



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

**A COMPONENT UNIT OF THE CITY OF NEW YORK**

**Financial Statements  
(Together with Independent Auditors' Report)**

**June 30, 2021 and 2020**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
(A Component Unit of The City of New York)**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of the  
New York City Transitional Finance Authority

We have audited the accompanying financial statements of the governmental activities and governmental funds of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2021 and 2020, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of the New York City Transitional Finance Authority as of June 30, 2021 and 2020, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Marks Paneth LLP*

New York, NY  
September 30, 2021

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited)

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The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority" or "TFA") as of June 30, 2021 and 2020, and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The annual financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of the Authority's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital, and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which are recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and reconciliations of the governmental funds statements of revenues, expenditures and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

### **Future Tax Secured Bonds**

The Authority's original authorizing legislation limited the amount of Authority debt issued for The City of New York's (the "City") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds, (excluding Recovery Bonds); the ability to issue additional FTS Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2021, the City's and the Authority's remaining combined debt-incurring capacity was approximately \$41.2 billion.

In fiscal years 2021 and 2020, the Authority issued \$3.2 billion and \$3.6 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Future Tax Secured Bonds (continued)

During fiscal year 2021, the Authority issued \$2.8 billion of FTS Bonds to refund \$3.4 billion of outstanding FTS Bonds. The refunding resulted in an accounting loss of \$31 million. The Authority in effect reduced its aggregate debt service by \$630 million and obtained an economic benefit of \$614 million.

During fiscal year 2021, the Authority reoffered \$639 million of FTS Bonds. The proceeds from the reoffering provided for the partial redemption and conversion of \$865 million of outstanding FTS Variable Rate Demand Bonds ("VRDBs") to fixed rate bonds.

During fiscal year 2020, the Authority reoffered \$138 million of FTS Bonds. The proceeds from the reoffering provided for the partial redemption and conversion of \$153 million of outstanding VRDBs to fixed rate bonds.

As of June 30, 2021 and 2020, the Authority had FTS Senior Bonds outstanding of \$313 million and \$662 million and Subordinate bonds (excluding Recovery Bonds) of \$41 billion and \$39.6 billion, respectively.

The Authority is also authorized to have outstanding up to \$2.5 billion of bonds and notes to pay costs arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2021 and 2020, of \$278 million and \$421 million, respectively.

Build America Bonds ("BABs") and Qualified School Construction Bonds ("QSCBs") are taxable bonds that were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act") whereby the Authority receives a cash subsidy from the United States Treasury to pay related bond interest. In fiscal years 2021 and 2020, the Authority recognized subsidy payments of \$44.8 million and \$51.5 million on its BABs, respectively, and \$48.4 million and \$48.3 million on its QSCBs, respectively. Subsidy payments have been discounted due to the federal budget sequestration; the latest discount was 5.7% beginning in October 2020. The proceeds of the BABs were used to finance the City's capital expenditures and the QSCBs proceeds were used to finance the City's educational facilities.

The following summarizes the changes in debt service activity for FTS Bonds in fiscal years 2021 and 2020:

	Balance at June 30, 2020	Issued/ Converted	Retired/ Converted	Defeased	Balance at June 30, 2021	Total Interest Payments FY 2021
	(in thousands)					
<b>Senior FTS Bonds</b>	\$ 662,305	\$ -	\$ (330,510)	\$ (18,895)	\$ 312,900	\$ 35,424
Subordinate FTS Bonds:						
Recovery Bonds	420,820	130,950	(273,450)	-	278,320	4,016
Parity Bonds	35,657,885	6,534,315	(1,682,145)	(3,400,630)	37,109,425	1,395,899
Build America Bonds	2,800,230	-	(84,405)	-	2,715,825	138,575
Qualified School Construction Bonds	1,137,340	-	-	-	1,137,340	51,336
<b>Subtotal - Subordinate FTS Bonds</b>	<b>40,016,275</b>	<b>6,665,265</b>	<b>(2,040,000)</b>	<b>(3,400,630)</b>	<b>41,240,910</b>	<b>1,589,826</b>
<b>Total FTS Bonds Payable</b>	<b>\$ 40,678,580</b>	<b>\$ 6,665,265</b>	<b>\$ (2,370,510)</b>	<b>\$ (3,419,525)</b>	<b>\$ 41,553,810</b>	<b>\$ 1,625,250</b>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Future Tax Secured Bonds (continued)

	Balance at June 30, 2019	Issued/ Converted	Retired/ Converted (in thousands)	Balance at June 30, 2020	Total Interest Payments FY 2020
<b>Senior FTS Bonds</b>	\$ 703,185	\$ -	\$ (40,880)	\$ 662,305	\$ 45,064
Subordinate FTS Bonds:					
Recovery Bonds	558,450	108,185	(245,815)	420,820	10,660
Parity Bonds	33,259,760	3,605,815	(1,207,690)	35,657,885	1,373,729
Build America Bonds	2,854,605	-	(54,375)	2,800,230	157,383
Qualified School Construction Bonds	1,137,340	-	-	1,137,340	51,335
<b>Subtotal - Subordinate FTS Bonds</b>	<b>37,810,155</b>	<b>3,714,000</b>	<b>(1,507,880)</b>	<b>40,016,275</b>	<b>1,593,107</b>
<b>Total FTS Bonds Payable</b>	<b>\$ 38,513,340</b>	<b>\$ 3,714,000</b>	<b>\$ (1,548,760)</b>	<b>\$ 40,678,580</b>	<b>\$ 1,638,171</b>

Debt service requirements to maturity for FTS Bonds, including Recovery Bonds at June 30, 2021, are as follows:

	<u>SENIOR</u>			<u>SUBORDINATE</u>			<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	(in thousands)								
Year ending June 30,									
2022	\$ -	\$ 660	\$ 660	\$ 1,182,620	\$ 1,663,240	\$ 2,845,860	\$ 1,182,620	\$ 1,663,900	\$ 2,846,520
2023	-	660	660	1,681,145	1,611,068	3,292,213	1,681,145	1,611,728	3,292,873
2024	-	660	660	1,742,920	1,544,027	3,286,947	1,742,920	1,544,687	3,287,607
2025	33,900	627	34,527	1,720,620	1,476,527	3,197,147	1,754,520	1,477,154	3,231,674
2026	26,890	579	27,469	1,778,395	1,410,355	3,188,750	1,805,285	1,410,934	3,216,219
2027 to 2031	245,570	1,081	246,651	8,947,100	5,928,278	14,875,378	9,192,670	5,929,359	15,122,029
2032 to 2036	6,540	8	6,548	8,820,100	4,054,844	12,874,944	8,826,640	4,054,852	12,881,492
2037 to 2041	-	-	-	9,231,655	1,933,381	11,165,036	9,231,655	1,933,381	11,165,036
2042 to 2046	-	-	-	5,436,490	452,361	5,888,851	5,436,490	452,361	5,888,851
2047 to 2051	-	-	-	699,865	50,822	750,687	699,865	50,822	750,687
<b>Total</b>	<b>\$ 312,900</b>	<b>\$ 4,275</b>	<b>\$ 317,175</b>	<b>\$ 41,240,910</b>	<b>\$ 20,124,903</b>	<b>\$ 61,365,813</b>	<b>\$ 41,553,810</b>	<b>\$ 20,129,178</b>	<b>\$ 61,682,988</b>

(a) The variable interest rates used in this table were .08% on tax-exempt bonds, .77% on index bonds, and .28% on auction bonds.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Building Aid Revenue Bonds

The Authority is also authorized to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from the State of New York (the "State") that is received by the Authority pursuant to an assignment with the City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs for the City's school system's five-year educational facilities capital plans and to pay the Authority's administrative expenses. In fiscal years 2021 and 2020, the Authority issued \$200 million and \$250 million of BARBs, respectively. BARBs outstanding as of June 30, 2021 and 2020 were \$8.4 billion and \$8.3 billion, respectively.

In fiscal years 2021 and 2020, the Authority recognized subsidy payments of \$6.9 million and \$6.3 million on its BABs and \$9.6 million and \$8.8 million on its QSCBs, respectively.

The following summarizes the changes in debt service activity for BARBs in fiscal years 2021 and 2020:

	Balance at June 30, 2020	Issued/ Converted	Retired/ Converted (in thousands)	Balance at June 30, 2021	Total Interest Payments FY 2021
Building Aid Revenue Bonds	\$ 7,804,065	\$ 200,000	\$ (95,420)	\$ 7,908,645	\$ 371,149
Build America Bonds	295,750	-	(1,440)	294,310	19,981
Qualified School Construction Bonds	200,000	-	-	200,000	9,800
<b>Total BARBs Payable</b>	<b>\$ 8,299,815</b>	<b>\$ 200,000</b>	<b>\$ (96,860)</b>	<b>\$ 8,402,955</b>	<b>\$ 400,930</b>

	Balance at June 30, 2019	Issued/ Converted	Retired/ Converted (in thousands)	Balance at June 30, 2020	Total Interest Payments FY 2020
Building Aid Revenue Bonds	\$ 7,615,380	\$ 250,000	\$ (61,315)	\$ 7,804,065	\$ 375,190
Build America Bonds	295,750	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	200,000	9,800
<b>Total BARBs Payable</b>	<b>\$ 8,111,130</b>	<b>\$ 250,000</b>	<b>\$ (61,315)</b>	<b>\$ 8,299,815</b>	<b>\$ 405,008</b>



# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Building Aid Revenue Bonds (continued)

Debt service requirements to maturity for BARBs at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in thousands)		
Year ending June 30,			
2022	\$ 112,905	\$ 405,311	\$ 518,216
2023	192,405	397,505	589,910
2024	289,090	386,930	676,020
2025	303,500	373,181	676,681
2026	317,315	358,305	675,620
2027 to 2031	1,913,900	1,516,758	3,430,658
2032 to 2036	2,379,965	982,276	3,362,241
2037 to 2041	1,827,190	417,469	2,244,659
2042 to 2046	864,210	119,380	983,590
2047 to 2051	202,475	9,905	212,380
Total	<u>\$ 8,402,955</u>	<u>\$ 4,967,020</u>	<u>\$ 13,369,975</u>

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. Under the criteria established by GASB, the assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City — future State building aid) for the cumulative amount it has distributed to the City for the educational facilities capital plan, offset by the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are reported as other financing (uses) of funds.

The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses in accordance with the Indenture. Building aid retained by the Authority is treated as other financing sources, as the amount retained is accounted for as a repayment of the amounts treated as loaned to the City.

Below is a table summarizing the total building aid revenues from the State, remittances to the City and the balances retained by the Authority for the fiscal years ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands)		
Building aid received from New York State	\$ 1,321,008	\$ 1,318,607	\$ 1,266,978
Building aid remitted to New York City	<u>(520,223)</u>	<u>(522,087)</u>	<u>(522,568)</u>
Total retained for debt service and operating expenses	<u>\$ 800,785</u>	<u>\$ 796,520</u>	<u>\$ 744,410</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Financial Highlights And Overall Analysis — Government-Wide Financial Statements

The following summarizes the activities of the Authority for the years ended June 30,

	2021	2020	2019	Variance	
				2021/2020	2020/2019
	(in thousands)				
Revenues:					
Personal income tax retained	\$ 276,012	\$ 511,986	\$ 443,864	\$ (235,974)	\$ 68,122
Unrestricted grants	2,740,000	2,549,536	2,319,545	190,464	229,991
Federal interest subsidy	109,705	114,921	116,019	(5,216)	(1,098)
Investment earnings	(2,181)	56,495	62,927	(58,676)	(6,432)
Other	91	2,200	-	(2,109)	2,200
Total revenues	<u>3,123,627</u>	<u>3,235,138</u>	<u>2,942,355</u>	<u>(111,511)</u>	<u>292,783</u>
Expenses:					
Distributions to New York City for general capital program	3,824,011	3,954,963	5,253,296	(130,952)	(1,298,333)
Bond interest	1,679,932	1,736,944	1,685,465	(57,012)	51,479
Other	176,259	152,405	171,749	23,854	(19,344)
Total expenses	<u>5,680,202</u>	<u>5,844,312</u>	<u>7,110,510</u>	<u>(164,110)</u>	<u>(1,266,198)</u>
Change in net position (deficit)	(2,556,575)	(2,609,174)	(4,168,155)	52,599	1,558,981
Net position (deficit) - beginning of year	<u>(44,481,076)</u>	<u>(41,871,902)</u>	<u>(37,703,747)</u>	<u>(2,609,174)</u>	<u>(4,168,155)</u>
Net position (deficit) - end of year	<u>\$ (47,037,651)</u>	<u>\$ (44,481,076)</u>	<u>\$ (41,871,902)</u>	<u>\$ (2,556,575)</u>	<u>\$ (2,609,174)</u>

In fiscal years 2021, 2020 and 2019, the Authority received unrestricted grants in the amount of \$2.7 billion, \$2.5 billion, and \$2.3 billion, respectively. These funds were used to fund FTS Bonds' future years debt service requirements which reduced the amount of personal income tax ("PIT") retained for such purpose.

In fiscal years 2021, 2020 and 2019, the Authority earned subsidy payments on its BABs and QSCBs, which fluctuate each year due to the changes in the amount of bonds outstanding and changes on the discounted rate from federal budget sequestration.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Financial Highlights And Overall Analysis — Government-Wide Financial Statements (continued)

Investment earnings are primarily determined by capital projects fund holdings, debt service fund holdings, interest rates and market value fluctuations during the fiscal year. The negative amount for the year ended June 30, 2021 resulted from the market value decrease on U.S. Treasury Strip in the sinking fund accounts. However, market value fluctuations posed little risk to TFA or its bondholders because the investments were restricted to pay debt service when due.

The amount of distributions to the City fluctuates each year depending on the capital funding needs of the City and related issuance of debt.

Interest expense fluctuated each fiscal year due to the amount of outstanding bonds and the interest rates paid on those bonds.

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to the City, and costs of issuance. The fluctuations in each fiscal year were primarily due to the changes in costs of issuance associated with the issuance of new bonds and changes in federal subsidies transferred to the City.

The following summarizes the Authority's assets, liabilities, and net position (deficits) as of June 30,

	2021	2020	2019	Variance	
			(in thousands)	2021/2020	2020/2019
Assets	\$ 9,565,285	\$ 10,108,118	\$ 9,901,660	\$ (542,833)	\$ 206,458
Deferred outflows of resources	-	23,060	30,197	(23,060)	(7,137)
Liabilities:					
Current liabilities	3,803,778	3,963,712	3,465,886	(159,934)	497,826
Non-current liabilities	52,786,666	50,648,542	48,337,873	2,138,124	2,310,669
Total liabilities	56,590,444	54,612,254	51,803,759	1,978,190	2,808,495
Deferred inflows of resources	12,492	-	-	12,492	-
Net position (deficit):					
Restricted	73,172	227,809	202,625	(154,637)	25,184
Unrestricted	(47,110,823)	(44,708,885)	(42,074,527)	(2,401,938)	(2,634,358)
Total net position (deficit)	\$ (47,037,651)	\$ (44,481,076)	\$ (41,871,902)	\$ (2,556,575)	\$ (2,609,174)

Total assets decreased in fiscal year 2021 when compared to fiscal year 2020 primarily due to the decrease in future State building aid due from the City and a decrease of debt service funds, which was partially offset by an increase in PIT receivable as of year-end. Total assets increased between fiscal years 2020 and 2019 primarily due to the increase in debt service funds and PIT receivable as of year-end.

The deferred outflows of resources and deferred inflows of resources represent the difference between removing the carrying amount of refunded bonds and the recording of the new bonds. The deferred outflows of resources fluctuate each year based on the amount of bonds refunded and the amortization scheduled.

Total liabilities increased in fiscal years 2021, 2020 and 2019 primarily due to the issuance of new bonds.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements

The Authority uses five governmental funds for reporting its activities: (1) a general fund (“GF”), (2) a building aid revenue bonds capital projects fund (“BARBs CPF”), (3) a future tax secured bonds capital projects fund (“FTS Bonds CPF”), (4) a building aid revenue bonds debt service fund (“BARBs DSF”), and (5) a future tax secured bonds debt service fund (“FTS Bonds DSF”).

The following summarizes the GF activities of the Authority for the years ended June 30,

	2021	2020	2019	Variance	
				2021/2020	2020/2019
			(in thousands)		
Revenues	\$ 150,879	\$ 134,687	\$ 134,803	\$ 16,192	\$ (116)
Expenditures	144,167	135,708	141,619	8,459	(5,911)
Other financing sources	323	329	345	(6)	(16)
Net change in fund balances	7,035	(692)	(6,471)	7,727	5,779
Fund balance (deficit) - beginning of year	(1,264)	(572)	5,899	(692)	(6,471)
Fund balance (deficit) - end of year	\$ 5,771	\$ (1,264)	\$ (572)	\$ 7,035	\$ (692)

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. Expenditures fluctuate each year for administrative expenses and the amount of federal subsidies transferred to the City.

The following summarizes the BARBs CPF activities of the Authority for the years ended June 30,

	2021	2020	2019	Variance	
				2021/2020	2020/2019
			(in thousands)		
Revenues	\$ 48	\$ 268	\$ 3,978	\$ (220)	\$ (3,710)
Expenditures	1,274	1,015	2,630	259	(1,615)
Other financing sources (uses)	73,882	781	(1,340)	73,101	2,121
Net change in fund balances	72,656	34	8	72,622	26
Fund balance - beginning of year	48	14	6	34	8
Fund balance - end of year	\$ 72,704	\$ 48	\$ 14	\$ 72,656	\$ 34

BARBs CPF revenues are interest earnings and fluctuate each year based on the amount on deposit at year-end, interest rates, and market value fluctuations.

BARBs proceeds and distributions to the City are reported as other financing sources and (uses), respectively, in the governmental funds and the expenditures represent cost of issuance paid by the Authority. In fiscal years 2021, 2020 and 2019, BARBs proceeds were transferred to the City to pay certain educational facilities capital program expenditures.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the FTS Bonds CPF activities of the Authority for the years ended June 30,

	2021	2020	2019	Variance	
				2021/2020	2020/2019
			(in thousands)		
Revenues	\$ 393	\$ 9,431	\$ 21,955	\$ (9,038)	\$ (12,524)
Expenditures	3,840,015	3,970,113	5,270,803	(130,098)	(1,300,690)
Other financing sources (uses)	3,612,329	3,985,832	4,753,524	(373,503)	(767,692)
Net change in fund balances	(227,293)	25,150	(495,324)	(252,443)	520,474
Fund balance - beginning of year	227,761	202,611	697,935	25,150	(495,324)
Fund balance - end of year	\$ 468	\$ 227,761	\$ 202,611	\$ (227,293)	\$ 25,150

FTS Bonds CPF revenues are mainly interest earnings and fluctuate each year based on the amount on deposit at year-end, interest rates, and market value fluctuations.

FTS Bonds CPF expenditures mainly represent the amount of bond proceeds transferred to the City and other financing sources and (uses) represent proceeds from bond issuances. Expenditures and other financing sources and (uses) fluctuate each year depending on the capital funding needs of the City.

The following summarizes the BARBs DSF activities of the Authority for the years ended June 30,

	2021	2020	2019	Variance	
				2021/2020	2020/2019
			(in thousands)		
Revenues	\$ (997)	\$ 9,127	\$ 7,192	\$ (10,124)	\$ 1,935
Expenditures	497,674	466,323	2,379,588	31,351	(1,913,265)
Other financing sources (uses)	545,815	481,365	2,315,220	64,450	(1,833,855)
Net change in fund balances	47,144	24,169	(57,176)	22,975	81,345
Fund balance - beginning of year	568,719	544,550	601,726	24,169	(57,176)
Fund balance - end of year	\$ 615,863	\$ 568,719	\$ 544,550	\$ 47,144	\$ 24,169

Revenues in the BARBs DSF fluctuate each year based on the amount on deposit at year-end, changes in interest rates and market valuation. Expenditures are primarily the debt service payments on outstanding BARBs and payment of refunded bonds. Other financing sources (uses) consist primarily of State building aid retained by the Authority in fiscal years 2021 and 2020, respectively. In fiscal year 2019 other financing sources (uses) consist primarily of proceeds from refunding issues and State building aid retained by the Authority.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

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### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the FTS Bonds DSF activities of the Authority for the years ended June 30,

	2021	2020	2019	Variance	
				2021/2020	2020/2019
			(in thousands)		
Revenues	\$ 2,983,704	\$ 3,074,592	\$ 2,774,593	\$ (90,888)	\$ 299,999
Expenditures	7,323,743	3,187,463	3,242,707	4,136,280	(55,244)
Other financing sources (uses)	4,291,676	481,373	681,596	3,810,303	(200,223)
Net change in fund balances	(48,363)	368,502	213,482	(416,865)	155,020
Fund balance - beginning of year	3,388,657	3,020,155	2,806,673	368,502	213,482
Fund balance - end of year	<u>\$ 3,340,294</u>	<u>\$ 3,388,657</u>	<u>\$ 3,020,155</u>	<u>\$ (48,363)</u>	<u>\$ 368,502</u>

In fiscal years 2021, 2020 and 2019, the FTS Bonds DSF revenues primarily consisted of grants from the City and PIT retained by the Authority. The DSF revenues fluctuate each fiscal year based on the amount of unrestricted grants received from the City and PIT retained for debt service.

Expenditures are primarily the debt service payments on outstanding FTS bonds and defeasances. The expenditures fluctuate each fiscal year based on the amount of principal and interest payments as well as amounts deposited to defeasance escrows. Other financing sources (uses) consist primarily of the proceeds from refunding and reoffering of FTS Bonds and payments of refunded FTS bonds and fluctuate each year based on the size of the refunding.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021 AND 2020 (unaudited) (continued)

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### Economic Outlook

The outbreak of the coronavirus disease (COVID-19), referred to herein as "COVID-19," has been declared a pandemic by the World Health Organization. The Governor of the State of New York declared a state of emergency in the State on March 7, 2020 and the Mayor declared a state of emergency in the City on March 12, 2020. The COVID-19 pandemic and resulting economic disruption have resulted in reductions in the growth of tax revenues due to significant reductions in employment and earnings subject to the personal income tax, as well as reductions in sales tax revenues. However, the ultimate impact of the COVID-19 pandemic on the amount and timing of collections of the tax revenues cannot be determined at this time. Additional changes in employment and earnings subject to the personal income tax, as well as reductions in economic activity subject to the sales tax, may occur, including, but not limited to, reductions in personal income tax revenues due to changes in residency status resulting from remote work outside the City and other employment-related changes. No assurance can be provided that the COVID-19 pandemic and resulting economic disruption will not result in lower tax revenue collections. In April 2020, Moody's placed the Authority's outstanding FTS Bonds on negative outlook. In April 2020, both Moody's and Fitch placed the BARBs on negative outlook in connection with a negative outlook for the State as building aid is subject to State appropriation. In October 2020, Moody's downgraded the BARBs to Aa3 from Aa2 in connection with the State being downgraded to Aa2 from Aa1 and revised the outlook from negative to stable on the State and on State appropriation credits and BARBs. In December 2020, S&P revised the BARBs outlook to negative from stable. Subsequently, in May 2021, Moody's revised the outlook from negative to stable for FTS Bonds. In June 2021, Moody's revised the outlook from stable to positive on State appropriation credits and BARBs and Fitch and S&P revised the outlook from negative to stable on the State, State appropriation credits and BARBs.

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, the New York City Transitional Finance Authority, 255 Greenwich Street, New York, NY 10007.

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**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**STATEMENTS OF NET POSITION (DEFICIT)**  
**AS OF JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
	(in thousands)	
<b>ASSETS:</b>		
Unrestricted cash and cash equivalents	\$ 31,496	\$ 680,250
Restricted cash and cash equivalents	414,270	1,054,094
Unrestricted investments	2,681,913	1,889,333
Restricted investments	884,852	749,098
Interest receivable	5	2
Due from New York City - future State building aid	3,598,894	4,242,129
Personal income tax receivable from New York State	1,899,407	1,455,958
Federal interest subsidy receivable	26,854	37,254
Other	27,594	-
	<u>9,565,285</u>	<u>10,108,118</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Unamortized deferred bond refunding costs	-	23,060
	<u>-</u>	<u>23,060</u>
<b>LIABILITIES:</b>		
Personal income tax payable to New York City	1,899,407	1,455,958
Distribution payable to New York City capital programs	1,846	183,645
Accrued expenses	3,184	5,211
Accrued interest payable	648,966	647,813
Bonds payable:		
Portion due within one year	1,250,375	1,671,085
Portion due after one year	52,786,666	50,648,542
	<u>56,590,444</u>	<u>54,612,254</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unamortized deferred bond refunding costs	12,492	-
	<u>12,492</u>	<u>-</u>
<b>NET POSITION (DEFICIT):</b>		
Restricted for capital projects	73,172	227,809
Unrestricted (deficit)	(47,110,823)	(44,708,885)
	<u>(47,037,651)</u>	<u>(44,481,076)</u>
Total net position (deficit)	<u>\$ (47,037,651)</u>	<u>\$ (44,481,076)</u>

The accompanying notes are an integral part of these financial statements.



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
	(in thousands)	
<b>REVENUES:</b>		
Personal income tax revenue	\$ 17,228,878	\$ 12,304,681
Less remittances to New York City	(16,952,866)	(11,792,695)
Personal income tax revenue retained	276,012	511,986
Unrestricted grants	2,740,000	2,549,536
Federal interest subsidy	109,705	114,921
Investment earnings	(2,181)	56,495
Other revenue	91	2,200
	3,123,627	3,235,138
<b>EXPENSES:</b>		
General and administrative expenses	24,062	27,820
Distribution to New York City for general capital program	3,824,011	3,954,963
Distribution of federal interest subsidy to New York City	120,105	107,888
Cost of debt issuance	32,092	16,697
Bond interest	1,679,932	1,736,944
	5,680,202	5,844,312
Change in net position (deficit)	(2,556,575)	(2,609,174)
NET POSITION (DEFICIT) - beginning of year	(44,481,076)	(41,871,902)
NET POSITION (DEFICIT) - end of year	\$ (47,037,651)	\$ (44,481,076)

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF JUNE 30, 2021**

	General Fund	Capital Projects		Debt Service		Total Governmental Funds
		Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
<b>ASSETS:</b>						
Unrestricted cash and cash equivalents	\$ 8,621	\$ -	\$ -	\$ -	\$ 22,875	\$ 31,496
Restricted cash and cash equivalents	-	108	301	8,710	405,151	414,270
Restricted investments	-	72,596	2,013	579,879	230,364	884,852
Unrestricted investments	-	-	-	-	2,681,913	2,681,913
Interest receivable	-	-	-	3	2	5
Personal income tax receivable from New York State	-	-	-	-	1,899,407	1,899,407
Other	323	-	-	27,594	-	27,917
<b>Total assets</b>	<b>\$ 8,944</b>	<b>\$ 72,704</b>	<b>\$ 2,314</b>	<b>\$ 616,186</b>	<b>\$ 5,239,712</b>	<b>\$ 5,939,860</b>
<b>LIABILITIES:</b>						
Accrued expenses payable	\$ 3,173	\$ -	\$ -	\$ 323	\$ 10	\$ 3,506
Distribution payable to New York City for capital programs	-	-	1,846	-	-	1,846
Personal income tax payable to New York City	-	-	-	-	132,408	132,408
<b>Total liabilities</b>	<b>3,173</b>	<b>-</b>	<b>1,846</b>	<b>323</b>	<b>132,418</b>	<b>137,760</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable personal income tax revenue	-	-	-	-	1,767,000	1,767,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,767,000</b>	<b>1,767,000</b>
<b>FUND BALANCES:</b>						
Restricted for:						
Capital distribution to New York City	-	72,704	468	-	-	73,172
Debt service	-	-	-	615,863	635,505	1,251,368
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,704,789	2,704,789
Unassigned	5,771	-	-	-	-	5,771
<b>Total fund balances</b>	<b>5,771</b>	<b>72,704</b>	<b>468</b>	<b>615,863</b>	<b>3,340,294</b>	<b>4,035,100</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,944</b>	<b>\$ 72,704</b>	<b>\$ 2,314</b>	<b>\$ 616,186</b>	<b>\$ 5,239,712</b>	<b>\$ 5,939,860</b>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF JUNE 30, 2020**

	Capital Projects		Debt Service		Total Governmental Funds	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds		Future Tax Secured Bonds
(in thousands)						
<b>ASSETS:</b>						
Unrestricted cash and cash equivalents	\$ 2,688	\$ -	\$ -	\$ -	\$ 677,562	\$ 680,250
Restricted cash and cash equivalents	-	135	412,112	162	641,685	1,054,094
Restricted investments	-	-	-	568,999	180,099	749,098
Unrestricted investments	-	-	-	-	1,889,333	1,889,333
Interest receivable	-	-	-	2	-	2
Personal income tax receivable from New York State	-	-	-	-	1,455,958	1,455,958
Other	329	-	-	-	-	329
Total assets	<u>\$ 3,017</u>	<u>\$ 135</u>	<u>\$ 412,112</u>	<u>\$ 569,163</u>	<u>\$ 4,844,637</u>	<u>\$ 5,829,064</u>
<b>LIABILITIES:</b>						
Accrued expense payable	\$ 4,281	\$ 87	\$ 706	\$ 444	\$ 22	\$ 5,540
Distribution payable to New York City for capital programs	-	-	183,645	-	-	183,645
Personal income tax payable to New York City	-	-	-	-	343,958	343,958
Total liabilities	<u>4,281</u>	<u>87</u>	<u>184,351</u>	<u>444</u>	<u>343,980</u>	<u>533,143</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable personal income tax revenue	-	-	-	-	1,112,000	1,112,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,000</u>	<u>1,112,000</u>
<b>FUND BALANCES (DEFICIT):</b>						
Restricted for:						
Capital distribution to New York City	-	48	227,761	-	-	227,809
Debt service	-	-	-	568,719	821,683	1,390,402
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,566,974	2,566,974
Unassigned	(1,264)	-	-	-	-	(1,264)
Total fund balances (deficit)	<u>(1,264)</u>	<u>48</u>	<u>227,761</u>	<u>568,719</u>	<u>3,388,657</u>	<u>4,183,921</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 3,017</u>	<u>\$ 135</u>	<u>\$ 412,112</u>	<u>\$ 569,163</u>	<u>\$ 4,844,637</u>	<u>\$ 5,829,064</u>

The accompanying notes are an integral part of these financial statements.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2021 AND 2020

	2021	2020
	(in thousands)	
Total fund balances - governmental funds	\$ 4,035,100	\$ 4,183,921
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(4,080,276)	(3,341,232)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	26,854	37,254
BARBs proceeds are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position (deficit), they are reported as due from the City.	3,598,894	4,242,129
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(49,956,765)	(48,978,395)
Accrued interest payable	(648,966)	(647,813)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statements of net position (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	(12,492)	23,060
Net position (deficit) of governmental activities	\$ (47,037,651)	\$ (44,481,076)

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
<b>REVENUES:</b>						
Personal income tax revenue	\$ 30,096	\$ -	\$ -	\$ -	\$ 16,543,782	\$ 16,573,878
Less remittances to New York City	-	-	-	-	(16,297,866)	(16,297,866)
Personal income tax revenue retained	30,096	-	-	-	245,916	276,012
Unrestricted grants	-	-	-	-	2,740,000	2,740,000
Federal interest subsidy	120,105	-	-	-	-	120,105
Investment earnings	649	28	351	(997)	(2,212)	(2,181)
Other revenue	29	20	42	-	-	91
Total revenues	<u>150,879</u>	<u>48</u>	<u>393</u>	<u>(997)</u>	<u>2,983,704</u>	<u>3,134,027</u>
<b>EXPENDITURES:</b>						
Bond interest	-	-	-	400,930	1,625,250	2,026,180
Costs of debt issuance	-	1,274	16,004	(116)	14,930	32,092
Distributions to New York City for general capital program	-	-	3,824,011	-	-	3,824,011
Distributions of federal interest subsidy to New York City	120,105	-	-	-	-	120,105
Defeasance escrow	-	-	-	-	3,313,053	3,313,053
Principal amount of bonds retired	-	-	-	96,860	2,370,510	2,467,370
General and administrative expenses	24,062	-	-	-	-	24,062
Total expenditures	<u>144,167</u>	<u>1,274</u>	<u>3,840,015</u>	<u>497,674</u>	<u>7,323,743</u>	<u>11,806,873</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>6,712</u>	<u>(1,226)</u>	<u>(3,839,622)</u>	<u>(498,671)</u>	<u>(4,340,039)</u>	<u>(8,672,846)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Principal amount of bonds issued	-	200,000	3,173,000	-	-	3,373,000
Distributions to New York City for educational facilities capital programs	-	(157,549)	-	-	-	(157,549)
Refunding bond proceeds	-	-	-	-	3,492,265	3,492,265
Bond premium, net of discount	-	31,452	439,612	-	721,902	1,192,966
Payments of refunded bonds	-	-	-	-	(177,442)	(177,442)
Transfer from New York City - building aid	-	-	-	800,785	-	800,785
Transfers in (out)	323	(21)	(283)	(254,970)	254,951	-
Total other financing sources (uses)	<u>323</u>	<u>73,882</u>	<u>3,612,329</u>	<u>545,815</u>	<u>4,291,676</u>	<u>8,524,025</u>
Net changes in fund balances	7,035	72,656	(227,293)	47,144	(48,363)	(148,821)
FUND BALANCES (DEFICIT) - beginning of year	(1,264)	48	227,761	568,719	3,388,657	4,183,921
FUND BALANCES - end of year	<u>\$ 5,771</u>	<u>\$ 72,704</u>	<u>\$ 468</u>	<u>\$ 615,863</u>	<u>\$ 3,340,294</u>	<u>\$ 4,035,100</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Projects		Debt Service		Total Governmental Funds
		Building Aid Revenue Bonds	Future Tax Secured Bonds	Building Aid Revenue Bonds	Future Tax Secured Bonds	
(in thousands)						
<b>REVENUES:</b>						
Personal income tax revenue	\$ 24,379	\$ -	\$ -	\$ -	\$ 12,133,302	\$ 12,157,681
Less remittances to New York City	-	-	-	-	(11,645,695)	(11,645,695)
Personal income tax revenue retained	24,379	-	-	-	487,607	511,986
Unrestricted grants	-	-	-	-	2,549,536	2,549,536
Federal interest subsidy	107,888	-	-	-	-	107,888
Investment earnings	220	268	9,431	9,127	37,449	56,495
Other revenue	2,200	-	-	-	-	2,200
Total revenues	<u>134,687</u>	<u>268</u>	<u>9,431</u>	<u>9,127</u>	<u>3,074,592</u>	<u>3,228,105</u>
<b>EXPENDITURES:</b>						
Bond interest	-	-	-	405,008	1,638,171	2,043,179
Costs of debt issuance	-	1,015	15,150	-	532	16,697
Distributions to New York City for general capital program	-	-	3,954,963	-	-	3,954,963
Distributions of federal interest subsidy to New York City	107,888	-	-	-	-	107,888
Defeasance escrow	-	-	-	-	-	-
Principal amount of bonds retired	-	-	-	61,315	1,548,760	1,610,075
General and administrative expenses	27,820	-	-	-	-	27,820
Total expenditures	<u>135,708</u>	<u>1,015</u>	<u>3,970,113</u>	<u>466,323</u>	<u>3,187,463</u>	<u>7,760,622</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,021)</u>	<u>(747)</u>	<u>(3,960,682)</u>	<u>(457,196)</u>	<u>(112,871)</u>	<u>(4,532,517)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Principal amount of bonds issued	-	250,000	3,576,260	-	-	3,826,260
Distributions to New York City for educational facilities capital programs	-	(287,147)	-	-	-	(287,147)
Refunding bond proceeds	-	-	-	-	137,740	137,740
Bond premium, net of discount	-	38,193	421,911	-	16,203	476,307
Payments of refunded bonds	-	-	-	-	-	-
Transfer from New York City - building aid	-	-	-	796,520	-	796,520
Transfers in (out)	329	(265)	(12,339)	(315,155)	327,430	-
Total other financing sources (uses)	<u>329</u>	<u>781</u>	<u>3,985,832</u>	<u>481,365</u>	<u>481,373</u>	<u>4,949,680</u>
Net changes in fund balances	(692)	34	25,150	24,169	368,502	417,163
FUND BALANCES (DEFICIT) - beginning of year	(572)	14	202,611	544,550	3,020,155	3,766,758
FUND BALANCES (DEFICIT) - end of year	<u>\$ (1,264)</u>	<u>\$ 48</u>	<u>\$ 227,761</u>	<u>\$ 568,719</u>	<u>\$ 3,388,657</u>	<u>\$ 4,183,921</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
	<b>(in thousands)</b>	
Net change in fund balances - total governmental funds	\$ (148,821)	\$ 417,163
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(3,373,000)	(3,826,260)
Refunding bond proceeds and payments to refunded bond escrows are reported as other financing sources (uses) in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	(3,314,823)	(137,740)
The governmental funds financial statements report costs of bond refundings as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	(4,295)	(7,137)
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statements of net position (deficit).	5,780,423	1,610,075
The governmental funds financial statements report bond premiums/discounts as other financing sources (uses). However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	(800,885)	(171,154)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as other financing sources (uses) in governmental funds financial statements. However, in the statements of net position (deficit), distributions of BARBs proceeds are reported as due from New York City-future State building aid.	157,549	287,147
Retention of building aid is reported similar to a transfer from the City, as other financing sources (uses) in the governmental funds financial statements. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(800,785)	(796,520)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statements of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	(10,400)	7,033
Interest is reported on the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	(41,538)	8,219
Change in net position (deficit) - governmental activities	\$ (2,556,575)	\$ (2,609,174)

The accompanying notes are an integral part of these financial statements.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 1. Organization and Nature of Activities

The New York City Transitional Finance Authority (the “Authority” or “TFA”) is a corporate governmental entity constituting a public benefit corporation and an instrumentality of the State of New York (the “State”). The Authority is governed by a Board of Directors (the “Board”) of five directors, consisting of the following officials of The City of New York (the “City”): the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the City Comptroller, and the Speaker of the City Council. Although legally separate from the City, the Authority is a financing instrumentality of the City and is included in the City’s financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board (“GASB”) standards.

The Authority was created by State legislation enacted in 1997 to issue and sell bonds and notes (“Future Tax Secured Bonds” or “FTS Bonds”) to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City, and to pay the Authority’s administrative expenses.

The Authority’s original authorizing legislation limited the amount of Authority debt issued for the City’s general capital purposes (FTS Bonds) at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds) the ability to issue additional FTS Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2021, the City’s and the Authority’s remaining combined debt incurring capacity was approximately \$41.2 billion.

In addition, on September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional \$2.5 billion of bonds and notes (“Recovery Bonds”) to fund the City’s costs related to and arising from events on September 11, 2001, at the World Trade Center, notwithstanding the limits discussed above.

In addition, State legislation enacted in April 2006 enabled the Authority to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds (“BARBs”), notes or other obligations for purposes of funding the City school system’s costs of its five-year educational facilities capital plan and pay the Authority’s administrative expenses.

The Authority does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which the Authority pays a management fee and overhead based on its allocated share of personnel and overhead costs.



# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 2. Summary of Significant Accounting Policies

- A. The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital projects and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which are recognized when due.

The Authority uses five governmental funds for reporting its activities: (1) a general fund ("GF"), (2) a building aid revenue bonds capital projects fund ("BARBs CPF"), (3) a future tax secured bonds capital projects fund ("FTS Bonds CPF"), (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds DSF"). The two capital project funds account for resources to be transferred to the City's capital programs in satisfaction of amounts due to the City and the two debt service funds account for the accumulation of resources for payment of principal and interest on outstanding debts. The general fund accounts for and reports all financial resources not accounted for in the capital and debt service funds, including the Authority's administrative expenses.

- B. The fund balances are classified as either: 1) nonspendable, 2) restricted, or 3) unrestricted. Unrestricted fund balance is further classified as: (a) committed, (b) assigned, or (c) unassigned.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with TFA's Trust Indenture, (the "Indenture") are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board constitutes the Authority's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. Authorized officers allowed to assign funds are comprised of the Executive Director, Comptroller, Treasurer, Secretary, Deputy Comptroller, Assistant Secretaries and Assistant Treasurer.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 2. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for use for a specific purpose, it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

- C. Premiums and discounts are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs are recognized in the period incurred both on the government-wide and governmental funds financial statements.
- D. Deferred bond refunding costs represent the accounting gain/loss incurred in a current or advance refunding of outstanding bonds and are reported as a deferred inflows/outflows of resources on the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt.
- E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental funds financial statements.
- F. The Authority receives the City personal income taxes ("PIT"), imposed pursuant to the State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. PIT in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. In fiscal years 2021 and 2020, the Authority received unrestricted grants for future debt service payments and reduced the amount of PIT retained for such purpose as described in Note 6.
- G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Due to the City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between the City and the Authority pursuant to GASB standards. The Authority reports, on its statements of net position (deficit), an asset (Due from New York City — future State building aid) representing the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 2. Summary of Significant Accounting Policies (continued)

reported as other financing (uses) of funds. Building aid retained by the Authority is treated as other financing sources as the amount retained is accounted for as a repayment of the amounts loaned to the City. During the years ended June 30, 2021 and 2020, the Authority retained \$801 million and \$797 million, respectively, of State building aid to be used for BARBs debt service and its administrative expenses.

- H. To maintain the exemption from Federal income tax on interest of bonds issued by the Authority, the Authority is required to rebate amounts to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. The Authority was not required to make an arbitrage rebate payment in fiscal years 2021 and 2020.

The Authority receives a subsidy from the United States Treasury due to the Authority's issuance of taxable Build America Bonds ("BABs") and taxable Qualified School Construction Bonds ("QSCBs") under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, a subsidy receivable is not reported.

- I. As a component unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact the Authority in future years:
- In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019 (Postponed to fiscal years beginning after June 15, 2021. See GASB 95 below). TFA has not completed the process of evaluating GASB 87 but does not expect it to have an impact on TFA's financial statements, as it does not enter into lease agreements.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 2. Summary of Significant Accounting Policies (continued)

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, (“GASB 92”). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 92 are effective for reporting periods beginning after June 15, 2020 (Postponed to fiscal years beginning after June 15, 2021. See GASB 95 below). TFA has not completed the process of evaluating GASB 92 but does not expect it to have an impact on TFA’s financial statements.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, (“GASB 93”). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”) – most notably, the London Interbank Offered Rate (“LIBOR”) resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2020. (Postponed paragraphs 13 and 14 to fiscal years beginning after June 15, 2021. See GASB 95 below). TFA has not completed the process of evaluating GASB 93 but does not expect it to have an impact on TFA’s financial statements.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (“GASB 94”). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. TFA has not completed the process of evaluating GASB 94 but does not expect it to have an impact on TFA’s financial statements as it does not enter into PPPs.
- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (“GASB 95”). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. TFA has not completed the process of evaluating GASB 96 but does not expect it to have an impact on TFA’s financial statements as it does not enter into SBITAs.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**2. Summary of Significant Accounting Policies (continued)**

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (“GASB 97”). The objectives of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 are effective for fiscal years beginning after June 15, 2021. TFA has not completed the process of evaluating GASB 97 but does not expect it to have an impact on TFA’s financial statements.
- J. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority’s management to make estimates and assumptions in determining the reported amounts of assets, deferred outflow of resources, liabilities and deferred inflow of resources, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 3. Cash and Cash Equivalents

The Authority's cash and cash equivalents consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
	(in thousands)	
<b>Restricted cash and cash equivalents:</b>		
Cash	\$ 38	\$ 121
Cash equivalents	414,232	1,053,973
<b>Total restricted cash and cash equivalents</b>	<u>414,270</u>	<u>1,054,094</u>
<b>Unrestricted cash and cash equivalents:</b>		
Cash	250	812
Cash equivalents	31,246	679,438
<b>Total unrestricted cash and cash equivalents</b>	<u>31,496</u>	<u>680,250</u>
<b>Total cash and cash equivalents</b>	<u>\$ 445,766</u>	<u>\$ 1,734,344</u>

As of June 30, 2021 and 2020, the Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, commercial paper, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2021 and 2020, the Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2021 and 2020, the carrying amounts and bank balances of bank deposits were \$288 thousand and \$933 thousand, respectively. In fiscal years 2021 and 2020, \$25 thousand and \$319 thousand were uninsured and uncollateralized, respectively.

The Authority's investments classified as cash equivalents included U.S. Government Securities and Commercial Paper that have an original maturity date of 90 days or less from the date of purchase. The Authority values those investments at fair value (see Note 4 below for a discussion of the Authority's investment policy).

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 4. Investments

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee, as amended and as restated December 1, 2010, (the “Indenture”) may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

The Authority’s investments, including cash equivalents, consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
	(in thousands)	
<b>Restricted investments and cash equivalents:</b>		
Money market funds	\$ 8,063	\$ 14,152
Federal Home Loan Bank discount notes (Maturing within one year)	973,909	1,175,621
U.S. Treasuries (Maturing within one year)	74,609	310,982
U.S. Treasuries (Maturing within one to five years)	69,926	-
U.S. Treasuries (Maturing within five to ten years)	172,577	202,330
Commercial paper (Maturing within one year)	-	99,986
	<u>1,299,084</u>	<u>1,803,071</u>
<b>Total restricted investments and cash equivalents</b>	1,299,084	1,803,071
Less: amounts reported as restricted cash equivalents	<u>(414,232)</u>	<u>(1,053,973)</u>
	<u>\$ 884,852</u>	<u>\$ 749,098</u>
<b>Total restricted investments</b>	<u>\$ 884,852</u>	<u>\$ 749,098</u>
<b>Unrestricted investments and cash equivalents:</b>		
Money market funds	\$ 9,016	\$ 679,438
Federal Home Loan Bank discount notes (Maturing within one year)	2,488,680	220,393
Federal Farm Credit discount notes (Maturing within one year)	214,878	349,627
U.S. Treasuries (Maturing within one year)	585	1,319,313
	<u>2,713,159</u>	<u>2,568,771</u>
<b>Total unrestricted investments and cash equivalents</b>	2,713,159	2,568,771
Less: amounts reported as unrestricted cash equivalents	<u>(31,246)</u>	<u>(679,438)</u>
	<u>\$ 2,681,913</u>	<u>\$ 1,889,333</u>
<b>Total unrestricted investments</b>	<u>\$ 2,681,913</u>	<u>\$ 1,889,333</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 4. Investments (continued)

#### *Fair Value Hierarchy*

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2021 and 2020:

- Money Market Funds of \$17 million and \$694 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$318 million and \$1.8 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies securities of \$3.7 billion and \$1.7 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper of \$100 million in FY20, are valued using a matrix pricing model (Level 2 inputs).

**Custodial Credit Risk** — Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held in the Trustee's name by the Trustee.

**Credit Risk** — The Authority's investments are primarily government-sponsored enterprise discount notes and commercial paper. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A-1 by Standard Poor's Rating Services and P1 by Moody's Investor Services.

**Interest Rate Risk** — Substantially all of the Authority's investments mature in one year or less. Investments with longer term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

**Concentration of Credit Risk** — Concentration of credit risk is the risk of loss attributed to the magnitude of TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2021, 100% of TFA's investments were in eligible U.S. Government sponsored entities.



# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 5. Long-Term Liabilities

#### *Debt Program*

Pursuant to the New York City Transitional Finance Authority Act (the “Act”), the Authority issues FTS Bonds payable from personal income taxes imposed by the City and, if such personal income tax revenues are insufficient, from sales taxes imposed by the City. The Authority is authorized to have outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds and BARBs as described below) and to issue additional FTS Bonds provided that the amount of such additional FTS Bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of June 30, 2021, the City’s and the Authority’s remaining combined debt-incurring capacity was approximately \$41.2 billion. The Authority is also authorized to have outstanding \$2.5 billion of Recovery Bonds to pay costs arising from the World Trade Center attack on September 11, 2001.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses from personal income taxes collected on its behalf by the State and, if necessary, sales taxes. Sales taxes are only available to the Authority if personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ended June 30, 2021 and 2020. The Authority remits excess personal income tax not required for its debt service payments and its administrative expenses to the City.

In addition, the Authority is permitted to have outstanding up to \$9.4 billion of BARBs or other obligations for purposes of funding the City school system’s five-year educational facilities capital plan. As of June 30, 2021 and 2020, the Authority had \$8.4 billion and \$8.3 billion, respectively, of BARBs outstanding. The BARBs are secured by the building aid payable by the State to the City and assigned to the Authority. These State building aid payments are subject to annual appropriation by the State. BARBs are not payable from personal income tax revenues or sales tax revenues. However, in the event of a payment default, BARBs are payable from an intercept of State education aid otherwise payable to the City.

The Authority’s Indenture includes events of default, certain of which (relating to failure to pay debt service, insolvency, State actions impacting security for the bonds and failure to meet specified coverage levels) could result in acceleration of TFA bonds if so directed by a majority in interest of Senior bondholders.

#### *Changes in Long-term Liabilities – FTS Bonds*

The Indenture permits the Authority to issue both Senior and Subordinate FTS Bonds. FTS Bonds include Recovery Bonds, BABs, QSCBs, and other forms of debt obligations. As of June 30, 2021 and 2020, the Authority had \$313 million and \$662 million, respectively, of Senior FTS Bonds outstanding. Subordinate FTS Bonds outstanding as of June 30, 2021 and 2020, were \$41.2 billion and \$40.0 billion, respectively. Total FTS Bonds outstanding at June 30, 2021 and 2020, were \$41.6 billion and \$40.7 billion, respectively.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**5. Long-Term Liabilities (continued)**

Outstanding Authority bonds are payable from all money and securities in any of the Accounts defined in and established by the Indenture, subject to the priority of application of such money and securities to FTS Bonds and BARBs, as specified in the Indenture.

As of June 30, 2021, the interest rates on the Authority's outstanding fixed-rate FTS Bonds ranged from 2.00% to 5.25% on tax-exempt bonds and .25% to 5.80% on taxable bonds.

In fiscal years 2021 and 2020, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Due within one year
	(in thousands)				
Senior Bonds	\$ 562,305	\$ -	\$ (349,405)	\$ 212,900	\$ -
Senior Bonds from Direct Borrowings	100,000	-	-	100,000	-
Subordinate Bonds	39,558,875	6,665,265	(5,349,830)	40,874,310	1,136,345
Subordinate Bonds from Direct Borrowings	457,400	-	(90,800)	366,600	8,100
<b>Total before premiums/discounts</b>	<b>40,678,580</b>	<b>6,665,265</b>	<b>(5,790,035)</b>	<b>41,553,810</b>	<b>1,144,445</b>
Premiums/(discounts)(net)	2,534,413	1,161,514	(387,767)	3,308,160	
<b>Total FTS Debt</b>	<b>\$ 43,212,993</b>	<b>\$ 7,826,779</b>	<b>\$ (6,177,802)</b>	<b>\$ 44,861,970</b>	<b>\$ 1,144,445</b>

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020	Due within one year
	(in thousands)				
Senior Bonds	\$ 603,185	\$ -	\$ (40,880)	\$ 562,305	\$ -
Senior Bonds from Direct Borrowings	100,000	-	-	100,000	-
Subordinate Bonds	37,320,155	3,714,000	(1,475,280)	39,558,875	1,540,125
Subordinate Bonds from Direct Borrowings	490,000	-	(32,600)	457,400	34,100
<b>Total before premiums/discounts</b>	<b>38,513,340</b>	<b>3,714,000</b>	<b>(1,548,760)</b>	<b>40,678,580</b>	<b>1,574,225</b>
Premiums/(discounts)(net)	2,336,454	438,114	(240,155)	2,534,413	
<b>Total FTS Debt</b>	<b>\$ 40,849,794</b>	<b>\$ 4,152,114</b>	<b>\$ (1,788,915)</b>	<b>\$ 43,212,993</b>	<b>\$ 1,574,225</b>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 5. Long-Term Liabilities (continued)

#### *Issuances - FTS*

In fiscal years 2021 and 2020, the Authority issued \$3.2 billion and \$3.6 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

During fiscal year 2021, as further detailed below, the Authority issued \$2.8 billion of FTS Bonds to refund \$3.4 billion of outstanding FTS Bonds. The refunding resulted in an accounting loss of \$31 million. The Authority in effect reduced its aggregate debt service by \$630 million and obtained an economic benefit of \$614 million.

- On September 1, 2020, the Authority issued \$1.6 billion of fixed-rate tax-exempt and taxable FTS Bonds, Series 2021 A&B. The proceeds from the sale of the 2021A&B bonds refunded \$2.0 billion of outstanding FTS Bonds. As a result of this transaction, the Authority reduced its debt service by \$374 million and obtained an economic gain of \$367 million.
- On April 7, 2021, the Authority issued \$1.2 billion of fixed-rate tax-exempt and taxable FTS Bonds, Series 2021 F&G. The proceeds from the sale of the 2021F&G bonds refunded \$1.4 billion of outstanding FTS Bonds. As a result of this transaction, the Authority reduced its debt service by \$256 million and obtained an economic gain of \$247 million.

During fiscal year 2021, the Authority reoffered \$639 million of FTS Bonds. The proceeds provided for the partial redemption and conversion of \$865 million of outstanding FTS Variable Rate Demand Bonds ("VRDBs") to fixed rate bonds.

During fiscal year 2020, the Authority reoffered \$138 million of FTS Bonds. The proceeds provided for the partial redemption and conversion of \$153 million of outstanding VRDBs to fixed rate bonds.

#### *Defeasances - FTS*

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. The Authority had FTS Bonds refunded with defeasance collateral that are held in escrow accounts on deposit with the Authority's Trustee. As of June 30, 2021 and 2020, \$160 million and \$85 million, of the Authority's defeased bonds, respectively, were still outstanding.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**5. Long-Term Liabilities (continued)**

*Annual Requirements - FTS*

Debt service requirements to maturity for FTS Bonds, including Recovery Bonds at June 30, 2021 are as follows:

	<u>FTS Bonds</u>			<u>FTS Bonds from Direct Borrowings</u>			<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	(in thousands)								
Year ending June 30,									
2022	\$ 1,174,520	\$ 1,661,233	\$ 2,835,753	\$ 8,100	\$ 2,667	\$ 10,767	\$ 1,182,620	\$ 1,663,900	\$ 2,846,520
2023	1,672,645	1,608,226	3,280,871	8,500	3,502	12,002	1,681,145	1,611,728	3,292,873
2024	1,742,920	1,541,218	3,284,138	-	3,470	3,470	1,742,920	1,544,688	3,287,608
2025	1,754,520	1,473,685	3,228,205	-	3,470	3,470	1,754,520	1,477,155	3,231,675
2026	1,787,185	1,407,464	3,194,649	18,100	3,470	21,570	1,805,285	1,410,934	3,216,219
2027 to 2031	9,110,770	5,914,912	15,025,682	81,900	14,448	96,348	9,192,670	5,929,360	15,122,030
2032 to 2036	8,826,640	4,041,358	12,867,998	-	13,493	13,493	8,826,640	4,054,851	12,881,491
2037 to 2041	9,200,625	1,920,172	11,120,797	31,030	13,208	44,238	9,231,655	1,933,380	11,165,035
2042 to 2046	5,132,905	446,114	5,579,019	303,585	6,246	309,831	5,436,490	452,360	5,888,850
2047 to 2051	684,480	50,704	735,184	15,385	118	15,503	699,865	50,822	750,687
	<u>\$ 41,087,210</u>	<u>\$ 20,065,086</u>	<u>\$ 61,152,296</u>	<u>\$ 466,600</u>	<u>\$ 64,092</u>	<u>\$ 530,692</u>	<u>\$ 41,553,810</u>	<u>\$ 20,129,178</u>	<u>\$ 61,682,988</u>

(a) The variable interest rates used in this table were .08% on tax-exempt bonds, .77% on index bonds, and .28% on auction bonds.

*Changes in Long-term Liabilities – BARBs*

As of June 30, 2021, the interest rates on the Authority's outstanding fixed-rate BARBs ranged from 2.00% to 5.25% on tax-exempt bonds and 2.62% to 7.13% on taxable bonds.

In fiscal years 2021 and 2020, the changes in BARBs long-term debt were as follows:

	Balance at			Balance at		Due within one year
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>		
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,804,065	\$ 200,000	\$ (95,420)	\$ 7,908,645	\$ 97,785	
Build America Bonds	295,750	-	(1,440)	294,310	8,145	
Qualified School Construction Bonds	200,000	-	-	200,000	-	
<b>Total before premiums/discounts</b>	<u>8,299,815</u>	<u>200,000</u>	<u>(96,860)</u>	<u>8,402,955</u>	<u>105,930</u>	
Premiums/(discounts)(net)	806,819	31,452	(66,155)	772,116		
<b>Total BARBs Debt</b>	<u>\$ 9,106,634</u>	<u>\$ 231,452</u>	<u>\$ (163,015)</u>	<u>\$ 9,175,071</u>	<u>\$ 105,930</u>	

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**5. Long-Term Liabilities (continued)**

	Balance at <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>	Due within <u>one year</u>
	(in thousands)				
Building Aid Revenue Bonds	\$ 7,615,380	\$ 250,000	\$ (61,315)	\$ 7,804,065	\$ 95,420
Build America Bonds	295,750	-	-	295,750	1,440
Qualified School Construction Bonds	200,000	-	-	200,000	-
<b>Total before premiums/discounts</b>	<b>8,111,130</b>	<b>250,000</b>	<b>(61,315)</b>	<b>8,299,815</b>	<b>96,860</b>
Premiums/(discounts)(net)	833,624	38,193	(64,998)	806,819	
<b>Total BARBs Debt</b>	<b>\$ 8,944,754</b>	<b>\$ 288,193</b>	<b>\$ (126,313)</b>	<b>\$ 9,106,634</b>	<b>\$ 96,860</b>

***Issuances - BARBs***

In fiscal years 2021 and 2020, the Authority issued \$200 million and \$250 million, respectively, of new money BARBs. The new money bond proceeds were used for the purpose of funding costs for the City school system's five-year educational facilities capital plan.

***Defeasances - BARBs***

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. The Authority had BARBs refunded with defeasance collateral that are held in escrow accounts on deposit with the Authority's Trustee. As of June 30, 2021 and 2020, \$187 million and \$312 million, of the Authority's defeased bonds, respectively, were still outstanding.

***Annual Requirements - BARBs***

Debt service requirements to maturity for BARBs at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in thousands)		
Year ending June 30,			
2022	\$ 112,905	\$ 405,311	\$ 518,216
2023	192,405	397,505	589,910
2024	289,090	386,930	676,020
2025	303,500	373,181	676,681
2026	317,315	358,305	675,620
2027 to 2031	1,913,900	1,516,758	3,430,658
2032 to 2036	2,379,965	982,276	3,362,241
2037 to 2041	1,827,190	417,469	2,244,659
2042 to 2046	864,210	119,380	983,590
2047 to 2051	202,475	9,905	212,380
<b>Total</b>	<b>\$ 8,402,955</b>	<b>\$ 4,967,020</b>	<b>\$ 13,369,975</b>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### 5. Long-Term Liabilities (continued)

#### *Variable Rate Demand Bonds – FTS*

As of June 30, 2021, the Authority had 24 series of Variable Rate Demand Bonds (“VRDBs”) outstanding that may be tendered at the option of their holders (see below).

<u>Outstanding</u>				
Series	Principal Amount	Provider	Expiration Date	
1999A-1	\$ 75,400,000	TD Bank	December 17, 2023	
2003A-4	100,000,000	TD Bank	October 15, 2024	
2003C-5	37,500,000	Bank of America	November 29, 2021	
2010G-6	97,780,000	Barclays	April 12, 2024	
2011A-4	100,000,000	Barclays	April 12, 2024	
2013A-4	50,000,000	JPMorgan Chase	August 10, 2026	
2013A-5	27,210,000	U.S. Bank	August 27, 2021	
2013A-7	111,075,000	State Street	August 13, 2026	
2013C-4	100,000,000	JPMorgan Chase	November 29, 2024	
2013C-5	148,000,000	Sumitomo	November 17, 2025	
2014B-3	75,000,000	Barclays	March 29, 2024	
2014D-3	100,000,000	Mizuho	April 15, 2024	
2014D-4	100,000,000	Mizuho	April 15, 2024	
2015A-3	100,000,000	Mizuho	July 3, 2024	
2015A-4	100,000,000	Mizuho	July 3, 2024	
2015-E3	100,000,000	JPMorgan Chase	April 21, 2023	
2015-E4	90,000,000	Bank of America	April 22, 2022	
2016A-4	100,000,000	Bank of America	September 27, 2022	
2016-E4	150,000,000	JPMorgan Chase	February 24, 2023	
2018C-6	100,000,000	Sumitomo	May 26, 2023	
2019A-4	200,000,000	JPMorgan Chase	August 10, 2026	
2019B-4	200,000,000	JPMorgan Chase	September 24, 2026	
2019B-5	75,000,000	U.S. Bank	September 24, 2021	
2019C-4	150,000,000	Barclays	April 12, 2024	
Total	\$ 2,486,965,000			

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 5. Long-Term Liabilities (continued)

As of June 30, 2021 and 2020, the Authority had \$2.5 billion and \$3.4 billion, respectively, of VRDBs outstanding. The VRDBs are remarketed by remarketing agents on a daily, two-day or weekly basis. Interest rates determined by such remarketing agents for such periods represent the lowest rate of interest that would cause the VRDBs to have a market value equal to par. Interest rates cannot exceed 9% on tax-exempt bonds. In fiscal years 2021 and 2020, the VRDBs rates averaged .08% and 1.13%, respectively, on tax-exempt bonds.

The VRDBs are backed by either a Standby Bond Purchase Agreement (“SBPA”) or a Letter of Credit (“LOC”), providing for the purchase of the VRDBs by a bank in the event they cannot be remarketed. In such case, the interest rate on the VRDBs would typically increase and would be determined by reference to specified index rates plus a spread (in some cases, with a minimum rate), up to a maximum rate of 25%. No VRDBs were held by such banks during the fiscal years ended June 30, 2021 or June 30, 2020. SBPAs and LOCs may be terminated by the respective banks upon the occurrence of specified events of default.

#### *Index Bonds*

As of June 30, 2021 and 2020, the Authority had \$467 million and \$557 million, respectively, of Index Rate Bonds outstanding, which were not publicly offered but were purchased by banks through direct placements. The Authority’s Index Rate Bonds pay interest based on a specified index. Some Index Rate Bonds continue to pay interest based on such index through maturity. Other Index Rate Bonds provide for an increased rate of interest commencing on an identified step-up date if such bonds are not converted or refunded in advance of such date. Such increased rate of interest is, in some cases, 9% and, in other cases, based on a specified index rate plus a spread. In fiscal years 2021 and 2020, interest rates on the Index bonds averaged .77% and 1.84%, respectively.

#### *Auction Bonds*

As of June 30, 2021 and 2020, the Authority had \$137 million and \$191 million, respectively, of Auction Rate Securities (“ARS”) outstanding. The interest rate on the ARS is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARS cannot exceed 12%. In fiscal years 2021 and 2020, the interest rate on the ARS averaged .28% and 1.60%, respectively.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 5. Long-Term Liabilities (continued)

#### *Retention Requirements*

As of June 30, 2021 and 2020, the Authority was required to hold in its debt service accounts the following:

	June 30, 2021			June 30, 2020		
	Principal	Interest	Total	Principal	Interest	Total
Required for FTS	\$ 29,790	\$ 398,375	\$ 428,165	\$ 274,995	\$ 426,874	\$ 701,869
Required for BARBs	112,905	405,311	518,216	103,835	400,930	504,765
Total	<u>\$ 142,695</u>	<u>\$ 803,686</u>	<u>\$ 946,381</u>	<u>\$ 378,830</u>	<u>\$ 827,804</u>	<u>\$ 1,206,634</u>

The Authority held \$2.7 billion and \$2.5 billion in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2021 and 2020, respectively. The Authority held \$447 thousand and \$261 thousand in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2021 and 2020, respectively.

### 6. Unrestricted Grants

In fiscal years 2021 and 2020, the Authority received unrestricted grants in the amount of \$2.7 billion and \$2.5 billion, respectively. These grants were used to fund future year's debt service requirements for FTS Bonds and reduced the amount of PIT retained for such purpose. These grants are reported as assigned for debt service in the governmental funds balance sheets.

### 7. Administrative Costs

The Authority's management fee, overhead and expenditures related to carrying out the Authority's duties, including remarketing and liquidity fees not funded from bond proceeds or investment earnings, are funded from the personal income taxes, building aid revenue and grant revenue.



# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 8. Subsequent Events

On July 22, 2021, the Authority issued \$582.8 million of tax-exempt Fiscal 2022 Series S-1A BARBs and \$230.1 million of taxable Fiscal 2022 Series S-1B BARBs. The proceeds from Fiscal 2022 Series S-1A and S-1B were used to refund prior outstanding BARBs.

On August 17, 2021, the Authority issued \$932.1 million of tax-exempt Fiscal 2022 Series A-1 FTS Bonds and \$119.4 million of taxable Fiscal 2022 Series A-2 FTS Bonds. The proceeds from Fiscal 2022 Series A-1 and A-2 FTS Bonds were used to refund prior outstanding FTS Bonds.

On September 9, 2021, the Authority issued \$950 million of tax-exempt Fiscal 2022 Series B-1 FTS Bonds and \$250 million of taxable Fiscal 2022 Series B-2 FTS Bonds. The proceeds of the Fiscal 2022 Series B-1 and B-2 FTS Bonds will be used for the City's capital programs.

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