Fiscal Year 2010 Annual Report of The Comptroller on Capital Debt and Obligations

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

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Executive Summary

New York City has a large and growing debt burden that is threatening to become unaffordable as the city's economy suffers the impacts of a severe global, national, and local economic downturn. In FY 2009, total debt outstanding as a percent of personal income stood at its highest level since 1980. By any commonly accepted measure, New York City ranks above its peers in the amount of debt shouldered by city residents and the city's economy.

The City's debt has grown from $2,951 per capita in FY 1990 to $7,760 by FY 2009, an increase of 163 percent. Over the same period, the cumulative growth rate in debt per capita exceeded the rate of inflation by 93 percentage points and the growth rate of City tax revenues by 17 percentage points. Based on an analysis of financial statements released by other jurisdictions, New York City's debt burden per capita exceeds the average of a sample of large U.S. cities by a margin of more than two to one.

Among the cities surveyed in this report, New York City also ranks among the highest in two measures of debt burden that factor in a locality's wealth, and is well above the averages of the sample cities and counties. New York City's outstanding debt as a percentage of full value of real property in FY 2008 was 7.4 percent. This was 3.9 percentage points above the sample city average of 3.5 percent. Philadelphia at 10.5 percent and San Antonio at 9.0 percent both exceeded New York City's ratio. Other major cities had considerably less debt relative to full market value compared to New York City. For example, Chicago's debt was 3.9 percent, and Los Angeles debt was 3.1 percent of full market value.

Compared to the same set of cities, New York City's debt as a percentage of personal income in FY 2007 was the highest at 14.1 percent, more than twice the 6.9 percent average of the other sample cities.[1] Philadelphia and San Antonio were the next highest ranked cities at 13.3 percent and 11.6 percent, respectively, with Boston the lowest at 3.1 percent.

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

Despite its magnitude, the amount of outstanding New York City debt is within the debt limit provided by State law. New York City's general debt limit, as set forth in the New York State Constitution, is 10 percent of the five-year rolling average of the full value of taxable city real property. The City's FY 2010 general debt-incurring power of $74.904 billion is projected to rise to $75.105 billion in FY 2011, $75.965 billion in FY 2012, and $76.059 billion in FY 2013.

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[1] Since the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) provides personal income figures by county, the analysis in Chart 6 on page 23 uses annual financial reports of the *county* in which each city is located. The latest available BEA data for personal income is 2007. Both the respective cities and counties of San Francisco and Philadelphia are coterminous geographic entities.

The City's General Obligation (GO) debt was $39.4 billion at the beginning of FY 2010. After including contract and other liability and adjusting for appropriations, the City's indebtedness that is counted toward the debt limit totaled $47.23 billion at the beginning of FY 2010, as shown in the Debt-Incurring Power Table on page ix. This indebtedness is expected to grow to $59.65 billion by the beginning of FY 2013. The City was below its general debt limit by $27.67 billion on July 1, 2009 and is projected to have remaining debt-incurring capacity of $21.05 billion on July 1, 2010, $18.29 billion on July 1, 2011, and $16.41 billion on July 1, 2012. This decline in debt-incurring capacity reflects the combined influence of a sizable capital plan and softening property values. If beginning in FY 2011 the City complies with GASB Statement 49, which would require it to fund certain environmental remediation expenses from its operating budget rather than its capital budget, borrowing requirements would be reduced by roughly $500 million per year, thus freeing up additional debt-incurring capacity.

In addition to the obligations counted toward the debt limit, the City is responsible for the interest on Hudson Yards Infrastructure Corporation (HYIC) debt to the extent that revenues from the Hudson Yards development are insufficient to pay debt service (but not its related principal of $2 billion).

The City maintains several additional credits, including bonds issued by the New York City Transitional Finance Authority (NYCTFA) and TSASC. The NYCTFA had issued $13.5 billion of NYCTFA PIT bonds and $2 billion of Recovery bonds prior to FY 2010. In July 2009, the State Legislature granted NYCTFA the authority to issue additional debt for general capital purposes. This additional borrowing will be secured by personal income tax revenues and will be counted under the general debt limit. In addition to this capacity, the NYCTFA is authorized to issue up to $9.4 billion of Building Aid Revenue Bonds (BARBs) for education purposes. Approximately $4.25 billion of these bonds have been issued to date. Debt service for these bonds is supported by State building aid revenues. TSASC has contributed a total of $1.3 billion to the City's capital program and is unlikely to provide further support to the City's capital program.

The City's GO credit is rated AA by Standard & Poor's, Aa3 by Moody's Investor Service, and AA- by Fitch Ratings, and has a stable outlook from all three rating agencies.

NYC Debt-Incurring Power

($ in millions)

	July 1, 2009	July 1, 2010 [a]	July 1, 2011	July 1, 2012
Gross Statutory Debt-Incurring Power	**$74,904**	**$75,105**	**$75,965**	**$76,059**
Actual Bonds Outstanding as of June 30 (net) [b]	39,402	37,813	35,836	33,784
Plus New Capital Commitments				
FY 2010[c]		8,794	8,794	8,794
FY 2011			5,671	5,671
FY 2012				4,027
Less: Appropriations	(1,601)	(1,986)	(2,062)	(2,057)
Subtotal: Net Funded Debt Against the Limit	**$37,801**	**$44,621**	**$48,239**	**$50,219**
Plus: Contract and Other Liability	9,433	9,433	9,433	9,433
Subtotal: Total Indebtedness Against the Limit	**$47,234**	**$54,054**	**$57,672**	**$59,652**
Remaining Debt-Incurring Power within General Limit[d]	**$27,670**	**$21,051**	**$18,293**	**$16,407**

[a] FYs 2011 through 2013 debt limits are based on the NYC Comptroller's Office forecast of billable assessed value.

[b] Net adjusted for Original Issue Discount, Capital Appreciation Bonds, GO bonds issued for the water and sewer system, Business Improvement District debt and cash on hand. $39.991 billion from Table 1 minus $589 million of the aforementioned adjustments equals $39.402 billion.

[c] Reflects Capital Commitments as of the FY 2010 Adopted Budget Commitment Plan (released in September 2009) and includes cost of issuance and certain Inter-Fund Agreements. In July 2009, the State Legislature included future debt of the NYCTFA PIT bonds under the general debt limit, thus capital commitments will be funded by the NYCTFA as well.

The Debt Affordability Statement released by the City in May, 2009 presents data for the last day of each fiscal year, June 30th, instead of the first day of each fiscal year, July 1, as reflected in this table. The City's Debt Affordability Statement forecasts that indebtedness would be below the General debt limit by $22.39 billion at the end of FY 2009.

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

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I. Profile of New York City Debt

Debt is issued by New York City, or on behalf of New York City, through a number of different mechanisms. This debt (Gross NYC Debt) is used to finance the City's capital projects. Gross NYC Debt rose by 9.7 percent from FY 2008 to FY 2009.[2] In the 1980s, Gross NYC Debt grew at an average annual rate of 4.5 percent. During the 1990s, Gross NYC Debt increased by 6.4 percent annually. The substantial increase during the 1990s resulted mainly from the rehabilitation of facilities that were neglected during the 1970s fiscal crisis. Gross debt outstanding grew at a rate of 5.7 percent per year from FY 2000 to FY 2009. The FY 2010 Adopted Budget and Financial Plan projects that over the next four years, Gross NYC Debt will increase by 4.6 percent annually.[3]

A. COMPOSITION OF DEBT

Debt used by the City to finance its capital program can be divided into five categories with General Obligation (GO) bonds accounting for 61.7 percent of the total, as shown in Table 1. Except for debt issued by TSASC, the City's debt is comprised of both tax-exempt and taxable bonds.

Table 1. Gross NYC Debt Outstanding as of June 30, 2009

($ in millions)

	GO Bonds	NYCTFA	TSASC	STAR Corporation	Capital Lease Obligations & Other[a]	Gross Debt Outstanding
Tax-Exempt						
Fixed Rate	$30,551	$13,721[c]	$1,274	$1,869	$3,709	$51,125
Variable Rate[b]	6,745	2,722[c]	0	0	156	9,622
Subtotal	$33,945	$16,443	$1,274	$1,869	$3,865	$60,747
Taxable						
Fixed Rate	$2,045	$293	$0	$384	$507	$3,229
Variable Rate[b]	650	177	0	0	0	827
Subtotal	$2,695	$470	$0	$384	$507	$4,056
Total	**$39,991**	**$16,913**	**$1,274**	**$2,253**	**$4,372**	**$64,803**
Percent of Total	**61.7%**	**26.1%**	**2.0%**	**3.5%**	**6.7%**	**100.0%**

[a] This figure includes capital leases of $507 million and $2.033 billion of Hudson Yards Infrastructure Corporation Debt.
[b] Variable rate debt varies in term from two to 30 years with interest-payment terms that are reset on a daily, weekly, or other periodic basis.
[c] The New York City Transitional Finance Authority (NYCTFA) fixed-rate figure includes $4.25 billion for NYCTFA Building Aid Revenue Bonds (BARBs). The variable-rate figure contains $1.522 billion of Recovery Bonds.
SOURCE: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2009, p.304.

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[2] This information is presented on page 304 of the Office of the NYC Comptroller's *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009* that was released on October 30, 2009.

[3] GO, TSASC, and NYCTFA debt are used as a proxy for the estimated growth rate, due to the unavailability of data regarding future lease-purchase debt issuance.

Tax-exempt debt is issued to finance projects that have a public purpose, while taxable debt is issued for projects that have a public purpose but are ineligible for Federal tax exemptions, such as housing loan programs that benefit from Federal tax credits.

Tax-exempt debt accounted for 93.7 percent of the total value of debt outstanding at the end of FY 2009. Fixed-rate tax-exempt debt accounted for 84.2 percent of tax-exempt debt and fixed-rate debt (taxable and tax-exempt) comprises 83.9 percent of total debt while tax-exempt and taxable variable rate debt comprised 16.1 percent of gross debt outstanding.

Elements of Outstanding Gross NYC Debt

1. *General Obligation (GO)* debt, which is backed by the full faith and credit of the City, totaled $39.99 billion as of June 30, 2009 and accounted for 61.7 percent of total debt outstanding. From FY 2008, GO debt increased $3.89 billion, or 10.8 percent.[4] Debt service for GO bonds is paid from the proceeds of real property taxes which are deposited with and retained by the State Comptroller under a statutory formula for the payment of debt service. This "lock-box" mechanism assures that debt-service obligations are satisfied before property taxes are released to the City's general fund. This is a positive feature of GO debt.

2. *New York City Transitional Finance Authority (NYCTFA)* debt totaled $16.913 billion at the end of FY 2009, including $4.25 billion of NYCTFA Building Aid Revenue Bonds (BARBs). This is a 14.1 percent increase, or a $2.09 billion change, from FY 2008. Almost all of the increase is due to the issuance of NYCTFA BARBs. As a result, the NYCTFA's share of Gross NYC debt outstanding increased to 26.1 percent in FY 2009 from 25.1 percent in FY 2008. The significant increase is due to the issuance of over $2 billion of NYCTFA BARBs in FY 2009.

   The NYCTFA was created as a State authority. In the past, the NYCTFA's initial debt capacity of $13.5 billion was not included in debt outstanding charged against the City's general debt limit.[5] In July 2009, however, the State Legislature changed the rule governing NYCTFA PIT debt capacity, and has now included all subsequent NYCTFA PIT debt issued beyond the original $13.5 billion NYCTFA debt capacity in the City's general debt limit. Thus, the incremental NYCTFA PIT bond debt issued in FY 2010 and beyond will be combined with City GO debt to calculate the City's indebtedness within the debt limit.

   Building Aid Revenue Bonds (BARBs) In April 2006, the State Legislature authorized the NYCTFA to issue up to $9.4 billion of debt to fund a portion of the City's five-year educational facilities capital plan. This debt is supported by State education aid for building aid purposes and is outside the $13.5 billion regular NYCTFA debt limit. In addition to this NYCTFA authorized portion, another $1.8 billion of bonds for

[4] FY 2008 figure is from the *FY 2009 Annual Report of the Comptroller on Capital Debt and Obligations*, January 2009.

[5] The debt limit is discussed in further detail in Section II.

education purposes, backed by State personal income tax revenues, were authorized to be issued by the Dormitory Authority of the State of New York (DASNY). During the course of FYs 2007 through 2009, $4.25 billion of BARBs and all $1.8 billion of DASNY Expanding our Children's Excellence in Learning (EXCEL) bonds were issued.

3. *TSASC* debt totaled $1.274 billion as of June 30, 2009. This represents a decrease of $24 million from FY 2008. TSASC is a local development corporation organized under the Not-for-Profit Corporation Law of the State of New York. TSASC bonds are secured by tobacco settlement revenues as described in the Master Settlement Agreement among 46 states, six jurisdictions, and the major tobacco companies. In February 2006, TSASC refinanced all bonds issued under its original indenture. The new refunding bond structure allows the tobacco settlement revenues (TSR) to flow to both TSASC and the City. [6] Approximately 40 percent of the TSRs are pledged to TSASC bondholders and the remainder goes to the City's general fund. This new indenture provides TSR revenues directly to the general fund after the satisfaction of debt service requirements.

4. *STAR (Sales Tax Asset Receivable) Corporation* debt totaled $2.253 billion at the end of FY 2009. The proceeds of its bonds were used to pay off the remaining debt of the Municipal Assistance Corporation. There are no plans to issue any additional debt for this credit. The STAR Corporation is a local development corporation organized under the Not-for-Profit Corporation Law of the State of New York. It is separate and apart from the City of New York but is an instrumentality of the City. Debt service for STAR Corporation bonds is paid by the Local Government Assistance Corporation (LGAC), a State agency.

5. *Capital Lease Obligations* totaled $4.372 billion as of June 30, 2009, a decrease of $151 million, or 3.3 percent, from FY 2008. The City makes annual appropriations from its general fund for agreements with other entities that issue debt to build or maintain facilities on behalf of the City. These agreements are known as "leaseback" transactions. These leaseback obligations are included in the gross debt outstanding, but are excluded in the calculation of the City's indebtedness under the general debt limit. Capital lease obligations include debt issued by the Dormitory Authority of the State of New York for the New York City Courts Capital Program ($615 million), the City University Construction Fund ($202 million), the Educational Construction Fund ($102 million), the Primary Care Development Corporation ($44 million), the Health and Hospitals Corporation ($737 million), the Urban Development Corporation ($33 million), the Industrial Development Agency ($99 million), as well as general lease obligations ($507 million).[7]

[6] The former TSASC indenture called for all tobacco revenues to flow first to TSASC and then to the City's general fund.

[7] Although for reporting purposes $737 million of Health and Hospitals Corporation (HHC) debt is included in the category of *Capital Lease Obligations*, the debt of HHC is not fully guaranteed by New York City.

The Hudson Yards Infrastructure Corporation (HYIC) is a not-for-profit local development corporation formed in July 2004 to issue debt to finance development in the Hudson Yards district of Manhattan. This entity is expected to issue a total of $3 billion in debt over the next few years to finance the extension of the #7 subway line and various site and structural improvements. The first bond sale in the amount of $2 billion took place in December 2006. In addition to bonds, there are $33 million of HYIC notes which represent future installments payable to the Metropolitan Transportation Authority (MTA) for development rights. The City is obligated to pay interest on HYIC bonds, subject to appropriation, until such time that revenues of the Hudson Yard District are sufficient to cover this expense. The City is not obligated to pay the principal of this debt. There is no planned HYIC borrowing in FY 2010. The HYIC had debt outstanding of $2.033 billion as of June 30, 2009.

Other Issuing Authorities

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

Table 2. NYW and MTA Debt Outstanding as of June 30, 2009

($ in millions)

	Water Finance Authority	Metropolitan Transportation Authority
Tax Exempt		
Fixed Rate	$19,442	$22,014
Variable Rate	2,941[a]	6,640
Total	**$22,383**	**$28,654**

[a] Includes $700 million of commercial paper.
SOURCES: The NYC Municipal Water Finance Authority and the Metropolitan Transportation Authority.

NYW and MTA bonds are secured by dedicated revenues. As such, they are not considered debt of the City. Nevertheless, proceeds of these bonds are used to support services provided to City residents. In turn, City residents pay user fees and fares that support, in large part, the $51.037 billion of debt of these two authorities.

As of June 30, 2009, NYW had $22.38 billion in debt outstanding, an increase of $2.36 billion, or 11.8 percent from FY 2008. Debt issued by NYW is supported by user fees and certain other revenues. Created by State law in 1984, NYW is responsible for funding water and sewer related capital projects administered by the City's Department of Environmental Protection (DEP) such as sewers, water mains, and water pollution control plants. Filtration avoidance of upstate watersheds continues to be a high priority for the DEP capital program. Land acquisition strategies and measured local development help the goals of continued water quality. With DEP's approximate $14 billion capital program over the next ten years, debt outstanding and its related debt service will continue to place upward pressure on water and sewer rates over the Financial Plan period.

The MTA, composed of six major agencies providing commuter transportation throughout the metropolitan area, had $28.65 billion of debt outstanding as of June 30, 2009. This is an increase of $2.93 billion, or 11.4 percent, from June 30, 2008. This 11.4 percent growth in debt from FY 2008 to FY 2009 is considerably more than the FY 2007 to FY 2008 growth of 3.0 percent. It reflects the ever-increasing debt burden that is straining the MTA's operating budget and driving a large portion of the agency's projected future operating deficits.

New York City Transit and MTA Bus maintain approximately 656 miles of mainline subway track and a fleet of more than 4,500 buses for its services within the five boroughs of New York City. The Long Island Railroad provides commuter train service to destinations in Queens, Nassau, and Suffolk counties from Midtown Manhattan and Downtown Brooklyn. Long Island Bus provides bus service to numerous destinations in Nassau, Queens, and Suffolk counties. The Metro-North Railroad serves commuters in the Bronx, Westchester, Putnam and Dutchess counties and portions of southern Connecticut. The Bridges and Tunnels agency operates all intra-State toll tunnels and bridges throughout the five boroughs of New York City.

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

The three major credits that either have financed and/or continue to finance capital projects are: 1) NYC General Obligation, 2) NYCTFA, and 3) TSASC bonds. There is no additional planned debt issuance for TSASC debt. Due to State legislative action in the summer of 2009 the NYCTFA may now issue its personal-income-tax (PIT) secured debt under the general debt limit. As a result, new issuances will involve a mix of GO debt, NYCTFA PIT bonds, and NYCTFA BARBs. The average annual growth rate in debt outstanding is expected to slow to 2.3 percent from FY 2009 to FY 2019 relative to the average annual growth rate of 5.7 percent from FY 2000 to FY 2009.[8] Estimated debt growth from FYs 2009 to 2013, however, averages 4.6 percent per year, as inferred in Table 3. Growth beyond the Financial Plan period tends to be lower due to the inherent uncertainty of long-term capital planning. The decreases in debt outstanding shown in FYs 2018 and 2019 are unlikely to occur as more detailed information about funding requirements becomes available.

[8] *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June, 30, 2009*, page 304, used as source for FY 2000 to FY 2009 rate of growth. Includes $2.03 billion of HYIC bonds and notes.

Table 3. NYC Projected Bonds Outstanding, Three Major Issuers, FYs 2009-2019

($ in millions)

End of Fiscal Year	Debt Outstanding for GO, NYCTFA, & TSASC	Percent Change
2009	$60,431	10.8%
2010	64,999	7.6%
2011	68,355	5.2%
2012	70,756	3.5%
2013	72,479	2.4%
2014	74,050	2.2%
2015	75,128	1.5%
2016	75,697	0.8%
2017	75,984	0.4%
2018	75,831	(0.2%)
2019	75,509	(0.4%)

SOURCE: *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2009*, and the NYC Office of Management and Budget, June 2009 Financial Plan. Above figures include STAR debt and NYCTFA BARBs.

The principal and interest composition for the three major issuers combined is reflected in Table 4.[9] Principal repayments are estimated to be $2.166 billion in FY 2010, $2.527 billion in FY 2011, $2.707 billion in FY 2012, and $2.717 billion in FY 2013. Thus, principal is estimated to comprise 42 percent of debt service in FY 2010, 44.9 percent in FY 2011, 44.5 percent in FY 2012 and 42.7 percent in FY 2013.[10]

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

($ in millions)

Fiscal Year	Estimated Principal Amount	Estimated Interest	Estimated Total Debt Service	Principal as Percent of Total
2010	$2,166	$2,996	$5,162	42.0%
2011	$2,527	$3,106	$5,633	44.9%
2012	$2,707	$3,371	$6,078	44.5%
2013	$2,717	$3,642	$6,359	42.7%

SOURCE: City of New York, Office of the Comptroller and the NYC Office of Management & Budget, June 2009 Financial Plan.
NOTE: Adjusted for prepayments

During FY 2009, the City issued $5.93 billion of GO debt of which approximately $450 million was used for refunding transactions with present-value savings of $35.5 million. The remainder of $5.5 billion was used for new debt for capital purposes. The refundings produced dissavings of $3.8 million in FY 2009 due to equity contributions, but resulted in future year savings of $16.6 million in FY 2010, and $19.5 million in FY 2011. At the end of FY 2009, GO debt totaled $39.99 billion of which $20.1 billion, or 50.2 percent, will come due in the next ten years, as extrapolated from Table 5.

[9] NYCTFA, BARB and STAR debt service is not included in Table 4.

[10] Debt service excludes lease-purchase debt, interest on short-term notes, and debt service on STAR debt as of the FY 2010 Adopted Budget and June 2009 Financial Plan. MAC is excluded from the principal and interest analysis because its debt service is being paid by the STAR Corporation, whose debt service is being paid with State revenues.

Table 5. Amortization of Principal of the Three Major Issuers

($ in millions)

Fiscal Years	GO	NYCTFA[a]	TSASC	Total	Percent of Total
2010-2019	$20,062	$6,782	$149	$26,993	46.4%
2020-2029	$16,253	$7,412	$463	$24,128	41.5%
2030 and After	$ 3,676	$2,719	$662	$ 7,057	12.1%
Total	**$39,991**	**$16,913**	**$1,274**	**$58,178**	**100.0%**

[a] Includes $1.522 billion of Recovery Bonds and $4.25 billion of NYCTFA BARBs.

In FY 2009, NYCTFA issued $2.27 billion of NYCTFA BARBs for new money purposes bringing the BARB debt outstanding total to $4.25 billion. In all, NYCTFA's debt outstanding was $16.91 billion at the end of FY 2009. In addition, the NYCTFA issued $219 million of refunding bonds which produced budgetary savings of $11.1 million in FY 2010. Of the $16.91 billion of NYCTFA general purpose bonds and BARBs outstanding, $6.78 billion, or 40.1 percent, will come due over the next ten years as reflected in Table 5 above. Of the outstanding debt of all three issuers, 46.4 percent would come due over the next ten years. This compares favorably to percentages in Capital Debt and Obligations reports issued in prior fiscal years 2005 to 2009 where the average was about 45.5 percent.

C. INSTITUTIONAL USE OF CAPITAL DEBT

The City uses capital bond proceeds for numerous projects with useful lives longer than five years, including the purchase of trucks, computer systems, the construction and rehabilitation of schools, roads and bridges, correctional and court facilities, sanitation garages, parks and cultural facilities, public buildings, and housing and urban development initiatives. Over the past several years, capital expenditures for schools have significantly outpaced capital spending for other purposes as funding became available to address deteriorating facilities, overcrowding, and renovation of existing facilities.

As shown in Table 6, GO debt outstanding as of June 30, 2009 stood at $39.99 billion, an increase of $22.18 billion, or 126 percent, from FY 1992. Adjusting for inflation, it implied real growth over the same period of $7.91 billion, or 25 percent. Excluding GO debt for water and sewer purposes, the debt outstanding was $39.48 billion at the end of FY 2009, and $16.31 billion in FY 1992. Adjusted for inflation, the FY 1992 figures increase to $29.34 billion, resulting in an implicit real growth of $10.13 billion. [11]

[11] The comparison excluding DEP is more relevant due to the expected natural decline in GO debt for water and sewer purposes because of the use of Water Finance Authority bonds to finance the DEP's capital program since FY 1986.

Even with the use of NYCTFA BARBs to support education projects in recent years, the GO share of bonds outstanding used for education capital projects rose from 13.4 percent in FY 1992 to 28.8 percent on June 30, 2009. This reflects an increase from $2.4 billion in FY 1992 to $11.5 billion in FY 2009.[12] Adjusting for inflation, the FY 1992 figure would be $4.03 billion. Thus, considerable real dollars have been dedicated to this category.

Outstanding debt on housing and economic development has increased by $370 million in absolute terms. However, its share of debt outstanding has declined to 7.2 percent in FY 2009 from 14 percent in FY 1992. Adjusting the FY 1992 figures for inflation, it would bring the bond outstanding level to $4.56 billion, well above the FY 2009 level of $2.87 billion, demonstrating a shift in priorities away from this category. Other categories that have posted absolute growth but relative declines in share of debt outstanding include public safety, mass transit, sanitation, and health and social services.

Since FY 1986, NYW has financed virtually all capital expenditures of the DEP, thereby decreasing the outstanding portion of GO bonds used for the rehabilitation and maintenance of the water and sewer system. Water and sewer related GO debt has declined to $515 million, or 1.3 percent of the total as of June 30, 2009, from a level of $1.5 billion in FY 1992, or 8.4 percent of debt outstanding as shown in Table 6. This percentage should continue to decline with each passing year as the debt is paid off.

Table 6. Use of GO Debt, FY 2009 and FY 1992

($ in millions)

Categories	**Debt Outstanding as of June 30, 2009**	**Percent of Total**	**Debt Outstanding as of June 30, 1992**	**Percent of Total**
Education (DOE & CUNY)	$11,500	28.8%	$2,382	13.4%
Housing and Urban Development	2,872	7.2	2,502	14.0
Mass Transit	2,449	6.1	2,365	13.3
Bridges, Tunnels, Highways and Streets	3,849	9.6	1,658	9.3
Public Safety, Correction and Courts	2,601	6.5	1,729	9.7
Sanitation	1,586	4.0	1,141	6.4
Parks, Recreational and Culturals	2,327	5.8	996	5.6
Water Pollution Control, Water Mains and Sewers[a]	515	1.3	1,502	8.4
Health Services	1,070	2.7	863	4.8
Public Buildings	2,293	5.7	429	2.4
Social Services	414	1.0	283	1.6
Off-Street Parking, Airports, Ferries and Markets	587	1.5	267	1.5
Undistributed and Other	7,928	19.8	1,694	9.6
Total [b]	**$39,991**	**100.0%**	**$17,811**	**100.0%**

[a] Represents debt issued for water and sewer purposes prior to June 30, 1985.
[b] This includes GO debt. Over the past ten years the NYCTFA and TSASC debts have supplanted some of GO borrowing with over $18 billion of bonds over the period. Details for NYCTFA and TSASC debt use are not avaiilable from OMB for the period ending June 30, 2009.
SOURCE: *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2009*, and the NYC Office of Management and Budget, Adopted Budget Debt Service Statement II, FY 2010 and FY 1993.

[12] FY 1992 was chosen as base comparison year to provide a consistent reference point to prior Capital Debt and Obligation Reports.

Table 7. Use of GO Debt, FY 2009 and FY 1992 Adjusted for Inflation

($ in millions)

Categories	Debt Outstanding as of June 30, 2009	Percent of Total	Debt Outstanding as of June 30, 1992 Adjusted for Inflation	Percent of Total
Education (DOE & CUNY)	$11,500	28.8%	$4,033	12.6%
Housing and Urban Development	2,872	7.2	4,557	14.2
Mass Transit	2,449	6.1	4,306	13.4
Bridges, Tunnels, Highways and Streets	3,849	9.6	3,021	9.4
Public Safety, Correction and Courts	2,601	6.5	3,149	9.8
Sanitation	1,586	4.0	2,078	6.5
Parks, Recreational and Culturals	2,327	5.8	1,814	5.7
Water Pollution Control, Water Mains and Sewers[a]	515	1.3	2,736	8.5
Health Services	1,070	2.7	1,571	4.9
Public Buildings	2,293	5.7	726	2.3
Social Services	414	1.0	516	1.6
Off-Street Parking, Airports, Ferries and Markets	587	1.5	486	1.5
Undistributed and Other	7,928	19.8	3,086	9.6
Total [b]	**$39,991**	**100.0%**	**$32,079**	**100.0%**

[a] Represents debt issued for water and sewer purposes prior to June 30, 1985.

[b] This includes GO debt. Over the past ten years the NYCTFA and TSASC debts have supplanted some of GO borrowing with over $18 billion of bonds over the period. Details for NYCTFA and TSASC debt use are not available from OMB for the period ending June 30, 2009.

SOURCE: *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2009*, and the NYC Office of Management and Budget, Adopted Budget Debt Service Statement II, FY 2010 and FY 1993 along with Building and Construction Cost Indices used for inflationary factors.

City-Funded Capital Commitments

As shown in Table 8, capital commitments for education projects in the FY 2010 Adopted Capital Plan for FYs 2010-2013 are projected to be $4.72 billion or 20.2 percent of the total, excluding DEP projects. Other GO and NYCTFA supported programs include capital projects for bridges, tunnels, streets, and highways at $2.93 billion, housing and urban renewal at $3.1 billion, public safety at $2.83 billion, and parks, libraries, and cultural affairs at $2.74 billion.

Water pollution control, water mains and sewers and other projects related to DEP, which are funded by NYW bonds, will comprise $7.09 billion of estimated City-funded commitments. This represents 23.2 percent of estimated total City capital commitments between FYs 2010-2013. Total City-funded commitments, including DEP and less the reserve for unattained commitments, will average about $6.93 billion per year, a decline from last year's average of over $7.47 billion per year.

Table 8. FY 2010 Adopted Capital Commitment Plan by Category, City Funds, FYs 2010 – 2013

($ in millions)

Categories	Projected FY 2010-2013 Commitments	Percent of Total	Percent of Total without Water & Sewer
Water Pollution Control, Water Mains and Sewers (DEP)[a]	$7,090	23.2%	0.0%
Bridges, Tunnels, Highways and Streets	2,925	9.6	12.5
Education (DOE & CUNY)	4,725	15.5	20.2
Housing and Urban Development	3,099	10.2	13.2
Public Safety, Correction and Courts	2,826	9.2	12.0
Parks, Libraries and Culturals	2,741	9.0	11.7
Sanitation	1,395	4.6	6.0
Mass Transit	341	1.1	1.5
Health Services	974	3.2	4.1
Public Buildings, Equipment, & Computers	3,917	12.8	16.7
Off-Street Parking, Airports, Ferries and Markets	87	0.3	0.4
Social Services	395	1.3	1.7
Total Before Reserve	**$30,515**	**100.0%**	**100.0%**
Reserve for Unattained Commitments	($2,777)	(N/A)	(N/A)
Total [b]	**$27,738**	**100.0%**	**100.0%**

[a] Will be nearly 100 percent funded with NYW bonds.
[b] This represents City-funded capital commitments as of the *FY 2010 Adopted Capital Commitment Plan issued in September 2009* includes a $2.777 billion reserve for unattained commitments.

II. Debt Limit

A. THE CITY'S DEBT-INCURRING POWER

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

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

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

- The State Constitution provides that, with certain exceptions, the City's general debt limit cannot be greater than 10 percent of the average full value of taxable real property in the City over the most recent five years. Full values are established using the equalization ratios and the assessed values of taxable real property for the relevant five-year period. The City's debt limit for the ensuing fiscal year is then calculated by averaging the estimated full values of real property over the five-year period.

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

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

Table 9 illustrates the calculation of the FY 2010 debt limit. The FY 2010 general debt limit was calculated using the assessed valuation of taxable real estate for FYs 2006 through 2010 divided by special equalization ratios provided by ORPS. The resulting figures provide an estimate of the full valuation of taxable real property over that period.

These full values are totaled and then averaged to calculate the five-year average value of taxable real property, which is $749.043 billion. The debt limit is then calculated by multiplying the five-year average value by 10 percent, which yields the debt limit of approximately $74.904 billion for FY 2010.[13]

Table 9. Calculation of Full Valuation of Real Property in New York City and the General Debt Limit, FY 2010

Fiscal Year	Billable Assessed Valuation of Taxable Real Estate	Special Equalization Ratio	Full Valuation
2006	$111,397,956,330	0.1808	$616,139,138,993
2007	$116,477,764,261	0.1600	$727,986,026,631
2008	$125,777,268,853	0.1705	$737,696,591,513
2009	$134,294,731,881	0.1707	$786,729,536,503
2010	$143,334,172,616	0.1635	$876,661,606,214
5 - Year Average Value			$749,042,579,971
10 Percent of the 5-Year Average			$74,904,257,997

SOURCE: The City of New York City Council Tax Fixing Resolution for FY 2010.

Table 10 shows that the City's FY 2010 general debt-incurring power of $74.904 billion is projected to rise to $75.105 billion in FY 2011, $75.965 billion in FY 2012, and $76.059 billion in FY 2013. The City's indebtedness is projected to grow from $47.234 billion at the beginning of FY 2010 to $59.652 billion by the beginning of FY 2013. The City was below its general debt limit by $27.671 billion on July 1, 2009 and is projected to be below the general limit by $21.051 billion on July 1, 2010, by $18.293 billion on July 1, 2011, and by $16.407 billion by July 1, 2012. NYCTFA and TSASC together have provided resources totaling $14.8 billion through FY 2008.[14] The NYCTFA is now free to borrow within the City's general debt limit. The impact of these capital costs is discussed in "Affordability Measures" beginning on page 23.

[13] The full valuation of taxable real property in the outyears is based on the Comptroller's Office forecast of future real estate trends.

[14] The figure used excludes $2 billion of NYCTFA recovery bonds and $4.25 billion of NYCTFA BARBs.

Table 10. NYC Debt-Incurring Power

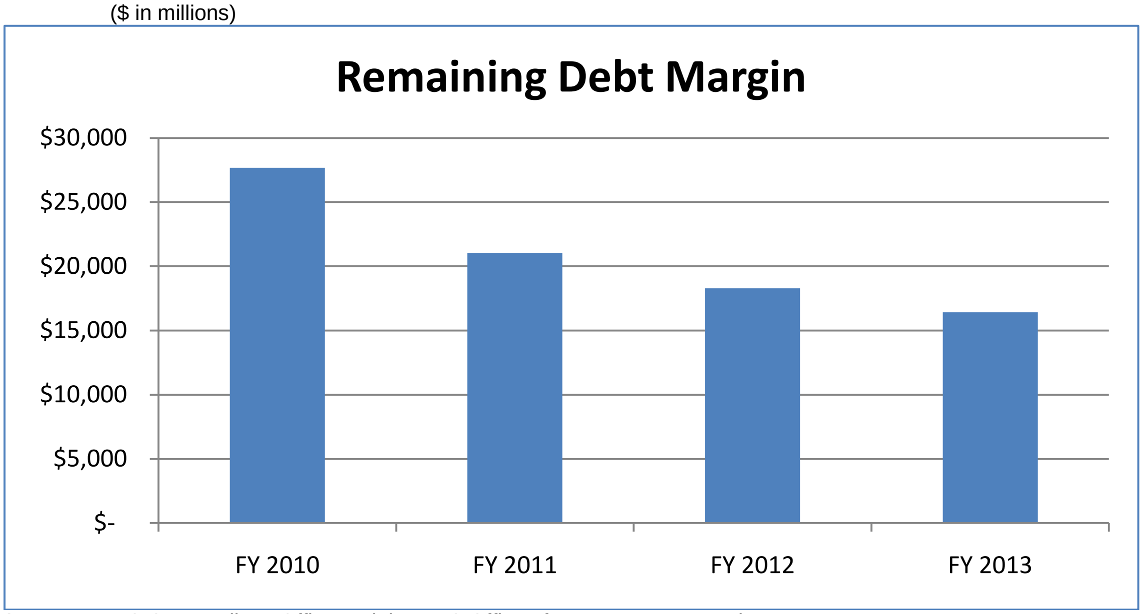
($ in millions)

	July 1, 2009	July 1, 2010 [a]	July 1, 2011	July 1, 2012
Gross Statutory Debt-Incurring Power	**$74,904**	**$75,105**	**$75,965**	**$76,059**
Actual Bonds Outstanding as of June 30 (net) [b]	39,402	37,813	35,836	33,784
Plus New Capital Commitments				
FY 2010[c]		8,794	8,794	8,794
FY 2011			5,671	5,671
FY 2012				4,027
Less: Appropriations	(1,601)	(1,986)	(2,062)	(2,057)
Subtotal: Net Funded Debt Against the Limit	**$37,801**	**$44,621**	**$48,239**	**$50,219**
Plus: Contract and Other Liability	9,433	9,433	9,433	9,433
Subtotal: Total Indebtedness Against the Limit	**$47,234**	**$54,054**	**$57,672**	**$59,652**
Remaining Debt-Incurring Power within General Limit[d]	**$27,670**	**$21,051**	**$18,293**	**$16,407**

[a] FYs 2011 through 2013 debt limits are based on the NYC Comptroller's Office forecast of billable assessed value.
[b] Net adjusted for Original Issue Discount, Capital Appreciation Bonds, GO bonds issued for the water and sewer system, Business Improvement District debt and cash on hand. $39.991 billion from Table 1 minus $589 million of the aforementioned adjustments equals $39.402 billion.
[c] Reflects Capital Commitments as of the FY 2010 Adopted Budget Commitment Plan (released in September 2009) and includes cost of issuance and certain Inter-Fund Agreements. In July 2009, the State Legislature included future debt of the NYCTFA PIT bonds under the general debt limit, thus capital commitments will be funded by the NYCTFA as well.
[d] The Debt Affordability Statement released by the City in May, 2009 presents data for the last day of each fiscal year, June 30th, instead of the first day of each fiscal year, July 1, as reflected in this table. The City's Debt Affordability Statement forecasts that indebtedness would be below the General debt limit by $22.39 billion at the end of FY 2009.
SOURCE: NYC Comptroller's Office and the NYC Office of Management & Budget.

Chart 1. **Remaining Debt Margin at the Beginning of Fiscal Year, FY 2010 Actual, FYs 2011-13, Estimated**

($ in millions)



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

As depicted in Chart 1 above, the remaining debt margin is forecast to decrease from $27.67 billion at the beginning of FY 2010 to $16.4 billion at the beginning of FY 2013. This decrease of over $11 billion is fueled by a projected debt limit increase of only 0.5 percent per year from FY 2010 to FY 2013, contrasted with a total indebtedness increase of 8.1 percent per year over the same period. This dramatic contrast in trends causes the decrease in debt-incurring margin.

III. Debt Burden and Affordability of City Debt

After reviewing the City's historical and future capital commitments and debt service costs, this section presents statistics assessing the size of the City's debt burden and its affordability. The proper measure of affordability is subject to debate since there are alternative bases that can be used to measure a locality's available resources. This report provides measures of debt per capita, debt as a percent of the value of real property, debt as a percent of personal income, and debt as a percent of local tax revenues.[15] For several of these measures, comparisons with other jurisdictions are presented. New York City has the highest debt among the largest cities in the nation when measured on a per capita basis or as a percent of personal income.

A. BACKGROUND

The City's infrastructure was greatly neglected during the fiscal crisis of the 1970s. Deferred maintenance led to dilapidated roads, bridges, and schools. Following that difficult period, the City embarked on a series of ambitious capital plans to repair and maintain its infrastructure. This trend began in the early 1980s and has continued through FY 2009. The City committed resources averaging $3.68 billion per year during FYs 1994-1997, $4.3 billion per year during FYs 1998-2001, $5.76 billion per year during FYs 2002-2005, and $7.57 billion during FYs 2006-2009.

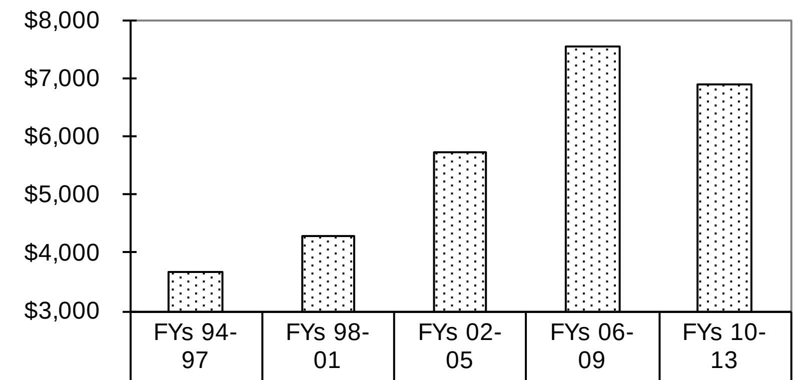
In FY 2001, the City embarked on what was then an historically high capital commitment program, with City-funded capital commitments of $6.1 billion, an increase of 63.8 percent over FY 2000. City-funded commitments declined slightly to $5.83 billion in FY 2002, to $5.39 billion in FY 2003 and $4.54 billion in FY 2004, before rising again to $7.29 billion in FY 2005, $5.89 billion in FY 2006, $7.86 billion in FY 2007, and a high of $9 billion in FY 2008, then dropping to $7.2 billion in FY 2009. During FYs 2010-2013, City-funded commitments are projected to average $6.94 billion, 8.0 percent less than the average of $7.57 billion during FYs 2006 to 2009, as shown in Chart 2 on page 17.[16]

[15] New York City FY 2008 debt per capita is used for comparison because the available data for the other sample cities are from either fiscal year or calendar year 2008.

[16] Figures include commitments for the DEP that are funded primarily with NYW debt.

***Chart 2.* Actual and Projected Capital Commitment Averages, City Funds**

($ in millions)



	FYs 94-97	FYs 98-01	FYs 02-05	FYs 06-09	FYs 10-13
City Capital Commitments	$3,675	$4,304	$5,762	$7,572	$6,935
Percent Change		17%	57%	31%	-8%

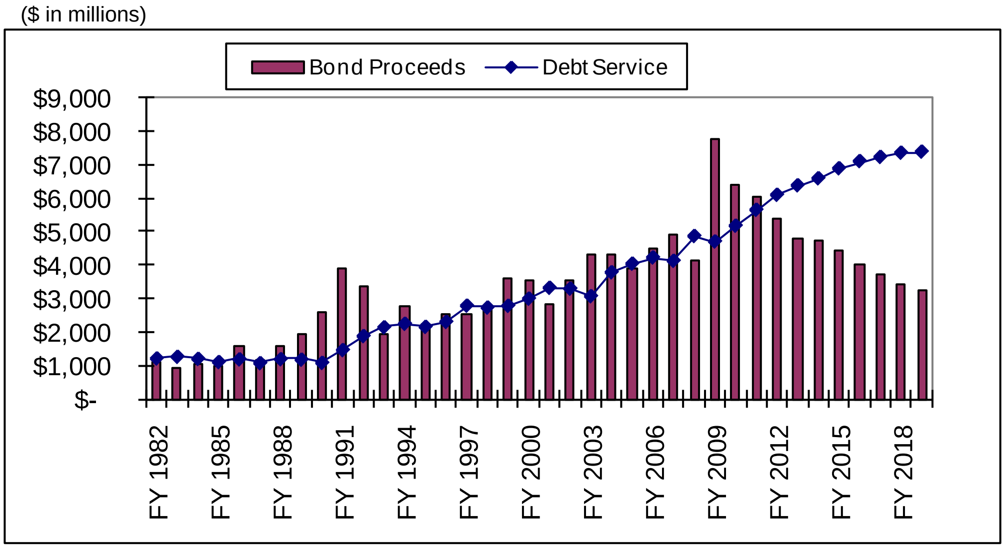
SOURCE: Message of the Mayor, various FYs 1991-2005, and FY 2010 Adopted Capital Commitment Plan (Published September 2009).

The City's capital program relies almost exclusively on the issuance of bonds. The City's annual borrowing grew from $1.08 billion in FY 1982 to $7.75 billion in FY 2009. The FY 2009 level is the highest borrowing in the City's history and is reflective of the aggressive capital commitment plan in FYs 2006-2009 where City-funded commitments averaged $7.57 billion per year. The City's borrowing is expected to average $5.65 billion annually between FYs 2010-2013, with the highest borrowing in FYs 2010 ($6.4 billion) and 2011 ($6.04 billion).[17]

The annual average growth rate of City debt-service payments was 5.1 percent per year from FY 1982 to FY 2009, growing from $1.23 billion in FY 1982 to $4.7 billion in FY 2009. Debt service is expected to grow by 4.6 percent per year from $4.7 billion in FY 2009 to $7.36 billion by FY 2019, as illustrated in Chart 3. Projected growth, however, from FY 2009 to the end of the Financial Plan period in FY 2013 is higher, at 7.9 percent per year. Thus, bond proceeds estimates and the resultant debt service in the latter years, FYs 2014-2019, are likely understated. This implied average annual growth of 2.3 percent per year in FYs 2014-2019, is significantly below the average growth rate of 5.1 percent between FY 1982 and FY 2009. Thus, it is unlikely that this projected low growth rate is realistic save for significant interest savings from lower than budgeted interest rates.

[17] This includes bond proceeds for GO and NYCTFA bonds only. While City-funded commitments include DEP because it is a mayoral operating agency, borrowing for DEP capital projects are not included in our analysis of the City's debt. Financing for its capital program is done by the NYW.

***Chart 3.* Bond Proceeds and Debt Service, FYs 1982-2019**



SOURCES: *City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, 1982-2009 and Office of Management and Budget, FY 2010 Adopted Financial Plan, June 2009*. Debt-service payments exclude interest on short-term notes, MAC debt, lease-purchase debt, and is adjusted for budget surpluses prepaid to the debt-service fund.

B. DEBT BURDEN

Even after adjusting for the effects of population change and tax revenue, City debt has expanded at a significant rate since FY 1990. Debt per capita, which amounted to $2,951 in FY 1990, grew to $7,760 in FY 2009, an increase of 163 percent. Over the same period, the cumulative growth rate in debt per capita exceeded the rate of inflation by 93 percentage points, and exceeded the growth rate in City tax revenues by 17 percentage points.[18] The FY 2009 debt per capita is an increase of $683 from FY 2008. The debt per capita figure does not include the debt of the NYW and the MTA, both of which greatly affect user fees paid by City residents. If this debt were included in the calculation, the FY 2009 debt per capita figure would increase to more than $13,800.

Use of Pay-as-You-Go Capital

Beginning in FY 2006, the City accomplished true pay-as-you-go capital (Pay-Go) by dedicating general fund resources to the funding of capital expenditures that normally would have been financed with bonds. In FY 2006, the City used $200 million of current resources for Pay-Go and increased it to $300 million in FY 2007. However, Pay-Go capital spending of $100 million was abandoned in FY 2008 and there is no Pay-Go planned in any of FYs 2010-2013.

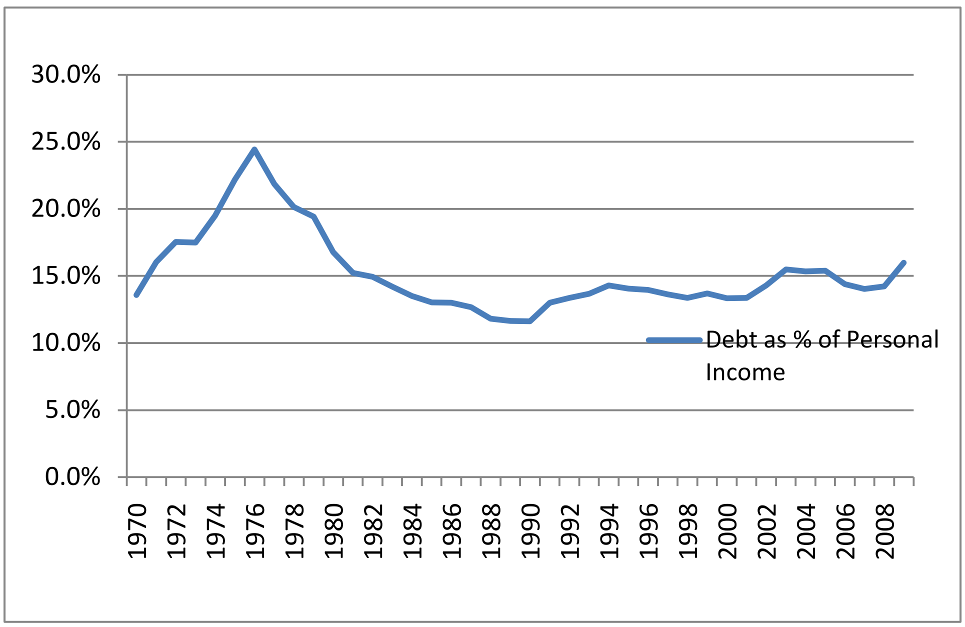
[18] FY 2009 debt per capita of $7,760 is used for section B's analytical purpose; however, FY 2008's debt per capita figure of $7,077 is used when comparing other municipalities, due to data limitations. In addition, 1990 is used as the base year to provide a uniform reference point from report to report. In prior reports, FY 1990's debt per capita was reported as $2,490 which was based on *net debt* outstanding. For better comparability, the FY 1990 figure is now based on *gross debt* outstanding.

While the savings of Pay-Go are modest in the beginning, the cumulative impact of a constant Pay-Go program results in significant savings in future years. For example, a Pay-Go program of $200 million per year for ten years would result in avoided debt issuance of $2 billion with total avoided debt service of approximately $4 billion over a 40-year period. Thus, when funds are available, Pay-Go is an important element in the City's capital funding mix to mitigate the growth of outstanding debt.

Historical Debt Outstanding to Personal Income - FY 1970-2009

In the early 1970's, the City issued short-term notes which it did not entirely redeem at the end of each fiscal year. From 1970 to 1975, the City's year-end short-term note balance averaged $2.95 billion, with $4.44 billion outstanding at the end FY 1975. This signal of financial stress contributed to the City's inability to access the credit markets and the eventual involvement of State and Federal governments beginning in March of 1975. Confronted with external controls in the aftermath of the fiscal crisis, the City rapidly brought down its indebtedness in the late 1970's. This, combined with the resurgence in Wall Street in the 1980's, resulted in a decline of the ratio of debt to personal income from 1976 to 1989.

***Chart* 4. Gross Debt as a Percent of Personal Income, FYs 1970-2009**



SOURCES: Comprehensive Annual Financial Reports of the Comptroller for the Fiscal Year Ended *June 30, 1990, 1999, and 2009* and the U.S. Bureau of Economic Analysis, personal income for counties.

Chart 4 illustrates the historical trend of gross debt outstanding as a percentage of personal income from FYs 1970 to 2009. After reaching a peak of 24.4 percent in FY 1976, gross debt as a percent of NYC personal income trended downward, reaching a low of 11.6 percent in FY 1990. Through the 1990's, the ratio averaged 13.5 percent before spiking to 15.5 percent in FY 2003 in the aftermath of the September 11th attacks. In FYs 2006 to 2008, the ratio averaged about 14.2 percent. In FY 2009, however, it increased to 16 percent the highest level since 1980. Gross debt outstanding increased 9.7 percent from FY 2008 to 2009 as personal income dropped 3.5 percent, reflecting the deep recessionary impact on NYC personal income.

C. COMPARISON WITH SELECTED MUNICIPALITIES

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

In FY 2008, NYC's $7,077 debt per capita was more than twice the average of $3,411 among a sample of large U.S. cities, and 1.5 times the per capita debt of Philadelphia which had the next highest debt burden of $4,670, as shown in Table 11.[19]

Table 11. Debt Per Capita Measures for Selected Cities, 2008

City	Population	Direct and Overlapping Debt Outstanding ($ 000)	Debt Per Capita[a]
Philadelphia	1,449,634	$6,769,600	$4,670
Chicago	2,896,016	13,004,378	4,490
Houston	2,208,180	8,689,648	3,913
San Jose	974,000	3,190,038	3,275
Seattle	592,800	1,605,450	2,708
San Antonio	1,328,984	5,944,676	4,473
Los Angeles	4,045,873	11,918,593	2,946
Phoenix	1,630,340	2,797,316	1,716
Boston	608,302	903,215	1,485
Dallas	1,279,910	3,966,923	3,099
San Francisco	773,674	1,942,354	2,511
Average of Sample Cities	*1,617,065*	*$5,516,563*	*$3,411*
New York City	**8,363,710**	**$59,187,000**	**$7,077**

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

NYC debt-per-capita grew by 247 percent from 1988 to 2008. This growth is in line with average growth of 319 percent for the 11 sample cities shown in Table 12 on page 20. San Francisco's debt-per-capita, which grew 631 percent over this period, tops the lists while Boston had the slowest growth at 112 percent.

[19] The sample cities consist mostly of the highest population cities in the U.S.

Table 12. Debt Per Capita Comparisons for Selected Cities – 1988 and 2008

City	Debt per Capita in 1988	Debt per Capita in 2008	Percent Change 1988-2008
San Francisco	$344	$2,511	631%
Los Angeles	$435	$2,946	577%
Philadelphia	$851	$4,670	449%
Chicago	$953	$4,490	371%
San Antonio	$887	$4,473	404%
San Jose	$663	$3,275	394%
Houston	$1,189	$3,913	229%
Phoenix	$594	$1,716	189%
Seattle	$986	$2,708	175%
Dallas	$1,213	$3,099	155%
Boston	$701	$1,485	112%
Average of All Other Cities[a]	*$814*	*$3,411*	*319%*
National CPI	**$118.3**	**$215.3**	**82%**
New York City	**$2,041**	**$7,077**	**247%**

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

Note: Table 12 above is based on data extracted from each city's "Direct and Overlapping Debt Outstanding" exhibit included in that city's Comprehensive Annual Financial Report. While the individual exhibits are similar in format, there is no assurance that the components of the data published in those exhibits are comparable.

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

NYC's debt per capita also exceeds that in sampled cities across the State of New York. Within the State, the average debt per capita of the cities and counties surveyed, excluding NYC, is $3,178, which is less than half of New York City's debt per capita in FY 2008, as shown in Table 13 on page 21.[20]

Another way to examine the debt burden of a municipality or city is to measure its debt relative to its wealth. Two traditional measures of that relationship are outstanding debt divided by the full value of real property and debt divided by personal income. The rationale behind the use of the full value of real property is that the property tax base provides a major revenue source for debt payment and that there is generally some reasonable limit on the amount of debt that can be borrowed against the property tax base. The Standard & Poor's rating agency considers values above 6.0 percent to be high.[21]

[20] However, Nassau and Westchester counties do not have some of NYC's significant infrastructure such as subways, major bridges, and a complex system of highways.

[21] Standard & Poor's Public Finance Criteria 2000, p. 29.

Table 13. Debt Per Capita Comparisons for Selected N.Y. Cities and Counties

City or County	Debt per Capita	Date of Observation
City of White Plains	$3,761	6/30/08
Westchester County	3,279	6/30/08
Nassau County	4,204	12/31/07
City of Albany	2,176	6/10/09
City of Syracuse	2,315	8/16/09
Onandaga County	2,715	12/31/08
City of Buffalo	1,577	6/30/08
City of Rochester	2,117	6/30/08
Monroe County	2,582	7/1/09
Average of Above N.Y. Cities and Counties[a]	**$3,178**	
New York City	$7,760	6/30/09
New York City	$7,077	6/30/08

SOURCE: Comprehensive Annual Financial Reports of various cities and counties.

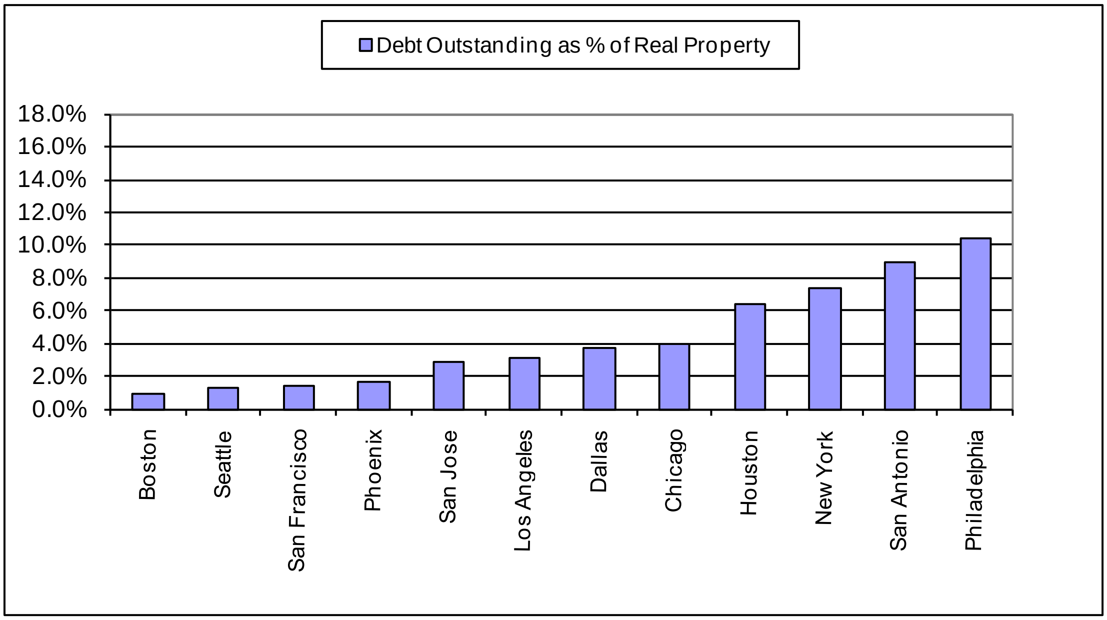
[a] This amount reflects a weighted average of total debt outstanding for all counties or cities divided by the total population for all the respective counties and cities.

The rationale behind using personal income is that it is another relative measure of a locality's wealth. The wealthier a community, the greater its capacity to pay taxes, and to sustain local government debt and operations. Standard & Poor's considers per capita debt more than 6.0 percent of per capita income to be high.[22]

Among the cities surveyed in this report, New York City ranks among the highest in both measures of debt burden and is well above the averages of the sample cities and counties. New York City's outstanding debt as a percentage of full value of real property in FY 2008 is 7.4 percent. This is 3.9 percentage points above the sample city average of 3.5 percent. Philadelphia at 10.5 percent and San Antonio at 9.0 percent both exceed New York City's ratio. Other major cities have considerably less debt relative to full market value compared to New York City. For example, Chicago's debt is 3.9 percent of full market value and Los Angeles's debt is 3.1 percent, as shown in Chart 5.

[22] Ibid.

***Chart 5.* Debt Outstanding as a Percent of the Full Value of Real Property, FY 2007**

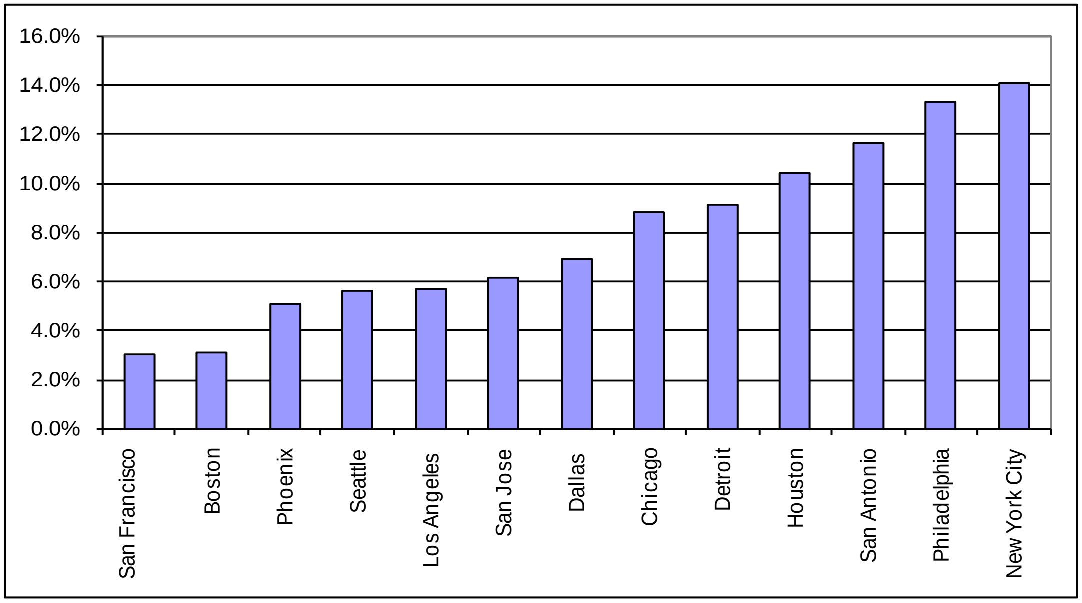


SOURCE: Each city's Comprehensive Annual Financial Report for FY 2008.
NOTE: Debt per capita is based on data extracted from each city's Direct and Overlapping Debt Outstanding exhibit included in that city's Comprehensive Annual Financial Report. While the individual exhibits are similar in format, there is no assurance that the components of the data published in those exhibits are comparable.

New York City's debt as a percentage of personal income in FY 2007 was the highest at 14.1 percent, more than twice the 6.9 percent average of the other sample cities.[23] Philadelphia and San Antonio were the next highest ranked cities at 13.3 percent and 11.6 percent, respectively, with San Francisco the lowest at 3.0 percent, as shown in Chart 6 on page 23.

[23] Since the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) provides personal income figures by county, the analysis in Chart 6 uses annual financial reports of the *county* in which each city is located. The latest available BEA data for personal income is 2007. Both the city and county of San Francisco and Philadelphia are coterminous geographic entities.

***Chart 6.* Debt as a Percent of Personal Income, FY 2007**

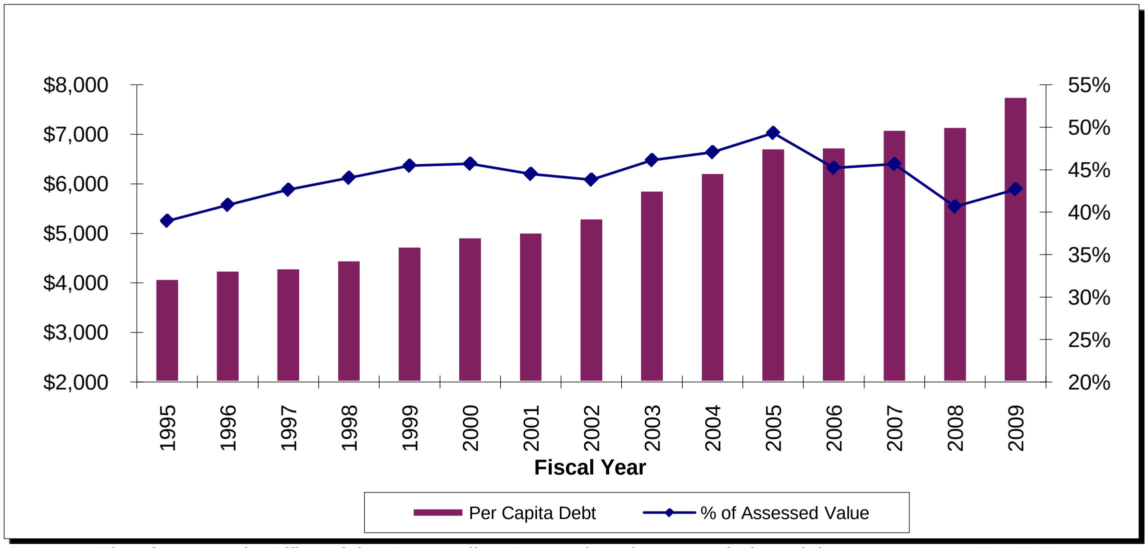


SOURCE: FY 2007 Comprehensive Annual Financial Reports of Sample Counties as proxies for the above cities and the U.S. Department of Commerce – Bureau of Economic Analysis – 2007 personal income data.
NOTE: Debt per capita is based on data extracted from each city's Direct and Overlapping Debt Outstanding exhibit included in that city's Comprehensive Annual Financial Report. While the individual exhibits are similar in form, there is no assurance that the components of the data published in those exhibits are comparable.

D. AFFORDABILITY MEASURES

The level of NYC's debt is rising and representing a growing portion of the assessed value of taxable real property. As a percentage of the assessed value of real property, NYC debt rose to 42.7 percent in FY 2009 from 39 percent in FY 1995, as shown in Chart 7. This represents an increase from FY 2008's ratio of 40.7 percent due primarily to an increase in outstanding debt of 9.7 percent offset by an assessed value increase of 4.4 percent over FY 2008.

***Chart 7.* Debt Per Capita and Debt as a Percentage of the Assessed Value of Taxable Real Property**



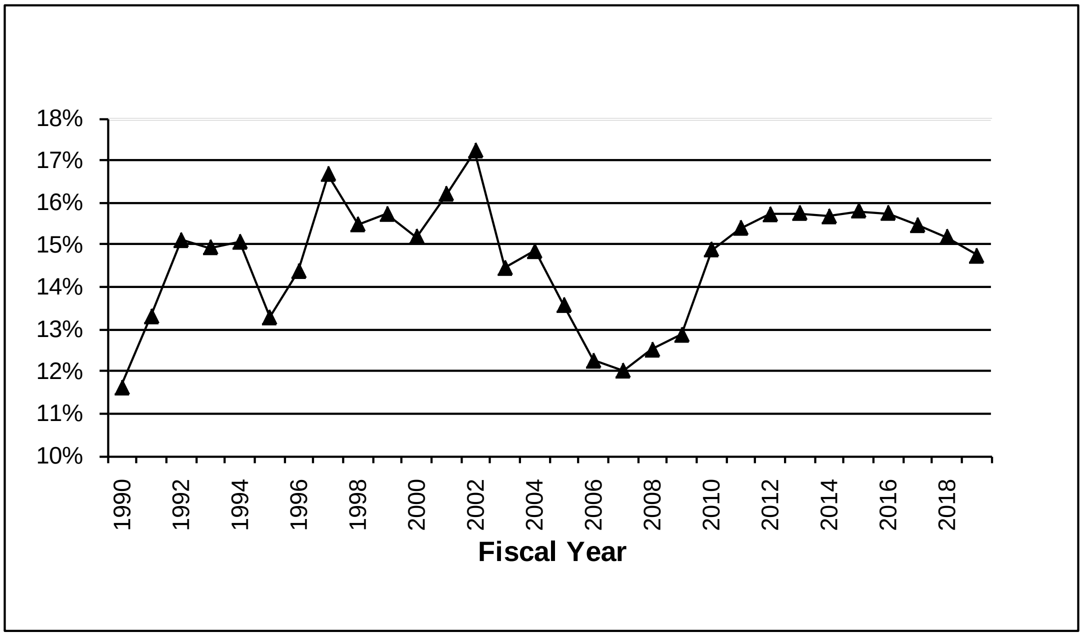
SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1995-2009.

Another measure of debt affordability is annual debt service expressed as a percent of annual tax revenues. This measure shows the pressure that debt service exerts on a municipality's operating budget. Rating agencies indicate that when debt service costs are in the 15 percent to 20 percent range of general fund revenues, the ratio is considered high. Debt service exceeded 15 percent of tax revenues in eight of the eleven years from FY 1992 to FY 2002.[24] Subsequently, this ratio fell to a low of 11.8 percent in FY 2007 and has risen to about 12.9 percent in FY 2009 as shown in Chart 8. However, debt service as a percentage of tax revenues is projected to rise to 15.8 percent by FY 2013 and remain relatively flat with declines by FY 2019.[25] Outyear tax revenue growth is assumed at 3.4 percent per year. If tax revenue growth averaged only 1.0 percent per year with the same debt service projections, the ratio would increase to 17 percent by 2019.

[24] Aside from the recent one-year aberration in FY 2002 related to the World Trade Center disaster, the ratio of 15 percent is more comparable to the early 1980's and early & mid 1990's when the City was emerging from recessionary periods.

[25] From the *City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, 1982-2009*, and *OMB, Adopted Financial Plan, June 2009* and adjusted for prepayments.

Chart 8. Debt Service as a Percent of Tax Revenues



SOURCE: *City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1982-2009, and OMB, FY 2010 Adopted Financial Plan, June 2009*.

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Glossary of Acronyms

BAN	Bond Anticipation Notes
BARB	Building Aid Revenue Bond
BEA	Bureau of Economic Analysis
CAFR	Comprehensive Annual Financial Report
CPI	Consumer Price Index
CY	Calendar Year
DASNY	Dormitory Authority of the State of New York
EXCEL	Expanding Our Children's Education and Learning
FASB	Financial Accounting Standards Board
FY	Fiscal Year
GASB	Government Accounting Standards Board
GO Debt	General Obligation Debt
H**HC**	Health and Hospitals Corporation
HYIC	Hudson Yards Infrastructure Corporation
LGAC	Local Government Assistance Corporation

MAC	Municipal Assistance Corporation
MTA	Metropolitan Transportation Authority
NY	New York
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYW	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
ORPS	State Office of Real Property Services
PIT	Personal Income Tax
S&P	Standard & Poor’s
STAR	Sales Tax Asset Receivable Corporation
TSASC	Tobacco Settlement Asset Securitization Corporation
TSR	Tobacco Settlement Revenues
U.S.	United States
USDOT	United States Department of Transportation
WTC	World Trade Center