

# **FINANCIAL SECTION**

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## **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, 2019 and 2018. 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](http://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 2019, 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, assets seized by the federal government 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 School Support Services, Inc. (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 (NYCTL Trusts):
  - NYCTL 1998-2 Trust
  - NYCTL 2016-A Trust
  - NYCTL 2017-A Trust
  - NYCTL 2018-A Trust

*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:

- New York City 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 (NYC Health + Hospitals)
- 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 and Affiliate (QBPL)
- The Mayor's Fund to Advance New York City (the Fund)
- Public Realm Improvement Fund Governing Group, Inc. (Governing Group)

**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. Governmental activities decreased the City's net position by \$6.9 billion during Fiscal Year 2019, \$3.3 billion during Fiscal Year 2018, and \$911 million in Fiscal Year 2017. The total governmental activities net position for fiscal year 2019 resulted in a 3.4% decrease from the prior year.

The basic financial statements include a reconciliation between the Fiscal Year 2019 governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances* to the *Statement of Activities*, which reports a decrease of \$2.0 billion for all governmental fund balances. A similar reconciliation is provided for Fiscal Year 2018.

For the City's business-type activities, total net position increased to reach an ending balance of \$940.7 million, a 0.2% increase from the prior year. The total Fiscal Year 2019 increase in net position for business-type activities was \$1.9 million.

Key elements of these changes are as follows:

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Revenues:			
Program revenues:			
Charges for services . . . . .	\$ 5,700,901	\$ 4,836,215	\$ 4,919,609
Operating grants and contributions . . .	23,804,810	23,465,237	23,344,455
Capital grants and contributions . . . . .	822,561	551,804	479,210
General revenues:			
Taxes . . . . .	61,705,028	58,477,389	55,337,797
Investment income . . . . .	312,636	169,654	110,145
Other Federal and State aid . . . . .	401,514	251,810	311,125
Gain on in-substance defeasance . . . . .	—	730	—
Other . . . . .	593,861	602,240	428,702
Total revenues . . . . .	<u>93,341,311</u>	<u>88,355,079</u>	<u>84,931,043</u>
Expenses:			
General government . . . . .	6,547,234	6,525,142	5,360,092
Public safety and judicial . . . . .	21,347,661	19,465,581	18,961,329
Education . . . . .	34,679,981	30,367,019	28,839,477
City University . . . . .	1,318,594	1,261,467	1,252,444
Social Services . . . . .	16,923,646	16,143,790	15,402,193
Environmental protection . . . . .	4,502,959	4,248,059	3,570,278
Transportation services . . . . .	3,221,709	2,788,532	2,542,300
Parks, recreation and cultural activities . .	1,428,692	1,339,580	1,265,383
Housing . . . . .	3,069,371	2,765,381	2,394,963
Health (including payments to NYC Health + Hospitals) . . . . .	3,601,500	3,317,969	2,874,032
Libraries . . . . .	486,749	428,635	420,994
Debt service interest . . . . .	3,159,364	3,035,387	2,958,883
Brooklyn Bridge Park . . . . .	—	—	—
The Trust for Governor's Island . . . . .	—	—	—
WTC Captive . . . . .	—	—	—
New York City Tax Lien Trusts . . . . .	—	—	—
Total expenses . . . . .	<u>100,287,460</u>	<u>91,686,542</u>	<u>85,842,368</u>
Change in net position . . . . .	(6,946,149)	(3,331,463)	(911,325)
Net position (deficit)—beginning . . . . .	<u>(197,767,704)</u>	<u>(194,436,241)</u>	<u>(193,524,916)</u>
Net position (deficit)—ending . . . . .	<u><u>\$(204,713,853)</u></u>	<u><u>\$(197,767,704)</u></u>	<u><u>\$(194,436,241)</u></u>

<b>Changes in Net Position (in thousands)</b>					
<b>Business-type Activities</b>			<b>Total Primary Government</b>		
<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 5,983	\$ 5,566	\$ 4,242	\$ 5,706,884	\$ 4,841,781	\$ 4,923,851
49,854	156,018	149,676	23,854,664	23,621,255	23,494,131
21,442	35,190	45,298	844,003	586,994	524,508
86,623	55,600	35,566	61,791,651	58,532,989	55,373,363
114,055	104,016	116,372	426,691	273,670	226,517
—	—	—	401,514	251,810	311,125
—	—	—	—	730	—
3,094	2,228	4,529	596,955	604,468	433,231
<u>281,051</u>	<u>358,618</u>	<u>355,683</u>	<u>93,622,362</u>	<u>88,713,697</u>	<u>85,286,726</u>
—	—	—	6,547,234	6,525,142	5,360,092
—	—	—	21,347,661	19,465,581	18,961,329
—	—	—	34,679,981	30,367,019	28,839,477
—	—	—	1,318,594	1,261,467	1,252,444
—	—	—	16,923,646	16,143,790	15,402,193
—	—	—	4,502,959	4,248,059	3,570,278
—	—	—	3,221,709	2,788,532	2,542,300
—	—	—	1,428,692	1,339,580	1,265,383
—	—	—	3,069,371	2,765,381	2,394,963
—	—	—	3,601,500	3,317,969	2,874,032
—	—	—	486,749	428,635	420,994
—	—	—	3,159,364	3,035,387	2,958,883
26,551	31,124	18,640	26,551	31,124	18,640
42,000	41,746	35,177	42,000	41,746	35,177
1,755	1,862	1,968	1,755	1,862	1,968
208,853	213,374	266,418	208,853	213,374	266,418
<u>279,159</u>	<u>288,106</u>	<u>322,203</u>	<u>100,566,619</u>	<u>91,974,648</u>	<u>86,164,571</u>
1,892	70,512	33,480	(6,944,257)	(3,260,951)	(877,845)
938,809	868,297	834,817	(196,828,895)	(193,567,944)	(192,690,099)
<u>\$ 940,701</u>	<u>\$ 938,809</u>	<u>\$ 868,297</u>	<u>\$(203,773,152)</u>	<u>\$(196,828,895)</u>	<u>\$(193,567,944)</u>

In Fiscal Year 2019, the government-wide revenues increased from Fiscal Year 2018 by approximately \$5.0 billion and government-wide expenses increased by approximately \$8.6 billion. The major components of the government-wide revenue increases were:

- Tax revenues, net of refunds, increased overall, as a result of the following:
  - The increase in real estate taxes resulted from growth in billable assessed value during the fiscal year.
  - The increase in sales and use taxes was driven primarily by an increase in consumer spending due to higher wages, robust labor market, healthy visitor spending, increase in the number of commercial motor vehicles registered, robust mortgage financing activity in the commercial real estate market, and stable financing activity in the residential real estate market. This was offset by a decrease in cigarette taxes resulting from a decline in the number of packs sold.
  - The increase in income taxes was driven primarily by increases in general corporation taxes due to Fiscal Year 2019 estimated tax payments on tax year 2018 liability not reduced by excessive overpayments on accounts and higher Wall Street profitability. This was offset largely by a decrease in financial corporation taxes due to a decline in audit revenues and increase in refunds. Unincorporated business income taxes decreased due to one time payments in Fiscal Year 2018 resulting from tax law changes that were not repeated in Fiscal Year 2019.
  - For all other taxes, increase in Payment in Lieu of Taxes (PILOT) was due to a new stream of PILOT payments from Hudson Yards Infrastructure Corporation. Hotel room occupancy taxes increased due to increased tourism. Commercial rent taxes increased due to a strong commercial office market with declining vacancy rates and increasing asking rents in Manhattan. Conveyance of real property taxes increased due to strong commercial activity. This was offset by refunds for tax overpayments in commercial rent tax, non-resident personal income taxes, and transaction taxes.
- Charges for services increase was primarily due to NYC Health + Hospitals reimbursements and the receipt of restitutions resulting from bank investigation cases led by the District Attorney for New York.

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

- Public safety and judicial expenses increased due to an increase in Police Department expenses related to the Body Worn Camera program, training initiatives, upgrades to critical technology application, computer equipment and software for daily operations, and collective bargaining adjustments.
- Education expenses increased due to collective bargaining increases, fringe benefits, growth in mandated costs for special education pupils, increased charter school costs, and expansion of early childhood programs.
- Social services expenses increased due to an increase in Administration for Children's Services expenses resulting from hiring of frontline staff, and new investments in child welfare to support recent reform efforts and juvenile justice due to Raise the Age, legislation passed by New York State which raised the age of criminal responsibility to 18 years of age. Department of Social Services expenses increased due to the implementation of Fair Fares, rental assistance programs, anti-eviction legal services, and Medicaid.
- Transportation services expenses increased due to an increase in Department of Transportation expenses resulting from increases in full-time position salary expenditures for the sidewalk and pedestrian ramp programs, heat, light, power spending, and maintenance and operation cost of infrastructure. Transit Authority expenses increased due to City contributions to the MTA's Subway Action Plan and City funding for other capital projects.
- Housing expenses increased due to increased expenditures in the Department of Housing Preservation & Development as a result of affordable housing production under Housing New York 2.0 and large acquisitions to promote the development of permanent supportive housing.
- Health expenses increased due to increases in expenses for City-funded programs and collective bargaining funding for NYC Health + Hospitals. Additionally, Department of Health and Mental Hygiene expenses increased due to new investments in environment health, substance misuse, and emergency preparedness. There was also more spending in other areas, including family and child health, disease control, and epidemiology.
- Libraries expenses increased due to higher operating subsidies to support the continuation of library services and operating expenses, including costs associated with capital ineligible repairs and upkeep.

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

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

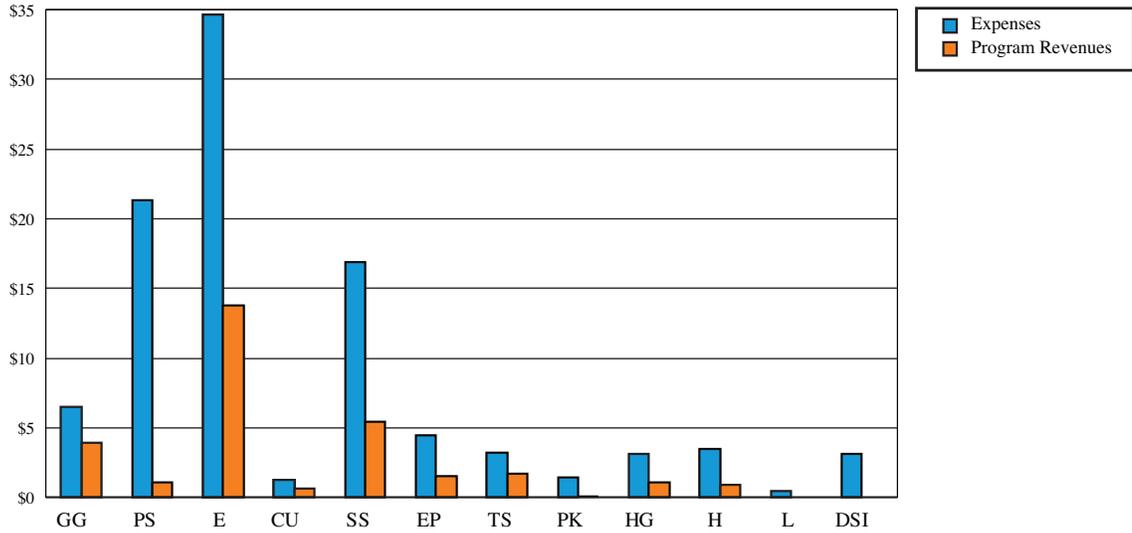
- Tax revenues, net of refunds, increased overall, as a result of the following:
  - An increase in real estate taxes resulted from growth in billable assessed value during the fiscal year.
  - An increase in sales and use taxes driven primarily by an increase in consumer spending due to low unemployment, 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:

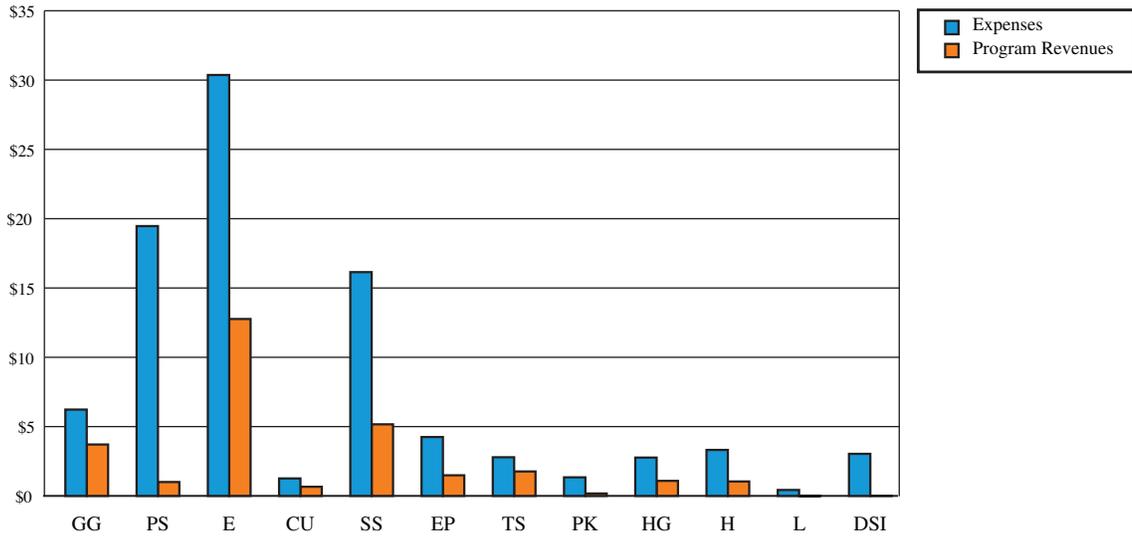
- Overall government-wide OPEB expenses increased due to increased service costs, interest on the total OPEB liability, and changes in the discount rate used to calculate the OPEB liability.
- General Government expenses increased due to implementation of new programs and increases in program expenditures 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 are 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 NYC Health + Hospitals 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.

The following charts compare the amounts of expenses and program revenues for Fiscal Years 2019 and 2018:

**Expenses and Program Revenues — Governmental Activities  
for the Fiscal Year ended June 30, 2019  
(in billions)**



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

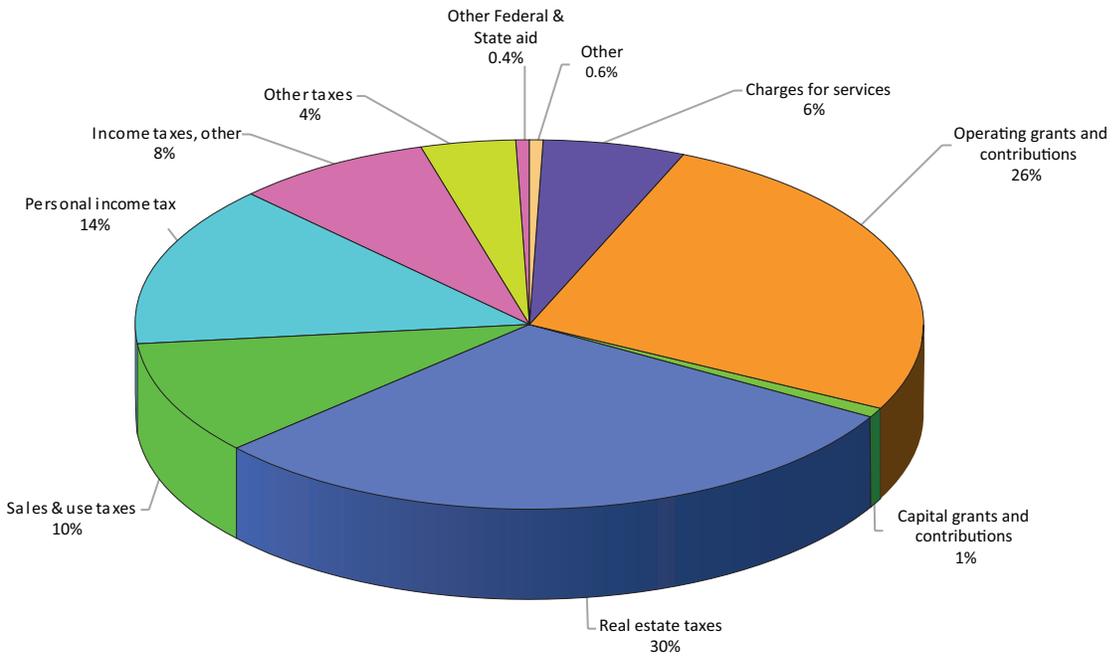


**Functions/Programs**

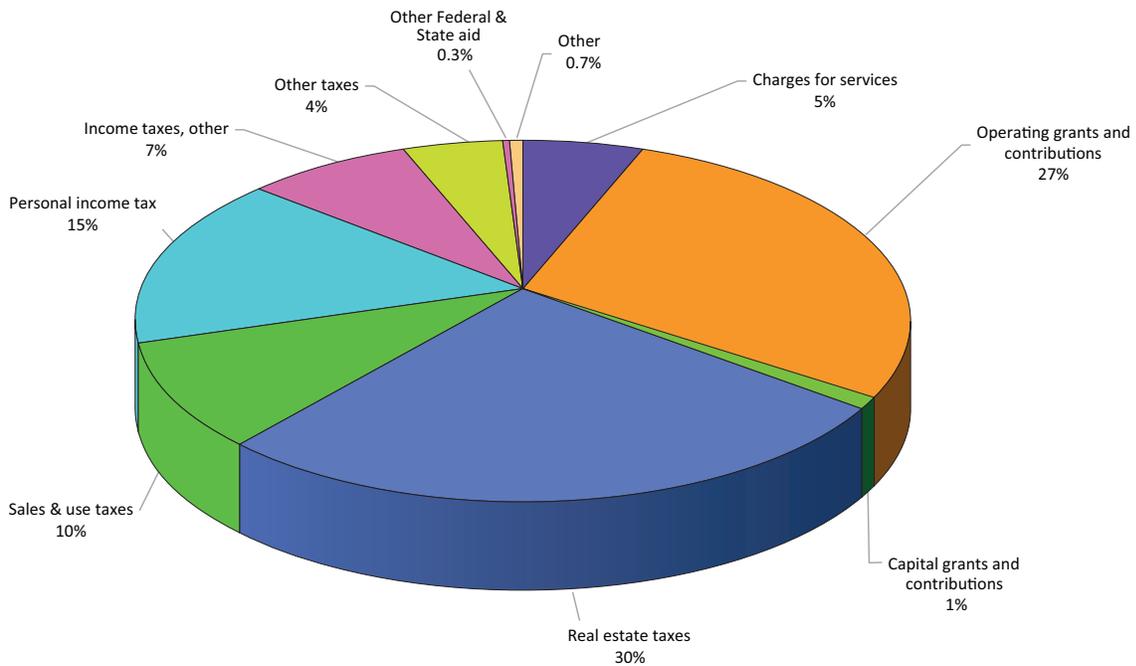
- GG General government
- PS Public safety and judicial
- E Education (Primary and Secondary)
- CU City University
- SS Social services
- EP Environmental protection
- TS Transportation services
- PK Parks, recreation, and cultural activities
- HG Housing
- H Health, including payments to NYC  
Health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

The following charts compare the amounts of program and general revenues for Fiscal Years 2019 and 2018:

**Revenues by Source — Governmental Activities  
for the Fiscal Year ended June 30, 2019**



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



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 2019 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$204.7 billion, an increase in the net deficit of \$6.9 billion from June 30, 2018, which in turn compares with an increase to the net deficit of \$3.3 billion over the prior Fiscal Year 2017. The increase in the deferred inflows of resources was mostly due to the change in the demographic assumptions to match those used in the pension valuation. For additional information regarding the change in assumptions, see Note E.4 of the basic financials.

See table below for further details.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current and other assets . . . . .	\$ 44,387,281	\$ 43,448,131	\$ 40,355,566
Capital assets (net of depreciation) . . . . .	60,840,037	59,424,522	57,516,792
Total assets . . . . .	<u>105,227,318</u>	<u>102,872,653</u>	<u>97,872,358</u>
Deferred outflows of resources . . . . .	14,746,877	6,948,324	5,098,543
Long-term liabilities outstanding . . . . .	264,539,972	257,587,442	251,130,595
Other liabilities . . . . .	26,916,540	23,828,723	22,467,090
Total liabilities . . . . .	<u>291,456,512</u>	<u>281,416,165</u>	<u>273,597,685</u>
Deferred inflows of resources . . . . .	33,231,536	26,172,516	23,809,457
Net position:			
Net investment in capital assets . . . . .	(13,872,508)	(13,501,564)	(12,522,029)
Restricted . . . . .	2,757,103	2,942,744	2,793,287
Unrestricted (deficit) . . . . .	(193,598,448)	(187,208,884)	(184,707,499)
Total net position (deficit) . . . . .	<u><u>\$(204,713,853)</u></u>	<u><u>\$(197,767,704)</u></u>	<u><u>\$(194,436,241)</u></u>

<b>Net Position (in thousands)</b>					
<b>Business-Type Activities</b>			<b>Total Primary Government</b>		
<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 814,861	\$ 809,434	\$ 762,818	\$ 45,202,142	\$ 44,257,565	\$ 41,118,384
565,626	572,240	571,320	61,405,663	59,996,762	58,088,112
1,380,487	1,381,674	1,334,138	106,607,805	104,254,327	99,206,496
—	—	—	14,746,877	6,948,324	5,098,543
402,010	399,186	405,352	264,941,982	257,986,628	251,535,947
37,776	43,679	60,489	26,954,316	23,872,402	22,527,579
439,786	442,865	465,841	291,896,298	281,859,030	274,063,526
—	—	—	33,231,536	26,172,516	23,809,457
563,108	568,430	571,319	(13,309,400)	(12,933,134)	(11,950,710)
377,593	370,379	296,978	3,134,696	3,313,123	3,090,265
—	—	—	(193,598,448)	(187,208,884)	(184,707,499)
<u>\$ 940,701</u>	<u>\$ 938,809</u>	<u>\$ 868,297</u>	<u>\$(203,773,152)</u>	<u>\$(196,828,895)</u>	<u>\$(193,567,944)</u>

The excess of liabilities and deferred inflows of resources over assets and deferred outflows of resources 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 Pension and Post-retirement benefits liability. The following summarizes the main components of the net deficit as of June 30, 2019 and 2018:

	<b>Components of Net Deficit</b>	
	<b>2019</b>	<b>2018</b>
	(in billions)	
<b>Net Position Invested in Capital Assets</b>		
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 . . . . .	\$ (13.9)	\$ (13.5)
<b>Net Position Restricted for:</b>		
Capital Projects . . . . .	0.7	1.2
Debt Service . . . . .	<u>2.1</u>	<u>1.7</u>
Total restricted net position . . . . .	<u>2.8</u>	<u>2.9</u>
<b>Unrestricted Net Position</b>		
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 . . . .	(0.6)	(0.7)
STAR issued debt related to the defeasance of the MAC issued debt . . . . .	(1.7)	(1.8)
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, NYC Health + Hospitals, and certain public libraries and cultural institutions. This is the debt outstanding for non-City owned assets at year end. . . . .	(38.0)	(35.0)
Certain long-term obligations do not require funding in the current period:		
Net OPEB liability . . . . .	(107.8)	(98.5)
Judgments and claims . . . . .	(6.9)	(6.7)
Vacation and sick leave . . . . .	(5.1)	(4.9)
Net Pension liability . . . . .	(43.3)	(47.8)
Landfill closure and postclosure care costs . . . . .	(1.3)	(1.3)
Deferred outflows of resources . . . . .	14.7	6.9
Other: . . . . .	<u>(3.6)</u>	<u>2.6</u>
Total unrestricted net position . . . . .	<u>(193.6)</u>	<u>(187.2)</u>
<b>Total net position (deficit) . . . . .</b>	<b><u>\$(204.7)</u></b>	<b><u>\$(197.8)</u></b>

The following table provides Fiscal Year ended June 30, 2019, pension statistics by pension system as of the dates of the most recent actuarial valuations:

	<b>Summary of City Pension Information Fiscal Year 2019</b>					
	<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 6/30/18 .....	214,430	226,111	51,829	89,117	27,933	609,420
			(in billions, except %)			
Total Pension Liability (TPL) .....	\$ 48.2	\$ 71.3	\$ 5.3	\$ 55.0	\$ 23.3	\$ 203.1
Less Plan Fiduciary Net Position (PFNP) .....	38.0	56.4	5.0	45.2	15.2	159.8
Net Pension Liability (NPL) .....	<u>\$ 10.2</u>	<u>\$ 14.9</u>	<u>\$ 0.3</u>	<u>\$ 9.8</u>	<u>\$ 8.1</u>	<u>\$ 43.3</u>
PFNP as a % of TPL*** .....	79.0%	79.1%	94.8%	82.2%	65.4%	78.7%
Pension Expense .....	\$ 1.7	\$ 3.5	\$ 0.1	\$ 1.7	\$ 1.1	\$ 8.1

\* Includes QPP and VSFs

\*\* QPP only

\*\*\* Calculated based on whole dollar unrounded amounts.

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:

	<b>Summary of City Pension Information Fiscal Year 2018</b>					
	<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.

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

**Financial Analysis of the  
Governmental Funds**

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.

	<b>Governmental Funds</b>					<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>General Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Adjustments/ Eliminations</b>	
	(in thousands)					
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 ..	483,133	(2,284,741)	1,922,291	5,297,421	—	5,418,104
Revenues .....	91,343,801	2,383,168	88,332	4,777,961	(3,551,465)	95,041,797
Expenditures .....	(84,758,165)	(10,848,283)	(3,775,951)	(9,774,271)	3,107,601	(106,049,069)
Other financing sources (uses) .....	(6,580,553)	7,030,932	3,492,419	4,593,342	443,864	8,980,004
Fund Balances (deficit), June 30, 2019 ..	<u>\$ 488,216</u>	<u>\$ (3,718,924)</u>	<u>\$ 1,727,091</u>	<u>\$ 4,894,453</u>	<u>\$ —</u>	<u>\$ 3,390,836</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. The General Fund had an operating surplus of \$4.2 billion and \$4.6 billion before these expenditures and transfers (discretionary and other) for Fiscal Years 2019 and 2018, respectively. After these certain expenditures and transfers, the General Fund reported an operating surplus of \$5 million in both Fiscal Years 2019 and 2018, 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, 2019 can be attributed principally to transfers (discretionary transfer and other) from the General Fund totaling \$1.7 billion in Fiscal Year 2019 for Fiscal Year 2020 debt service. Similar transfers in Fiscal Year 2018 of \$1.9 billion for Fiscal Year 2019 debt service also primarily account for the General Debt Service Fund balance at June 30, 2018.

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, 2019 and 2018 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  
Pollution Remediation**

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 2019 General Fund expenditures include approximately \$146.5 million of pollution remediation expenditures associated with projects which were originally included in the City's capital program. The City also reported \$140.3 million of City bond proceeds and \$6.2 million of other revenues (New York City Municipal Water Finance Authority bond proceeds transferred to the City) supporting the \$146.5 million of pollution remediation expenditures in the General Fund for Fiscal Year 2019. In Fiscal Year 2018, \$149.9 million of City bond proceeds and \$1.4 million of other revenues supported the \$151.3 million of pollution remediation expenditures reported in the General Fund. For additional information on the City's pollution remediation obligations, see Note D.5 of the basic financials.

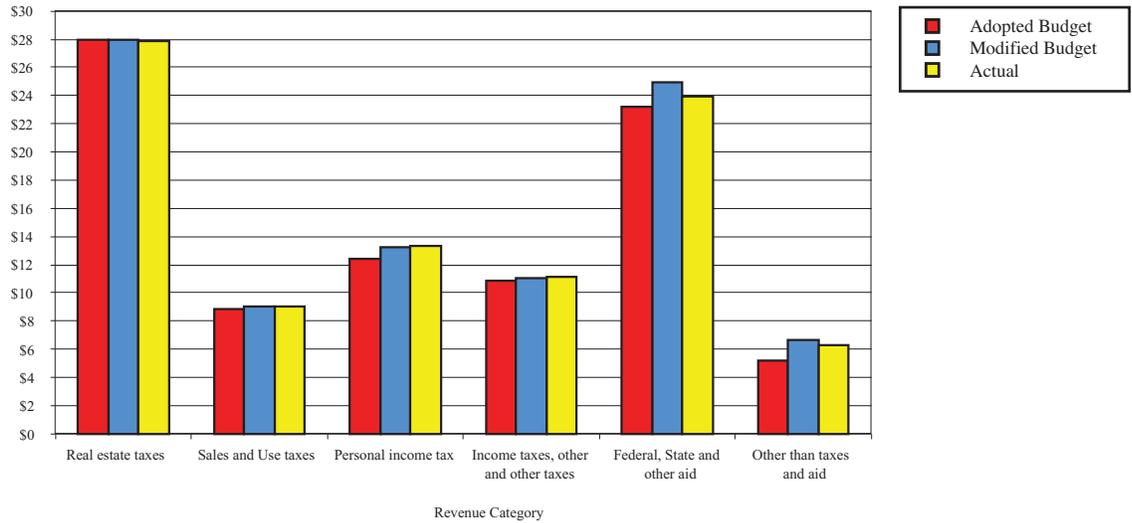
Although amounts were not established in the Adopted Budget, a modification to the budget was made to accommodate the amount of pollution remediation expenditure charge in the General Fund. These pollution remediation expenditures were incurred by various agencies, as follows:

	<b>General Fund Pollution Remediation Expenditures</b>	
	<b>2019</b>	<b>2018</b>
	(in thousands)	
General government. . . . .	\$ 25,755	\$ 25,198
Public safety and judicial . . . . .	3,606	2,801
Education. . . . .	86,627	100,899
Social services . . . . .	119	172
Environmental protection. . . . .	14,982	9,397
Transportation services . . . . .	8,317	7,939
Parks, recreation, and cultural activities . . . . .	4,248	812
Housing . . . . .	2,320	1,051
Health, including NYC Health + Hospitals . . . . .	203	2,721
Libraries. . . . .	319	310
Total expenditures . . . . .	<u>\$ 146,496</u>	<u>\$ 151,300</u>

**General Fund Budgetary  
Highlights Revenues**

The following charts and tables summarize actual revenues by category for Fiscal Years 2019 and 2018 and compare revenues with each fiscal year's Adopted Budget and Modified Budget.

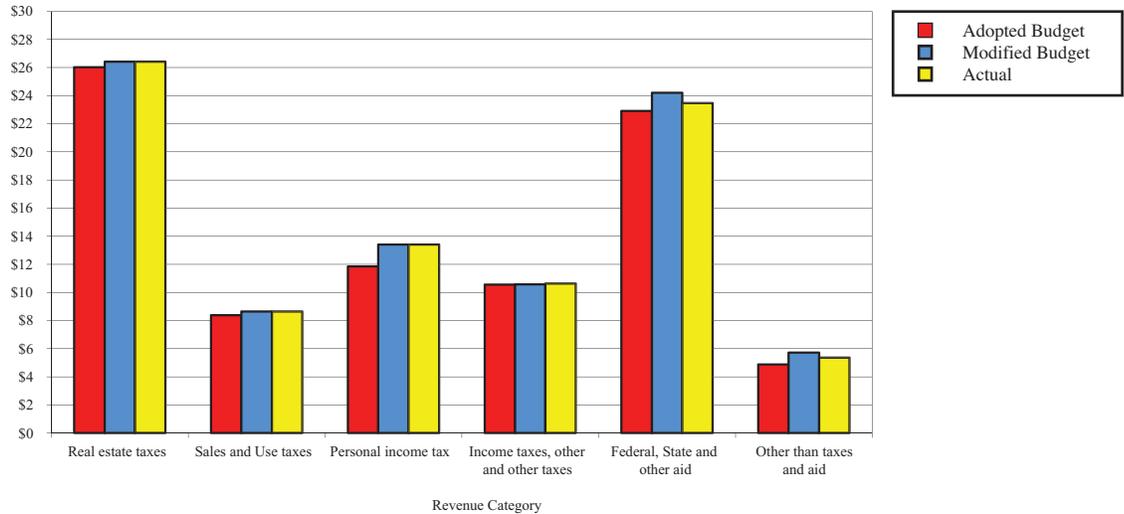
**General Fund Revenues  
Fiscal Year 2019  
(in billions)**



**General Fund Revenues  
Fiscal Year 2019**

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>
	(in millions)		
Taxes (net of refunds):			
Real estate taxes . . . . .	\$27,974	\$27,926	\$ 27,885
Sales and use taxes . . . . .	8,829	9,074	9,083
Personal income tax . . . . .	12,378	13,261	13,377
Income taxes, other . . . . .	6,411	7,416	7,416
Other taxes . . . . .	4,484	3,647	3,733
Taxes (net of refunds) . . . . .	<u>60,076</u>	<u>61,324</u>	<u>61,494</u>
Federal, State and other aid:			
Categorical . . . . .	23,238	24,728	23,804
Unrestricted . . . . .	—	201	151
Federal, State and other aid. . . . .	<u>23,238</u>	<u>24,929</u>	<u>23,955</u>
Other than taxes and aid:			
Charges for services . . . . .	2,711	2,748	2,801
Other revenues . . . . .	2,144	3,445	3,094
Bond proceeds . . . . .	—	140	140
Transfers from Nonmajor Debt Service Fund. . . . .	227	219	219
Transfers from General Debt Service Fund. . . . .	80	81	81
Other than taxes and aid . . . . .	<u>5,162</u>	<u>6,633</u>	<u>6,335</u>
Total revenues . . . . .	<u>\$88,476</u>	<u>\$92,886</u>	<u>\$91,784</u>

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



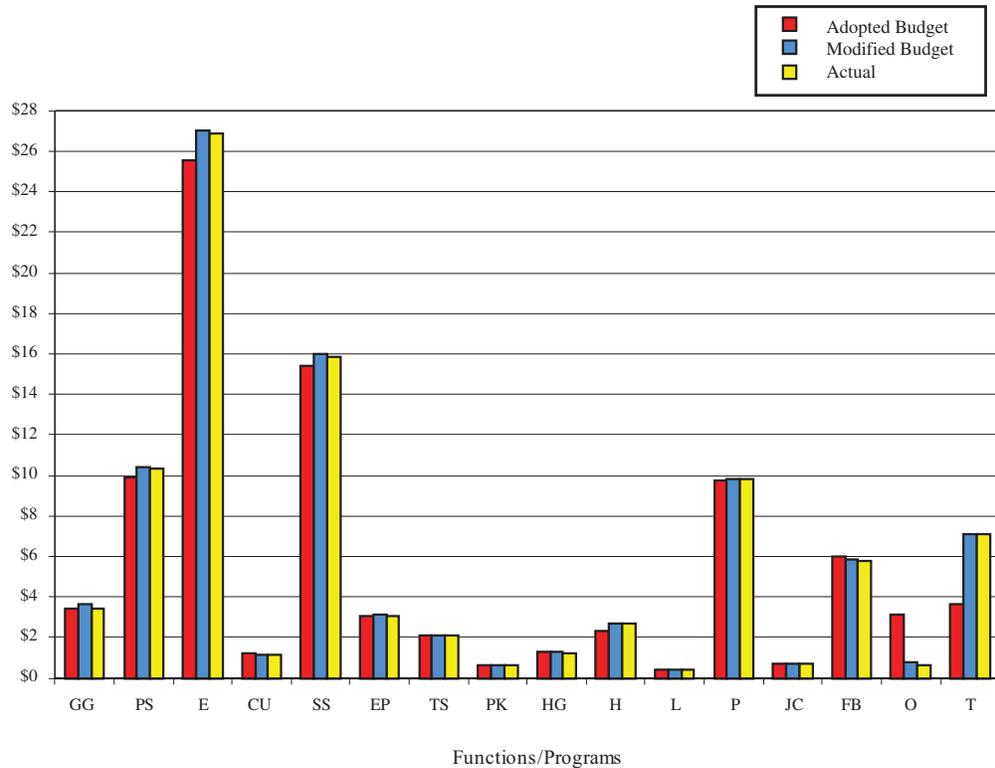
**General Fund Revenues  
Fiscal Year 2018**

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>
		(in millions)	
<b>Taxes (net of refunds):</b>			
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
<b>Taxes (net of refunds) . . . . .</b>	<u>56,800</u>	<u>59,017</u>	<u>59,103</u>
<b>Federal, State and other aid:</b>			
Categorical. . . . .	22,899	24,209	23,465
<b>Federal, State and other aid. . . . .</b>	<u>22,899</u>	<u>24,209</u>	<u>23,465</u>
<b>Other than taxes and aid:</b>			
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 Debt Service Fund . . . . .	81	82	82
<b>Other than taxes and aid. . . . .</b>	<u>4,869</u>	<u>5,716</u>	<u>5,368</u>
<b>Total revenues . . . . .</b>	<u>\$84,568</u>	<u>\$88,942</u>	<u>\$87,936</u>

**General Fund Budgetary  
Highlights Expenditures**

The following charts and tables summarize actual expenditures by function/program for Fiscal Years 2019 and 2018 and compare expenditures with each fiscal year's Adopted Budget and Modified Budget.

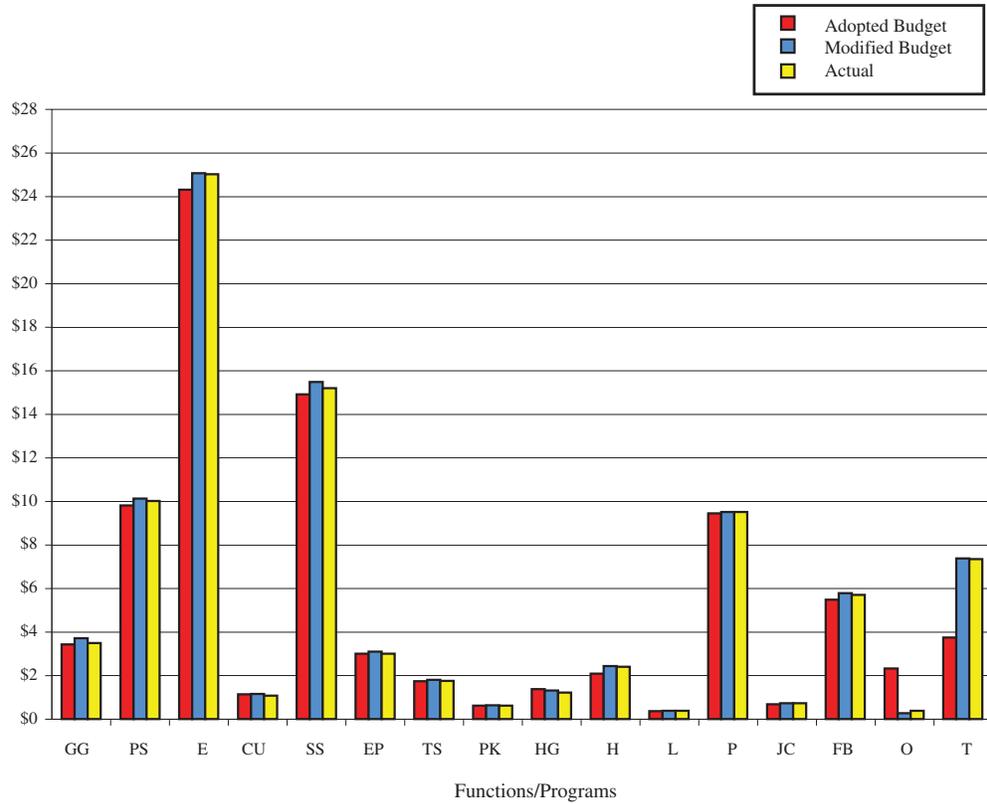
**General Fund Expenditures  
Fiscal Year 2019  
(in billions)**



**General Fund Expenditures  
Fiscal Year 2019**

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>
		(in millions)	
General government (GG) . . . . .	\$ 3,389	\$ 3,680	\$ 3,436
Public safety and judicial (PS) . . . . .	9,901	10,404	10,358
Education (E) . . . . .	25,583	27,017	26,905
City university (CU) . . . . .	1,184	1,174	1,114
Social services (SS) . . . . .	15,421	15,977	15,833
Environmental protection (EP) . . . . .	3,046	3,128	3,088
Transportation services (TS) . . . . .	2,068	2,122	2,068
Parks, recreation and cultural activities (PK) . . . . .	628	658	646
Housing (HG) . . . . .	1,324	1,313	1,230
Health, including NYC Health + Hospitals (H) . . . . .	2,302	2,713	2,656
Libraries (L) . . . . .	388	399	398
Pensions (P) . . . . .	9,739	9,833	9,829
Judgments and claims (JC) . . . . .	697	706	706
Fringe benefits and other benefit payments (FB) . . . . .	6,001	5,861	5,743
Other (O) . . . . .	3,150	776	651
Transfers and other payments for debt service (T) . . . . .	3,655	7,126	7,118
<b>Total expenditures . . . . .</b>	<b><u>\$88,476</u></b>	<b><u>\$92,887</u></b>	<b><u>\$91,779</u></b>

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



**General Fund Expenditures  
Fiscal Year 2018**

	<b>Adopted Budget</b>	<b>Modified Budget</b>	<b>Actual</b>
		<b>(in millions)</b>	
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 NYC Health + Hospitals (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
<b>Total expenditures . . . . .</b>	<b>\$84,568</b>	<b>\$88,942</b>	<b>\$87,931</b>

**General Fund Surplus**

The City had General Fund surpluses of \$4.2 billion, \$4.6 billion and \$4.2 billion before certain expenditures and transfers (discretionary and other) for Fiscal Years 2019, 2018 and 2017, respectively. For the Fiscal Years 2019, 2018 and 2017, 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 2019, 2018 and 2017 budgets follow:

	<b>General Fund</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</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. . . . .	\$ 172	\$ 276	\$ 239
Discretionary transfers to the General Debt Service Fund . . . . .	1,530	1,626	1,321
Equity contribution set aside to bond refunding escrow accounts for current fiscal year interest costs. . . . .	—	—	11
Grant to TFA . . . . .	2,319	2,174	1,909
Advance cash subsidies to the NYC Health + Hospitals . . . . .	200	200	300
Payment to the Retiree Health Benefits Trust . . . . .	—	300	400
Total expenditures and transfers (discretionary and other) . . . . .	4,221	4,576	4,180
Reported surplus . . . . .	<u>5</u>	<u>5</u>	<u>5</u>
Total surplus . . . . .	<u>\$4,226</u>	<u>\$4,581</u>	<u>\$4,185</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 2019 Adopted Budget:

	<u>2019</u>
	(in millions)
Additional Resources:	
Reallocation of general reserve . . . . .	\$1,125
Higher than expected personal income tax collections . . . . .	973
Higher than expected general corporation tax collections . . . . .	698
Lower than expected all other administrative costs . . . . .	615
Lower than expected debt service costs (net of Fiscal Year 2020 prepayment)	502
Higher than expected all other miscellaneous revenues . . . . .	470
Lower than expected health insurance costs . . . . .	461
Greater than expected non-governmental grants . . . . .	320
Lower than expected supplies and materials costs (excluding fuel) . . . . .	257
Greater than expected revenues from fines and forfeitures . . . . .	165
Higher than expected mortgage tax collections . . . . .	159
Higher than expected asset sales . . . . .	156
Higher than expected unrestricted aid . . . . .	150
Pollution remediation bond proceeds . . . . .	140
Lower than expected provisions for disallowance reserve . . . . .	128
Greater than expected Federal categorical aid . . . . .	127
Greater than expected revenues from licenses, permits and privileges . . . . .	113
Higher than expected commercial rent tax collections . . . . .	106
Higher than expected real property transfer tax collections . . . . .	98
Higher than expected all other tax collections . . . . .	71
Lower than expected public assistance spending . . . . .	66
Higher than expected sales tax collections . . . . .	54
Higher than expected interest income . . . . .	36
Greater than expected housing revenues . . . . .	28
Greater than expected revenues from general government charges . . . . .	26
Greater than expected rental revenues . . . . .	19
Greater than expected revenues from water and sewer charges . . . . .	18
Lower than expected energy costs . . . . .	8
Total . . . . .	<u>7,089</u>
Enabled the City to provide for:	
Prepayments for certain debt service and subsidies due in Fiscal Year 2020 . .	4,221
Greater than expected contractual services costs . . . . .	562
Greater than expected overtime costs . . . . .	428
Lower than expected banking corporation tax collections . . . . .	435
Lower than expected unincorporated business tax collections . . . . .	216
Higher than expected all other fixed and miscellaneous charges . . . . .	216
Higher than expected Medicaid costs . . . . .	168
Pollution remediation costs . . . . .	147
Higher than expected payments to NYC Health + Hospitals (net of prepayment) . . . . .	117
Greater than expected other social services costs (excluding Medicaid and public assistance) . . . . .	103
Additional contribution to the Retiree Health Benefits Trust . . . . .	100
Lower than expected real estate tax collections . . . . .	89
Greater than expected pensions costs . . . . .	89
Greater than expected property and equipment costs . . . . .	64
Higher than budgeted payments to the NYCHA . . . . .	40
Lower than expected Capital Fund reimbursements for Interfund Agreements associated with underspending . . . . .	30
Higher than expected all other personal services costs . . . . .	26
Greater than expected payments to libraries . . . . .	19
Greater than expected judgments & claims costs . . . . .	8
Lower than expected State categorical aid . . . . .	6
Total . . . . .	<u>7,084</u>
Reported Surplus . . . . .	<u>\$ 5</u>

The following table shows the variance between actuals and amounts for the Fiscal Year ended 2018 Adopted Budget:

	<u>2018</u>
	(in millions)
Additional Resources:	
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 Fiscal Year 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 NYC Health + Hospitals . . . . .	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>

## Capital Assets

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

### Governmental Activities

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		(in millions)	
Land* . . . . .	\$ 2,391	\$ 2,251	\$ 2,181
Buildings . . . . .	36,321	36,031	34,826
Equipment (including software) . . . . .	3,250	2,993	2,900
Infrastructure** . . . . .	15,678	14,798	13,866
Construction work-in-progress* . . . . .	3,200	3,352	3,744
Total . . . . .	<u>\$60,840</u>	<u>\$59,425</u>	<u>\$57,517</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 2019 was \$1.42 billion, a 2.4% increase. Capital assets additions in Fiscal Year 2019 were \$10.43 billion, an increase of \$1.18 billion from Fiscal Year 2018.

In 2019, construction work-in-progress was \$3.20 billion, representing a 4.5% net decrease. The 2019 addition to work-in-progress was \$3.44 billion, a 15% increase from prior year. In 2019 building additions (work-in-progress deletions) were \$3.59 billion, representing a 6.1% increase from Fiscal Year 2018.

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 deletion) were \$3.38 billion, representing a 10.2% increase from Fiscal Year 2017.

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>2019</u>	<u>2018</u>	<u>2017</u>
		(in millions)	
Buildings . . . . .	\$ 41	\$ 42	\$ 30
Equipment (including software) . . . . .	15	4	5
Infrastructure** . . . . .	451	432	392
Construction work-in-progress* . . . . .	58	94	144
Total . . . . .	<u>\$ 565</u>	<u>\$ 572</u>	<u>\$ 571</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 decrease in the City's business-type activities Capital assets during Fiscal Year 2019 was \$7 million, a 1.2% decrease. Capital asset additions net of depreciation in Fiscal Year 2019 were \$58 million, a decrease of \$33 million, from Fiscal Year 2018.

In 2019, construction work-in-progress was \$58 million, representing a 38% net decrease. The 2019 addition to work-in-progress was \$28 million, a 31% decrease from prior year.

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 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 2019, 2018 and 2017.

	New York City and City-Related Debt		
	2019	2018	2017
	(in millions)		
<b>Governmental activities:</b>			
Bonds and notes payable			
General Obligation Bonds <sup>(1)</sup> .....	\$37,519	\$38,628	\$37,891
TFA Bonds .....	37,955	34,729	32,014
TFA Recovery Bonds .....	558	682	800
TFA BARBs .....	8,111	7,944	7,882
TSASC Bonds .....	1,053	1,071	1,089
IDA Bonds .....	62	77	80
STAR Bonds .....	1,721	1,805	1,884
FSC Bonds .....	22	86	132
HYIC Bonds .....	2,724	2,724	2,751
ECF Bonds .....	218	231	236
Total bonds and notes outstanding governmental activities .....	<u>89,943</u>	<u>87,977</u>	<u>84,759</u>
<b>Business-Type Activities:</b>			
Bonds and notes payable			
Tax Lien Collateralized Bonds .....	46	32	37
Total bonds and notes outstanding business-type activities .....	<u>46</u>	<u>32</u>	<u>37</u>
Total before premiums/discounts (net) .....	89,989	88,009	84,796
Premiums/discounts (net) .....	5,541	5,378	4,827
Total bonds and notes outstanding .....	<u>\$95,530</u>	<u>\$93,387</u>	<u>\$89,623</u>

<sup>(1)</sup> 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, 2019, 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 \$76.93 billion (compared with \$71.08 billion and \$66.21 billion as of June 30, 2018 and 2017, respectively). As of June 30, 2019, the City’s Debt Limit was \$106.24 billion (compared with \$98.24 billion and \$90.24 billion as of June 30, 2018 and 2017, respectively). The remaining debt incurring power for the City and TFA’s combined debt as of June 30, 2019, after providing for capital contract liabilities, totaled \$29.32 billion. As of July 1, 2019, the remaining debt incurring power is \$41.56 billion, based on the change in the five-year full valuation average for fiscal year 2020.

As of June 30, 2019, the City’s outstanding GO debt was \$37.52 billion, consisting of \$6.33 billion of variable rate bonds and \$31.19 billion of fixed rate bonds. In Fiscal Year 2019, a total of \$1.82 billion GO bonds were issued to refund a portion of the City’s outstanding bonds at lower interest rates and \$1.2 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 \$35.42 million, \$59.74 million, and \$59.64 million in Fiscal Years 2019, 2020, and 2021, respectively. The refunding will generate \$263.80 million in budgetary savings over the life of the bonds and approximately \$235.67 million of savings on a net present value basis.

In Fiscal Year 2019, the City issued \$428.44 million of taxable fixed rate bonds.

In addition, the City converted \$316.13 million of bonds between variable to fixed rate interest modes.

During Fiscal Year 2019, GO variable rate debt traded at the following average interest rates:

	<u>Tax Exempt</u>
Dailies <sup>(1)</sup> .....	1.48%
2-Day Mode <sup>(1)</sup> .....	1.48%
Weeklies <sup>(1)</sup> .....	1.52%
Auction Rate Securities—7 day .....	2.10%
Index Floaters .....	2.88%

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

During Fiscal Year 2019, Standard & Poor’s Ratings Services (S&P) and Fitch Ratings (Fitch) maintained the GO rating at AA. Moody’s Investors Service (Moody’s) rated GO bonds at Aa1.

*Short-Term Financing*

In Fiscal Year 2019, the City had no short-term borrowings.

*Transitional Finance Authority*

In Fiscal Year 2019, TFA issued \$4.48 billion of Future Tax Secured (FTS) bonds for new money capital purposes.

In addition, TFA converted \$351.53 million of bonds between modes.

As of June 30, 2019, the total outstanding FTS and Recovery debt were \$38.51 billion. Of the amount outstanding, variable rate debt totaled \$4.44 billion, including \$450 million of variable rate Recovery Bonds. During Fiscal Year 2019, TFA’s variable rate bonds traded at the following average interest rates:

	<u>Tax Exempt</u>
Dailies <sup>(1)</sup> .....	1.55%
2-Day Mode <sup>(1)</sup> .....	1.57%
Weeklies <sup>(1)</sup> .....	1.59%
Auction Rate Securities—7 day .....	1.85%
Index Floaters .....	2.18%

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

In Fiscal Year 2019, 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 TFA 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 FTS Bond Debt Limit.

In Fiscal Year 2019, TFA issued \$2.46 billion of TFA BARBs. This total included \$500 million for new money and \$1.96 billion issued to refund a portion of its outstanding bonds at lower interest rates. The refunding will generate \$348.37 million in budgetary savings over the life of the bonds and \$326.46 million on a net present value basis. As of June 30, 2019, TFA BARBs outstanding totaled \$8.11 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 2019, TSASC had no financing activity. As of June 30, 2019, TSASC had \$1.05 billion of bonds outstanding.</p> <p>TSASC bond ratings vary by maturity. On November 16, 2017, Standard &amp; Poor's (S&amp;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, 2019, S&amp;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, 2019, S&amp;P rated TSASC subordinate bonds maturing 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 2019, STAR had no financing activity. As of June 30, 2019, STAR had \$1.72 billion of bonds outstanding.</p> <p>STAR maintained its Aa1 rating from Moody's Investor Services and AA+ from Fitch Ratings throughout Fiscal 2019. Standard &amp; Poor's maintained its AAA rating.</p>
<i>Fiscal Year 2005 Securitization Corporation</i>	<p>In Fiscal Year 2019, FSC had no financing activity. As of June 30, 2019, FSC had \$21.79 million of bonds outstanding.</p> <p>As of June 30, 2019, the bonds were rated AA+ by S&amp;P, Aaa by Moody's, and AAA by Fitch.</p>
<i>Hudson Yards Infrastructure Corporation</i>	<p>In Fiscal Year 2019, HYIC entered into a term loan agreement for \$350 million and has not drawn upon the loan. As of June 30, 2019, HYIC had \$2.72 billion of bonds outstanding.</p> <p>The First Indenture bonds are rated AA- by S&amp;P, Aa2 by Moody's, and AA- by Fitch. The Second Indenture bonds are rated A+ by S&amp;P, Aa2 by Moody's, and A+ by Fitch.</p>
<i>New York City Educational Construction Fund</i>	<p>In Fiscal Year 2019, ECF issued \$40.35 million of bonds to refund a portion of its outstanding bonds at lower interest rates. As of June 30, 2019, ECF had \$218.36 million of bonds outstanding.</p> <p>The bonds are rated AA- by S&amp;P and Aa3 by Moody's.</p>
<i>New York City Lien Trusts</i>	<p>In Fiscal Year 2019, the New York City Tax Lien Trusts, NYCTL 2018-A Trust, issued \$74.66 million of bonds. As of June 30, 2019, the New York City Tax Lien Trusts had in aggregate \$45.43 million of bonds outstanding.</p> <p>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 in Fiscal Year 2019. The City terminated a swap with a notional value of \$500 million on March 21, 2019, with no payment due from either party. As of June 30, 2019, the outstanding notional amount on the City's swap agreements in connection with General Obligation debt was \$599.35 million and the mark to market value was approximately negative \$67.75 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 2019, the Authority did not initiate or terminate any swaps. As of June 30, 2019, the outstanding notional amount on the Water Authority's various swap agreements was \$401 million and the mark to market value was approximately negative \$113.09 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, 2019, Water Authority, the City, TFA, and NYCTL Trusts completed the following long-term financings:

- Water Authority:* On July 2, 2019, the New York City Municipal Water Finance Authority issued \$459,600,000 of Fiscal 2020 Series AA Second General Resolution Revenue Bonds to refund a portion of its outstanding bonds at lower interest rates.
- On July 17, 2019, the New York City Municipal Water Finance Authority issued \$450,000,000 of Fiscal 2020 Series BB Second General Resolution Revenue Bonds for capital purposes.
- On October 8, 2019, the New York City Municipal Water Finance Authority issued \$442,415,000 of Fiscal 2020 Series 2, 3 and 4 Second General Resolution Revenue Bonds to refund a portion of its outstanding bonds and certain bond anticipation notes that were issued for capital purposes.
- City Debt:* On August 13, 2019, the City of New York issued \$1,400,000,000 of Fiscal 2020 Series A General Obligation bonds for capital purposes, reoffered \$27,340,000 of Fiscal 2006 Subseries F-4B, \$83,165,000 of Fiscal 2006 Subseries H-A and \$27,435,000 of Fiscal 2008 Subseries J-8 General Obligation bonds to convert a portion of its outstanding variable rate bonds to fixed rate, reoffered \$196,920,000 of Fiscal 2014 Subseries D-3 General Obligation bonds from a variable rate to stepped-coupon bonds, and reoffered \$200,000,000 of Fiscal 2014 Subseries I-3 General Obligation bonds from an index rate to a variable rate.
- On October 22, 2019, the City of New York issued \$1,080,000,000 of Fiscal 2020 Series B General Obligation bonds for capital purposes.
- TFA Debt:* On August 15, 2019, the New York City Transitional Finance Authority issued \$1,350,000,000 of Fiscal 2020 Series A Future Tax Secured bonds for capital purposes.
- On October 30, 2019, the New York City Transitional Finance Authority issued \$250,000,000 of Fiscal 2020 Series S-1 Building Aid Revenue Bonds for capital purposes.
- NYCTL 2019-A Trust:* On October 24, 2019, NYCTL 2019-A Trust issued \$74,230,000 of Series 2019-A Tax Lien Collateralized Bonds to fund the purchase of certain liens from the City.

## ***Commitments***

At June 30, 2019, the outstanding commitments relating to projects of the New York City's Capital Projects Fund amounted to approximately \$23.1 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 \$116.9 billion over Fiscal Years 2019 through 2028. To help meet the financing needs for its capital spending program, the City and TFA borrowed \$5.7 billion in the public credit market in Fiscal Year 2019. The City and TFA plan to borrow \$7.8 billion in the public credit market in Fiscal Year 2020.

On January 31, 2019, NYCHA, the City and the U.S. Department of Housing and Urban Development entered into an agreement relating to lead-based paint and other health and safety concerns in NYCHA's properties. Pursuant to this agreement, a Federal monitor has been appointed to oversee NYCHA's compliance with the terms of the agreement and federal regulations and the City will provide additional funding. Pursuant to the agreement, the 2019-2023 Capital Commitment Plan reflects \$1.2 billion in additional City capital funds, with an additional \$1 billion in City capital funds reflected in the remaining years of the Ten Year Capital Strategy for fiscal years 2020 through 2029. NYCHA has announced that it may be out of compliance with federal requirements beyond the regulations concerning lead-

based paint and other health and safety concerns that were the subject of such agreement. NYCHA has estimated that its total projected capital costs are approximately \$32 billion over the next five years.

***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](mailto:Accountancy@comptroller.nyc.gov).