# Fiscal Year 2006 Annual Report of the Comptroller on Capital Debt and Obligations

**The City of New York**
Office of the Comptroller
**William C. Thompson, Jr., Comptroller**

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# Executive Summary

Debt is issued by the City of New York (the "City"), or on behalf of the City, through a number of different mechanisms. This report assesses the debt condition of the City of New York in accordance with Section 232 of the City Charter. The Charter requires the Comptroller to report the amount of debt the City may responsibly incur for capital projects during the current fiscal year and each of the three succeeding fiscal years.

New York City's general debt limit, as provided in the New York State Constitution, is 10 percent of the five-year rolling average of the full value of taxable City real property. The City's FY 2006 general debt-incurring power of $47.05 billion is projected to rise to $52.53 billion in FY 2007, $56.11 billion in FY 2008, and $58.77 billion in FY 2009.

The City's General Obligation (GO) debt was $33.09 billion at the beginning of FY 2006. After including contract and other liability and adjusting for appropriation, the City's indebtedness against the debt limit totaled $37.92 billion at the beginning of FY 2006, as shown in the Debt-Incurring Power Table (See page iv). The City's indebtedness is expected to grow to $51.11 billion by the beginning of FY 2009.

New York City has the largest population of any city in the U.S., and it is obligated to maintain a complex and aging infrastructure. The City bears responsibilities for more school buildings, firehouses, health facilities, community colleges, roads, bridges, libraries, and police precincts than any other municipality in the country. Capital bond proceeds are used for the construction and rehabilitation of these facilities. Bond proceeds are also used for financing shorter-lived capital items such as comprehensive computer systems.

In addition to GO bonds, the City maintains several additional credits, including the New York City Transitional Finance Authority (NYCTFA) and TSASC, Inc. The debt-incurring capacity of NYCTFA and TSASC totals $15.3 billion and has already provided approximately $12.8 billion in resources to finance the City's capital program and $2.0 billion for recovery bonds. After adjusting for the benefit of the remaining TSASC debt-incurring power, the City was below its general debt limit by $9.13 billion on July 1, 2005 and is projected to have remaining debt-incurring capacity of $9.70 billion on July 1, 2006, $8.45 billion on July 1, 2007, and $7.67 billion on July 1, 2008.

Debt per capita, which amounted to $2,490 in FY 1990, grew to $6,720 by FY 2005, an increase of 170 percent. Over the same period, the cumulative growth rate in debt per capita exceeded the rate of inflation by 115 percentage points and the growth rate in City tax revenues by 60 percentage points. Based on an analysis of financial statements released by other jurisdictions, New York City leads a sample of large U.S. cities in the size of debt burden per capita by a margin of 2.5 to one.

*NYC Debt-Incurring Power*

($ in millions)

| | July 1, 2005 | July 1, 2006 [a] | July 1, 2007 | July 1, 2008 |
|---|---|---|---|---|
| **Gross Statutory Debt-Incurring Power** | **$47,051** | **$52,528** | **$56,110** | **$58,774** |
| Actual Bonds Outstanding as of June 30 (net) [b] | 33,085 | 31,652 | 29,982 | 28,323 |
| Plus New Capital Commitments | | | | |
| FY 2005 [c] | | 6,676 | 6,676 | 6,676 |
| FY 2006 | | | 6,505 | 6,505 |
| FY 2007 | | | | 5,122 |
| Less: Appropriation | (1,399) | (1,726) | (1,730) | (1,750) |
| **Subtotal: Net Funded Debt Against the Limit** | **31,686** | **36,602** | **41,433** | **44,876** |
| Plus: Contract and Other Liability | 6,231 | 6,231 | 6,231 | 6,231 |
| **Subtotal: Total Indebtedness Against the Limit** | **37,917** | **42,833** | **47,664** | **51,107** |
| **Remaining Debt-Incurring Power within the General Debt Limit** | **9,134** | **9,695** | **8,446** | **7,667** |
| Total Authorized TFA Debt-Incurring Power | 11,500 | 11,500 | 11,500 | 11,500 |
| Less: TFA Bonds Issued to Date for Contract Liability | 11,500 | 11,500 | 11,500 | 11,500 |
| **Remaining Authorized TFA Debt Incurring Power** | **0** | **0** | **0** | **0** |
| **Remaining TSASC Debt-Incurring Power** | **0** | **0** | **0** | **0** |
| **Remaining Debt-Incurring Power within General Limit, TFA Capacity, and TSASC Capacity[d]** | **$9,134** | **$9,695** | **$8,446** | **$7,667** |

[a] Based on preliminary data from the State Office of Real Property Services (ORPS). The estimates for FY 2006, which begins on July 1, 2005, through FY 2009 are developed by using the July 1, 2005 actual as a baseline and increasing the full market value by 2.65 percent. This rate of growth, provided by ORPS, represents a market value trend from FY 1990 through FY 2005. ORPS used the Ordinary Least Squares method to calculate the trend line.

[b] Net adjusted for Original Issue Discount, Capital Appreciation Bonds, GO bonds issued for the water and sewer system, and Business Improvement District debt. $33.903 billion from Table 1 minus $818 million of the aforementioned adjustments equals $33.085 billion.

[c] Reflects Capital Commitments as of the FY 2006 Adopted Budget Capital Commitment Plan (issued in September 2005) and includes cost of issuance and certain Inter-Fund Agreements.

[d] The Debt Affordability Statement released by the City in May, 2005 presents data for the last day of each fiscal year, June 30, instead of the first day of each fiscal year, July 1, as reflected in this table. The City's Debt Affordability Statement forecasts that indebtedness would be below the General debt limit by $3.4 billion at the end of FY 2005.

SOURCE: NYC Comptroller's Office and the NYC Office of Management & Budget.

The City continues to have good access to the public credit markets. The City's credit ratings are A1 by Moody's Investor Service, A+ by Standard & Poors', and A+ by Fitch Ratings.

# I. Profile of New York City Debt

Debt is issued by New York City, or on behalf of New York City, through a number of different mechanisms. This debt (Gross NYC Debt) is used to finance the City's capital projects. Gross NYC Debt rose by 8.2 percent between FY 2004 and FY 2005.[1] In the 1980s, Gross NYC Debt grew at an average annual rate of 4.5 percent. During the 1990s, Gross NYC Debt increased by 6.4 percent annually. The substantial increase during the 1990s resulted mainly from the rehabilitation of facilities that were neglected during the 1970s fiscal crisis. The FY 2006 Adopted Budget and Financial Plan projects that over the next four years, Gross NYC Debt will increase by 5.2 percent annually.[2]

## A. COMPOSITION OF DEBT

Debt used by the City to finance its capital program can be divided into five categories with General Obligation (GO) bonds accounting for 62.6 percent of the total as shown on Table 1. The City's debt is comprised of both tax-exempt and taxable bonds. Tax-exempt debt is issued to finance projects that have a public purpose, while taxable debt is issued for projects that have a public purpose but are ineligible for a Federal, State or City tax exemption.

***Table 1. Gross NYC Debt Outstanding as of June 30, 2005***

($ in millions)

| | General Obligation Bonds | Transitional Finance Authority | TSASC | STAR Corporation | Capital Lease Obligation[a] | Gross Debt Outstanding |
|---|---|---|---|---|---|---|
| **Tax-Exempt** | | | | | | |
| Fixed Rate | $27,004 | $8,433 | $1,283 | $1,869 | $2,867 | $41,456 |
| Variable Rate[b] | 5,078 | 4,100[c] | - | -0 | - | 9,178 |
| Subtotal | $32,082 | $12,533 | $1,283 | 1,869 | $2,867 | $50,634 |
| **Taxable** | | | | | | |
| Fixed Rate | $1,168 | $263 | $- | $683 | $616 | $2,730 |
| Variable Rate[b] | 653 | 181 | - | - | - | 834 |
| Subtotal | $1,821 | $444 | $- | $683 | $616 | $3,564 |
| **Total** | **$33,903** | **$12,977** | **$1,283** | **$2,552** | **$3,483** | **$54,198** |
| **Percent of Total** | **62.6%** | **23.9%** | **2.4%** | **4.7%** | **6.4%** | **100.0%** |

[a] This figure includes $727 million in Jay Street Development Corporation debt.
[b] Variable rate debt varies in term from two to 30 years with interest-payment terms that are reset on a daily, weekly, or other periodic basis.
[c] The New York City Transitional Finance Authority (NYCTFA) figure includes $1.95 billion of Recovery Bonds.
SOURCE: Comprehensive Annual Financial Report of the Comptroller, FY 2005, p.286.

Tax-exempt debt accounted for 93.4 percent of the total value of debt outstanding at the end of FY 2005. Fixed-rate tax-exempt debt accounted for 81.9 percent of tax-exempt debt and 76.5 percent of total debt. Tax-exempt and taxable variable rate debt comprised 18.5 percent of gross debt outstanding.

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[1] This information is presented on p. 286 of the Office of the NYC Comptroller's, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005* that was released on October 31, 2005.
[2] GO, TSASC, and NYCTFA debt used a proxy for estimated growth rate, due to the unavailability of data about future lease-purchase debt issuance.

**Elements of Outstanding Gross NYC Debt**

1. *General Obligation (GO)* debt, which is backed by the full faith and credit of the City, totaled $33.903 billion as of June 30, 2005 and accounted for 62.6 percent of total debt outstanding. Compared with FY 2004, GO debt increased $2.52 billion, or 8.1 percent.[3] Debt service for GO bonds is paid from the proceeds of real property taxes which are deposited with and retained by the State Comptroller under a statutory formula for the payment of debt service. This "lock-box" mechanism assures that debt-service obligations are satisfied before property taxes are released to the City's general fund.

2. *New York City Transitional Finance Authority (NYCTFA)* debt totaled $12.98 billion at the end of FY 2005. This is a 2.9 percent decrease, or a decrease of $387 million from FY 2004. The NYCTFA's share of Gross NYC Debt outstanding decreased to 23.9 percent in FY 2005 from 27 percent in FY 2004.

   The NYCTFA was created as a State authority. Therefore, its debt is not included in debt outstanding charged against the City's general debt limit.[4] In June of 2000, the State Legislature increased the NYCTFA's debt-incurring capacity to $11.5 billion from $7.5 billion. At this time, there are no further plans to issue NYCTFA debt to fund capital projects.

   The only remaining NYCTFA debt capacity is $470 million available under the special $2.5 billion Disaster Recovery Bond authorization.[5]

3. *TSASC, Inc. (TSASC)* debt totaled $1.283 billion as of June 30, 2005. This represents a modest increase of $27 million over FY 2004.[6] TSASC is a local development corporation organized under New York State's Not-for-Profit Corporation Law. TSASC bonds are secured by tobacco settlement revenues as described in the Master Settlement Agreement among 46 states, six jurisdictions, and the major tobacco companies. In September 2003, TSASC announced that it did not intend to issue any additional bonds under its indenture, and that it was reviewing alternatives for its outstanding bonds.

4. *STAR Corporation (Sales Tax Asset Receivable Corporation)* debt totaled $2.552 billion at the end of FY 2005. The proceeds of its bonds are earmarked to pay off the remaining debt of the Municipal Assistance Corporation. There are no plans to issue any additional debt for this credit. It is separate and apart from the City of New York but is an instrumentality of the City. The STAR Corporation is a local development corporation organized under the Not-for-Profit Corporation Law of the State of New York.

5. *Capital Lease Obligations* totaled $3.48 billion as of June 30, 2005, a decrease of $78 million, or 2.0 percent from FY 2004. The City plans to make annual appropriations

[3] FY 2004 figure is from the *FY 2005 Annual Report of the Comptroller on Capital Debt and Obligations,* December 2004.
[4] The debt limit is discussed in further detail in Section II.
[5] In the Autumn of 2001, the State Legislature approved legislation authorizing the NYCTFA to issue up to $2.5 billion of disaster recovery bonds greater than its cap of $11.5 billion.
[6] Increase represents the issuance of Transportation Infrastructure Finance & Innovation Act (TIFIA) bonds.

from its general fund for agreements with other entities that issue debt to build or maintain facilities on behalf of the City. These agreements are known as "leaseback" transactions. These leaseback obligations are included in the gross debt outstanding, but are excluded in the calculation of the City's indebtedness under the general debt limit. Capital lease obligations include debt issued by the Dormitory Authority of the State of New York for the New York City Courts Capital Program ($630 million), the Jay Street Development Corporation ($727 million), the City University Construction Fund ($290 million), the Educational Construction Fund ($96 million), the Primary Care Development Corporation ($50 million), the Health and Hospitals Corporation ($815 million), the Housing Finance Agency ($111 million), the Urban Development Corporation ($42 million), the Industrial Development Agency ($106 million), as well as general lease obligations ($616 million).[7]

**Other Issuing Authorities**

In addition to the financing mechanisms cited above, a number of independent authorities in the City issue bonds to finance projects in the NYC metropolitan area. Among the most prominent are the New York City Municipal Water Finance Authority (NYWFA) and the Metropolitan Transportation Authority (MTA) as shown on Table 2.

***Table 2. NYWFA and MTA Debt Outstanding as of June 30, 2005***

($ in millions)

| | Water Finance Authority | Metropolitan Transportation Authority |
|---|---|---|
| **Tax Exempt** | | |
| Fixed Rate | $12,388 | $14,494 |
| Variable Rate | 2,495[a] | 6,542 |
| **Total** | **$14,883** | **$21,036** |

[a] Includes $1.0 billion of commercial paper.
SOURCES: The NYC Municipal Water Finance Authority and the Metropolitan Transportation Authority.

NYWFA and MTA bonds are secured by dedicated revenues. As such, they are not considered debt of the City. Nevertheless, proceeds of these bonds are used to support services provided to City residents. In turn, City residents pay user fees and fares that secure, in large part, the $35.9 billion of debt of these two authorities.

As of June 30, 2005, the NYWFA had $14.883 billion in debt outstanding, an increase of $1.459 billion, or 10.9 percent over FY 2004. Debt issued by the NYWFA is supported by user fees and certain other revenues. Created by State law in 1984, the NYWFA is responsible for funding capital projects administered by the City's Department of Environmental Protection for sewers, water mains, and water pollution control plants.

The MTA, composed of six major agencies providing commuter transportation throughout the metropolitan area, had $21.036 billion of debt outstanding as of June 30, 2005. This is an increase of $1.57 billion, or 8.1 percent, over June 30, 2004. The New York City

[7] Although for reporting purposes $815 million of Health and Hospitals Corporation (HHC) debt is included in the category of *Capital Lease Obligations,* the debt of HHC is not guaranteed by New York City.

Transit Authority maintains 656 miles of mainline subway track and a fleet of more than 4,000 buses and serves the public within the five boroughs of New York City. The Long Island Railroad provides commuter train service to destinations in Queens, Nassau, and Suffolk counties from Midtown Manhattan and Downtown Brooklyn. The Metro-North Railroad serves commuters in the Bronx, Westchester, Putnam and Dutchess counties and portions of southern Connecticut. The Bridges and Tunnels Authority operates all intra-State tunnels and bridges throughout the five boroughs of New York City.

## B. ANALYSIS OF PRINCIPAL AND INTEREST AMONG THE MAJOR NYC ISSUERS

The three major issuers that either have financed and/or continue to finance capital projects are: 1) NYC General Obligation, 2) NYCTFA, and 3) TSASC. There is no additional planned debt issuance for either NYCTFA or TSASC. All new debt issuances will likely come from GO debt. As such, the average annual growth rate in debt outstanding is expected to slow to 3.1 percent between FY 2005 and FY 2015 relative to the average annual growth rate of 6.5 percent between FY 1999 and FY 2005.[8]

***Table 3. NYC Bonds Outstanding, Three Major Issuers, FYs 2005-2015***

($ in millions)

| End of Fiscal Year | Debt Outstanding for GO, NYCTFA, & TSASC | Percent Change |
|---|---|---|
| 2005 | $48,163 | 0.0% |
| 2006 | $50,770 | 5.4% |
| 2007 | $53,541 | 5.5% |
| 2008 | $56,540 | 5.6% |
| 2009 | $59,069 | 4.5% |
| 2010 | $60,776 | 2.9% |
| 2011 | $62,013 | 2.0% |
| 2012 | $63,026 | 1.6% |
| 2013 | $63,949 | 1.5% |
| 2014 | $64,749 | 1.3% |
| 2015 | $65,291 | 0.8% |

SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Report, October 31, 2005, and the Office of Management and Budget, June 2005 Financial Plan.

The principal and interest composition for the three major issuers combined is reflected in Table 4. Principal repayments, excluding STAR, are estimated to be $1.88 billion in FY 2006, $2.2 billion in FY 2007, $2.31 billion in FY 2008, and $2.48 billion in FY 2009. Thus, principal is estimated to comprise 46.5 percent of debt service in FY 2006, 46.3 percent in FY 2007, 45.2 percent in FY 2008, and 45.3 percent in FY 2009.[9]

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[8] *FY 2005 Comprehensive Annual Financial Report*, page 286, used as source for FY 1999 to FY 2005 rate of growth.

[9] Debt service excludes lease-purchase debt, interest on short-term notes, MAC and STAR as of the FY 2006 Adopted Budget and Financial Plan, June 2005. MAC is excluded from the principal and interest analysis because its debt service has been paid by the STAR Corporation whose debt service is being paid by State revenues.

*Table 4. Principal and Interest Estimated Payments, GO, NYCTFA, TSASC*

($ in millions)

| Fiscal Year | Estimated Principal Amount | Estimated Interest | Estimated Total Debt Service | Principal as Percent of Total |
|---|---|---|---|---|
| 2006 | $1,880 | $2,166 | $4,046 | 46.5% |
| 2007 | $2,202 | $2,550 | $4,752 | 46.3% |
| 2008 | $2,309 | $2,794 | $5,103 | 45.2% |
| 2009 | $2,483 | $2,995 | $5,478 | 45.3% |

SOURCE: City of New York, Office of the Comptroller, *Comprehensive Annual Financial Report*, October 31, 2005, and the Office of Management and Budget, June 2005 Financial Plan.
NOTE: Adjusted for prepayments and includes debt service for GO, NYCTFA, and TSASC only.

During FY 2005, the City issued $6.78 billion of GO debt of which approximately $2.86 billion were issued to refund certain outstanding bonds and $3.92 billion were new money bonds for capital purposes. The refundings produced $1.1 million in debt-service savings in FY 2005, $100.4 million of savings in FY 2006, and $26 million in FY 2007. At the end of FY 2005, GO debt totaled $33.9 billion of which $16.65 billion, or 49.1 percent, will come due in the next ten years as shown in Table 5 below.

*Table 5. Amortization of Principal of the Three Major Issuers and STAR Corporation*

($ in millions)

| Fiscal Years | GO | NYCTFA[a] | TSASC | STAR Corporation | Total | Percent of Total |
|---|---|---|---|---|---|---|
| 2006-2015 | $16,650 | $4,850 | $273 | $575 | $22,348 | 44.1% |
| 2016-2025 | $13,219 | $5,789 | $ 686 | $874 | $20,568 | 40.6% |
| 2025 and After | $ 4,034 | $2,338 | $ 324 | $1,103 | $ 7,799 | 15.3% |
| **Total** | **$33,903** | **$12,977** | **$1,283** | **$2,552** | **$50,715** | **100.0%** |

[a] Includes $1.95 billion of Recovery Bonds.

In FY 2005, the NYCTFA issued $921 million of refunding bonds. The refinancings produced savings of less than one million dollars in FY 2006, $7.7 million in FY 2007, and $22.5 million in FY 2008. NYCTFA debt totaled $12.98 billion at the end of FY 2005. Of the $12.98 billion of NYCTFA bonds outstanding, $4.85 billion, or 37.4 percent, will come due over the next ten years as shown in Table 5 above.

## C. INSTITUTIONAL USE OF GO DEBT

The City uses capital bond proceeds for numerous long-term projects, including the construction and rehabilitation of schools, roads and bridges, correctional and court facilities, sanitation garages, parks and cultural facilities, public buildings, and housing and urban development initiatives. Over the past several years, capital expenditures for schools have significantly outpaced capital spending for other purposes due primarily to deteriorating facilities and pressures to reduce class size. The amount of total bonds outstanding used for education capital projects has risen over the last number of years from $2.38 billion, or from a 13.4 percent share in FY 1992 to $15.63 billion, or 33.8 percent as of June 30, 2005. General Obligation debt outstanding grew from $17.8 billion to $33.9 billion over the same period.

Spending on housing and economic development has increased by $1.5 billion in absolute terms, but has declined in relative terms to 8.6 percent in FY 2005 from 14 percent of debt outstanding in FY 1992. Other categories that have posted absolute growth but relative decline include public safety, mass transit, sanitation, social services, off-street parking, airports, and ferries.

Since FY 1986, the NYWFA has financed virtually all capital expenditures of the Department of Environmental Protection (DEP), thereby decreasing the outstanding portion of GO bonds used for the rehabilitation and maintenance of the water and sewer system. From a level of $1.5 billion in FY 1992, or 8.4 percent of GO debt outstanding, water and sewer debt has declined to $564 million, or 1.2 percent of the total as of June 30, 2005 as shown in Table 6.

***Table 6. Use of GO, NYCTFA, and TSASC Debt, FY 2005 & FY 1992***

($ in millions)

| Categories | Debt Outstanding as of June 30, 2005 | Percent of Total | Debt Outstanding as of June 30, 1992 | Percent of Total |
|---|---|---|---|---|
| Education (Schools) | $15,625 | 33.8% | $2,382 | 13.4% |
| Housing and Urban Development | 3,997 | 8.6 | 2,502 | 14.0 |
| Mass Transit | 3,678 | 8.0 | 2,365 | 13.3 |
| Bridges, Tunnels, Highways and Streets | 4,938 | 10.7 | 1,658 | 9.3 |
| Public Safety, Correction and Courts | 3,214 | 7.0 | 1,729 | 9.7 |
| Sanitation | 2,150 | 4.7 | 1,141 | 6.4 |
| Parks, Recreational and Culturals | 2,760 | 6.0 | 996 | 5.6 |
| Water Pollution Control, Water Mains and Sewers[a] | 564 | 1.2 | 1,502 | 8.4 |
| Health Services | 811 | 1.8 | 863 | 4.8 |
| Public Buildings | 1,992 | 4.3 | 429 | 2.4 |
| Social Services | 671 | 1.5 | 283 | 1.6 |
| Off-Street Parking, Airports, Ferries and Markets | 538 | 1.2 | 267 | 1.5 |
| Undistributed and Other | 5,270 | 11.2 | 1,694 | 9.6 |
| **Total [b]** | **$46,208** | **100.0%** | **$17,811** | **100.0%** |

[a] Represents debt issued for water and sewer purposes prior to June 30, 1985.
[b] This includes GO debt, NYCTFA, and TSASC. Over the past five years the NYCTFA and TSASC have supplanted some of GO borrowing and have issued $14.8 billion of bonds and notes.
SOURCE: City of New York, Office of the Comptroller, *Comprehensive Annual Financial Report, FY 2005,* and the Office of Management and Budget, *Adopted Budget Debt Service Statement II*, FY 2006 and FY 1993.

As shown in Table 7, excluding DEP projects, the capital commitment portion for education projects in the September FY 2006 Capital Plan over FYs 2006-2009 is projected to be $4.91 billion or 21 percent of the total. Other GO supported program areas include bridges, tunnels, streets, and highways at $3.54 billion, housing and urban renewal at $2.99 billion, public safety at $2.76 billion, and parks, libraries, and cultural affairs at $2.47 billion.

Water pollution control, water mains and sewers and other projects related to DEP which are funded by Water Finance Authority bonds will comprise $7.6 billion of estimated City-funded commitments. This represents 25 percent of estimated total City capital commitments between FYs 2006-2009. Total City-funded commitments, including DEP, will average just below $7.0 billion per year, the highest four-year capital plan on record.

***Table 7. September Capital Commitment Plan by Category, City Funds, FYs 2006 - 2009***

($ in millions)

| Categories | Projected FY 2006-2009 Commitments | Percent of Total | Percent of Total without Water & Sewer |
|---|---|---|---|
| Water Pollution Control, Water Mains and Sewers (DEP)[a] | $7,596 | 25.0% | - |
| Bridges, Tunnels, Highways and Streets | 3,538 | 12.0 | 15.0% |
| Education (Schools) | 4,910 | 16.0 | 21.0 |
| Housing and Urban Development | 2,987 | 10.0 | 13.0 |
| Public Safety, Correction and Courts | 2,763 | 9.0 | 12.0 |
| Parks, Libraries and Culturals | 2,472 | 8.0 | 11.0 |
| Sanitation | 1,235 | 4.0 | 5.0 |
| Mass Transit | 337 | 1.0 | 1.0 |
| Health Services | 1,275 | 4.0 | 6.0 |
| Public Buildings | 3,118 | 10.0 | 13.0 |
| Off-Street Parking, Airports, Ferries and Markets | 139 | 0.0 | 0.0 |
| Social Services | 387 | 1.0 | 2.0 |
| **Total Before Reserve** | **$30,757** | **100.0%** | **100.0%** |
| Reserve for Unattained Commitments | ($2,821) | (N/A) | (N/A) |
| **Total [b]** | **$27,936** | **100.0%** | **100.0%** |

[a] Will be nearly 100 percent funded with NYC Water Finance Authority bonds.

[b] This represents City-funded capital commitments as of the *FY 2006 September Capital Commitment Plan* and includes a $2.8 billion reserve for unattained commitments.

# II. Debt Limit

## A. THE CITY'S DEBT-INCURRING POWER

NYC's general debt limit, as provided in the New York State Constitution, is 10 percent of the five-year rolling average of the full value of taxable real property. The process by which the City's annual debt limit is established contains a number of different elements:

- No later than February 15th, the City's Department of Finance issues a preliminary estimate of the assessed valuation of taxable real property for the ensuing fiscal year. Assessed value is traditionally less than the market value of properties.

- The general debt limit is based on the taxable full market value of real property and not on assessed value. To derive a taxable market value, the State Office of Real Property Services (ORPS) develops special equalization ratios that express the relationship between assessed value and market value. ORPS uses the most recent market survey and a projection of market values based on recent surveys to obtain the full value. Special equalization ratios are then calculated as the ratio of the assessed valuation of taxable real property for the ensuing and four prior fiscal years over the full value of taxable real property for those years. These equalization ratios are used to establish the City's debt-incurring power (debt limit) for the ensuing fiscal year.

- The State Constitution provides that, with certain exceptions, the City's general debt limit cannot be greater than ten percent of the average full value of taxable real property in the City over the most recent five years. Full values are established using the new equalization ratios and the assessed values of taxable real property for the five-year period. The City's debt limit for the ensuing fiscal year is then calculated by averaging the estimated full values of real property over the five-year period.

- On or about June 5th, the City Council adopts the City's yearly budget and fixes the property tax rates for the ensuing fiscal year. The resolution fixing the property tax contains the five-year average of the full value of real property that is used to derive the debt limit.

- The debt limit is effective as of July 1st, the start of each fiscal year.

Table 8 illustrates the calculation of the FY 2006 debt limit. The FY 2006 general debt limit was calculated using the assessed valuation of taxable real estate for fiscal years 2002 through 2006 divided by special equalization ratios provided by ORPS. The resulting figures provide an estimate of the full valuation of taxable real property over that period. These full values are totaled and then averaged to calculate the five-year average of taxable real property, which is $470.510 billion. The debt limit is then calculated by multiplying the five-year average by 10 percent, which yields the debt limit of approximately $47.051 billion for FY 2006.

*Table 8. Calculation of Full Valuation of Real Property in New York City and the General Debt Limit, FY 2006*

| Fiscal Year | Billable Assessed Valuation of Taxable Real Estate | Special Equalization Ratio (for Market Value) | Full Valuation |
|---|---|---|---|
| 2002 | $89,539,563,218 | 0.2283 | $392,201,328,156 |
| 2003 | $94,506,250,871 | 0.2230 | $423,794,846,955 |
| 2004 | $99,854,097,559 | 0.2056 | $485,671,680,734 |
| 2005 | $103,676,971,611 | 0.2067 | $501,581,865,559 |
| 2006 | $111,397,956,330 | 0.2028 | $549,299,587,426 |
| | | 5 - Year Average | $470,509,861,766 |
| | | 10 Percent of the 5-Year Average | $47,050,986,177 |

SOURCE: The City of New York, City Council Tax Fixing Resolution for FY 2006.

Table 9 shows that the City's FY 2006 general debt-incurring power of $47.05 billion is projected to rise to $52.53 billion in FY 2007, $56.11 billion in FY 2008, and $58.77 billion in FY 2009. The City's indebtedness is projected to grow from $37.92 billion at the beginning of FY 2006 to $51.11 billion at the beginning of FY 2009. The City was below its general debt limit by $9.13 billion on July 1, 2005. The City is projected to be below the general limit by $9.70 billion on July 1, 2006, by $8.45 billion on July 1, 2007, and by $7.67 billion by July 1, 2008.

NYCTFA and TSASC already have provided resources totaling $12.8 billion through FY 2005.[10] NYCTFA has no remaining borrowing capacity for capital purposes. TSASC issued the last of its Transportation Infrastructure Finance and Innovation Act (TIFIA) loans in FY 2005 and is unlikely to issue any further debt for capital purposes. The impact of these capital costs is discussed in "Affordability Measures" beginning on Page 17.

[10] Excludes $2 billion of NYCTFA recovery bonds.

### *Table 9. NYC Debt-Incurring Power*

($ in millions)

| | July 1, 2005 | July 1, 2006 [a] | July 1, 2007 | July 1, 2008 |
|---|---|---|---|---|
| **Gross Statutory Debt-Incurring Power** | **$47,051** | **$52,528** | **$56,110** | **$58,774** |
| Actual Bonds Outstanding as of June 30 (net) [b] | 33,085 | 31,652 | 29,982 | 28,323 |
| Plus New Capital Commitments | | | | |
| FY 2006 [c] | | 6,676 | 6,676 | 6,676 |
| FY 2007 | | | 6,505 | 6,505 |
| FY 2008 | | | | 5,122 |
| Less: Appropriation | (1,399) | (1,726) | (1,730) | (1,750) |
| **Subtotal: Net Funded Debt Against the Limit** | **31,686** | **36,602** | **41,433** | **44,876** |
| Plus: Contract and Other Liability | 6,231 | 6,231 | 6,231 | 6,231 |
| **Subtotal: Total Indebtedness Against the Limit** | **37,917** | **42,833** | **47,664** | **51,107** |
| **Remaining Debt-Incurring Power within the General Debt Limit** | **9,134** | **9,695** | **8,446** | **7,667** |
| Total Authorized TFA Debt-Incurring Power | 11,500 | 11,500 | 11,500 | 11,500 |
| Less: TFA Bonds Issued to Date for Contract Liability | 11,500 | 11,500 | 11,500 | 11,500 |
| **Remaining Authorized TFA Debt Incurring Power** | **0** | **0** | **0** | **0** |
| **Remaining TSASC Debt-Incurring Power** | **0** | **0** | **0** | **0** |
| **Remaining Debt-Incurring Power within General Limit, TFA Capacity, and TSASC Capacity[d]** | **$9,134** | **$9,695** | **$8,446** | **$7,667** |

[a] Based on preliminary data from the State Office of Real Property Services (ORPS). The estimates for FY 2006, which begins on July 1, 2005, through FY 2009 are developed by using the July 1, 2005 actual as a baseline and increasing the full market value by 2.65 percent. This rate of growth, provided by SORPS, represents a market value trend from FY 1990 through FY 2005. ORPS used the Ordinary Least Squares method to calculate the trend line.

[b] Net adjusted for Original Issue Discount, Capital Appreciation Bonds, GO bonds issued for the water and sewer system, and Business Improvement District debt. $33.903 billion from Table 1 minus $818 million of the aforementioned adjustments equals $33.085 billion.

[c] Reflects Capital Commitments as of the FY 2006 Adopted Budget Commitment Plan (issued in September 2005) and includes cost of issuance and certain Inter-Fund Agreements.

[d] The Debt Affordability Statement released by the City in May, 2005 presents data for the last day of each fiscal year, June 30, instead of the first day of each fiscal year, July 1, as reflected in this table. The City's Debt Affordability Statement forecasts that indebtedness would be below the General debt limit by $3.4 billion at the end of FY 2005.

SOURCE: NYC Comptroller's Office and the NYC Office of Management & Budget.

# III. Affordability of City Debt

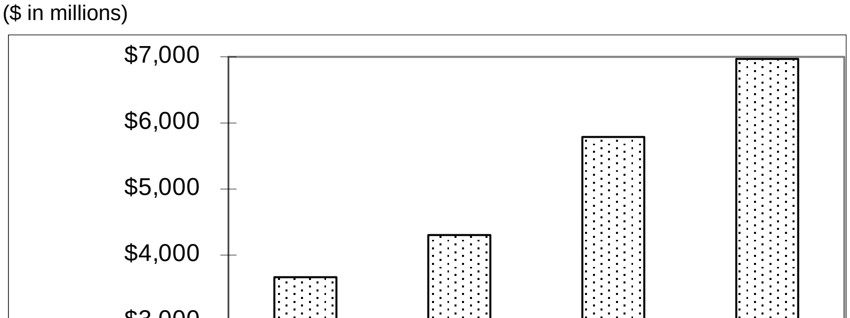
The proper measure of the affordability of City debt is always subject to debate. New York City's debt per capita of $6,209 in 2004 is the highest among the sampled cities.[11] Debt service as a percent of local tax revenues is a historically accurate measure that has been used to capture the fundamental impact of incurring debt. This measure will be discussed in "Affordability Measures" beginning on page 17.

## A. BACKGROUND

The City's infrastructure was greatly neglected during the fiscal crisis of the 1970s. Deferred maintenance led to dilapidated roads, bridges, and schools in dire need of repair. Following that difficult period, the City embarked on a series of ambitious capital plans to repair and maintain its infrastructure. This trend began in the early 1990s and has continued through FY 2005. The City committed resources averaging $3.68 billion per year between FYs 1994-1997, $4.3 billion per year between FYs 1998-2001, and $5.78 billion per year between FYs 2002-2005. In FY 2001, the City embarked on what was then a historically high capital commitment program, with City-funded capital commitments of $6.1 billion, an increase of 63.8 percent over FY 2000. City-funded commitments declined slightly to $5.83 billion in FY 2002, $5.38 billion in FY 2003, and to $4.54 billion in FY 2004. In FY 2005, $7.35 billion in City-funded commitments represented the highest level of capital commitments in the City's history. Between FYs 2006-2009, City-funded commitments are forecasted to average $6.98 billion, 21 percent more than the average of $5.78 billion between FYs 2002 and 2005 as shown in Chart 1.

***Chart 1. Actual and Historical Capital Commitment Averages, City Funds***

($ in millions)



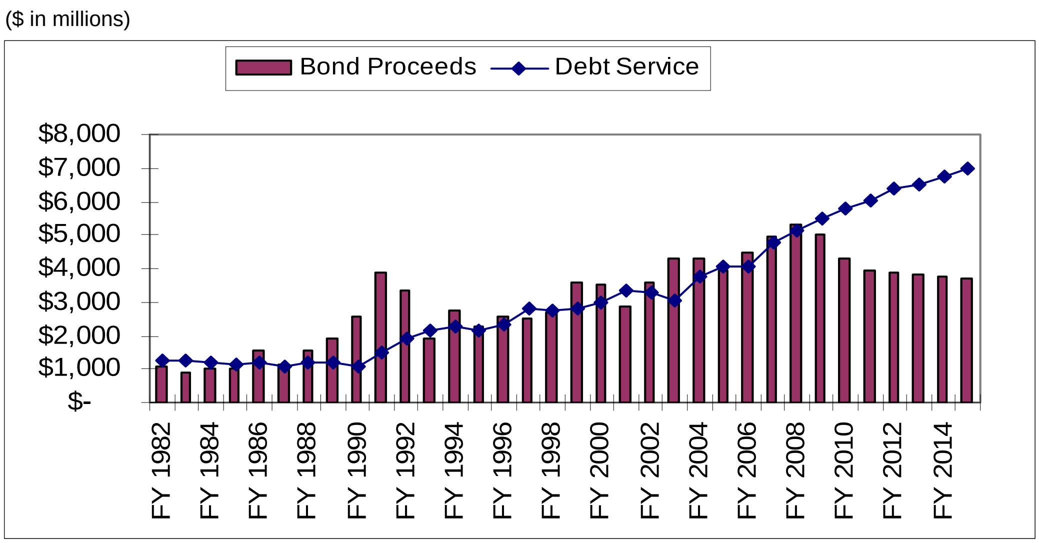

| | 94-97 | 98-01 | 02-05 | 06-09 |
|---|---|---|---|---|
| City Capital Commitments | $3,675 | $4,304 | $5,778 | $6,984 |
| Percent Change | | 17% | 34% | 21% |

SOURCE: *Message of the Mayor*, various FYs 1991-2001, and *FY 2006 September Capital Commitment Plan*.

[11] FY 2004 debt per capita used for New York City because the available data for the other sample cities are from either fiscal year or calendar year 2004.

The City's capital program relies almost exclusively on borrowing. The City's annual borrowing grew from $1.08 billion in FY 1982 to $3.92 billion in FY 2005. The City's borrowing is expected to increase and average $4.95 billion annually between FYs 2006-09.[12] The annual average growth rate of City debt-service payments was 5.3 percent per year between FY 1982 and FY 2005, rising to $4.04 billion in FY 2005 from $1.23 billion in FY 1982. Debt service is expected to rise by 5.6 percent per year from $4.04 billion in FY 2005 to $6.96 billion by FY 2015 as illustrated in Chart 2.

***Chart 2. Bond Proceeds and Debt Service, FYs 1982-2015***




Sources: City of New York, Office of the Comptroller, *Comprehensive Annual Financial Reports*, 1982-2005 and Office of Management and Budget, *Financial Plan*, June 2005. Debt-service payments exclude interest on short-term notes, MAC debt, lease-purchase debt, and budget surpluses prepaid to the debt-service fund.

## B. DEBT BURDEN

Even after adjusting for the effects of population change and tax revenue, City debt has expanded at a significant rate since FY 1990. Debt per capita, which amounted to $2,490 in FY 1990, grew to $6,209 in FY 2004, an increase of 149 percent. Over the same period, the cumulative growth rate in debt per capita exceeded the rate of inflation by 99 percentage points and the growth rate in City tax revenues by 62 percentage points. The debt per capita figure does not include the debt of the New York Municipal Water Finance Authority (NYWFA) and the MTA, both of which greatly affect user fees paid by City residents. If this debt were included in the calculation, the debt per capita figure would increase to approximately $10,700.

[12] This includes bond proceeds for GO, NYCTFA, and TSASC bonds only.

## C. COMPARISON WITH SELECTED MUNICIPALITIES

New York City has the largest population of all the cities in the U.S., and is required to maintain a complex, varied, and aging infrastructure. Given its population size, it has more school buildings, firehouses, health facilities, community colleges, roads, bridges, libraries, and police precincts than any other city in the country. Moreover, the City has responsibilities that in other cities are distributed more broadly among states, counties, unified school districts, and public authorities. Due to the differences in population, landmass, and the size of infrastructure to be maintained, it is important to adjust the data to establish a relative measure among and between jurisdictions when comparing levels of debt with other jurisdictions. Using debt per capita data to compare debt burden among municipalities provides such an adjustment.

The debt burden of NYC exceeds the average per capita debt burden of a sample of large U.S. cities by a margin of 2.5 to one. At $6,209 per capita in FY 2004, New York City surpasses the city with the next highest debt burden (Chicago), by 1.50 to 1, or $2,077 per capita, as shown in Table 10.

***Table 10. Debt Per Capita Measures for Selected Cities, 2004***

| City | Population | Direct and Overlapping Debt Outstanding ($ 000) | Debt Per Capita[a] |
|---|---|---|---|
| Chicago | 2,896,016 | $11,966,929 | $4,132 |
| Detroit | 911,402 | 3,031,447 | 3,326 |
| Houston | 2,033,000 | 6,413,357 | 3,155 |
| San Jose | 926,200 | 1,763,695 | 1,904 |
| Seattle | 572,600 | 1,404,477 | 2,453 |
| San Antonio | 1,278,300 | 3,292,495 | 2,576 |
| Las Vegas | 560,000 | 1,757,152 | 3,138 |
| Los Angeles | 3,912,200 | 6,473,221 | 1,655 |
| Phoenix | 1,490,420 | 2,142,211 | 1,437 |
| Boston | 582,000 | 893,485 | 1,535 |
| Dallas | 1,214,800 | 2,278,003 | 1,875 |
| San Francisco | 792,700 | 844,350 | 1,065 |
| *Average of Sample Cities* | *1,430,787* | *$3,521,735* | *$2,461* |
| **New York City** | **8,104,000** | **$50,317,000** | **$6,209** |

[a] Table 10 above is based on data extracted from each city's " Direct and Overlapping Debt Outstanding" exhibit included in that City's Comprehensive Annual Financial Report. While the individual exhibits are similar in format, there is no assurance that the components of the data published in those exhibits are comparable. In addition, the Cities of San Diego and Philadelphia did not respond in time for inclusion in this table.

Although its debt per capita is the highest of the cities surveyed, New York City's debt per capita did not grow as rapidly as four other cities from FY 1988 to FY 2004. It also is three percentage points below the average increase of the cities surveyed over that period. For example, from FY 1988 to FY 2004, the debt per capita of Las Vegas and Chicago has grown significantly faster, by 981 percent and 334 percent, respectively, compared with New York City at 204 percent as shown in Table 11.

*Table 11. Debt Per Capita Comparisons for Selected Cities – 1988 and 2004*

| City | Debt per Capita in 1988 | Debt per Capita in 2004 | Percent Change 1988-2004 |
|---|---|---|---|
| Las Vegas | $290 | $3,138 | 981% |
| Los Angeles | 435 | 1,655 | 280 |
| San Francisco | 344 | 1,065 | 210 |
| Chicago | 953 | 4,132 | 334 |
| San Antonio | 887 | 2,576 | 190 |
| San Jose | 663 | 1,904 | 187 |
| Phoenix | 594 | 1,437 | 142 |
| Seattle | 986 | 2,453 | 149 |
| Boston | 701 | 1,535 | 119 |
| Houston | 1,189 | 3,155 | 165 |
| Detroit | 1,156 | 3,326 | 188 |
| Dallas | 1,213 | 1,875 | 55 |
| *Average of All Other Cities*[a] | *$801* | *$2,461* | *207%* |
| **New York City** | **$2,041** | **$6,209** | **204%** |

SOURCES: NYC Comptroller's Office, based on Comprehensive Annual Financial Reports and/or official statements of various cities

NOTE: Table 11 above is based on data extracted from each city's " Direct and Overlapping Debt Outstanding" exhibit included in that city's Comprehensive Annual Financial Report. While the individual exhibits are similar in format, there is no assurance that the components of the data published in those exhibits are comparable.

[a] From Table 10, a simple average of the average of debt outstanding divided by the average population.

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NYC's debt per capita also exceeds that in sampled cities across the State of New York. Within the State, the average debt per capita of the cities and counties surveyed, excluding NYC, is $2,750, which is less than half of New York City's debt per capita in FY 2004. Even affluent counties such as Nassau and Westchester have debt per capita considerably less than that of New York City, at $4,018 and $2,908 respectively, as shown in Table 12.

*Table 12. Debt Per Capita Comparisons for Selected N.Y. Cities and Counties*

| City or County | Debt per Capita | Date of Observation |
|---|---|---|
| City of White Plains | $1,987 | 6/30/04 |
| Westchester County | $2,908 | 12/31/04 |
| Nassau County | $4,018 | 12/31/03 |
| City of Albany | $1,797 | 5/15/05 |
| City of Syracuse | $2,061 | 7/12/05 |
| Onandaga County | $2,609 | 12/31/04 |
| City of Buffalo | $1,428 | 12/31/04 |
| City of Rochester | $1,872 | 6/30/04 |
| Monroe County | $2,101 | 12/31/04 |
| Suffolk County | $2,409 | 12/31/04 |
| Average of Above N.Y. Cities and Counties[a] | **$2,750** | |
| New York City | $6,720 | 6/30/05 |
| New York City | $6,209 | 6/30/04 |

SOURCE: Comprehensive Annual Financial Reports of various Cities and Counties.

[a] This amount reflects a simple average of the average of debt outstanding for all counties or cities divided by the average population for all the respective counties and cities.

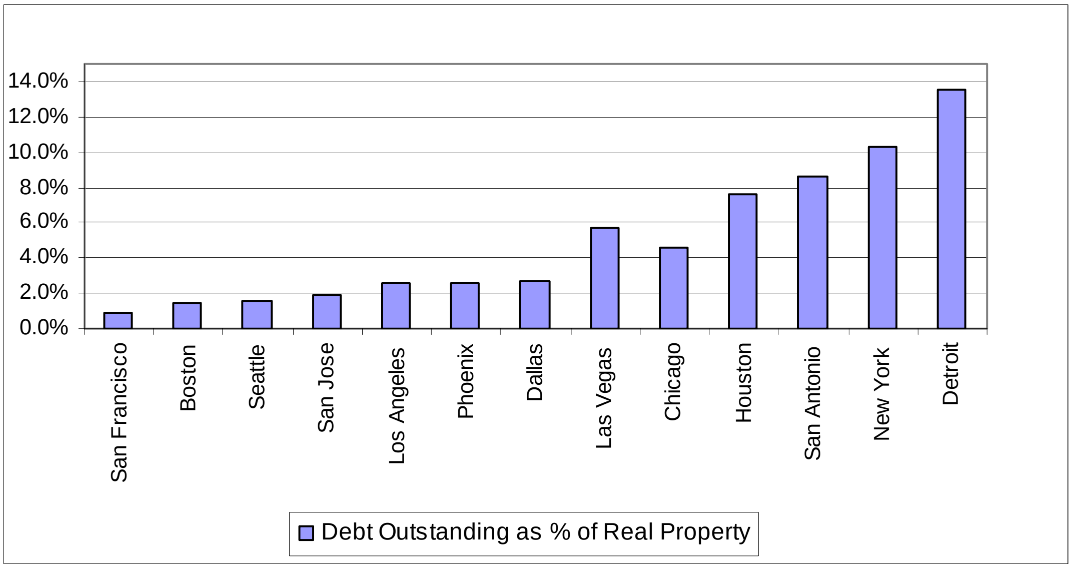
Another way to examine debt burden of a municipality or city is to measure its debt relative to its wealth. Two traditional measures of that relationship are outstanding debt divided by the full value of real property and per capita debt divided by per capita personal income. The rationale behind the use of the full value of real property is that the property tax base provides a major revenue source for debt payment, and that there is generally some reasonable limit on the amount of debt that can be borrowed against the property tax base. The Standard & Poor's rating agency considers values above 6.0 percent to be high.[13]

The rationale behind using personal income is that it is another relative measure of a locality's wealth. The wealthier a community, the greater its capacity to pay taxes, and therefore has the ability to sustain local government debt and operations. This, of course, is always a balancing act for local municipalities, as over-taxation can lead to the flight of its tax-paying residents and the loss of a predictable source of revenues. Standard & Poor's considers per capita debt more than 6.0 percent of per capita income to be high.[14]

Among the cities surveyed in this report, New York City is among the highest in both measures of debt burden and is well above the averages of the sample cities and counties. New York City's outstanding debt as a percentage of full value of real property in FY 2004 is 10.4 percent. This is almost seven percentage points above the sample city average of 3.5 percent. Only Detroit exceeds New York City, with outstanding debt at 13.6 percent of the full value of real property. The cities with the next highest debt relative to full market values ratios after New York are San Antonio and Houston at 8.7 and 7.7 percent, respectively. Other major cities have considerably less debt relative to full market value compared to New York City. For example, Chicago's debt is 4.5 percent of full market value and Los Angeles is 2.6 percent as shown in chart 3.

[13] Standard & Poor's Public Finance Criteria 2000, p. 29.
[14] Ibid.

***Chart 3. Debt Outstanding as Percent of the Full Value of Real Property, FY 2004***




SOURCE: Each City's Comprehensive Annual Financial Report FY 2004.
NOTE: Debt per capita is based on data extracted from each city's. Direct and Overlapping Debt Outstanding exhibit included in that City's Comprehensive Annual Financial Report. While the individual exhibits are similar in format, there is no assurance that the components of the data published in those exhibits are comparable. In addition, the Cities of San Diego and Philadelphia did not respond in time for inclusion in this table.

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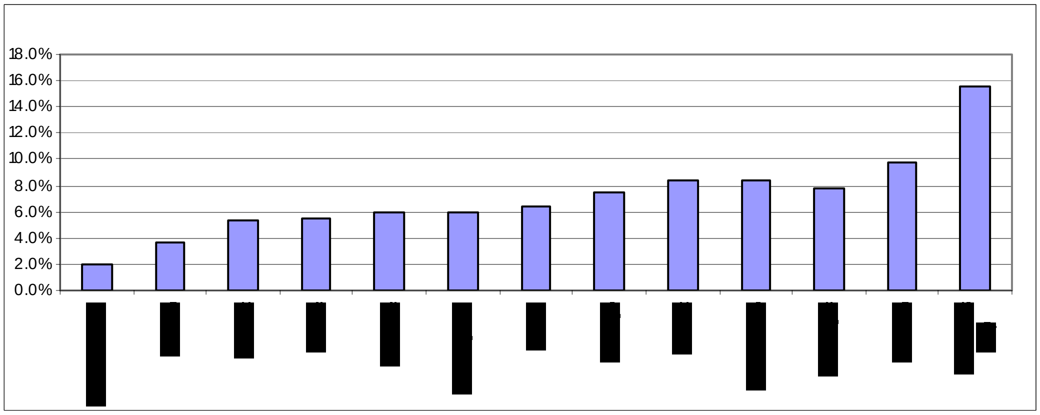
New York City's debt per capita as a percentage of personal income per capita in FY 2003 was 15.6 percent or 2.6 times higher than the average of the sample cities of 6.0 percent.[15] No other sample city exceeds New York. Houston was the next highest at 9.8 percent, and San Francisco was the lowest at 2.0 percent as shown on Chart 4.

[15] Since the Department of Commerce's Bureau of Economic Analysis (BEA) provides personal income figures by county, the analysis in Chart 4 uses annual financial reports of the *county, include New York*, in which each city is located. The latest available BEA data for personal income is 2003. The City and County of San Francisco is a coterminous geographic entity.

*Chart 4. Debt per Capita as Percent of Personal Income per Capita, FY 2003*

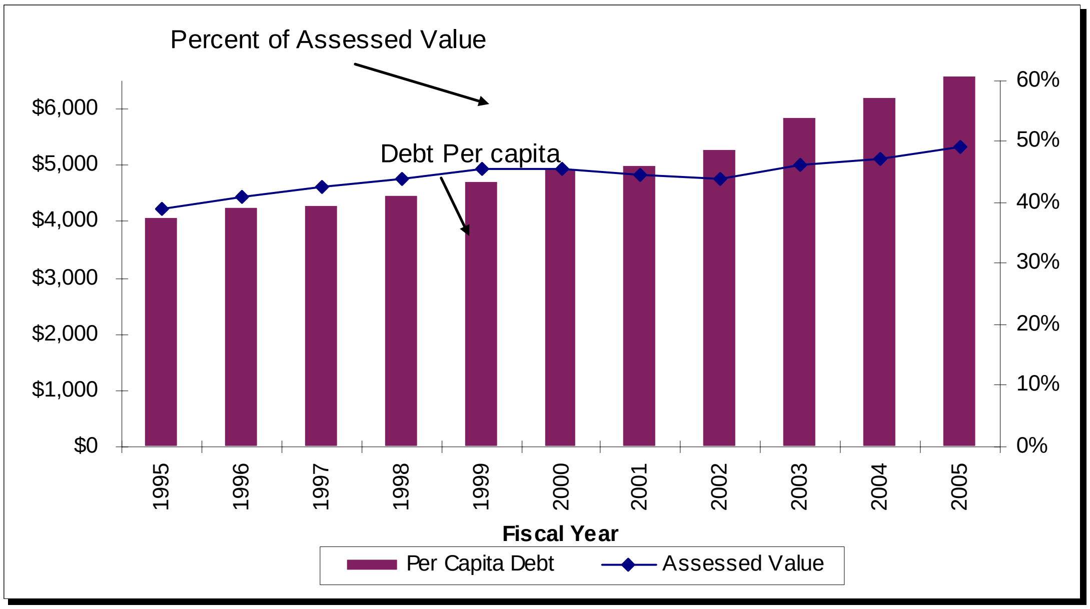



SOURCE: FY 2003 Comprehensive Annual Financial Reports of Sample Counties as proxies for the above citiesand the Department of Commerce – Bureau of Economic Analysis – 2003 personal income data.NOTE: Debt per capita is based on data extracted from each city's Direct and Overlapping Debt Outstanding exhibit included in that City's Comprehensive Annual Financial Report. While the individual exhibits are similar in formatthere is no assurance that the components of the data published in those exhibits are comparable. In addition the Cities of San Diego and Philadelphia did not respond in time for inclusion in this table.

## D. AFFORDABILITY MEASURES

The level of NYC's debt is rising and consuming a larger portion of the assessed value of taxable real property. As a percentage of the assessed value of real property, NYC debt rose to 49.3 percent in FY 2005 from 40 percent in FY 1996, indicating that local resources available to meet outstanding obligations are declining as shown in Chart 5.

***Chart 5. Debt Per Capita and Debt as a Percentage of Assessed Value of Taxable Real Property***




SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1995-2005.

Another measure of debt affordability is the annual debt service expressed as a percent of annual tax revenues. This measure shows the pressure that debt service exerts on a municipality's operating budget. In the case of NYC, debt service, which consumed 11.6 percent of tax revenues in FY 1990, consumed 12.7 percent in FY 2005. The relatively low percentage in FY 2005 is attributable to a low interest rate environment for borrowing and considerable savings on variable rate debt along with higher than expected tax revenues. By FY 2009, annual debt service will consume an estimated 17.5 percent of tax revenues; a percentage not seen since the early 1980's when the City was emerging from a protracted recession.[16] However, if interest costs over the next four years are less than the budgeted rate of 7.0 percent and tax revenue collections remain on target, this percentage will be lower than estimated.

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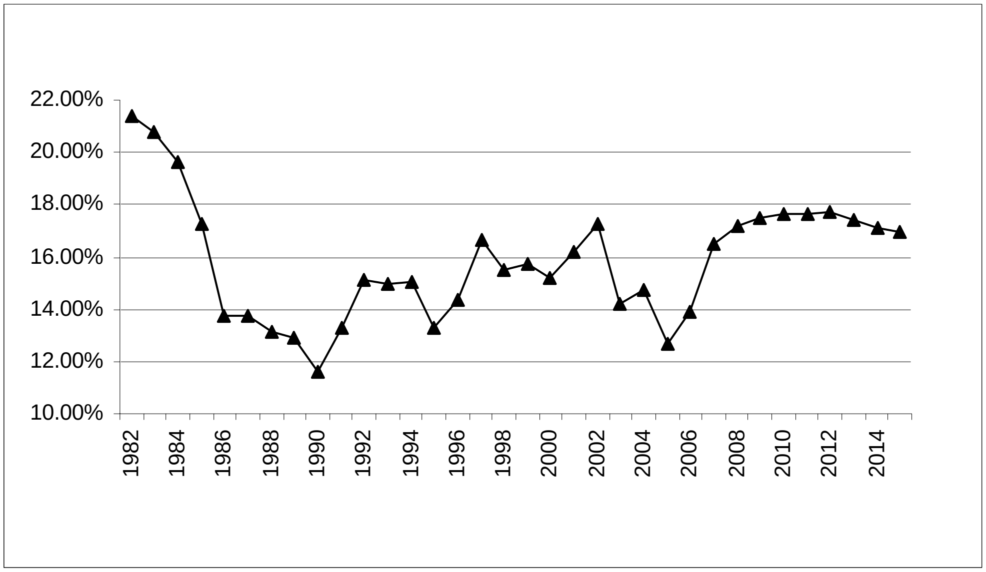
[16] From the City of New York, Office of the Comptroller, *Comprehensive Annual Financial Reports*, 1982-2005, and OMB, *Adopted Financial Plan*, June 2005.

*Chart 6. Debt Service as a Percent of Tax Revenues*




SOURCE: City of New York, Office of the Comptroller, *Comprehensive Annual Financial Reports*, 1982-2005, and OMB, Adopted Financial Plan, June 2005.

**City of New York Swap Transactions**

The City has entered into 14 swap transactions for a total notional amount of approximately $3.06 billion. Additionally, the Dormitory Authority of the State of New York (DASNY) has entered into fours swaps pursuant to which the City is obligated, subject to appropriation, to make lease payments to DASNY reflecting DASNY's obligations. As of September 30, 2005, the amount the City would owe to counterparties if the City's swap transactions were terminated was $68.8 million. The City has executed its swaps with diverse and highly rated counterparties and utilized structures having favorable credit terms in each case to mitigate termination risk exposure.

There have been several types of swaps used by the City of New York to date. They include synthetic fixed rate swaps, Consumer Price Index Swaps, a total return swap, swaptions, and basis swaps.

Synthetic fixed rate financings are executed through the City's issuance of variable rate bonds, followed by the City entering into a swap which requires the City to make fixed payments to a counterparty and to receive an amount based on a variable rate index (i.e. percent of LIBOR, BMA or CPI) from a counterparty in return.

Consumer Price Index (CPI) Swaps are another type of synthetic fixed rate swap that are made possible through the issuance of variable rate bonds referenced to the CPI. Under the terms of the agreement, the City receives a variable rate equal to that on the underlying bonds and pays an agreed upon fixed rate to the counterparty which was determined at the time of closing.

The Total Return Swap that the City used can be described as providing an attractive variable rate alternative. The City issued bonds based on the MMD Index and entered into a swap in which the City receives a payment equivalent to the coupon on the underlying bonds and pays a variable rate of the Bond Market Association (BMA) index plus 35 basis points. At the time of debt issuance the variable rate on the swap was approximately 50 basis points below that of traditional variable rate bonds.

Certain swaptions allow the counterparty to exercise its right to enter into a swap with the City at a future date. In one instance, counterparties paid the City approximately $10 million upfront for the right to enter into a swap arrangement with the City beginning in August 2007, with the right to enter lasting for a period of two years. Also, the City sold an option to terminate the fixed rate swaps in connection with the Series 2003 F and G bonds executed with the counterparty that, if exercised by the counterparty, would create variable rate exposure for the City.

Basis swaps are generally defined as exchanging variable rate cashflows with a counterparty based upon two different indices. Under one of the basis swaps, the City pays a variable rate based on BMA and receives a variable rate based on a stepped percentage of one-month LIBOR. On another basis swap, the City pays a variable rate based on BMA and receives a variable rate based on a constant percentage of one-month LIBOR. The City received upfront cash payments of $20 million and $20.585 million in connection with the two basis swaps.

Overall, the risks associated with floating rate exposure include the potential negative impact of certain unanticipated events which can cause increases to the City's overall cost of borrowing. Those events include rising interest rates, a change in tax code, and the deterioration of the City's credit. Overall, floating rate exposure, to date, has been a benefit to the City because it has reduced the cost of financing through lower floating rates.

In addition, the City budgets expenses on floating rate instruments in a conservative manner, as much as 1.0 to 2.0 percent above current market rates in the out-years of the financial plan.

# Glossary of Acronyms

| | |
|---|---|
| **BAN** | Bond Anticipation Notes |
| **BMA** | Bond Market Association |
| **BEA** | Bureau of Economic Analysis |
| **CAFR** | Comprehensive Annual Financial Report |
| **CPI** | Consumer Price Index |
| **CY** | Calendar Year |
| **DASNY** | Dormitory Authority of the State of New York |
| **FEMA** | Federal Emergency Management Agency |
| **FY** | Fiscal Year |
| **GO Debt** | General Obligation Debt |
| **LIBOR** | London Inter Bank Offer Rate |
| **MAC** | Municipal Assistance Corporation |
| **MMD** | Municipal Market Data |
| **MTA** | Metropolitan Transportation Authority |
| **N.Y.** | New York |

| | |
|---|---|
| **NYC** | New York City |
| **NYCTFA** | New York City Transitional Finance Authority |
| **NYWFA** | New York City Municipal Water Finance Authority |
| **OMB** | Office of Management and Budget |
| **ORPS** | State Office of Real Property Services |
| **S&P** | Standard & Poor's |
| **STAR** | Sales Tax Asset Receivable Corporation |
| **TIFIA** | Transportation Infrastructure Finance and Innovation Act |
| **TFAB** | Tobacco Flexible Amortization Bonds |
| **TSASC** | Tobacco Settlement Asset Securitization Corporation |
| **U.S.** | United States |
| **USDOT** | United States Department of Transportation |
| **WTC** | World Trade Center |