



The City of New York
Office of Management and Budget
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Dean Fuleihan
Director

June 6, 2016

Hon. Bill de Blasio
Mayor
City Hall
New York, NY 10007

Re: Statement of Debt Affordability

Dear Mayor de Blasio:

Pursuant to Chapter 16 of the Laws of 1997 of the State of New York, which includes the New York City Transitional Finance Authority Act (the "Act"), I am providing the annual statement of debt affordability. This statement does not constitute the annual declaration of need pursuant to Section 2799-ff of the Act, which will be prepared following adoption of the City of New York's (the "City's") fiscal year 2017 Budget by the City Council.

In order to finance projects within its Capital Budget, the City currently has a capital financing need of up to \$5.6 billion, \$7.3 billion, \$8.1 billion and \$8.2 billion, in fiscal years 2017 through 2020, respectively. To the extent that General Obligation Bonds are issued to finance such projects, the capital financing need to be met by the issuance of future tax-secured bonds ("FTS") of the New York City Transitional Finance Authority ("TFA") would be reduced accordingly. The City currently expects to issue General Obligation bonds to provide funding for approximately half of such four year financing program. In addition to these amounts, the City has a capital financing need of \$533 million, \$217 million, \$178 million and \$60 million in fiscal years 2017 through 2020, respectively, for those projects within the City's Five Year Educational Facilities Capital Plan, expected to be met with proceeds of TFA Building Aid Revenue Bonds.

There is no reserve or surplus fund held by TFA as of the date of this statement and there was none as of the end of the most recently completed fiscal year. The TFA's Debt Service Fund contained and contains amounts in excess of minimum retention requirements, which amounts are applied to make debt service payments during the City's Financial Plan period.

Schedule A shows the City's and TFA's debt-incurring power, excluding Building Aid Revenue Bond financing capacity. Schedule B presents the sources of financing for the City's four-year capital program. Schedule C specifies amounts of debt service payable on City General Obligation bonds and TFA FTS bonds, amounts expected to be outstanding in

each of the Financial Plan years for General Obligation and TFA FTS bonds, and various debt service and debt ratios as required by the Act. Schedule C provides a framework for assessing the affordability to the City of the debt to be issued as described on Schedule B.

In my opinion, debt affordability is a judgment made by balancing the City's need for essential capital improvements and the costs of delaying or not implementing such improvements against the impact of debt service costs arising from the financing of those capital needs on the other competing City priorities funded through the City's operating budget. The judgment is reflected in the City's Financial Plan and in its operating budget and Capital Plan as proposed by the Mayor, which has the result, in fiscal year 2020, of debt service (including the TFA FTS and lease (conduit) debt service) requiring 9.0 percent of total revenues and 13.2 percent of total tax revenues.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Fuleihan', written in a cursive style.

Dean A. Fuleihan

Attachments

Schedule A: Debt Incurring Power (\$ in Millions)

NYC Debt and Contract Liabilities

<u>As of June 30</u>	FY	2017	2018	2019	2020			
Total City Debt- Incurring Power under General Debt Limit	\$	90,260	\$	95,705	\$	101,061	\$	105,935
Gross Debt-Funded		37,601		38,812		40,406		41,912
Less: Excluded Debt		<u>(27)</u>		<u>(17)</u>		<u>(10)</u>		<u>(7)</u>
		37,574		38,795		40,396		41,905
Contracts and Other Liabilities, Net of Prior Financings Thereof		<u>16,599</u>		<u>19,225</u>		<u>20,011</u>		<u>20,327</u>
Total City Indebtedness		54,173		58,020		60,407		62,232
TFA Debt Outstanding above \$13.5 billion		<u>17,560</u>		<u>20,357</u>		<u>23,216</u>		<u>26,094</u>
Combined Debt-Incurring Power of NYC and TFA	\$	18,527	\$	17,328	\$	17,439	\$	17,609

Schedule B: Sources of Funds (\$ in Millions)

	FY	2017	2018	2019	2020
City General Obligation Bonds	\$	2,250	\$ 3,650	\$ 4,040	\$ 4,120
TFA Future Tax Secured Bonds		3,375	3,650	4,040	4,120
TFA Building Aid Revenue Bonds		533	217	178	60
Water Authority Bonds		<u>2,083</u>	<u>1,760</u>	<u>1,808</u>	<u>1,770</u>
Total	\$	8,241	\$ 9,277	\$ 10,066	\$ 10,070

Note: includes new money bonds and notes for capital purposes and, with respect to the Water Authority, reserve amounts.

Schedule C: Debt Outstanding & Debt Service Ratios

I. Debt Service of NYC GO, Conduit Debt & TFA (\$ in millions)

	FY	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
[1.1] NYC General Obligation Debt Service*		\$4,184	\$4,290	\$4,364	\$4,686
[1.2] Conduit Debt Debt Service		\$218	\$211	\$232	\$297
[1.3] Transitional Finance Authority Debt Service**		<u>\$2,226</u>	<u>\$2,495</u>	<u>\$2,908</u>	<u>\$3,181</u>
[1.4] Total Debt Service (NYC GO, Conduit Debt & TFA)= [1.1] + [1.2] + [1.3]		\$6,628	\$6,996	\$7,504	\$8,164

Total Debt Service (NYC GO, Conduit Debt & TFA) [1.4] as % of:

a. Total Revenue***		8.1%	8.3%	8.6%	9.0%
b. Total Taxes***		12.1%	12.2%	12.6%	13.2%
c. Total NYC Personal Income		1.2%	1.2%	1.2%	1.3%

NYC General Obligation Bonds Debt Service [1.1] as % of:

d. Real Property Tax Revenue		17.4%	16.9%	16.2%	16.6%
e. Full Value of Taxable Real Estate		0.5%	0.4%	0.4%	0.4%

II. Debt Outstanding: NYC GO, Conduit Debt & TFA (\$ in millions) as of 6/30

[1.5] NYC General Obligation Debt Outstanding		\$38,076	\$39,476	\$41,307	\$43,026
[1.6] Conduit Debt Debt Outstanding		\$1,365	\$1,284	\$1,206	\$1,121
[1.7] Transitional Finance Authority Debt Outstanding		<u>\$31,860</u>	<u>\$34,539</u>	<u>\$37,274</u>	<u>\$40,023</u>
[1.8] Total Debt Outstanding (NYC GO, Conduit Debt & TFA) [1.5]+[1.6]+[1.7]		\$71,302	\$75,300	\$79,786	\$84,170

Total Debt Outstanding (NYC GO, Conduit Debt & TFA) [1.8] as % of:

f. Total NYC Personal Income		12.9%	13.0%	13.1%	13.2%
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NYC General Obligation Debt Outstanding [1.5] as % of:

g. Real Property Tax Revenue		158.8%	155.4%	153.6%	152.8%
h. Five Year Average Full Value of Taxable Real Estate		4.2%	4.1%	4.1%	4.1%

III. Debt Service & Debt Outstanding Per Capita (\$ in thousands)

i. Debt Service Per Capita (NYC GO+Conduit Debt+TFA DS)		\$0.811	\$0.856	\$0.918	\$0.999
j. Debt Outstanding Per Capita (NYC GO+Conduit Debt+TFA)		\$8.722	\$9.211	\$9.760	\$10.296
a. Total Revenue		\$82,219	\$84,448	\$87,374	\$90,358
b. Total Taxes		\$54,643	\$57,216	\$59,715	\$62,067
c. PIT Required to Support TFA DS****		\$530	\$2,495	\$2,908	\$3,181
d. Total NYC Personal Income		\$551,330	\$579,300	\$608,340	\$635,710
e. Real Property Tax Revenue		\$23,981	\$25,397	\$26,900	\$28,164
f. Full Value of Taxable Real Estate		\$902,603	\$957,047	\$1,010,607	\$1,059,350
g. Population		8,175,000	8,175,000	8,175,000	8,175,000

* Includes RANs interest costs and does not reflect prepayments.

** Does not reflect prepayments.

*** Includes amount required to support TFA debt service.

**** Reflects prepayments in FY 2016