

Quarterly Cash Report

October — December 2001



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

FEBRUARY 2002

Prepared by the New York City Office of the Comptroller, Bureau of Financial Analysis

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HIGHLIGHTS

- The City continued to maintain strong cash balances in the second quarter of FY02 because of an increase in seasonal borrowing. Daily cash balances averaged \$1.7 billion in the second quarter of FY 02 compared with \$1.1 billion in the second quarter of FY 01.
- Because of uncertainty surrounding the timing and the size of both the City's revenues and expenditures immediately after the World Trade Center (WTC) disaster, the City increased the size of its seasonal borrowing in FY 02 by selling \$1.5 billion of Revenue Anticipation Notes (RANs). This is double the amount borrowed in FY 01 and the highest level since FY 97.
- Through the second quarter of FY 02 the City paid \$617 million in expenditures related to the WTC disaster and received \$377 million from the Federal Emergency Management Agency.
- Capital expenditures totaled \$1.543 billion in the second quarter of FY 02, of which \$1.467 billion were City-funded. Payments to the School Construction Authority were \$600 million during the second quarter. Reimbursement to the City's central treasury for capital expenditures was \$1.492 billion.
- The Transitional Finance Authority (TFA) issued \$1 billion in New York City Recovery Notes to pay for the costs associated with the WTC disaster.
- The City issued \$1.65 billion in General Obligation debt to finance capital expenditures. The TFA issued \$1.22 billion of debt in the second quarter: \$620 million in revenue bonds to fund the payment of Bond Anticipation Notes (BANs) due in November 2001 and \$600 million in BANs to fund the City's capital program.

Table 1. *Overview of City's Cash Position, (\$ millions)*

<i>Central Treasury</i>	<i>October-December 2001</i>	<i>July-September 2001</i>	<i>October-December 2000</i>
Opening Balance	2,009	3,066*	1,796
Closing Balance	1,768	2,009	1,795
Total Receipts	12,220	11,343	11,257
Total Expenditures	12,461	12,400	11,258
Average Daily Balance	1,700	2,696	1,134
<i>Capital Funds</i>	<i>October-December 2001</i>	<i>July-September 2001</i>	<i>October-December 2000</i>
Capital Expenditures	1,543	1,148	1,398
City-funded Capital Expenditures	1,467	1,077	1,162
Reimbursement to the Central Treasury for Capital Expenditures	1,492	1,091	891
Debt-Service Funding:			
TFA	65	179	7
Equity Payment**	0	0	15

The data for this report are based on the City's central treasury book balances as calculated by the Bureau of Financial Analysis, Office of the NYC Comptroller. Expenditures are reported on checks issued and receipts on cash as deposited in the bank. Receipts and expenditures are net of debt-service funding. * Before City audit. **The City made an equity contribution to improve the efficiency of refunding certain General Obligation bonds.

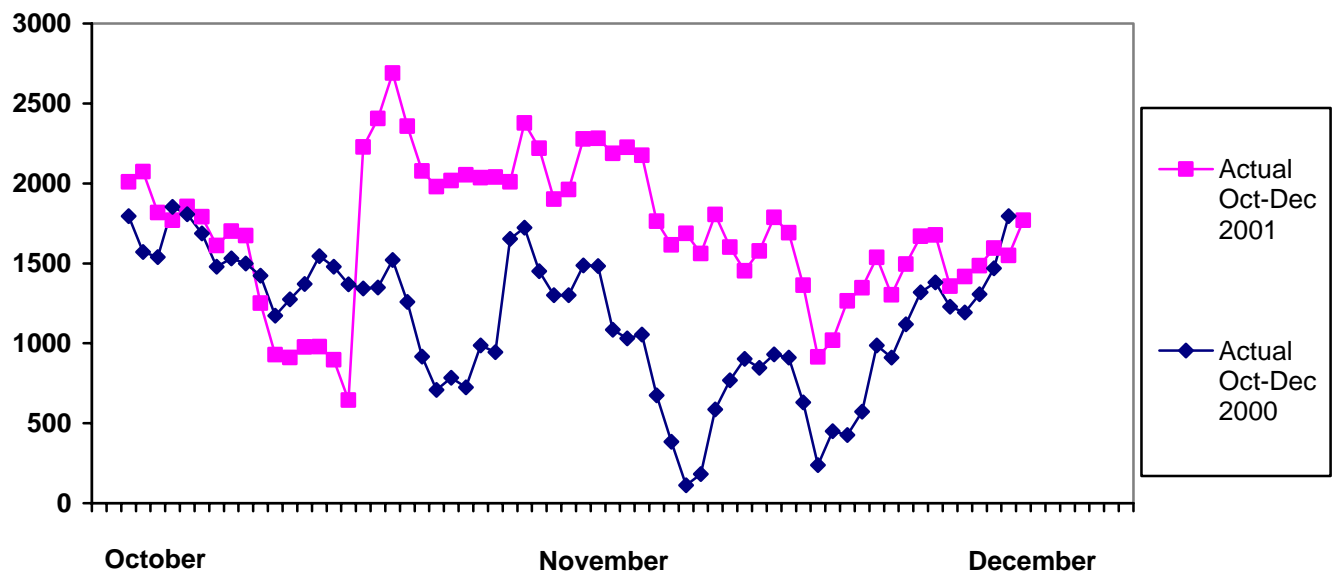
I. DAILY CASH BALANCES—OCTOBER 2001-DECEMBER 2001

The second quarter of a fiscal year traditionally has the lowest cash levels. This year's cash position was helped by the seasonal borrowing completed in October 2001 of \$1.5 billion in Revenue Anticipation Notes, which is double the level in FY 01. By the end of the quarter, this strength was partially offset by a drop in the collection of real estate taxes. Real estate taxes were down for the quarter by \$326 million compared with the same period last year. The drop reflects timing issues, rather than delinquency. Collections that were anticipated in December came in January instead.

Daily cash balances ranged from a low of \$645 billion on October 22nd to a high of \$2.689 billion on October 25th. Daily balances averaged \$1.665 billion in October 2001, \$1.988 billion in November 2001, and \$1.463 billion in December 2001. Daily balances averaged \$1.7 billion during the quarter compared with \$1.1 billion in the same period last year.

The following chart compares daily balances for the quarter with daily balances in the same quarter last year (October 2000 through December 2000). Daily cash balances were on average 1.5 times higher this year than in the same quarter last year.

Chart 1. *Daily Cash Balances, October-December, (\$ millions)*



A. Cash Receipts

Cash receipts totaled \$12.22 billion in the second quarter of FY 02 (October through December 2001) compared with \$11.257 billion in the same period last year. Average daily receipts were \$200 million. Daily October cash receipts averaged \$198 million and totaled \$4.366 billion. Average daily November cash receipts were \$165 million and totaled \$3.132 billion. Average daily December cash receipts were \$236 million and totaled \$4.722 billion.

During the quarter, the real estate tax totaled \$1.112 billion compared with \$1.438 billion during the same period last year. Collections of real estate taxes in December 2001, which include prepayment of calendar year 2002 taxes, were \$681 million. December 2000 collections of real estate tax were \$1.024 billion, or \$343 million more than in 2001. Other taxes totaled \$2.725 billion, down from \$2.874 billion in the same period a year ago. Economically sensitive taxes (sales tax, personal income tax (PIT), general corporation tax, financial corporation tax, and the unincorporated business tax) were up slightly to \$3.092 billion compared with \$3.083 billion in the same period in FY 01. Other taxes included \$90 million in STAR aid from the State in FY 02 compared with \$198 million in FY 01 and \$29 million in WTC PILOT payments in FY 02 compared with \$27 million in FY 01.

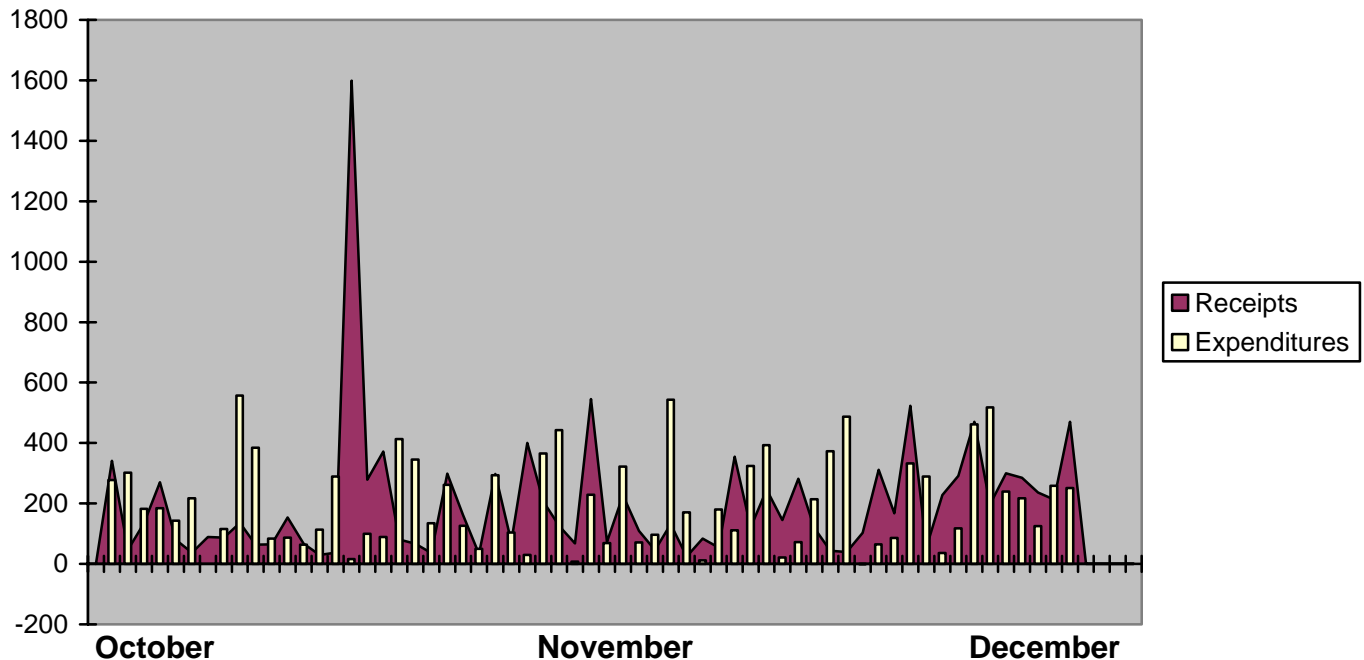
Funding for the stock transfer tax has been eliminated from the State budget. Therefore no funds were received in FY 02 compared with the \$114 million in FY 01. No funds were withheld from the sales tax revenue this year or last year for the debt service of the Municipal Assistance Corporation (MAC) since all of the FY 02 and the FY 01 MAC debt service was prepaid from prior-year budget surpluses. Federal and State aid amounted to \$2.711 billion in the second quarter of FY 02 compared with \$2.350 billion in the same period of FY 01. FY 02 included \$251 million in aid from the Federal Emergency Management Agency (FEMA) associated with the WTC disaster. Miscellaneous and other revenue totaled \$819 million compared with \$949 million last year. Intergovernmental aid was \$308 million, down from \$364 million in the same quarter last year. Intergovernmental transfers from the Health and Hospital Corporation (HHC) were \$83 million in FY02 compared with \$164 million in FY 01.

Table 2. *Major Cash Receipts, (\$ millions)*

October 2001		November 2001		December 2001	
Revenue Anticipation Notes	1,506	Capital Proceeds Transfer	983	Real Estate Tax	681
Real Estate Tax	360	PIT	407	PIT	536
PIT	360	Sales Tax	249	Capital Proceeds Transfer	412
Sales Tax	334	NYS Education	219	Sales Tax	412
NYS Higher Education	182	Federal Welfare	193	NYS Education	403
FEMA	146	NYS Welfare	92	General Corporation Tax	372
NYS Welfare	140	STAR Aid	80	NYS Welfare	186
NYS Education	126	General Corporation Tax	79	NYS Revenue Sharing	166
Capital Proceeds Transfer	97	Real Estate Tax	71	Federal Welfare	157
Federal Welfare	71	FEMA	58	Financial Corporation Tax	132
General Corporation Tax	67	Licenses	54	Commercial Rent Tax	101
Fines and Forfeitures	41	Fines and Forfeitures	39	Unincorporated Business Tax	90
Health Settlement	36			Intergovernmental Transfer	83
Fraud and Abuse	30			Federal Education	65
NYS Health	30			FEMA	47
				Hotel Tax	45
				PILOTS	29
				Fraud and Abuse	28

Real Estate is gross of debt service; PIT is gross of debt service; and Sales Tax is net of Municipal Assistance Corporation debt service (if any) plus interest and the local share.

Chart 2. *Daily Cash Receipts and Expenditures, October-December,*
(\$ millions)



B. Cash Expenditures

Cash expenditures totaled \$12.461 billion in the second quarter of FY 02, averaging \$204 million daily. During the same period last year, cash expenditures totaled \$11.258 billion and averaged \$188 million daily. Expenditures were \$4.359 billion in October 2001, \$3.547 billion in November 2001, and \$4.556 billion in December 2001. The daily average expenditure was highest during December at \$228 million and lowest during November at \$187 million. The daily average expenditure in October was \$198 million.

Major expenditures for the quarter reflect the impact of budgetary changes, expenditures associated with the WTC disaster, and timing differences. At \$4.679 billion, gross payroll was \$490 million higher in FY 02 than during the same period last year. In December 2001 payroll included \$65 million in uniform allowances pay. Prior collective bargaining agreements have expired. Payment for back-pay and salary increases began in June 2001 for DC 37 members and September 2001 for police captains and lieutenants. In the second quarter of the Fiscal Year new contracts were implemented for Correction officers, captains and wardens, Fire superior officers and Sanitation workers and superior officers. Other personal services were \$1.346 billion, up over \$982 million compared with the same period last year. Pension payments were \$339 million lower in FY 01. Pension payments for FY 01 were paid at the end of FY 00. Public assistance spending was higher this fiscal year by \$110 million, and totaled \$593 million. Medical assistance spending was \$811 million, or \$118 million above last fiscal year. Other social service expenditures

totalled \$486 million compared with \$546 million last fiscal year. Vendor and other payments were \$2.4 billion compared with \$1.948 billion last fiscal year. Other expenditures during the quarter included refunds of tax revenue of \$203 million.

Table 3. *Major Cash Expenditures, (\$ millions)*

	October 2001	November 2001	December 2001	Total
Gross Payroll	1,601	1,541	1,537	4,679
Other Personal Services	504	392	450	1,346
Public Assistance	201	193	199	593
Medical Assistance (excluding HHC)	281	239	291	811
Other Social Services	162	163	161	486
Vendor and Other Payments	755	704	941	2,400

C. Cash Receipts and Expenditures Related to the World Trade Center Attack

Between September 17 and December 31, 2001, the City received \$377 million from FEMA for expenditures related to the WTC disaster. Table 4 shows when these funds were received.

Table 4. *World Trade Center Reimbursements from FEMA, (\$ millions)*

Date	Amount
Sept. 17	25.00
Sept. 18	100.66
Total Sept.	125.66
Oct. 24	146.26
Nov. 13	57.80
Nov. 14	.04
Dec. 31	46.80
Total Oct.-Dec.	250.90
Total FY-to-date	376.56

The City created special budget categories that will allow it to trace personal service and other- than-personal expenditures related to the WTC disaster. In September 2001 there were \$123 million of such expenditures. In the second quarter of the fiscal year there were \$494 million of expenditures, for a total of nearly \$617 million year-to-date (see Table 5).

Table 5. *World Trade Center Expenditures, (\$ millions)*

	Personal Service	Other Than Personal Service	Total
September 2001	43.26	80.00	123.26
1st quarter total	43.26	80.00	123.26
October 2001	152.08	66.85	218.93
November 2001	67.79	41.74	109.53
December 2001	58.45	106.78	165.23
2nd quarter total	278.32	215.37	493.69
Total FY-to-date	321.58	295.37	616.95

Table 6 shows overtime expenditures for uniformed employees related to the WTC disaster. Through December, Police accounted for 74.5 percent of overtime expenditures, followed by Fire at 17.3 percent.

Table 6. *WTC Uniformed Overtime, (\$ millions)*

	Police	Fire	Sanitation	Correction	Total
September 2001	31.19	5.54	2.41	0.00	39.14
October 2001	106.69	25.26	4.07	0.29	136.31
November 2001	42.99	10.56	6.95	0.87	61.37
December 2001	25.75	6.64	7.19	0.86	40.44
Total	206.62	48.00	20.62	2.02	277.26

II. CAPITAL EXPENDITURES

Capital expenditures totaled \$1.543 billion during the second quarter of FY 02, \$145 million more than in the same quarter last year. The average daily expenditure in the second quarter of FY 02 was \$25.29 million. Expenditures of \$604 million for October averaged \$27.47 million daily. November expenditures of \$259 million averaged \$13.61 million daily, and December expenditures of \$680 million averaged \$33.98 million daily.

City-funded capital expenditures, averaging \$24.05 million, were \$1.467 billion for this quarter. City-funded expenditures were \$582 million in October, \$241 million in November, and \$645 million in December. They averaged \$26.44 million daily in October, \$12.68 million daily in November, and \$32.24 million daily in December.

Payments of \$600 million were made to the School Construction Authority (SCA) in the quarter: \$300 million in October 2001 and \$300 million in December 2001.

Chart 3. *Quarterly City-funded Capital Expenditures,*
(\$ millions)

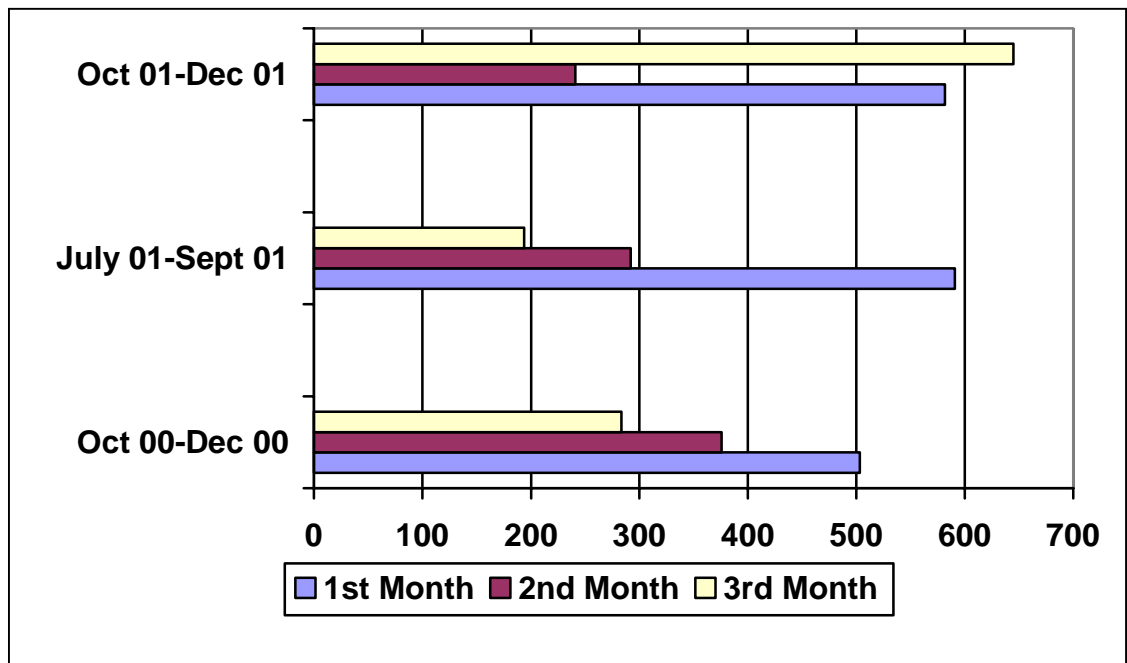


Table 7 compares capital expenditures in FY 01 and FY 02. City-funded capital expenditures were 25.1 percent larger in the first half of this year than the same period last year.

Table 7. Capital Expenditures for FY 01 and FY 02, (\$ millions)

FY 01	Total Capital	City-funded Capital	FY 02	Total Capital	City-Funded Capital
1 st quarter	997	872	1 st quarter	1,148	1,077
2 nd quarter	1,398	1,162	2 nd quarter	1,543	1,467
Year-to-date	2,395	2,034	Year-to-date	2,691	2,544

Table 8 displays City-funded capital expenditures for the quarter by bonding status. Bonding status classifies City-funded capital expenditures into categories. These categories indicate whether the general fund may be reimbursed for these expenditures out of certain bond proceeds.

Table 8. City-funded Capital Expenditures by Bonding Status, (\$ millions)

	October 2001	November 2001	December 2001	Total
Approved-Tax Exempt	464.82	152.79	440.80	1,058.41
Water and Sewer	64.89	44.57	104.60	214.06
Taxable	14.14	22.79	64.88	101.81
All City-funded Spending	581.58	240.85	644.79	1,467.22

All capital expenditures are paid from the City's central treasury. Bonds and BANs are issued to reimburse the central treasury. The timely transfer of funds to the central treasury eliminates the potential of any negative impact on operating cash balances. During the quarter, \$1.492 billion of City-funded capital expenditures, which were previously paid out of the central treasury, were reimbursed from bond proceeds (See Table 9).

Table 9. *Reimbursement to the Central Treasury From Bond Proceeds, (\$ millions)*

	Oct. 2001	Nov. 2001	Dec. 2001	Total
General Obligation Bonds	13.17	784.70	164.07	961.94
Water and Sewer Bonds	83.80	49.81	91.42	225.03
Transitional Finance Authority Bonds	0.00	146.62	101.93	248.55
Tobacco Settlement	0.00	0.00	38.36	38.36
<i>Sub-total</i>	96.97	981.13	395.78	1,473.88
Other	0.00	1.59	16.64	18.23
Total	96.97	982.72	412.42	1,492.11

III. FINANCING AND DEBT SERVICE

In the first half of FY 02 the City sold \$1.65 billion in General Obligation (GO) bonds and \$1.97 billion in TFA bonds and BANs, for a total of \$3.62 billion in long-term debt. In the second quarter of the fiscal year, the City sold \$1.65 billion in GO bonds, which consist of \$1.42 billion in tax-exempt bonds and \$231 million of taxable bonds. The tax-exempt bonds consisted of \$918.6 million in fixed rate bonds, \$330 million in auction rate bonds, and \$170 million in adjustable rate bonds. The taxable bonds included \$31.4 million in zero coupon qualified zone academy bonds (QZAB) and \$200 million in adjustable rate bonds. In the same period the TFA issued \$600 million in tax-exempt BANs to finance capital expenditures, \$419.24 in tax-exempt revenue bonds, and \$200.96 taxable revenue bonds to pay BANs due November 30, 2001. Table 10 shows the composition of \$3.6 billion in debt issued thus far this Fiscal Year.

Table 10. *Bond and BAN Issues During FY 02, (\$ millions)*

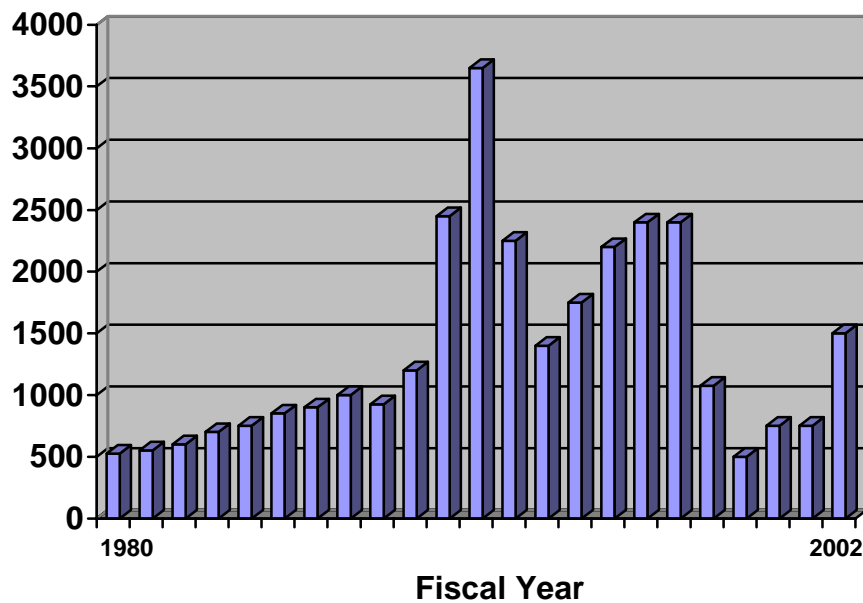
	NYC GO Debt		TFA Debt		
	Tax-Exempt	Taxable	Tax-Exempt	Taxable	Total
July	0.00	0.00	150.00	0.00	150.00
August	0.00	0.00	400.00	200.00	600.00
September	0.00	0.00	0.00	0.00	0.00
First Quarter Total	0.00	0.00	550.00	200.00	750.00
October	900.00	200.00	0.00	0.00	1,100.00
November	0.00	0.00	1,019.24	200.95	1,220.19
December	518.60	31.40	0.00	0.00	550.00
Second Quarter Total	1,418.60	231.40	1,019.24	200.95	2,870.19
Fiscal Year Total	1,418.60	231.40	1,569.24	400.95	3,620.19

In addition, on October 4, 2001, the TFA issued \$1 billion in New York City Recovery Notes due October 2, 2002. The Notes were issued to pay costs associated with the WTC disaster. Through the end of December 2001 the funds remained available to the City. These Notes will be payable from the future issuance by the TFA of New York City Recovery Bonds.

In the October - December 2001 period, debt service funding was zero. General Obligation debt service is normally funded by the real estate tax. Second quarter debt service was prepaid from the FY 01 budget surplus. Actual payments to holders of General Obligation bonds were \$158 million. Personal Income Tax of \$65 million was withheld for February payments of TFA debt service during the quarter.

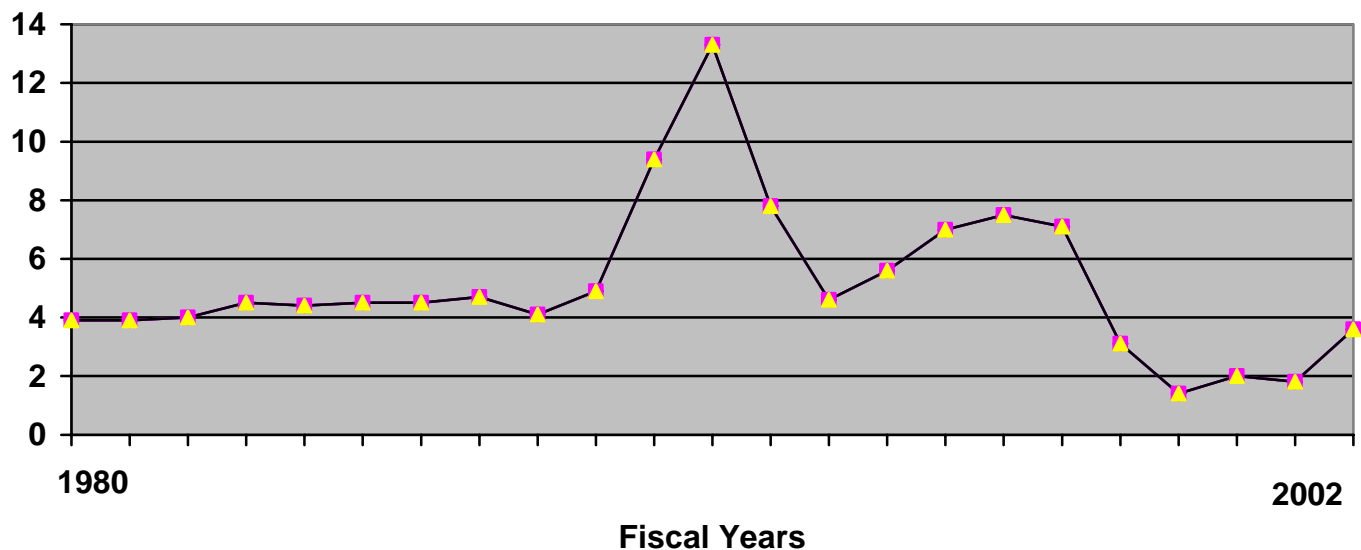
Because of uncertainty surrounding the timing and size of both the City's revenues and expenditure immediately after the WTC disaster, the City decided to increase the size of its seasonal borrowing in FY 02 to \$1.5 billion. This is double the amount borrowed in FY 01, and the highest level since 1997. Prior to the disaster, preliminary forecasts showed the need at approximately \$1 billion. On October 23, 2001, the City issued \$1.5 billion of Revenue Anticipation Notes (RANs) maturing on April 12, 2002. New York State education aid of \$1.826 billion was pledged to repay the notes for 1.22 times of coverage.

Chart 4. *Seasonal Borrowings Fiscal Year 1980-Fiscal Year 2002, (\$ millions)*



In the December 31, 2001 financial plan \$1.5 billion in RANs were 3.6% of total forecast expenditures for FY 02. This percentage included TFA debt service funding. This percentage was the highest level since the 7.1 % in FY 97 when compared with actual total expenditures. (See Chart 5.)

Chart 5. *Seasonal Borrowings as a Percentage of Expenditures, Fiscal Year 1980-Fiscal Year 2002 (%)*



The \$1.5 billion in RANs issued in October 2001 had a 3% coupon and a gross interest cost of \$21.125 million. The notes sold at a premium of \$6.75 million for a net interest cost of \$14.37 million. Last year it cost \$13.58 million, which was \$0.79 million less than in FY 02, although the size of the borrowing was half that in FY 02.

Table 11. *Cost of Seasonal Borrowing Needs, (\$ millions)*

FY	Public Sales	Private Sales	Total Sales	Net Interest
1980	375	150	525	23.30
1981	550	0	550	25.34
1982	600	0	600	48.25
1983	700	0	700	41.44
1984	750	0	750	27.54
1985	850	0	850	49.73
1986	900	0	900	41.05
1987	1,000	0	1,000	42.45
1988	925	0	925	34.84
1989	1,200	0	1,200	65.39
1990	2,450	0	2,450	85.20
1991	3,650	0	3,650	132.66
1992	2,250	0	2,250	74.41
1993	1,400	0	1,400	34.13
1994	1,750	0	1,750	36.20
1995	2,200	0	2,200	59.50
1996	2,400	0	2,400	70.28
1997	2,400	0	2,400	57.24
1998	1,075	0	1,075	30.59
1999	500	0	500	6.18
2000	750	0	750	11.91
2001	750	0	750	13.58
2002	1,500	0	1,500	14.37

IV. APPENDIX

Quarterly Timetable of Events October 2001-December 2001

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|------------|--|
| October 2 | The Federal Reserve Board lowered short-term interest rates by one half of a percentage point to 2.5%. |
| October 3 | The Transitional Finance Authority (TFA) sold \$1 billion in New York City Recovery Notes due October 2, 2002 to pay costs associated with the World Trade Center disaster. The sale closed October 4, 2001. |
| October 5 | The semi-annual <i>Mayor's Management Report</i> on city services in FY 01 was released. |
| October 9 | An executive order froze \$1 billion in City spending and implemented a hiring freeze to help close projected current and future budget gaps. The Board of Education, Police Department and Fire Department face budget cuts of 2.5% and all other city agencies face cuts of 15%. |
| October 17 | The City sold \$1.5 billion in Revenue Anticipation Notes (RANs) due April 12, 2002 to meet the short-term borrowing need for FY 02. The sale closed October 23, 2001. |
| October 24 | The City sold \$1.1 billion in General Obligation bonds to finance capital expenditures. The sale closed November 1, 2001. |
| October 25 | The state budget for fiscal year 2001-2002, which began on April 1, 2001, was adopted. The \$84.5 billion budget adds approximately \$500 million in spending to the stripped down budget the state legislature passed in August 2001. |
| October 31 | The City Comptroller issued the FY 01 <i>Comprehensive Annual Report</i> . The City ended FY 01 with an operating surplus of \$2.95 billion, before discretionary transfers and prepayments. |
| November 1 | The TFA sold \$620.19 million in bonds to pay for Bond Anticipation Notes (BANs) issued on August 1, 2001. The sale closed November 14, 2001. |
| November 6 | The Federal Reserve Board lowered short-term interest rates by one half of a percentage point to 2%. |
| November 7 | The TFA sold \$600 million BANs due November 13, 2002 to finance capital expenditures. The sale closed November 14, 2001. |

- November 28 The City Comptroller reported on settlements of judgements and claims against the City. In FY 01 the City paid out a record \$459 million.
- December 3 The City Comptroller issued its *Capital and Debt Obligations Report*. The report warned of the City's growing debt burden. Debt per capita was \$4,628 in FY 01.
- December 4 The City released the first quarter financial plan modification for FY 02. The plan closed a current year budget gap of \$1.325 billion, but left large deficits estimated at \$4 billion in future years. The plan included agency-reduction programs of \$1.202 billion, \$593 million, \$324 million and \$297 million in FY 02, FY 03, FY 04 and FY 05, respectively.
- December 11 The Federal Reserve Board lowered short-term interest rates by one quarter of a percentage point to 1.75%, the lowest level since 1961.
- December 12 The City sold \$550 million in General Obligation bonds to finance capital expenditures. The sale closed December 20, 2001.
- December 20 The State Court of Appeals upheld the constitutionality of a law granting the State Public Employment Relations Board jurisdiction over collective bargaining disputes involving New York City police officers and firefighters.
- December 31 The City released a revised financial plan modification for FY 02 - FY 06. The plan reduced projected future budget gaps by including the 14% PIT surcharge and raising other tax estimates by \$322 million in FY 02, \$398 million in FY 03, \$370 million in FY 04 and \$390 million in FY 05.