to the OPEB Plan.

The **Agency Fund** accounts for miscellaneous assets held by the City for other funds, governmental units, and individuals. School fundraiser monies for scholarships, seized federal assets to be used for investigative purposes, and cash bail for use by the surety/assignee, are the major miscellaneous assets accounted for in this fund. The Agency Fund is custodial in nature and does not involve the measurement of results of operations.

Notes to Financial Statements

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

Financial Reporting Entity

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

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

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

Blended Component Units

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

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

Business-Type Activities

Additionally, other component units are classified as business-type activities.

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

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

- Brooklyn Bridge Park Corporation (BBPC)
- The Trust for Governors Island (TGI)
- WTC Captive Insurance Company, Inc. (WTC Captive)
- New York City Tax Lien Trusts (NYCTLT's):
 - NYCTLT 1998-2
 - NYCTLT 2015-A
 - NYCTLT 2016-A
 - NYCTLT 2017-A
 - NYCTLT 2018-A

Discretely Presented Component Units

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

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

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

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

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

**Financial Analysis of the
Government-Wide
Financial Statements**

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

As mentioned previously, the basic financial statements include a reconciliation between the Fiscal Year 2018 governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances*, which reports an increase of \$1.3 billion for all governmental funds balances. A similar reconciliation is provided for Fiscal Year 2017 amounts.

For the City’s business-type activities, the results for Fiscal Year 2018 were positive; total net position increased to reach an ending balance of \$938.8 million, a 7.5% increase from the prior year. The total Fiscal Year 2018 increase in net position for business-type activities was \$70.5 million. This increase was predominately driven by the creation and introduction of a new entity, the NYCTLT 2018-A, which resulted in an additional revenue stream of \$59.3 million. Compared to the prior year change in net position, Fiscal Year 2018 showed an increase of \$37.03 million.

Key elements of these changes are as follows:

	Governmental Activities		
	2018	2017	2016
Revenues:			
Program revenues:			
Charges for services	\$ 4,836,215	\$ 4,919,609	\$ 4,786,001
Operating grants and contributions . . .	23,465,237	23,344,455	20,897,593
Capital grants and contributions	551,804	479,210	723,038
General revenues:			
Taxes	58,477,389	55,337,797	53,564,673
Investment income	169,654	110,145	94,718
Other Federal and State aid	251,810	311,125	258,215
Gain on in-substance defeasance	730	—	—
Other	602,240	428,702	625,870
Total revenues	<u>88,355,079</u>	<u>84,931,043</u>	<u>80,950,108</u>
Expenses:			
General government	6,525,142	5,360,092	5,259,894
Public safety and judicial	19,465,581	18,961,329	19,681,206
Education	30,367,019	28,839,477	29,295,515
City University	1,261,467	1,252,444	1,342,333
Social Services	16,143,790	15,402,193	14,969,178
Environmental protection	4,248,059	3,570,278	3,709,540
Transportation services	2,788,532	2,542,300	2,784,695
Parks, recreation and cultural activities . .	1,339,580	1,265,383	1,149,928
Housing	2,765,381	2,394,963	2,006,924
Health (including payments to HHC) . . .	3,317,969	2,874,032	3,277,736
Libraries	428,635	420,994	457,653
Debt service interest	3,035,387	2,958,883	2,932,656
Brooklyn Bridge Park	—	—	—
The Trust for Governor’s Island	—	—	—
WTC Captive	—	—	—
New York City Tax Lien Trusts	—	—	—
Total expenses	<u>91,686,542</u>	<u>85,842,368</u>	<u>86,867,258</u>
Change in net position	(3,331,463)	(911,325)	(5,917,150)
Net position (deficit)—beginning	(194,436,241)	(193,524,916)	(183,081,913)
Restatement of beginning net position (deficit)	—	—	(4,525,853)
Net position (deficit)—ending	<u><u>\$(197,767,704)</u></u>	<u><u>\$(194,436,241)</u></u>	<u><u>\$(193,524,916)</u></u>

Changes in Net Position (in thousands)					
Business-type Activities			Total Primary Government		
2018	2017	2016	2018	2017	2016
\$ 5,566	\$ 4,242	\$ 4,245	\$ 4,841,781	\$ 4,923,851	\$ 4,790,246
156,018	149,676	100,065	23,621,255	23,494,131	20,997,658
35,190	45,298	50,891	586,994	524,508	773,929
55,600	35,566	8,238	58,532,989	55,373,363	53,572,911
104,016	116,372	99,986	273,670	226,517	194,704
—	—	—	251,810	311,125	258,215
—	—	—	730	—	—
2,228	4,529	10,355	604,468	433,231	636,225
<u>358,618</u>	<u>355,683</u>	<u>273,780</u>	<u>88,713,697</u>	<u>85,286,726</u>	<u>81,223,888</u>
—	—	—	6,525,142	5,360,092	5,259,894
—	—	—	19,465,581	18,961,329	19,681,206
—	—	—	30,367,019	28,839,477	29,295,515
—	—	—	1,261,467	1,252,444	1,342,333
—	—	—	16,143,790	15,402,193	14,969,178
—	—	—	4,248,059	3,570,278	3,709,540
—	—	—	2,788,532	2,542,300	2,784,695
—	—	—	1,339,580	1,265,383	1,149,928
—	—	—	2,765,381	2,394,963	2,006,924
—	—	—	3,317,969	2,874,032	3,277,736
—	—	—	428,635	420,994	457,653
—	—	—	3,035,387	2,958,883	2,932,656
31,124	18,640	15,829	31,124	18,640	15,829
41,746	35,177	30,347	41,746	35,177	30,347
1,862	1,968	3,208	1,862	1,968	3,208
213,374	266,418	191,982	213,374	266,418	191,982
<u>288,106</u>	<u>322,203</u>	<u>241,366</u>	<u>91,974,648</u>	<u>86,164,571</u>	<u>87,108,624</u>
70,512	33,480	32,414	(3,260,951)	(877,845)	(5,884,736)
868,297	834,817	—	(193,567,944)	(192,690,099)	(183,081,913)
—	—	802,403	—	—	(3,723,450)
<u>\$ 938,809</u>	<u>\$ 868,297</u>	<u>\$ 834,817</u>	<u>\$(196,828,895)</u>	<u>\$(193,567,944)</u>	<u>\$(192,690,099)</u>

In Fiscal Year 2018, the government-wide revenues increased from Fiscal Year 2017 by approximately \$3.4 billion and government-wide expenses increases by approximately \$5.8 billion.

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

- Tax revenues, net of refunds, increased overall, as a result of the following:
 - An increase in real estate taxes resulted from growth in billable assessed value during the fiscal year.
 - An increase in sales and use taxes driven primarily by an increase in consumer spending due to low unemployment, stable local job growth, and healthy visitor spending.
 - An increase in income taxes driven primarily by increases in personal income taxes and unincorporated business income taxes. Both increases were in part due to the required repatriation of non-qualified deferred compensation from overseas accounts by the December 31, 2017 deadline. In addition, personal income taxes also increased due to changes to the New York State School Tax Relief Program (STAR), prepayments precipitated by the Federal Tax Cuts and Jobs Act, and a strong underlying economy.
 - For all other taxes, increases in Payment in Lieu of Taxes (PILOT) was due to higher PILOT payments, primarily from Battery Park City Authority and Economic Development Corporation managed properties. Hotel room occupancy taxes increased due to increased tourism.

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

- Overall government-wide OPEB expenses increased due to increased service costs, interest on the total OPEB liability, and changes in the discount rate used to calculate the OPEB liability.
- General Government expenses increased due to implementation of new programs and increases in program expenditures in the Department of Small Business Services, increases in spending for Community Development Block Grant - Disaster Recovery (CDBG-DR) funded construction management contracts associated with the Build it Back Program and East Side Coastal Resiliency Program in the Department of Design and Construction.
- Education expenses increased due to the growth in mandated costs for special education pupils, collective bargaining increases, growth in charter school enrollment and related increases in per pupil tuition levels, and increased facilities costs.
- Social services expenses increased due to an increase in Department of Homeless Services expenses resulting from improvements in the quality of the shelter system, fulfilling the goals of the Mayor's Turning the Tide Plan, and expansions in street solutions programming. Additionally, increased spending in the Human Resources Administration resulted from increases in homelessness prevention and permanent housing programs. Expenses increased in Department of Youth and Community Development is due to significant expansion of programs including Summer Youth Employment, Runaway Homeless Youth and School's Out New York City (SONYC) Afterschool.
- Environmental protection expenses increased due to an increase in Department of Sanitation expenses, which was driven by higher landfill closure construction costs at Fresh Kills, increased waste export and staffing costs due to the Hamilton Avenue Marine Transfer Station coming on line, higher uniformed overtime spending, and general wage increases under collective bargaining agreements. Department of Environmental Protection increased expenditures are related to the construction of major infrastructure projects. Specifically, the ongoing construction of a bypass tunnel to address leaks in the Delaware Aqueduct and compliance with the Filtration Avoidance Determination mandate and various projects for the upgrade of the City's water mains.
- Housing expenses increased due to increased capital expenditures in the Department of Housing Preservation & Development as a result of affordable housing production under Housing New York 2.0.
- Health expenses increased due to prepayments made to HHC and implementation of system-wide information technology and infrastructure projects. Additionally, Department of Mental Health and Hygiene expenses increased due to new investments in environmental health, substance misuse, and mental health services.

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

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

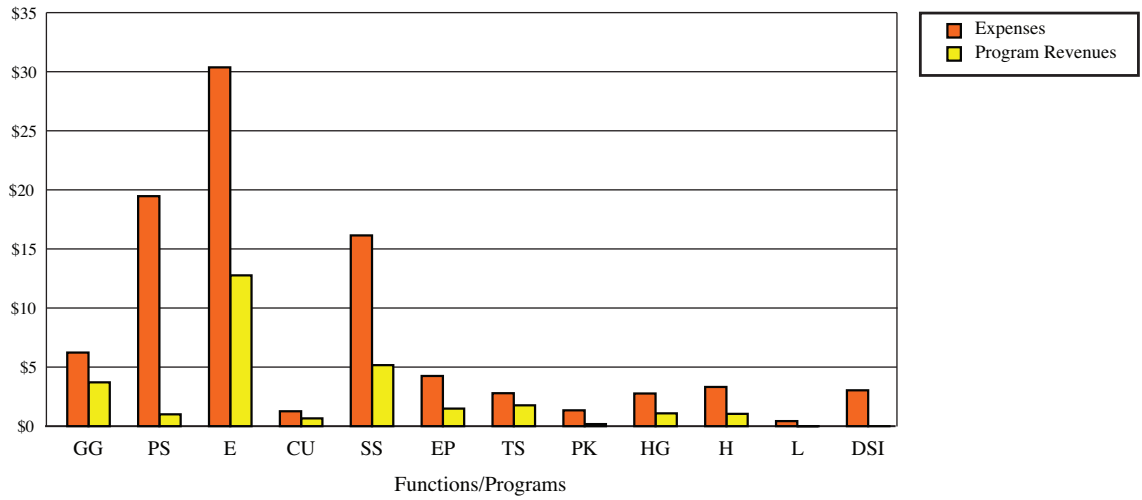
- Grant revenue increased as a result of the following:
 - Temporary Assistance for Needy Families (TANF): TANF increased due to greater spending on shelters as the homeless population increased slightly year over year. There was also an increase in the spending associated with increased prevention and outreach efforts, shelter maintenance, and shelter diversion strategies in the City’s effort to combat the rise in homelessness.
 - State Child Welfare: State Child Welfare increased due to new investments in preventive services and an increase in Administration for Children’s Services (ACS) staff.
- Changes in tax revenues, net of refunds, were a result of the following:
 - An increase in real estate taxes resulted from growth in billable assessed value during the fiscal year.
 - An overall decrease in sales and use taxes was driven primarily by a significant reduction of School Tax Relief (STAR) collections due to a decrease in mortgage financing activity as a result of a slow-down in commercial transaction activity.
 - There was an overall increase in income tax, despite there being a decrease in personal income tax due to a decline in estimated payments, the settlement of final returns, extension payments, and refunds reflecting weaker capital gains. A new corporate tax reform legislation went into effect in Fiscal Year 2018. The reform merged the general corporation tax and the banking corporation tax, redefined business and investment income, adopted a new business income base, and made many other changes regarding corporation tax, resulting in an overall increase in general corporation tax collections. The significant net gain in corporation tax was the primary driver of the overall increase in income taxes.
 - For all other taxes, commercial rent tax increased due to a strong commercial office market with declining vacancy rates. However, overall other taxes decreased because of a significant decrease in the conveyance of real property tax revenue due to a slow-down in commercial transaction activity.

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

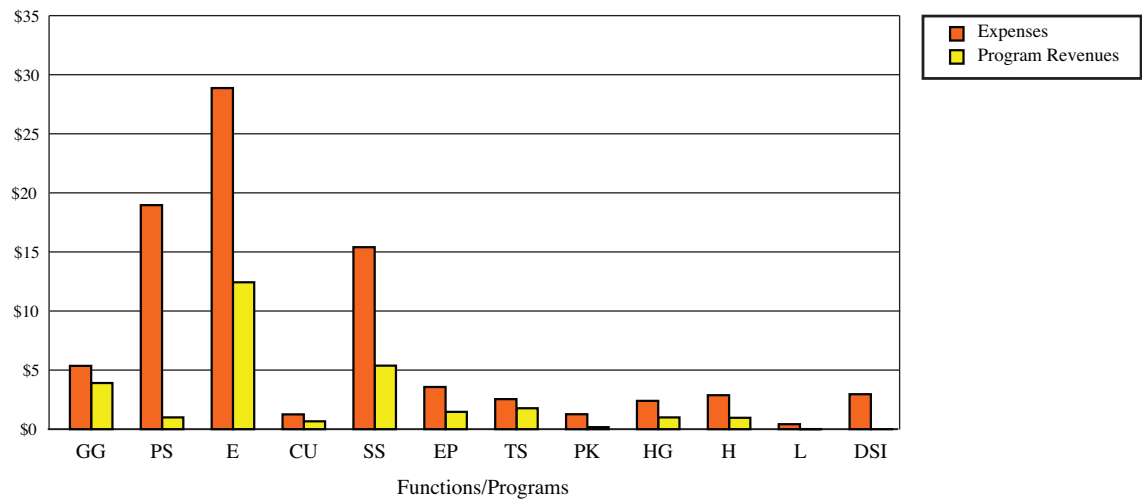
- Overall government-wide OPEB expenses increased, which was a result of changes related to implementation of new OPEB accounting standards. This was offset by decreases in overall pension expenses. Public Safety and Education had the highest decrease in pension expenses and increase in OPEB expenses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

The following charts compare the amounts of expenses and program revenues for Fiscal Years 2018 and 2017:

**Expenses and Program Revenues — Governmental Activities
for the Fiscal Year ended June 30, 2018
(in billions)**



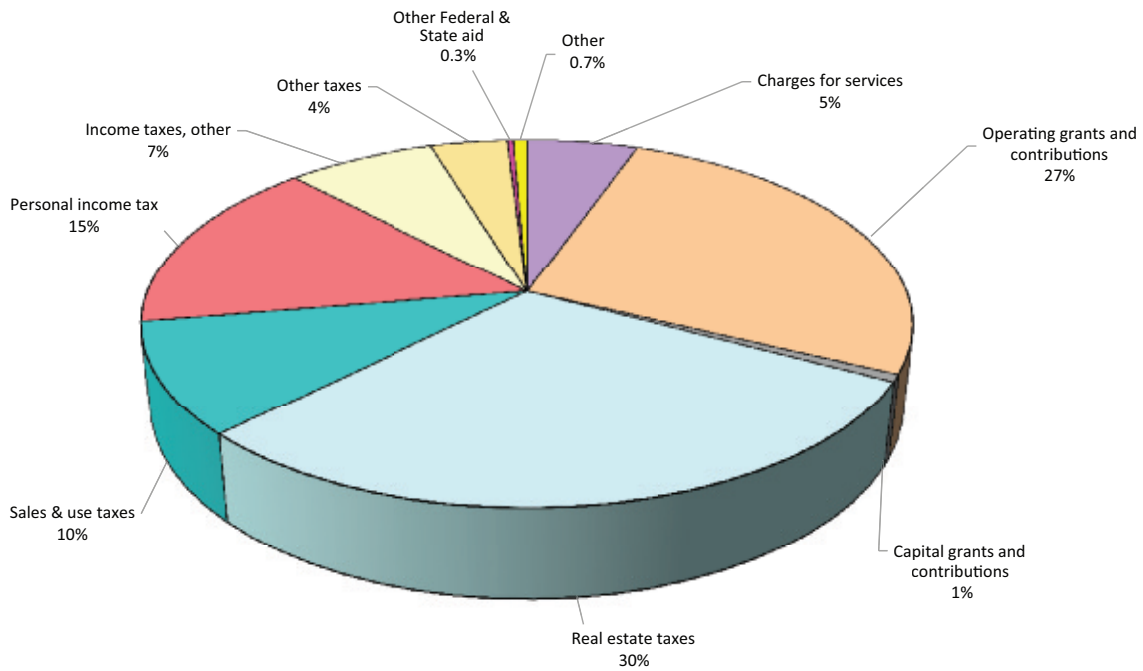
**Expenses and Program Revenues — Governmental Activities
for the Fiscal Year ended June 30, 2017
(in billions)**



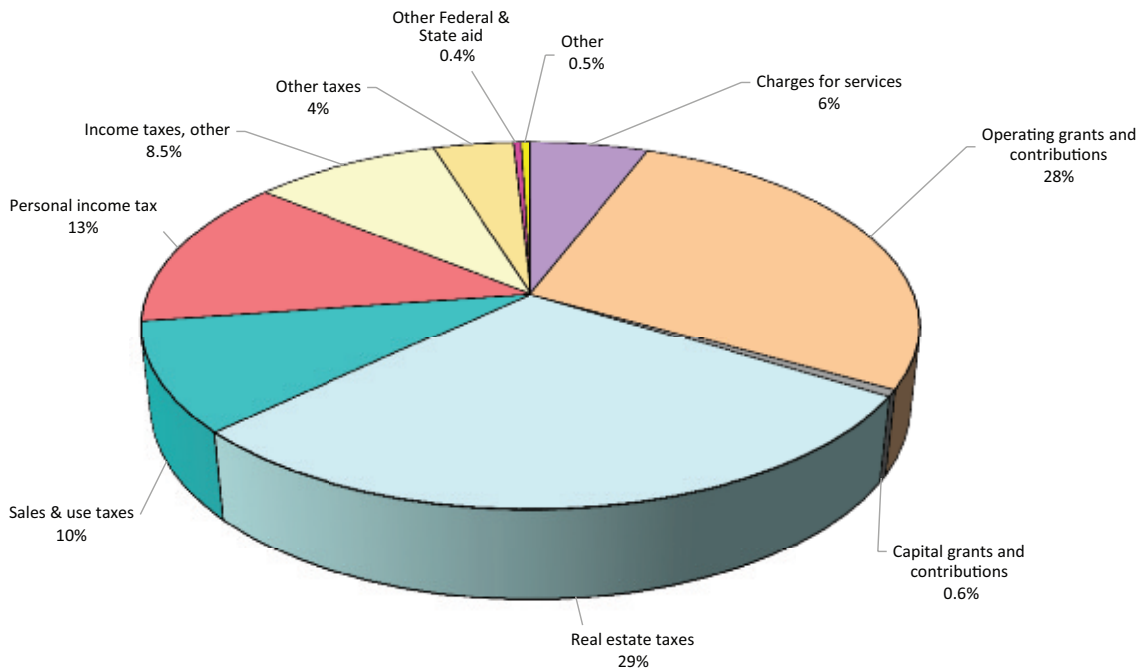
Functions/Programs	
GG	General government
PS	Public safety and judicial
E	Education (Primary and Secondary)
CU	City University
SS	Social services
EP	Environmental protection
TS	Transportation services
PK	Parks, recreation, and cultural activities
HG	Housing
H	Health, including payments to HHC
L	Libraries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

The following charts compare the amounts of program and general revenues for Fiscal Years 2018 and 2017:

**Revenues by Source — Governmental Activities
for the Fiscal Year ended June 30, 2018**



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



As noted earlier, increases and decreases of net position may over time serve as a useful indicator of changes in a government's financial position. In the case of the City, governmental activities for Fiscal Year 2018 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$197.8 billion, an increase in the net deficit of \$3.3 billion from June 30, 2017, which in turn compares with an increase to the net deficit of \$911.3 million over the prior Fiscal Year 2016.

See table below for further details.

	Governmental Activities		
	2018	2017	2016
Current and other assets	\$ 43,448,131	\$ 40,355,566	\$ 38,859,291
Capital assets (net of depreciation)	59,424,522	57,516,792	54,952,234
Total assets	<u>102,872,653</u>	<u>97,872,358</u>	<u>93,811,525</u>
Deferred outflows of resources	6,948,324	5,098,543	13,489,496
Long-term liabilities outstanding	257,587,442	251,130,595	262,960,871
Other liabilities	23,828,723	22,467,090	22,233,855
Total liabilities	<u>281,416,165</u>	<u>273,597,685</u>	<u>285,194,726</u>
Deferred inflows of resources	26,172,516	23,809,457	15,631,211
Net position:			
Net investment in capital assets	(13,501,564)	(12,522,029)	(12,684,965)
Restricted	2,942,744	2,793,287	4,226,381
Unrestricted (deficit)	<u>(187,208,884)</u>	<u>(184,707,499)</u>	<u>(185,066,332)</u>
Total net position (deficit)	<u><u>\$(197,767,704)</u></u>	<u><u>\$(194,436,241)</u></u>	<u><u>\$(193,524,916)</u></u>

**Net Position
(in thousands)**

Business-type Activities			Total Primary Government		
2018	2017	2016	2018	2017	2016
\$ 809,434	\$ 762,818	\$ 763,813	\$ 44,257,565	\$ 41,118,384	\$ 39,623,104
572,240	571,320	540,547	59,996,762	58,088,112	55,492,781
1,381,674	1,334,138	1,304,360	104,254,327	99,206,496	95,115,885
—	—	—	6,948,324	5,098,543	13,489,496
399,186	405,352	402,017	257,986,628	251,535,947	263,362,888
43,679	60,489	67,526	23,872,402	22,527,579	22,301,381
442,865	465,841	469,543	281,859,030	274,063,526	285,664,269
—	—	—	26,172,516	23,809,457	15,631,211
572,241	571,319	540,548	(12,929,323)	(11,950,710)	(12,144,417)
366,568	296,978	302,740	3,309,312	3,090,265	4,529,121
—	—	(8,471)	(187,208,884)	(184,707,499)	(185,074,803)
<u>\$ 938,809</u>	<u>\$ 868,297</u>	<u>\$ 834,817</u>	<u>\$(196,828,895)</u>	<u>\$(193,567,944)</u>	<u>\$(192,690,099)</u>

The excess of liabilities over assets reported for governmental activities on the government-wide Statement of Net Position (deficit) is a result of several factors. The largest components of the net position (deficit) are the result of the City having long-term debt with no corresponding capital assets and the City's Post-retirement benefits liability. The following summarizes the main components of the net deficit as of June 30, 2018 and 2017:

	<u>Components of Net Deficit</u>	
	<u>2018</u>	<u>2017</u>
	(in billions)	
Net Position Invested in Capital Assets		
Some City-owned assets have a depreciable life used for financial reporting that is different from the period over which the related debt principal is being repaid. Schools and related education assets depreciate more quickly than their related debt is paid, and they comprise one of the largest components of this difference	\$ (13.5)	\$ (12.5)
Net Position Restricted for:		
Capital Projects	1.2	0.6
Debt Service	1.7	2.2
Total restricted net position	<u>2.9</u>	<u>2.8</u>
Unrestricted Net Position		
TFA issued debt to finance costs related to the recovery from the September 11, 2001 World Trade Center disaster, which are operating expenses of the City	(0.7)	(0.8)
STAR issued debt related to the defeasance of the MAC issued debt	(1.8)	(1.9)
The City has issued debt for the acquisition and construction of public purpose capital assets which are not reported as City-owned assets on the Statement of Net Position. This includes assets of the TA, the System, HHC, and certain public libraries and cultural institutions. This is the debt outstanding for non-City owned assets at year end. . . .	(35.0)	(32.0)
Certain long-term obligations do not require funding in the current period:		
Net OPEB liability	(98.5)	(88.4)
Judgments and claims	(6.7)	(6.9)
Vacation and sick leave	(4.9)	(4.6)
Net Pension liability	(47.8)	(56.2)
Landfill closure and postclosure costs	(1.3)	(1.5)
Deferred outflows of resources	6.9	5.1
Other:	2.6	2.5
Total unrestricted net position	<u>(187.2)</u>	<u>(184.7)</u>
Total net position (deficit)	<u><u>\$(197.8)</u></u>	<u><u>\$(194.4)</u></u>

The following table provides Fiscal Year ended June 30, 2018, pension statistics by pension system as of the dates of the most recent actuarial valuations:

Summary of City Pension Information Fiscal Year 2018						
	<u>NYCERS*</u>	<u>TRS**</u>	<u>BERS**</u>	<u>POLICE*</u>	<u>FIRE*</u>	<u>Total</u>
City Membership (active, inactive and retired) as of 6/30/16	194,429	217,044	46,260	87,345	27,677	572,755
	(in billions, except %)					
Total Pension Liability (TPL)	\$ 45.6	\$ 71.2	\$ 5.2	\$ 54.2	\$ 22.0	\$ 198.2
Less Plan Fiduciary Net Position (PFNP)	35.7	53.0	4.7	42.8	14.2	150.4
Net Pension Liability (NPL)	<u>\$ 9.9</u>	<u>\$ 18.2</u>	<u>\$ 0.5</u>	<u>\$ 11.4</u>	<u>\$ 7.8</u>	<u>\$ 47.8</u>
PFNP as a % of TPL***	78.3%	74.4%	90.4%	79.0%	64.5%	75.9%
Pension Expense.	\$ 1.4	\$ 3.2	\$ -	\$ 1.6	\$ 1.0	\$ 7.2

* Includes QPP and VSFs

** QPP only

*** Calculated based on whole dollar unrounded amounts.

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

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

* Includes QPP and VSFs

** QPP only

*** Calculated based on whole dollar unrounded amounts.

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

**Financial Analysis of the
Governmental Funds**

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

	Governmental Funds					Total
	General Fund	Capital Projects Fund	General Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	
	(in thousands)					
Fund Balances (deficit), June 30, 2016 ..	\$ 472,819	\$(2,978,397)	\$ 1,775,117	\$ 4,274,284	\$ —	\$ 3,543,823
Revenues	83,029,725	2,128,070	118,404	4,151,266	(3,590,121)	85,837,344
Expenditures	(77,027,929)	(8,825,550)	(3,815,106)	(6,601,521)	3,292,870	(92,977,236)
Other financing sources (uses)	(5,996,586)	7,156,028	3,504,329	2,704,554	297,251	7,665,576
Fund Balances (deficit), June 30, 2017 ..	478,029	(2,519,849)	1,582,744	4,528,583	—	4,069,507
Revenues	87,479,579	2,209,365	192,624	4,050,975	(3,363,697)	90,568,846
Expenditures	(80,700,975)	(9,639,737)	(3,881,263)	(8,313,577)	3,182,287	(99,353,265)
Other financing sources (uses)	(6,773,500)	7,665,480	4,028,186	5,031,440	181,410	10,133,016
Fund Balances (deficit), June 30, 2018 ..	<u>\$ 483,133</u>	<u>\$(2,284,741)</u>	<u>\$ 1,922,291</u>	<u>\$ 5,297,421</u>	<u>\$ —</u>	<u>\$ 5,418,104</u>

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

If the City anticipates that the General Fund will have an operating surplus, the City will make discretionary transfers to the General Debt Service Fund and other payments that reduce the amount of the General Fund surplus for financial reporting purposes and reduce the need for expenditures in the succeeding fiscal year or years. As detailed later, the General Fund had an operating surplus of \$4.6 billion and \$4.2 billion before these expenditures and transfers (discretionary and other) for Fiscal Years 2018 and 2017, respectively. After these certain expenditures and transfers, the General Fund reported an operating surplus of \$5 million in both Fiscal Years 2018 and 2017, 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, 2018 can be attributed principally to transfers (discretionary transfer and other) from the General Fund totaling \$1.9 billion in Fiscal Year 2018 for Fiscal Year 2019 debt service. Similar transfers in Fiscal Year 2017 of \$1.6 billion for Fiscal Year 2018 debt service also primarily account for the General Debt Service Fund balance at June 30, 2017.

The Capital Projects Fund accounts for the financing of the City’s capital program. The primary source of funding is the issuance of City and TFA debt. Capital-related expenditures are first paid from the General Fund, which is reimbursed for these expenditures by the Capital Projects Fund. To the extent that capital expenditures exceed proceeds from bond issuances, and other revenues and financing sources, the Capital Projects Fund will have a deficit. The deficit fund balances at June 30, 2018 and 2017 represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits will not be financed or reimbursed, transfers from the General Fund will be required.

**General Fund
Budgetary Highlights**

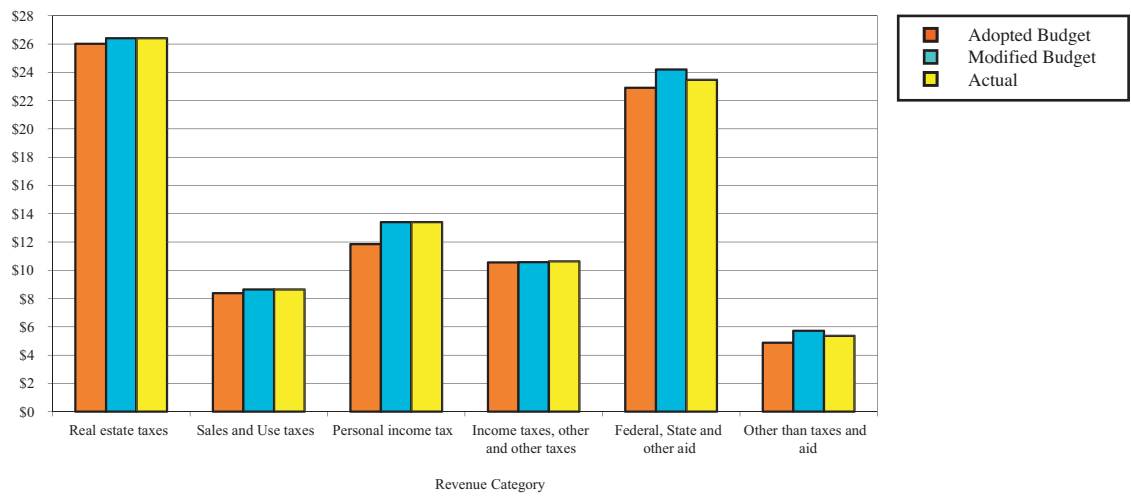
GAAP require recognition of pollution remediation obligations and generally preclude costs incurred for pollution remediation from being reported as capital expenditures. Thus, the City's Fiscal Year 2018 General Fund expenditures include approximately \$151.3 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. The City also reported \$149.9 million of City bond proceeds and \$1.4 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the \$151.3 million of pollution remediation expenditures in the General Fund for Fiscal Year 2018. In Fiscal Year 2017, \$139.9 million of City bond proceeds and \$2.8 million of other revenues supported the \$142.7 million of pollution remediation expenditures reported in the General Fund. Although amounts were not established in the Adopted Budget, a modification to the budget was made to accommodate the amount of pollution remediation expenditure charge in the General Fund. These pollution remediation expenditures were incurred by various agencies, as follows:

	General Fund Pollution Remediation Expenditures	
	2018	2017
	(in thousands)	
General government.	\$ 25,198	\$ 24,290
Public safety and judicial	2,801	2,602
Education.	100,899	81,828
Social services	172	635
Environmental protection.	9,397	16,077
Transportation services	7,939	8,459
Parks, recreation, and cultural activities	812	5,848
Housing	1,051	616
Health, including HHC	2,721	1,962
Libraries.	310	381
Total expenditures	<u>\$ 151,300</u>	<u>\$ 142,698</u>

General Fund Revenues

The following charts and tables summarize actual revenues by category for Fiscal Years 2018 and 2017 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

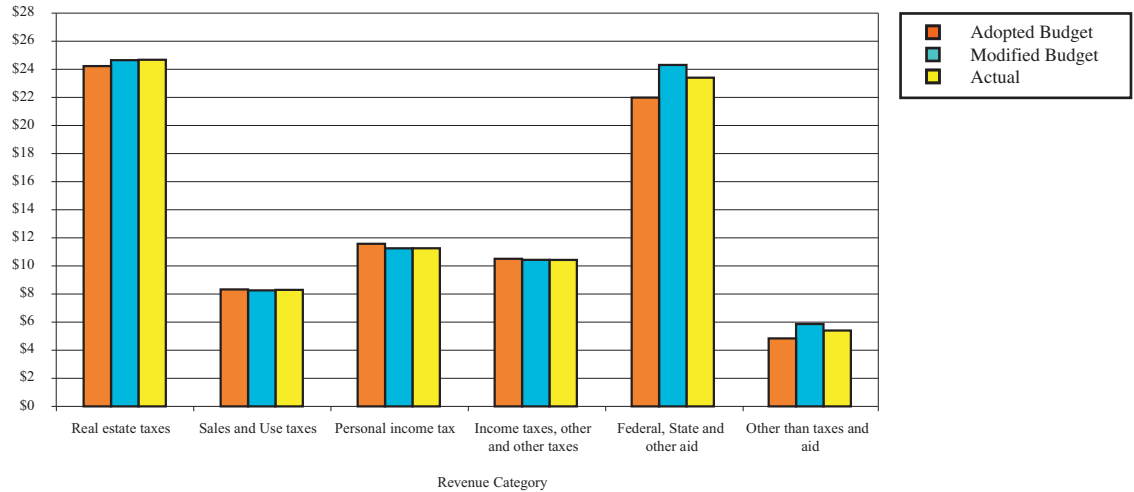
**General Fund Revenues
Fiscal Year 2018
(in billions)**



**General Fund Revenues
Fiscal Year 2018**

	<u>Adopted Budget</u>	<u>Modified Budget</u> (in millions)	<u>Actual</u>
Taxes (net of refunds):			
Real estate taxes	\$26,014	\$26,403	\$26,408
Sales and use taxes	8,384	8,642	8,650
Personal income tax	11,841	13,405	13,411
Income taxes, other.	6,565	7,282	7,329
Other taxes.	3,996	3,285	3,305
Taxes (net of refunds)	<u>56,800</u>	<u>59,017</u>	<u>59,103</u>
Federal, State and other aid:			
Categorical.	22,899	24,209	23,465
Federal, State and other aid.	<u>22,899</u>	<u>24,209</u>	<u>23,465</u>
Other than taxes and aid:			
Charges for services.	2,642	2,711	2,712
Other revenues	1,917	2,548	2,199
Bond proceeds.	—	150	150
Transfers from Nonmajor Debt Service Fund	229	225	225
Transfers from General Nonmajor Debt Service Fund	81	82	82
Other than taxes and aid.	<u>4,869</u>	<u>5,716</u>	<u>5,368</u>
Total revenues	<u>\$84,568</u>	<u>\$88,942</u>	<u>\$87,936</u>

**General Fund Revenues
Fiscal Year 2017
(in billions)**



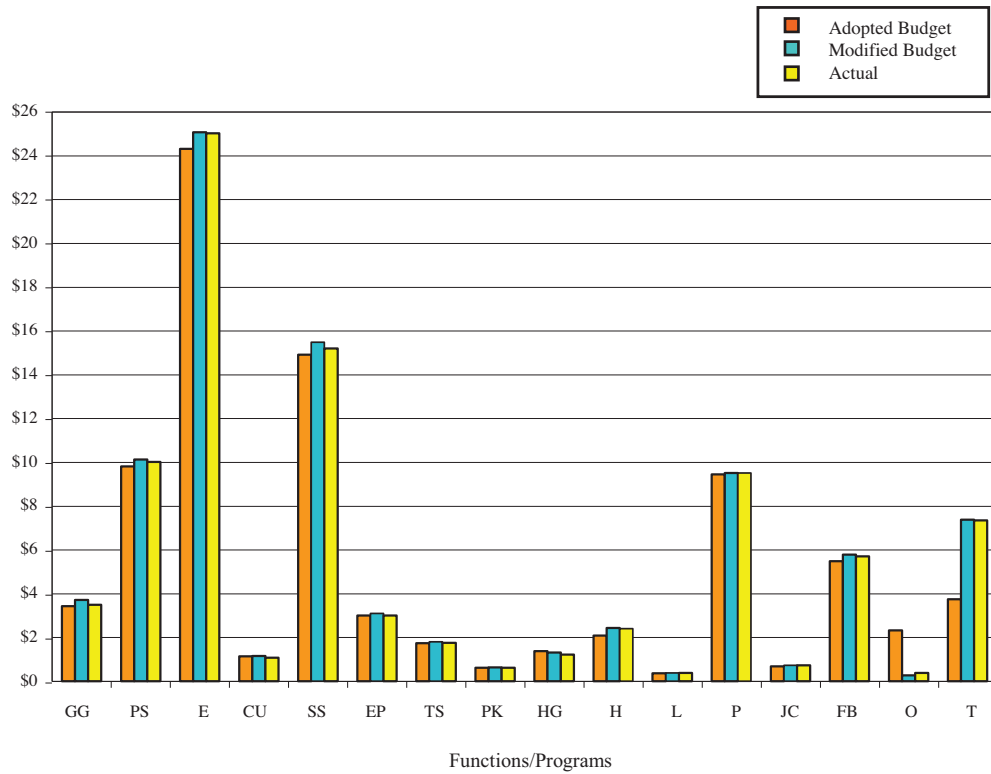
**General Fund Revenues
Fiscal Year 2017**

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

General Fund Expenditures

The following charts and tables summarize actual expenditures by function/program for Fiscal Years 2018 and 2017 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

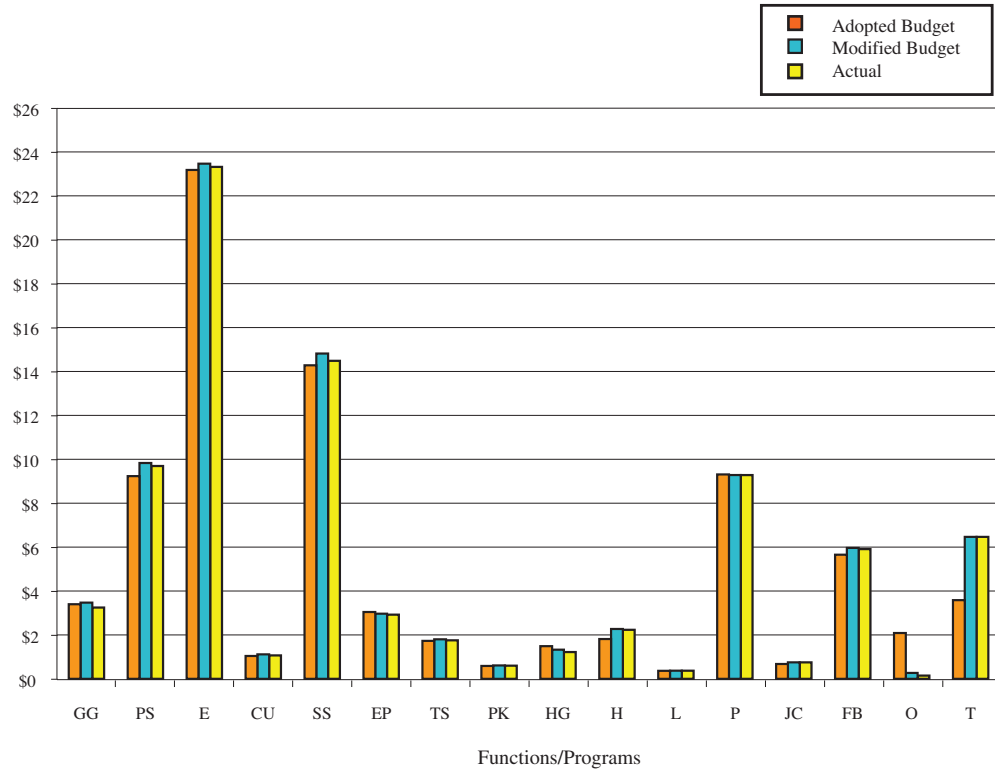
**General Fund Expenditures
Fiscal Year 2018
(in billions)**



**General Fund Expenditures
Fiscal Year 2018**

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>
		<i>(in millions)</i>	
General government (GG)	\$ 3,429	\$ 3,719	\$ 3,495
Public safety and judicial (PS)	9,817	10,128	10,024
Education (E)	24,317	25,081	25,026
City University (CU)	1,140	1,158	1,087
Social services (SS)	14,926	15,484	15,208
Environmental protection (EP)	3,008	3,109	3,016
Transportation services (TS)	1,740	1,805	1,757
Parks, recreation and cultural activities (PK)	619	634	622
Housing (HG)	1,385	1,311	1,217
Health, including HHC (H)	2,093	2,436	2,401
Libraries (L)	373	378	378
Pensions (P)	9,459	9,521	9,513
Judgments and claims (JC)	692	730	730
Fringe benefits and other benefit payments (FB) . . .	5,495	5,788	5,717
Other (O)	2,321	272	380
Transfers and other payments for debt service (T) . .	3,754	7,388	7,360
Total expenditures	<u><u>\$84,568</u></u>	<u><u>\$88,942</u></u>	<u><u>\$87,931</u></u>

**General Fund Expenditures
Fiscal Year 2017
(in billions)**



**General Fund Expenditures
Fiscal Year 2017**

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

General Fund Surplus

The City had General Fund surpluses of \$4.6 billion, \$4.2 billion and \$4.0 billion before certain expenditures and transfers (discretionary and other) for Fiscal Years 2018, 2017 and 2016, respectively. For the Fiscal Years 2018, 2017 and 2016, 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 2018, 2017 and 2016 budgets follow:

	General Fund		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	(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.	\$ 276	\$ 239	\$ 382
Discretionary transfers to the General Debt Service Fund	1,626	1,321	1,378
Equity contribution set aside to bond refunding escrow accounts for current fiscal year interest costs.	—	11	44
Debt service prepayments for lease purchase debt service due in the fiscal year	—	—	100
Grant to TFA	2,174	1,909	1,734
Advance cash subsidies to the HHC	200	300	400
Payment to the Retiree Health Benefits Trust	300	400	—
Total expenditures and transfers (discretionary and other)	4,576	4,180	4,038
Reported surplus	<u>5</u>	<u>5</u>	<u>5</u>
Total surplus	<u>\$4,581</u>	<u>\$4,185</u>	<u>\$4,043</u>

Final results for any given fiscal year may differ greatly from that year’s Adopted Budget. The following table shows the variance between actuals and amount for the Fiscal Year ended 2018 Adopted Budget:

	<u>2018</u>
Additional Resources:	(in millions)
Higher than expected personal income tax collections	\$ 1,543
Reallocation of General Reserve	1,200
Lower than expected all other administrative costs	594
Higher than expected real estate tax collections	394
Lower than expected debt service costs (net of FY 2019 prepayment)	387
Lower than expected supplies and materials costs (excluding fuel)	291
Lower than expected all other personal services costs	274
Greater than expected banking corporation tax collections	261
Lower than expected health insurance costs	234
Greater than expected non-governmental grants	225
Higher than expected federal categorical aid	155
Lower than expected provisions for disallowance reserve	154
Pollution remediation bond proceeds	150
Higher than expected sales tax collections	118
Greater than expected mortgage tax collections	115
Greater than expected revenues from fines and forfeitures	113
Greater than expected revenues from licenses, permits and privileges	101
Higher than expected unincorporated business tax collections	63
Higher than expected real property transfer tax	57
Higher than expected all other miscellaneous revenues	51
Higher than expected commercial rent tax collections	49
Greater than expected revenues from general government charges	37
Higher than expected housing revenues	35
Greater than expected state categorical aid	34
Greater than expected all other taxes collections	24
Higher than expected interest income	16
Lower than budgeted payments to housing authority	13
Lower than expected all other fixed and miscellaneous charges	13
Higher than expected rental revenues	10
Total	<u>6,711</u>
Enabled the City to provide for:	
Prepayments for certain debt service, future retirees’ health benefits costs and subsidies due in Fiscal Year 2019	4,576
Greater than expected contractual services costs	728
Greater than expected overtime costs	427
Lower than expected general corporation tax collections	319
Pollution remediation cost	151
Higher than expected future retirees’ health benefits costs (net of prepayment)	100
Higher than expected payments to HHC	88
Higher than expected property and equipment costs	69
Higher than expected pensions costs	54
Higher than expected public assistance costs	50
Lower than expected Capital Fund reimbursements for Interfund	
Agreements associated with underspending	33
Greater than expected judgments & claims costs	32
Greater than expected other social services costs (excluding Medicaid and public assistance)	22
Greater than expected Medicaid costs	20
Higher than expected payments to libraries	13
Lower than expected revenue from water and sewer charges	12
Greater than expected energy costs	7
All other net overspending or revenues below budget	5
Total	<u>6,706</u>
Reported Surplus	<u>\$ 5</u>

The following table shows the variance between actuals and amounts for the Fiscal Year ended 2017 Adopted Budget:

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

Capital Assets

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

Governmental Activities

	<u>2018</u>	<u>2017</u>	<u>2016</u>
		(in millions)	
Land*	\$ 2,251	\$ 2,181	\$ 1,941
Buildings	36,031	34,826	33,733
Equipment (including software)	2,993	2,900	2,643
Infrastructure**	14,798	13,866	13,124
Construction work-in-progress*	3,352	3,744	3,511
Total	<u>\$59,425</u>	<u>\$57,517</u>	<u>\$54,952</u>

* Not depreciable/amortizable

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

The net increase in the City’s governmental activities capital assets during Fiscal Year 2018 was \$1.91 billion, a 3.3% increase. Capital assets additions in Fiscal Year 2018 were \$9.25 billion, an increase of \$86.23 million from Fiscal Year 2017.

In 2018, construction work-in-progress was \$3.35 billion, representing a 10.5% net decrease. The 2018 addition to work-in-progress was \$2.99 billion, a 9.5% decrease from prior year. In 2018 building additions (work-in-progress deletions) were \$3.38 billion, representing a 10.2% increase from Fiscal Year 2017.

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

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

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

Business-type Activities

	<u>2018</u>	<u>2017</u>	<u>2016</u>
		(in millions)	
Buildings	\$ 42	\$ 30	\$ 28
Equipment (including software)	4	5	4
Infrastructure**	432	392	342
Construction work-in-progress*	94	144	167
Total	<u>\$ 572</u>	<u>\$ 571</u>	<u>\$ 541</u>

* Not depreciable/amortizable

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

The net increase in the City’s business-type activities Capital assets during Fiscal Year 2018 was \$1 million, a 0.2% increase. Capital asset additions net of depreciation in Fiscal Year 2018 were \$91 million, a decrease of \$14 million, from Fiscal Year 2017.

In 2018, construction work-in-progress was \$94 million, representing a 35% net decrease. The 2018 addition to work-in-progress was \$41 million, a 21% decrease from prior year.

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

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

The City, through the Comptroller’s Office of Public Finance, in conjunction with the Mayor’s Office of Management and Budget, is charged with issuing debt to finance the City’s capital program. The following table summarizes the debt outstanding for the City and certain City-related issuing entities at the end of Fiscal Years 2018, 2017 and 2016.

	New York City and City-Related Debt		
	2018	2017	2016
	(in millions)		
Governmental activities:			
Bonds and notes payable			
General Obligation Bonds ⁽¹⁾	\$38,628	\$37,891	\$38,073
TFA Bonds	34,729	32,014	28,408
TFA Recovery Bonds	682	800	906
TFA BARBs	7,944	7,882	8,044
TSASC Bonds	1,071	1,089	1,145
IDA Bonds	77	80	84
STAR Bonds	1,805	1,884	1,961
FSC Bonds	86	132	175
HYIC Bonds	2,724	2,751	3,000
ECF Bonds	231	236	240
Total bonds and notes outstanding governmental activities	<u>87,977</u>	<u>84,759</u>	<u>82,036</u>
Business-type activities:			
Bonds and notes payable			
Tax Lien Collateralized Bonds	32	37	32
Total bonds and notes outstanding business-type activities	<u>32</u>	<u>37</u>	<u>32</u>
Total before premiums/discounts (net)	88,009	84,796	82,068
Premiums/discounts (net)	<u>5,378</u>	<u>4,827</u>	<u>4,173</u>
Total bonds and notes outstanding	<u>\$93,387</u>	<u>\$89,623</u>	<u>\$86,241</u>

⁽¹⁾ Does not include capital contractual liabilities.

The State Constitution provides that, with certain exceptions, the City may not contract indebtedness in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years (Debt Limit). State law further provides that certain TFA debt also be counted against the Debt Limit. On June 30, 2018, the City’s outstanding General Obligation (GO) debt, including capital contract liabilities and TFA’s outstanding debt above \$13.5 billion (refer to Note D5 for further details) totaled \$71.08 billion (compared with \$66.21 billion and \$62.21 billion as of June 30, 2017 and 2016, respectively). As of June 30, 2018, the City’s Debt Limit was \$98.24 billion (compared with \$90.24 billion and \$85.18 billion as of June 30, 2017 and 2016, respectively). The remaining debt incurring power for the City and TFA’s combined debt as of June 30, 2018, after providing for capital contract liabilities, totaled \$27.17 billion. As of July 1, 2018, the remaining debt incurring power is \$37.24 billion, based on the change in the five- year full valuation average for fiscal year 2019.

As of June 30, 2018, the City’s outstanding GO debt was \$38.63 billion, consisting of \$6.74 billion of variable rate bonds and \$31.89 billion of fixed rate bonds. In Fiscal Year 2018, a total of \$1.84 billion GO bonds were issued to refund a portion of the City’s outstanding bonds at lower interest rates and \$3.3 billion of bonds were issued for new money capital purposes. The proceeds of the refunding issues were placed in irrevocable escrow accounts in amounts sufficient to pay, when due, all principal, interest, and applicable redemption premium, if any, on the refunded bonds. These refundings produce a budgetary savings of \$25.85 million, \$99.85 million, and \$99.99 million in Fiscal Years 2018, 2019, and 2020, respectively. The refunding will generate \$341.94 million in budgetary savings over the life of the bonds and approximately \$314.50 million of savings on a net present value basis.

In Fiscal Year 2018, the City issued \$750 million of taxable fixed rate bonds.

In addition, the City converted \$625.12 million of bonds between variable to fixed rate interest modes.

During Fiscal Year 2018, GO variable rate debt traded at the following average interest rates:

	<u>Tax Exempt</u>
Dailies ⁽¹⁾	1.08%
2-Day Mode ⁽¹⁾	1.12%
Weeklies ⁽¹⁾	1.11%
Auction Rate Securities—7 day	1.58%
Index Floaters	2.28%

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

During Fiscal Year 2018, Standard & Poor’s Ratings Services (S&P) and Fitch Ratings (Fitch) maintained the GO rating at AA. Moody’s Investors Service (Moody’s) continued to rate GO bonds at Aa2.

Short-Term Financing

In Fiscal Year 2018, the City had no short-term borrowings.

Transitional Finance Authority

In Fiscal Year 2018, TFA issued \$3.62 billion of Future Tax Secured (FTS) bonds for new money capital purposes.

In addition TFA converted \$161.08 million of bonds from variable rate bonds to fixed rate bonds.

As of June 30, 2018, the total outstanding FTS and Recovery Bond was \$35.41 billion. Of the amount outstanding, variable rate debt totaled \$4.11 billion, including \$549.80 million of variable rate Recovery Bonds. During Fiscal Year 2018, TFA’s variable rate bond traded at the following average interest rates:

	<u>Tax Exempt</u>
Dailies ⁽¹⁾	1.09%
2-Day Mode ⁽¹⁾	1.12%
Weeklies ⁽¹⁾	1.00%
Auction Rate Securities—7 day	1.30%
Index Floaters	1.79%

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

In Fiscal Year 2018, Standard & Poor’s and Fitch Ratings maintained AAA ratings on both Senior Lien and Subordinate Lien TFA FTS Bonds. Moody’s Investors Service maintained its rating of Aaa on FTS Senior Lien and Aa1 on Subordinate Lien Bonds.

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

In Fiscal Year 2018, TFA issued \$2.08 billion of TFA BARBs. This total included \$500 million for new money and \$1.58 billion issued to refund a portion of its outstanding bonds at lower interest rates. The refunding will generate \$271.45 million in budgetary savings over the life of the bonds and \$256.8 million on a net present value basis. As of June 30, 2018, TFA BARBs outstanding totaled \$7.94 billion.

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

<i>TSASC, Inc.</i>	<p>In Fiscal Year 2018, TSASC had no financing activity. As of June 30, 2018, TSASC had \$1.07 billion of bonds outstanding.</p> <p>TSASC bond ratings vary by maturity. On November 16, 2017, Standard & Poor's (S&P) took a series of rating actions on TSASC senior and subordinate bonds and removed the ratings from negative credit watch. As of June 30, 2018, S&P rated TSASC senior bonds maturing June 1, 2027 at A; June 1, 2036 at A-; June 1, 2041 at BBB+; and June 1, 2045 at B+. As of June 30, 2018, S&P rated TSASC subordinate bonds maturing June 1, 2019 at A-; June 1, 2020 at BBB+; June 1, 2022 at BB+; and June 1, 2025 at B+.</p>
<i>Sales Tax Asset Receivable Corporation</i>	<p>In Fiscal Year 2018, STAR had no financing activity. As of June 30, 2018, STAR had \$1.80 billion of bonds outstanding.</p> <p>STAR maintained its Aa1 rating from Moody's Investor Services and AA+ from Fitch Ratings throughout Fiscal 2018. Standard & Poor's maintained its AAA rating.</p>
<i>Fiscal Year 2005 Securitization Corporation</i>	<p>In Fiscal Year 2018, FSC had no financing activity. As of June 30, 2018, FSC had \$86.15 million bonds outstanding.</p> <p>As of June 30, 2018, the bonds were rated AA+ by S&P, Aaa by Moody's, and AAA by Fitch.</p>
<i>Hudson Yards Infrastructure Corporation</i>	<p>In Fiscal Year 2018, HYIC had no financing activity. As of June 30, 2018, HYIC had \$2.72 billion bonds outstanding.</p> <p>The First Indenture bonds are rated AA- by S&P, Aa3 by Moody's, and AA- by Fitch. The Second Indenture bonds are rated A+ by S&P, Aa3 by Moody's, and A+ by Fitch.</p>
<i>New York City Educational Construction Fund</i>	<p>In Fiscal Year 2018, ECF had no financing activity. As of June 30, 2018, ECF had \$231.2 million bonds outstanding.</p> <p>The bonds are rated AA- by S&P and Aa3 by Moody's.</p>
<i>New York City Tax Lien Trusts</i>	<p>As of June 30, 2018, the New York City Tax Lien Trusts had in aggregate \$32.36 million in bonds outstanding. In Fiscal Year 2018, the New York City Tax Lien Trust, NYCTLT 2017-A, sold \$68.02 million of bonds. The bonds are rated AAA by Kroll Bond Rating Agency Inc. and Aaa by Moody's Investors Service.</p>
<i>Interest Rate Exchange Agreements</i>	<p>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. No new swaps were initiated and no swaps were terminated in Fiscal Year 2018. As of June 30, 2018, the outstanding notional amount on the City's swap agreements in connection with General Obligation debt and City-related debt of the Dormitory Authority of the State of New York was \$1.31 billion and the mark to market value was approximately negative \$79.45 million.</p> <p>The Water Authority has also entered into interest rate exchange agreements from time to time in order to lower its borrowing costs over the life of its bonds and to diversify its existing portfolio. In Fiscal Year 2018, the Authority did not initiate or terminate any swaps. As of June 30, 2018, the outstanding notional amount on the Water Authority's various swap agreements was \$401 million and the mark to market value was approximately negative \$81.01 million.</p> <p>Additional information on the City's long-term liabilities can be found in Note D.5 of the Basic Financial Statements.</p>

Subsequent Events

Subsequent to June 30, 2018, TFA, NYCTLT, Water Authority, The City, and ECF completed the following long-term financings:

<i>TFA Debt:</i>	<p>On July 26, 2018, the New York City Transitional Finance Authority issued \$1,043,920,000 of Fiscal 2019 Series S-1 and S-2 Building Aid Revenue Bonds for capital purposes and to refund a portion of its outstanding bonds at lower interest rates.</p> <p>On August 10, 2018, the New York City Transitional Finance Authority issued \$1,350,000,000 of Fiscal 2019 Series A Future Tax Secured bonds for capital purposes.</p> <p>On September 25, 2018, the New York City Transitional Finance Authority issued \$1,525,000,000 of Fiscal 2019 Series B Future Tax Secured bonds for capital purposes, and reoffered \$62,085,000 of Fiscal 1999 Subseries A-2 and \$89,445,000 of Fiscal 2007 Subseries A-3 Future Tax Secured Bonds to convert a portion of its outstanding variable rate bonds to fixed rate.</p> <p>On October 25, 2018, the New York City Transitional Finance Authority issued \$1,411,565,000 of Fiscal 2019 Series S-3 Building Aid Revenue Bonds to refund a portion of its outstanding bonds at lower interest rates.</p>
<i>NYCTLT 2018-A:</i>	<p>On August 9, 2018, NYCTLT 2018-A issued \$74,659,000 of Series 2018-A Tax Lien Collateralized Bonds to fund the purchase of certain liens from the City.</p>
<i>Water Authority:</i>	<p>On August 21, 2018, the New York City Municipal Water Finance Authority issued \$264,035,000 of Fiscal 2019 Series AA Second General Resolution Revenue Bonds to convert a portion of its outstanding variable rate bonds to fixed rate.</p> <p>On September 13, 2018 the New York City Municipal Water Finance Authority issued \$100,000,000 of Fiscal 2019 Series BB Second General Resolution Revenue Bonds for capital purposes.</p>
<i>City Debt:</i>	<p>On August 22, 2018, the City of New York issued \$830,580,000 of Fiscal 2019 Series ABC General Obligation bonds to refund a portion of its outstanding bonds at lower interest rates and reoffered \$40,980,000 of Fiscal 1994 Subseries H-3 General Obligation bonds to convert a portion of its outstanding variable rate bonds to fixed rate.</p>
<i>ECF:</i>	<p>On October 25, 2018, the Educational Construction Fund issued \$40,350,000 of 2018 Series A revenue bonds to refund a portion of its outstanding bonds at lower interest rates.</p>

Commitments

At June 30, 2018, the outstanding commitments relating to projects of the New York City's Capital Projects Fund amounted to approximately \$20.7 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 \$95.8 billion over Fiscal Years 2018 through 2027. To help meet the financing needs for its capital spending program, the City and TFA borrowed \$6.9 billion in the public credit market in Fiscal Year 2018. The City and TFA plan to borrow \$6.1 billion in the public credit market in Fiscal Year 2019.

In addition, a Consent Decree was filed June 2018, by the United States of America against the NYCHA relating to lead-based paint and other health and safety concerns in NYCHA's properties. The Consent Decree, which has been agreed to by the U.S. Attorney for the Southern District of New York, NYCHA and the City but has not yet been entered by the court, includes the appointment of a monitor to oversee NYCHA's progress toward complying with regulations relating to such health and safety concerns. In addition, the Consent Decree includes the City's commitment to provide a total of \$1 billion of capital

funds in fiscal years 2019 through 2022, and \$200 million in capital funds in each subsequent fiscal year until such health and safety concerns have been addressed. Such funds for fiscal years 2019 through 2022 are currently reflected in the Financial Plan and the 2019-2022 Capital Commitment Plan and are in addition to amounts previously provided for NYCHA in the Financial Plan and previous Capital Commitment Plan. The Consent Decree also contemplates that \$550 million of funding from the State will be available to NYCHA to address such health and safety concerns. NYCHA recently announced that it may be out of compliance with federal requirements beyond the lead-based paint and other health and safety concerns that were included in the Consent Decree. NYCHA has also estimated the total cost of its outstanding repairs, including those beyond the scope of the Consent Decree, at more than \$32 billion.

Request for Information

This comprehensive annual financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of New York, Office of the Comptroller, Bureau of Accountancy, 1 Centre Street—Room 200 South, New York, New York 10007, or at Accountancy@comptroller.nyc.gov.