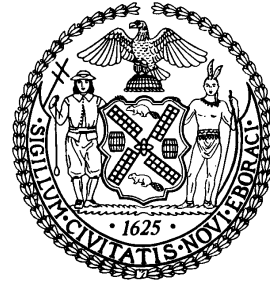


**The City Of New York
Office of the Comptroller**

**Scott M. Stringer
Comptroller**



QUARTERLY CASH REPORT

October - December 2013
Second Quarter of Fiscal Year 2014

February 2014

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Summary

Cash Balances

At the end of the second quarter of FY14 (hereafter 2Q14), the City recorded an unrestricted cash balance of \$8.537 billion, the highest 2Q close on record. This year's mark eclipsed the previous year by \$2.341 billion. More importantly, the 2Q14 average balance measured \$5.206 billion, up from the 2Q13 average balance of \$4.440 billion. Net cash flow for the quarter was positive by \$2.764 billion, representing the largest 2Q gain of the last ten years. Balances were driven higher by several categories of surging cash receipts.

On December 10, 2013, the NYC cash balance reached what we expect will be the low point for FY14. At \$3.451 billion, the 2Q14 low compares favorably to last year's low mark of \$2.352 billion and continues a four-year trend of rising annual troughs, which generally occur in mid-December. This year, as in most years past, balances recovered sharply in the second half of December due to the arrival of real estate tax receipts.

The average cash balance for the first half of FY14 (1H14) measured \$6.256 billion, versus \$5.426 billion year-ago. Net cash flow for 1H14 was positive by \$593 million.

Superstorm Sandy Reimbursement

During 2Q14 the City received \$278 million in Sandy reimbursement. Since Superstorm Sandy (October 2012), the City's financial management system has recorded \$783 million in reimbursements versus just over \$1 billion in eligible cash outlays, for a reimbursement rate of 77.3%. Proper categorization of expenditures as Sandy-related is an ongoing process at the City agency level. Historical Sandy data may be revised in the future, as eligible inflows and outflows are identified.

Cash Receipts

Cash receipts for 2Q14 rose 17.9% versus year-ago, driven by several factors:

- Total tax inflows rose by \$720 million.
- Capital transfers (reimbursements to the central treasury for CapEx) increased by \$1.1 billion.
- Debt service retention of tax inflows fell \$518 million.
- Sales of City-owned property and (reflected in "Miscellaneous") generated an additional \$234 million.

Of the major categories of cash inflow, only aid from the Federal and State governments remained flat.

Total cash receipts for 1H14 rose 9.8% versus year-ago, reflecting strength in several major categories of inflow. Most notably, tax receipts rose 8.8%, led by a \$1 billion gain in property tax. Lower 1H14 debt service retention of property tax and of PIT inflows added \$632 million to our calculation of cash receipts. Additionally, a \$1.1 billion gain in "Other" inflows traces mainly to increased receipts from Fund 700. The mechanics and impact of Fund 700 are explained more fully in the Cash Receipts section of this report.

Cash Expenditures

Total 2Q14 expenditures rose 3.0% versus year-ago. Municipalities nationwide recorded total expenditure growth of 0.9% during the same period.¹ Personnel-related spending was flat, and OTPS rose 4.6%. Outlays considered together as “All Other” rose 10.2%, led by an increase of 18.1% in City-funded capital. Net of CapEx, expenditures rose 2.6%, versus an average of 0.6% for municipalities nationwide.²

Cash expenditures for 1H14 rose 7.9% versus year-ago. Municipalities across the U.S. reported expenditure growth of 0.9% over the same period.³ Net of capital expenditures, outlays rose 7.8%, versus 0.8% for municipalities nationwide.⁴

Capital Expenditures

Total 2Q14 capital expenditures (“CapEx”) gained 6.9% versus year-ago, to \$1.904 billion. Total 1H14 CapEx climbed 8.8% versus year-ago to \$4.277 billion, marking the first 1H increase since FY10. Reimbursements to the central treasury for CapEx exceeded reimbursable expenditures by \$916 million during 2Q14. This simple measure represents the largest 2Q difference on record. However, we bear in mind that the corresponding statistic for 1Q14 reflected a \$464 million loss to the central treasury. Taken together, the two quarters that comprise 1H14 account for a \$452 million cash flow gain to the City. Over the long term, CapEx and reimbursements should balance. In the last ten full fiscal years (FY04 – FY13), they have been closely paired, within about 5% of each other. However, the lag between expenditures and the offsetting reimbursements can create temporary disparities from one quarter to the next, such as observed in 2Q14.

Financings

Three bond transactions closed in 2Q14. The first transaction was a GO sale of \$825 million of new money bonds and \$417 million of refunding bonds. The refunding achieved budgetary savings of \$44.28 million, or more than \$36 million on a present-value basis. The second transaction was a new money sale of \$1.215 billion of TFA PIT bonds. The sale included \$650 million of tax-exempt fixed-rate bonds, \$350 million of taxable fixed-rate bonds, \$125 million of tax-exempt variable-rate bonds, and \$90.28 million of taxable Qualified School Construction Bonds. This transaction represents the final QSCB new money sale under the authority granted by the federal government. The third transaction was a refunding sale of \$800 million of GO bonds. The refunding generated \$64.27 million in budgetary savings, or more than \$53 million on a present-value basis.

In FY14 the City plans to issue \$6.14 billion in General Obligation (GO), Transitional Finance Authority Personal Income Tax (TFA PIT), and Transitional Finance Authority Building Aid Revenue Bonds (TFA BARBs) for new money capital purposes. Of this \$6.14 billion, the City issued \$2.54 billion of new money debt in 1H14, leaving \$3.60 billion in issuance planned for the remainder of the fiscal year.

¹ U.S. Dept. of Commerce, Bureau of Economic Analysis,
<http://www.bea.gov/itable/itable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=88>.

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

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Rounding of Large Numbers in the Quarterly Cash Report

When dealing with numbers as large as those considered in this report, it becomes necessary, for conservation of space, to round representative figures to the nearest tenths, hundredths, or thousandths place. Adding such a series of rounded figures often leads to a circumstance whereby components, when added together, do not appear to equal the given total. Examples occur throughout this report and are the result of rounding, not miscalculation.

I. Cash Balances ⁵

October 2013 - December 2013 (2Q14)

Chart 1. Daily Cash Balances in the NYC Central Treasury, 2Q09, 2Q13, and 2Q14
(\$ in millions)

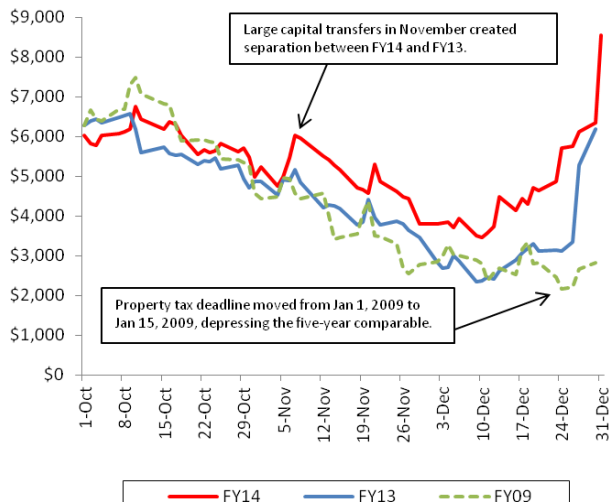
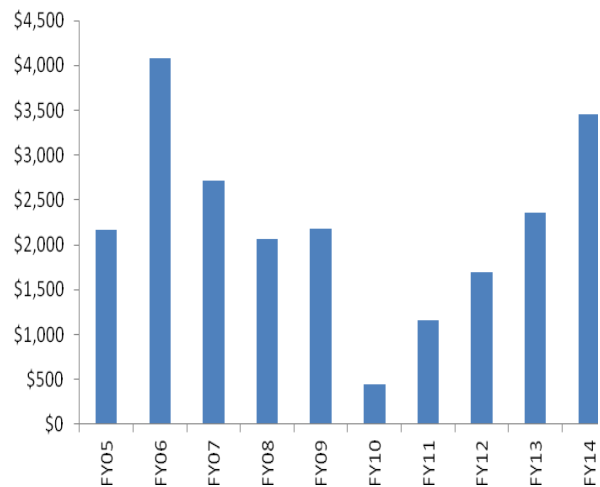


Chart 2. NYC Cash Balance Lows, FY05 - FY14
(\$ in millions)



At the end of 2Q14 (December 31, 2013), the City recorded an unrestricted cash balance of \$8.537 billion, the highest 2Q close on record. This year’s mark eclipsed the previous year by \$2.341 billion. Our five-year look-back comparison to 2Q09 (Chart 1, dotted green line) is skewed by a temporary shift in the real estate tax deadline. Due to 2008 deliberations at the City Council over the setting of property tax rates, the January 2009 deadline was moved from the 1st to the 15th. Consequently, in that particular year real estate tax cash inflows did not begin in late December as usual, but were delayed to January. Although the 2Q14 close appears to triple the 2Q09 measure, the unique circumstances of 2Q09 should be taken into account.

The 2Q14 daily average balance measured \$5.206 billion, up from \$4.440 billion in the year-ago period. A large infusion of capital transfers in November created separation between the current-year (red line on Chart 1) and previous-year (blue line) cash balance histories. November 2013 transfers totaled \$1.251 billion, versus \$691 million for November 2012.

On December 10, 2013, the NYC cash balance reached what we expect will be the low point for FY14. At \$3.451 billion, the 2Q14 low continues a four-year trend of rising annual troughs (as seen in Chart 2), which generally occur in mid-December. This year, as in most years past, balances recovered sharply in the second half of December due to the arrival of real estate tax receipts.

⁵ The data in this report are based on the book balances in the New York City Central Treasury as calculated by the Bureau of Financial Analysis, Office of the New York City Comptroller. Receipts are reported based on cash receipts and the analysis of bank deposits. Expenditures are reported based on warrants issued.

Table 1. Cash Position in the NYC Central Treasury, 2Q, FY05 - FY14

(\$ in millions)

Central Treasury	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	2Q14
Opening Balance ^a	\$ 3,910	\$ 7,296	\$ 6,164	\$ 5,686	\$ 6,370	\$ 4,596	\$ 5,350	\$ 5,135	\$ 6,235	\$ 5,773
Total Receipts	15,491	15,464	16,545	18,712	15,061	19,233	18,761	19,753	18,923	22,301
Total Expenditures ^b	14,442	15,015	15,853	17,648	18,611	18,737	17,967	18,534	18,962	19,537
Closing Balance ^a	\$ 4,959	\$ 7,745	\$ 6,856	\$ 6,750	\$ 2,820	\$ 5,092	\$ 6,144	\$ 6,354	\$ 6,196	\$ 8,537
Avg. Daily Balance	\$2,992	\$5,825	\$4,377	\$3,960	\$4,348	\$3,046	\$3,331	\$3,408	\$4,440	\$5,206

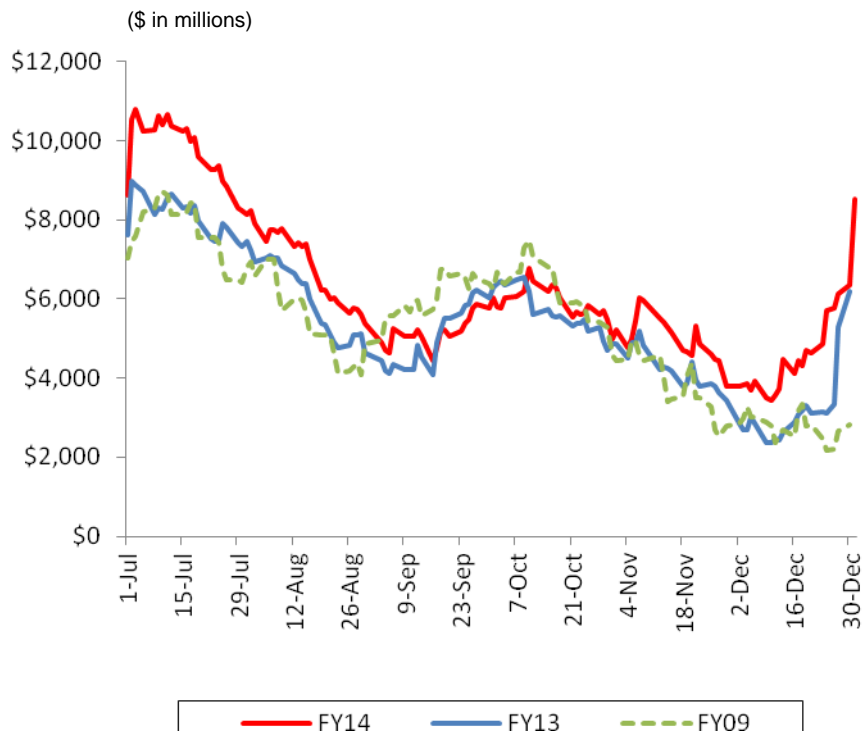
a. Balances as measured before City audits

b. Total expenditures include capital expenditures.

Total receipts for 2Q14 rose 17.9% versus year-ago, and expenditures gained 3.0%. Net cash flow for the quarter was positive by \$2.764 billion, representing the largest 2Q gain of the last ten years.

July 2013 - December 2013 (1H14)

Chart 3. Cash Position in the NYC Central Treasury, 1H09, 1H13, 1H14



The 1H14 average balance measured \$6.256 billion, versus \$5.426 billion year-ago. Current-year balances maintained a significant lead over year-ago levels for most of the year-to-date. During the early portion of the period, this lead was driven by lower debt service retention, which served

to temporarily boost cash balances in the early weeks of FY14. Through a combination of the onset of PIT retention, lower Federal aid payments, and internal bookkeeping procedures, the early current-year lead dissipated by the middle of 1Q14. It was re-established in 2Q14, as already mentioned, by the infusion of \$1.3 billion of capital transfers in November.

Table 2. Cash Position in the NYC Central Treasury, 1H, FY05 - FY14

(\$ in millions)

Central Treasury	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13	1H14
Opening Balance ^a	\$ 4,208	\$ 6,830	\$ 6,386	\$ 4,473	\$ 4,988	\$ 5,839	\$ 4,604	\$ 5,041	\$ 6,297	\$ 7,944
Total Receipts	30,067	32,001	31,715	35,533	34,811	36,565	38,672	39,068	37,946	41,662
Total Expenditures ^b	29,316	31,086	31,245	33,256	36,979	37,312	37,132	37,755	38,048	41,068
Closing Balance ^a	\$ 4,959	\$ 7,745	\$ 6,856	\$ 6,750	\$ 2,820	\$ 5,092	\$ 6,144	\$ 6,354	\$ 6,196	\$ 8,537
Avg. Daily Balance	\$3,692	\$6,812	\$5,358	\$4,777	\$5,412	\$4,737	\$4,000	\$4,665	\$5,426	\$6,256

a. Balances as measured before City audits

b. Total expenditures include capital expenditures.

Total 1H14 receipts exceeded expenditures by \$593 million. Both receipts and expenditures set new 1H record highs.

II. Cash Receipts

October 2013 - December 2013 (2Q14)

Receipts at a Glance

Table 3. Cash Receipts by Category, 2Q, FY05 - FY14

(\$ in millions)

	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	2Q14
Real Property Tax	\$ 2,227	\$ 3,688	\$ 3,608	\$ 3,734	\$ 1,461	\$ 4,612	\$ 4,489	\$ 4,866	\$ 5,116	\$ 5,377
Other Taxes	4,995	5,437	5,968	6,143	5,108	4,923	5,231	5,517	5,763	6,222
<i>Total taxes</i>	<i>7,222</i>	<i>9,125</i>	<i>9,576</i>	<i>9,877</i>	<i>6,569</i>	<i>9,535</i>	<i>9,720</i>	<i>10,383</i>	<i>10,879</i>	<i>11,599</i>
Federal and State Aid	2,829	2,566	2,837	3,339	3,607	3,900	4,152	4,314	4,207	4,232
Debt Service Funding	(425)	(1)	(147)	0	0	0	(158)	(146)	(652)	(134)
Miscellaneous	2,411	1,112	1,200	1,696	1,027	1,463	1,459	1,305	1,361	1,902
Intergovernmental Aid	1,242	383	265	4	165	193	0	1	1	0
Other	2,212	2,279	2,814	3,796	3,693	4,142	3,588	3,896	3,127	4,702
Total	\$15,491	\$15,464	\$16,545	\$18,712	\$15,061	\$19,233	\$18,761	\$19,753	\$18,923	\$22,301
Total, Net of Reimbursement for CapEx	\$14,118	\$14,267	\$15,012	\$16,182	\$12,337	\$16,112	\$16,301	\$17,100	\$17,427	\$19,679

Cash receipts for 2Q14 rose 17.9% versus year-ago, driven by several factors:

- Total tax inflows rose 6.6%.
- Capital transfers (reflected in the “Other” category above but explained more fully in the Capital Expenditures section of this report) increased by \$1.1 billion.
- Debt service retention of tax inflows fell \$518 million.
- Sales of City-owned property and (reflected in “Miscellaneous”) generated \$234 million.

Of the major categories of cash inflow, only aid from the Federal and State governments remained flat.

Taxes ⁶

Table 4. Tax Receipts, 2Q09, 2Q13, and 2Q14

(\$ in millions)

	2Q09	2Q13	2Q14	% Change 2Q14/ 2Q09	% Change 2Q14/ 2Q13
Real Property Tax	\$ 1,461	\$ 5,116	\$ 5,377	268%	5%
Personal Income Tax	1,707	1,847	2,088	22	13
Sales Tax	1,401	1,651	1,753	25	6
General Corporation Tax	811	839	727	(10)	(13)
Mortgage and Real Property Transfer Taxes	377	427	637	69	49
Banking Corporation Tax	184	298	320	74	7
Unincorporated Business Tax	209	210	199	(5)	(5)
Commercial Rent Tax	144	173	173	20	0
Hotel Occupancy Tax	103	147	156	51	6
Utility Tax	99	95	84	(15)	(12)
All Other Taxes	73	76	85	16	12
Total	\$6,569	\$10,879	\$11,599	77%	7%

Most categories of tax reflected strong gains in 2Q14. Total tax inflow rose 6.6% versus year-ago, led by property tax, sales tax, PIT, and the combined total of mortgage and property transfer taxes. Our five-year look-back comparison to 2Q09 is skewed by the delay of property tax billing in 2Q09. The usual January 1, 2010 deadline for property taxes was pushed back to January 15. As a result, the payments that normally would have begun around the middle of December 2009 did not arrive in earnest until after the New Year, which fell beyond the end of the quarter. We can expect to see a similar, but reversed, distortion in the 3Q14 Quarterly Cash Report (to be released in May), as higher than usual January 2010 property tax receipts impact our 3Q five-year look-back.

Selected Cash Receipts

Table 5. Selected Cash Receipts, 2Q, FY10 - FY14

(\$ in millions)

	2Q10	2Q11	2Q12	2Q13	2Q14
Real Property Tax	\$4,612	\$4,489	\$4,866	\$5,116	\$5,377
Personal Income Tax	1,507	1,512	1,780	1,847	2,088
Sales Tax	1,318	1,542	1,600	1,651	1,753
NYS Education Aid	1,332	1,286	1,289	1,416	1,488
Federal Welfare Aid	686	1,038	975	823	789
General Corporation Tax	785	911	756	839	727
Mortgage and Real Property Transfer Taxes	240	270	302	427	637
Water and Sewer Fees	200	229	245	295	465
Federal Education Aid	240	290	378	433	327
Banking Corporation Tax	450	309	387	298	320
NYS Welfare Aid	534	559	539	360	295
NYS Higher Education Aid	347	321	288	292	294
Fines and Forfeitures	237	248	259	288	243
Unincorporated Business Tax	204	244	205	210	199
Senior College Fees	154	146	159	170	182

Table 5 provides a picture of the growth in selected cash receipts during 2Q of the last five fiscal years. Not shown in the table are a few significant non-recurring cash receipt items for 2Q14. Specifically, sales of City-owned property (including the Emigrant Bank building) amounted to \$234 million, and a settlement with Verizon over upgrades to the 9-1-1 call system added another \$50 million.

⁶ In this report, tax receipts, with the exception of personal income tax, are gross of refunds. Real property tax and personal income tax are gross of any debt service funding.

Federal and State Aid

Chart 4. Federal & State Aid to NYC, 2Q, FY10 - FY14

(\$ in billions)

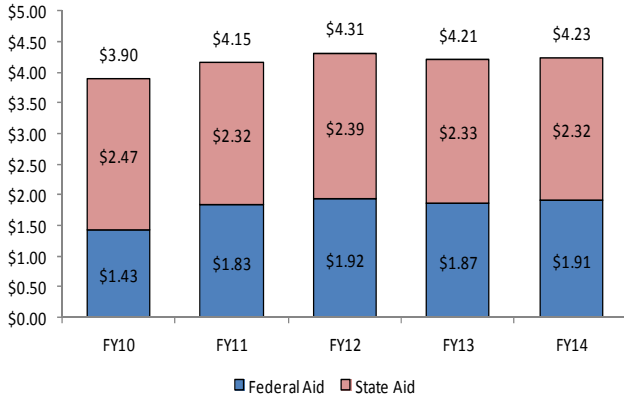


Chart 5. Federal & State Aid as % of Total Cash Receipts, 2Q, FY10 - FY14

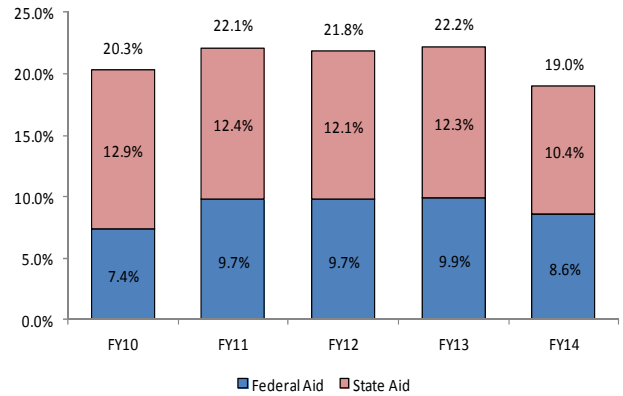


Chart 6. Components of State Aid, 2Q, FY10 - FY14

(\$ in billions)

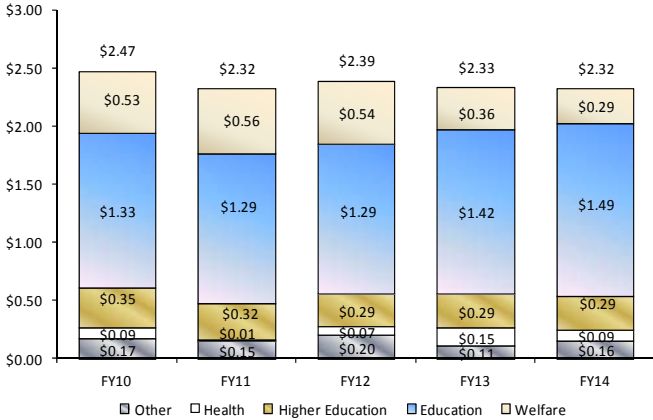
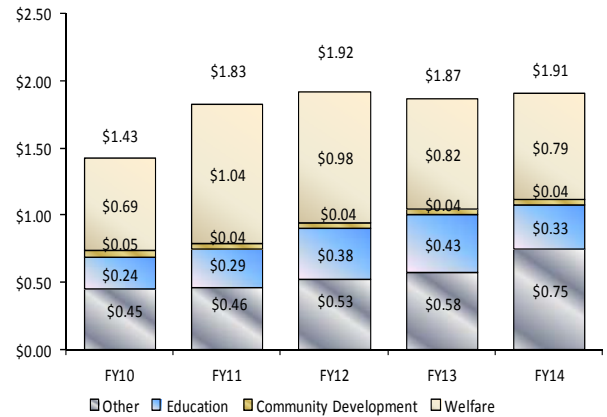


Chart 7. Components of Federal Aid, 2Q, FY10 - FY14

(\$ in billions)



July 2013 - December 2013 (1H14)

Receipts at a Glance

Table 6. Cash Receipts by Category, 1H, FY05 - FY14

(\$ in millions)

	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13	1H14
Real Property Tax	\$ 6,284	\$ 8,578	\$ 7,024	\$ 7,978	\$ 6,467	\$ 8,390	\$ 9,127	\$10,020	\$ 9,901	\$10,950
Other Taxes	8,900	9,944	11,294	11,783	10,664	9,429	10,422	11,060	11,444	12,272
<i>Total taxes</i>	<i>15,184</i>	<i>18,522</i>	<i>18,318</i>	<i>19,761</i>	<i>17,131</i>	<i>17,819</i>	<i>19,549</i>	<i>21,080</i>	<i>21,345</i>	<i>23,222</i>
Federal and State Aid	6,013	5,702	6,140	6,329	7,319	8,179	8,872	8,204	8,395	8,183
Debt Service Funding	(1,088)	(1)	(428)	0	0	0	(266)	(146)	(1,657)	(1,025)
Miscellaneous	3,613	2,336	2,688	3,134	2,828	3,259	3,087	3,012	3,030	3,395
Intergovernmental Aid	2,047	609	328	10	228	256	0	1	1	0
Other	4,298	4,833	4,669	6,299	7,305	7,052	7,430	6,917	6,832	7,887
Total	\$30,067	\$32,001	\$31,715	\$35,533	\$34,811	\$36,565	\$38,672	\$39,068	\$37,946	\$41,662
Total, Net of Reimbursement for CapEx	\$27,428	\$29,331	\$29,357	\$31,721	\$29,731	\$31,504	\$33,328	\$34,532	\$33,825	\$37,339

Total cash receipts for 1H14 rose 9.8% versus year-ago, reflecting strength in several major categories of inflow. Most notably, tax receipts rose 8.8%, led by a \$1 billion gain in property tax. Lower 1H14 debt service retention of property tax and of PIT inflows added \$632 million to our calculation of cash receipts. Additionally, a \$1.1 billion gain in “Other” inflows traces mainly to increased receipts from Fund 700. Fund 700 should be thought of as an internal segregation of cash denoting monies that have already been obligated to some purpose (and are therefore removed from our consideration of unrestricted cash balance). As related expenditures are made from the central treasury, Fund 700 resources are effectively re-categorized as general fund assets and are recognized by the Bureau of Financial Analysis as cash inflow. Ultimately, Fund 700 inflow is necessarily offset by related spending and does not represent true growth in cash receipts.

Taxes 7

Table 7. Major Tax Receipts, 1H09, 1H13, and 1H14

(\$ in millions)

	1H09	1H13	1H14	% Change 1H14/ 1H09	% Change 1H14/ 1H13
Real Property Tax	\$ 6,467	\$ 9,901	\$ 10,950	69%	11%
Personal Income Tax	3,356	3,568	3,949	18	11
Sales Tax	2,356	2,968	3,178	35	7
General Corporation Tax	1,563	1,508	1,441	(8)	(4)
Mortgage and Real Property Transfer Taxes	958	848	1,138	19	34
Banking Corporation Tax	591	760	743	26	(2)
Unincorporated Business Tax	600	621	634	6	2
Commercial Rent Tax	300	347	361	20	4
Hotel Occupancy Tax	202	265	289	43	9
STAR	343	188	189	(45)	1
All Other Taxes	395	371	350	(11)	(6)
Total Taxes	\$17,131	\$21,345	\$23,222	36%	9%

The table above shows that 1H14 real property tax receipts grew 69% over five years ago (1H09). However, we bear in mind that the same circumstance affecting the 2Q five year look-back comparison, which was discussed earlier, affects the 1H figures as well. Specifically, the delay in the deadline for property tax, from January 1, 2009 to January 15, pushed December 2008 property tax receipts into the following month and out of our 1H09 comparison period. Current-year results, therefore, appear to show outsized growth versus an artificially reduced comparable.

Selected Cash Receipts

Table 8. Selected Cash Receipts, 1H10 - 1H14

(\$ in millions)

	1H10	1H11	1H12	1H13	1H14
Real Property Tax	\$8,390	\$9,127	\$10,020	\$9,901	\$10,950
Personal Income Tax	2,951	2,992	3,484	3,568	3,949
Sales Tax	2,307	2,735	2,879	2,968	3,178
NYS Education Aid	2,630	2,782	2,600	2,740	2,739
Federal Welfare Aid	1,402	2,117	1,845	1,846	1,741
General Corporation Tax	1,455	1,595	1,484	1,508	1,441
Mortgage and Real Property Transfer Taxes	473	550	752	848	1,138
Water and Sewer Fees	750	771	831	925	1,123
Banking Corporation Tax	632	846	699	760	743
Federal Education Aid	468	718	* 675	574	719
NYS Welfare Aid	1,104	1,044	1,121	715	641
Unincorporated Business Tax	551	626	609	621	634
Fines and Forfeitures	470	491	502	577	468
Commercial Rent Tax	308	319	322	347	361
NYS Higher Education Aid	970	651	288	646	294

* 1H12 Federal Education Aid has been amended from \$636 million (in 2Q12 QCR) to \$675 million.

⁷ In this report, tax receipts, with the exception of personal income tax, are gross of refunds. Real property tax and personal income tax are gross of any debt service funding.

Federal and State Aid

Chart 8. Federal & State Aid to NYC, 1H, FY10 - FY14

(\$ in billions)

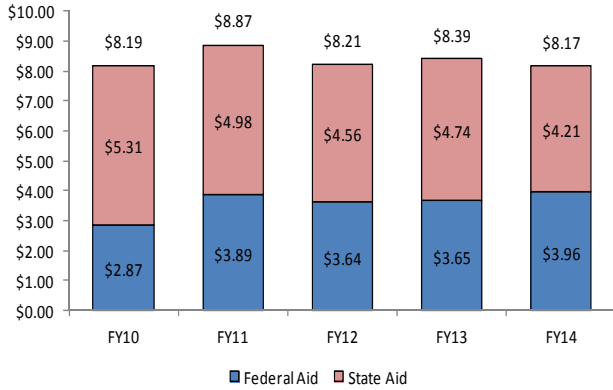


Chart 9. Federal & State Aid as % of Total Revenue, 1H, FY10 - FY14

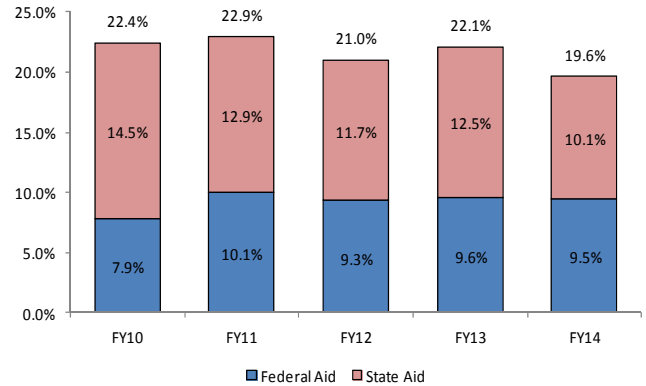


Chart 10. Components of State Aid, 1H, FY10 - FY14

(\$ in billions)

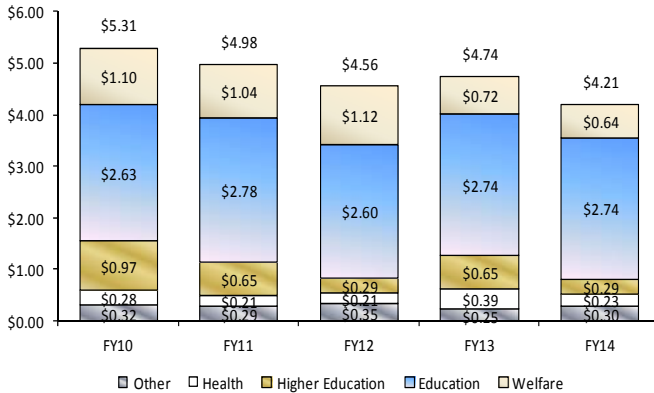
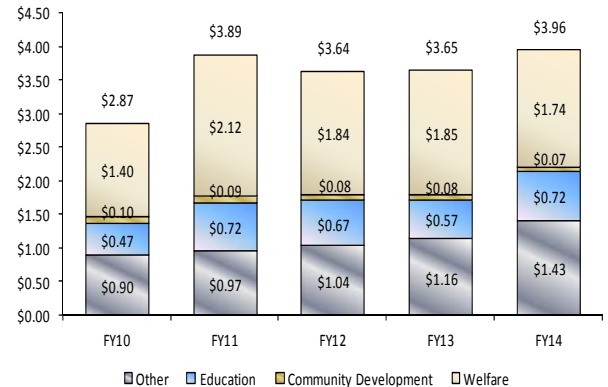


Chart 11. Components of Federal Aid, 1H, FY10 - FY14

(\$ in billions)



A trend of declining 1H State aid receipts should not be taken to indicate a similar decline in full-year results. Between FY09 and FY13, full-year State aid (across all categories) has remained steady, up 0.7%. The decline in 1H State aid receipts indicates only that in recent years more of the aid was received at later points in the fiscal year.

Table 9. Sandy Reimbursements

(\$ in millions)

	Sandy Cash Expenditures	Sandy Reimbursements
Nov-12	\$ 39	\$ -
Dec-12	40	-
Jan-13	63	137
Feb-13	96	111
Mar-13	116	39
Apr-13	142	52
May-13	92	24
Jun-13	138	2
Jul-13	99	65
Aug-13	39	64
Sep-13	48	12
Oct-13	35	71
Nov-13	35	184
Dec-13	30	23
Total	\$1,014	\$783

During 2Q14 the City received \$278 million in Sandy reimbursement. Since Superstorm Sandy, the City's financial management system has recorded \$783 million in reimbursements versus just over \$1 billion in eligible cash outlays, for a reimbursement rate of 77.2%. Proper categorization of expenditures as Sandy-related is an ongoing process at the City agency level. Historical Sandy data may be revised in the future, as eligible inflows and outflows are identified.

III. Cash Expenditures (Including Capital)

October 2013 - December 2013 (2Q14)

Cash Expenditures at a Glance

Table 10. PS & OTPS, 2Q, FY05 - FY14

(\$ in millions)

	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	2Q14
Gross Payroll	\$ 4,755	\$ 5,397	\$ 5,330	\$ 5,799	\$ 6,124	\$ 6,071	\$ 6,154	\$ 5,775	\$ 5,953	\$ 5,961
Other Personnel Services	1,982	2,383	2,423	2,806	2,886	3,289	2,821	3,402	3,600	3,573
Total PS	\$ 6,737	\$ 7,780	\$ 7,753	\$ 8,605	\$ 9,010	\$ 9,360	\$ 8,975	\$ 9,177	\$ 9,553	\$ 9,534
% of 2Q Total Exp	47%	52%	49%	49%	48%	50%	50%	50%	50%	49%
# of Bi-weekly Payrolls	7	7	7	7	7	7	7	6	6	6
Public Assistance	\$ 592	\$ 603	\$ 519	\$ 543	\$ 643	\$ 646	\$ 629	\$ 591	\$ 610	\$ 629
Medical Assistance	1,083	1,083	1,065	1,172	1,166	1,066	1,330	1,262	1,466	1,386
Other Social Services	504	458	610	600	585	742	595	621	557	584
Vendor and Other	2,672	2,906	3,212	3,381	3,394	3,330	3,399	3,701	3,909	4,244
Total OTPS	\$ 4,851	\$ 5,050	\$ 5,406	\$ 5,696	\$ 5,788	\$ 5,784	\$ 5,953	\$ 6,175	\$ 6,542	\$ 6,843
% of 2Q Total Exp	34%	34%	34%	32%	31%	31%	33%	33%	35%	35%
All Other	\$ 2,854	\$ 2,185	\$ 2,694	\$ 3,347	\$ 3,813	\$ 3,593	\$ 3,039	\$ 3,182	\$ 2,868	\$ 3,160
% of 2Q Total Exp	20%	15%	17%	19%	20%	19%	17%	17%	15%	16%
Total Expenditures	\$14,442	\$15,015	\$15,853	\$17,648	\$18,611	\$18,737	\$17,967	\$18,534	\$18,963	\$19,537
Total Expenditures Net of CapEx	\$13,002	\$13,613	\$14,219	\$15,591	\$16,153	\$16,037	\$15,869	\$16,263	\$17,182	\$17,632

Total 2Q14 expenditures rose 3.0% versus year-ago. Municipalities nationwide recorded total expenditure growth of 0.9% during the same period.⁸ Personnel-related spending was flat, and OTPS rose 4.6%. Outlays considered together as “All Other” rose 10.2%, led by an increase of 18.1% in City-funded capital. Net of CapEx, expenditures rose 2.6%, versus an average of 0.6% for municipalities nationwide.⁹

⁸ U.S. Dept. of Commerce, Bureau of Economic Analysis, *Op. cit.*

⁹ *Ibid.*

“All Other” Spending

Table 11. Major Components of “All Other” Spending, 2Q13 & 2Q14

(\$ in millions)

	2Q13	2Q14	Difference
Transit Authority	\$ 51	\$ 50	\$ (1)
Housing Authority	0	0	0
Lump Sum Payments	621	573	(48)
HHC	165	178	13
Refunds	137	174	37
City-Funded Capital	1,444	1,706	262
Non-City Funded Capital	337	198	(139)
F-700 Adjustment	114	280	166

July - December 2013 (1H14)

Cash Expenditures at a Glance

Table 12. PS & OTPS, 1H, FY05 - FY14

(\$ in millions)

	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13	1H14
Gross Payroll	\$ 9,656	\$10,727	\$10,372	\$10,999	\$12,285	\$11,830	\$12,121	\$11,951	\$12,012	\$12,095
Other Personnel Services	4,086	4,882	4,842	5,292	5,678	6,329	6,029	6,694	6,966	7,233
Total PS	\$13,742	\$15,609	\$15,214	\$16,291	\$17,963	\$18,159	\$18,150	\$18,645	\$18,978	\$19,328
% of Total Exp	47%	50%	49%	49%	49%	49%	49%	49%	50%	47%
Public Assistance	\$ 1,343	\$ 1,299	\$ 1,112	\$ 1,104	\$ 1,209	\$ 1,413	\$ 1,282	\$ 1,223	\$ 1,190	\$ 1,269
Medical Assistance	2,211	2,168	2,159	2,284	2,380	2,438	2,511	2,912	3,088	2,763
Other Social Services	1,071	1,047	1,260	1,170	1,310	1,423	1,250	1,182	1,195	1,236
Vendor and Other	5,507	6,030	6,385	6,790	7,122	6,984	7,219	7,735	7,726	8,769
Total OTPS	\$10,132	\$10,544	\$10,916	\$11,348	\$12,021	\$12,258	\$12,262	\$13,052	\$13,199	\$14,037
% of Total Exp	35%	34%	35%	34%	33%	33%	33%	35%	35%	34%
All Other	\$ 5,441	\$ 4,933	\$ 5,115	\$ 5,617	\$ 6,995	\$ 6,895	\$ 6,720	\$ 6,058	\$ 5,871	\$ 7,703
% of Total Exp	19%	16%	16%	17%	19%	18%	18%	16%	15%	19%
Total Expenditures	\$29,315	\$31,086	\$31,245	\$33,256	\$36,979	\$37,312	\$37,132	\$37,755	\$38,048	\$41,068
Total Expenditures Net of CapEx	\$26,413	\$27,954	\$28,112	\$29,637	\$32,213	\$32,084	\$32,137	\$33,607	\$34,118	\$36,790

Cash expenditures for 1H14 rose 7.9% versus year-ago. Municipalities across the U.S. reported expenditure growth of 0.9% over the same period.¹⁰ Net of capital expenditures, outlays rose 7.8%. Municipalities nationwide reported net expenditures up 0.8% for the same period.¹¹

¹⁰ *Ibid.*

¹¹ *Ibid.*

“All Other” Spending

Table 13. Major Components of “All Other” Spending, 1H13 & 1H14

(\$ in millions)

	1H13	1H14	Difference
Transit Authority	\$ 278	\$ 278	\$ 0
Housing Authority	1	28	27
Lump Sum Payments	1,032	1,287	255
HHC	342	506	164
Refunds	317	577	260
City-Funded Capital	3,075	3,874	799
Non-City Funded Capital	854	403	(451)
F-700 Adjustment	(27)	750	777

A 31.2% increase in 1H14 “All Other” spending traces to increased outlays during the 1Q14 period, when the category grew 51.3% versus year-ago behind Fund 700 adjustments and higher City-funded CapEx. All Other spending during 2Q14 grew at a much slower rate, up 10.2%.

IV. Capital Expenditures

City-funded capital expenditures are primarily financed from the proceeds of general obligation (GO), New York City Transitional Finance Authority (TFA), and New York City Municipal Water Finance Authority (NY Water) debt. Beginning in 2Q07, non-City-funded capital expenditures for education were financed by TFA Building Aid bonds and Expanding Our Children’s Education and Learning (EXCEL) capital grant funding from the Dormitory Authority of the State of New York (DASNY). Capital expenditures are initially paid from the NYC central treasury and then reimbursed from various capital accounts and State sources.

October 2013 - December 2013 (2Q14)

Chart 12. Total CapEx, 2Q, FY05 - FY14

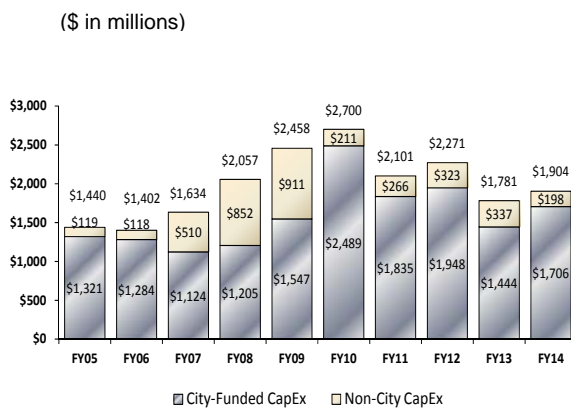
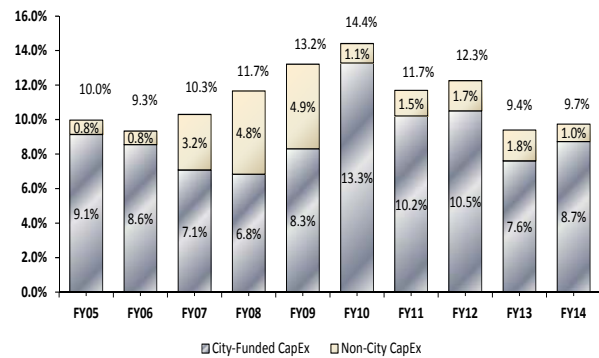


Chart 13. Total CapEx as % of Total Expenditures, 2Q, FY05 - FY14



Total 2Q14 CapEx gained 6.9% versus year-ago, driven by City-funded CapEx (up 18.1%). Non-City CapEx declined \$139 million, or 41.3%, to \$198 million.

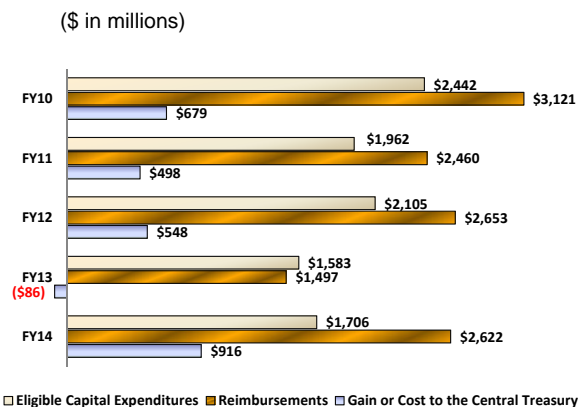
Table 14. Reimbursements to the NYC Central Treasury for CapEx, 2Q, FY05 - FY14

(\$ in millions)

	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	2Q14	Total
GO	\$1,032	\$ 836	\$ 40	\$1,144	\$1,412	\$1,399	\$ 885	\$ 977	\$ 127	\$ 901	\$ 8,753
NY Water	328	361	219	674	659	785	693	582	470	397	5,168
TFA	0	0	761	208	2	937	613	797	768	1,324	5,410
City-Funded Sub-Total	\$1,360	\$1,197	\$1,020	\$2,026	\$2,073	\$3,121	\$2,191	\$2,356	\$1,365	\$2,622	\$19,331
TFA Building Aid	0	0	300	372	610	0	269	297	132	0	1,980
DASNY	0	0	213	132	41	0	0	0	0	0	386
Non-City Sub-Total	\$ 0	\$ 0	\$ 513	\$ 504	\$ 651	\$ 0	\$ 269	\$ 297	\$ 132	\$ 0	\$ 2,366
Other	13	0	0	0	0	0	0	0	0	0	13
Total	\$1,373	\$1,197	\$1,533	\$2,530	\$2,724	\$3,121	\$2,460	\$2,653	\$1,497	\$2,622	\$21,710
2Q Reimbursable Capital Expenditures	\$1,317	\$1,282	\$1,492	\$1,964	\$2,303	\$2,442	\$1,962	\$2,105	\$1,583	\$1,706	\$18,156
2Q Reimbursements Less 2Q Reimbursable Capital Expenditures	\$56	(\$85)	\$41	\$566	\$421	\$679	\$498	\$548	(\$86)	\$916	\$ 3,554
2Q Reimbursements as a % of 2Q Reimbursable Capital Expenditures	104.3%	93.4%	102.7%	128.8%	118.3%	127.8%	125.4%	126.0%	94.6%	153.7%	119.6%
2Q Reimbursements as a % of 2Q Total Receipts	8.9%	7.7%	9.3%	13.5%	18.1%	16.2%	13.1%	13.4%	7.9%	11.8%	12.0%

Reimbursements to the central treasury for CapEx exceeded reimbursable expenditures by \$916 million during 2Q14. This simple measure represents the largest 2Q difference on record. However, we bear in mind that the corresponding statistic for 1Q14 reflected a \$464 million loss to the central treasury. Taken together, the two quarters that comprise 1H14 account for a \$452 million cash flow gain to the City. Over the long term, CapEx and reimbursements should balance. In the last ten full fiscal years (FY04 – FY13), CapEx and reimbursements have been closely paired, within about 5% of each other. However, the lag between expenditures and the offsetting reimbursements can create temporary disparities from one quarter to the next, such as observed in 2Q14.

Chart 14. Bond-Funded Reimbursements for Eligible CapEx, 2Q, FY10 - FY14



July - December 2013, 1H14

Chart 15. Total CapEx, 1H, FY05 - FY14

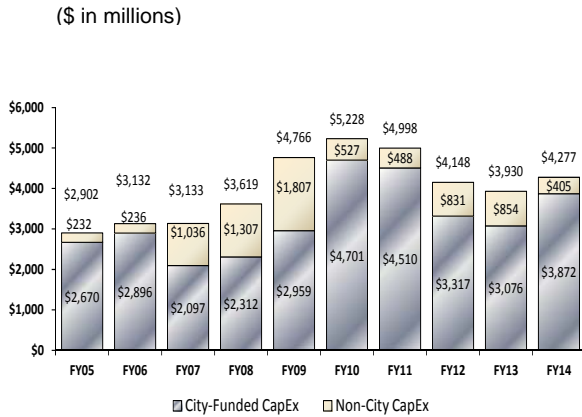
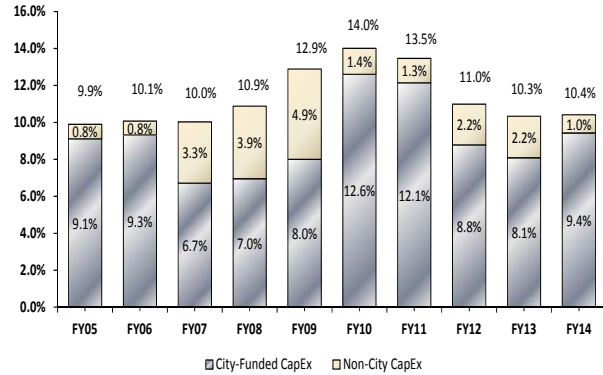


Chart 16. Total CapEx as % of Total Expenditures, 1H, FY05 - FY14



Total 1H14 CapEx climbed 8.8% versus year-ago to \$4.277 billion, delivering the first 1H increase since FY10.

Table 15. Reimbursements to the NYC Central Treasury, 1H, FY05 - FY14

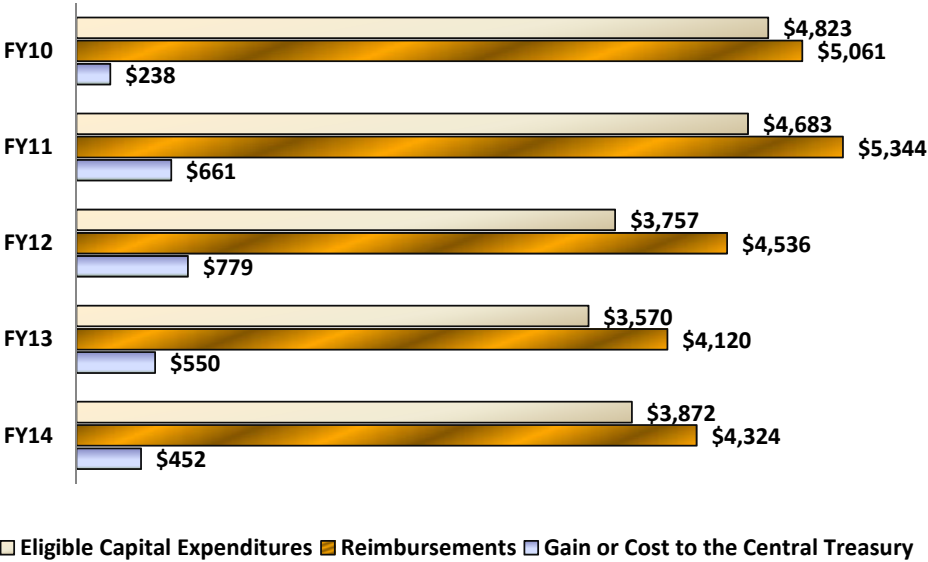
(\\$ in millions)

	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13	1H14	Total
GO	\$1,809	\$2,066	\$ 392	\$1,426	\$2,541	\$1,932	\$1,644	\$1,433	\$ 422	\$1,372	\$15,036
NY Water	798	604	692	922	1,343	1,396	1,648	1,157	986	817	10,363
TFA	0	0	761	494	7	1,545	1,783	1,369	1,982	2,135	10,077
City-Funded Sub-Total	\$2,607	\$2,670	\$1,845	\$2,842	\$3,891	\$4,873	\$5,075	\$3,959	\$3,390	\$4,324	\$35,476
TFA Building Aid	0	0	300	650	820	182	269	577	730	0	3,528
DASNY	0	0	213	320	367	6	0	0	0	0	906
Non-City Sub-Total	\$ 0	\$ 0	\$ 513	\$ 970	\$1,187	\$ 188	\$ 269	\$ 577	\$ 730	\$ 0	\$ 4,434
Other	31	0	0	0	0	0	0	0	0	0	31
Total	\$2,638	\$2,670	\$2,358	\$3,812	\$5,078	\$5,061	\$5,344	\$4,536	\$4,120	\$4,324	\$39,941
1H Reimbursable Capital Expenditures	\$2,663	\$2,892	\$2,863	\$3,446	\$4,465	\$4,823	\$4,683	\$3,757	\$3,570	\$3,872	\$37,032
1H Reimbursements Less 1H Reimbursable Capital Expenditures	(\$25)	(\$222)	(\$505)	\$366	\$613	\$238	\$661	\$779	\$550	\$452	\$2,909
1H Reimbursements as a % of 1H Reimbursable Capital Expenditures	99.1%	92.3%	82.4%	110.6%	113.7%	104.9%	114.1%	120.8%	115.4%	111.7%	107.9%
1H Reimbursements as a % of 1H Total Receipts	8.8%	8.3%	7.4%	10.7%	14.6%	13.8%	13.8%	11.6%	10.9%	10.4%	11.2%

For the seventh consecutive year, 1H reimbursements have exceeded eligible spending, netting a \$452 million gain to the central treasury during 1H14. Over the past ten years, 1H reimbursements have exceeded eligible spending by 7.9%.

Chart 17. Bond-Funded Reimbursements for Eligible CapEx, 1H10 - 1H14

(\$ in millions)



V. Financings ¹²

Table 16. FY 2014 Projected vs. 1H14 Actual GO, TFA PIT, and TFA BARBs Issuance

(\$ in billions)

	FY14 Projected Issuance	1H14 Issuance	Remaining Issuance
GO	\$2.13	\$1.33	\$0.80
TFA PIT	2.82	1.22	1.60
TFA BARBs	1.20	0.00	1.20
Total	\$6.14	\$2.54	\$3.60

Projected bond issuance is based on the OMB's FY 2014 February Financial Plan.

In FY14 the City plans to issue \$6.14 billion in general obligation (GO), Transitional Finance Authority Personal Income Tax (TFA PIT), and Transitional Finance Authority Building Aid Revenue Bonds (TFA BARBs) for new money capital purposes. The City issued \$2.54 billion of new money debt in 1H14, leaving \$3.60 billion of issuance planned for the remainder of FY14.

Table 17. GO and TFA PIT Bond Issuance, 1H14

(\$ in millions)

Closing Date	Deal	Purpose	TE Fixed	TX Fixed*	TE Variable	QSCBs*	Total Par
8/15/2013	GO 2014 A	New Money	\$375.00	\$125.00	\$ 0.00	\$ 0.00	\$ 500.00
8/15/2013	GO 2014 BC	Refunding	372.52	\$0.00	0.00	0.00	372.52
10/16/2013	GO 2014 D	New Money	300.00	125.00	400.00	0.00	825.00
10/16/2013	GO 2014 EF	Refunding	417.00	\$0.00	0.00	0.00	417.00
11/13/2013	TFA PIT	New Money	650.00	350.00	125.00	90.28	1,215.28
12/19/2013	GO 2014 GH	Refunding	800.00	0.00	0.00	0.00	800.00

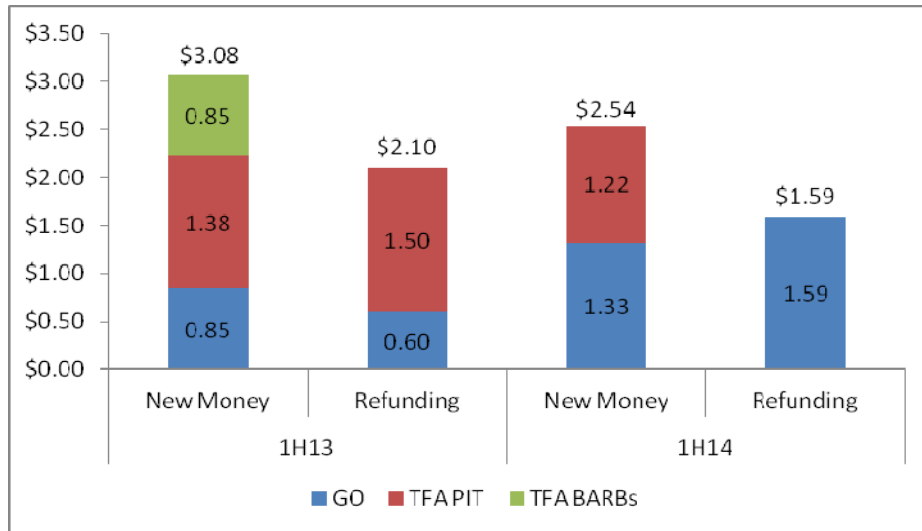
* Designates series of bonds that were sold via competitive sale
The table excludes conversions and re-offerings.

Three transactions closed in 2Q14. The first transaction was a GO sale of \$825 million of new money bonds and \$417 million of refunding bonds. The refunding achieved budgetary savings of \$44.28 million, or more than \$36 million on a present-value basis. The second transaction was a new money sale of \$1.215 billion of TFA PIT bonds. The sale included \$650 million of tax-exempt fixed-rate bonds, \$350 million of taxable fixed-rate bonds, \$125 million of tax-exempt variable-rate bonds, and \$90.28 million of taxable Qualified School Construction Bonds. This transaction represents the final QSCB new money sale under the authority granted by the federal government. The third transaction was a refunding sale of \$800 million of GO bonds. The refunding generated \$64.27 million in budgetary savings, or more than \$53 million on a present-value basis.

¹² We gratefully acknowledge the assistance of the Bureau of Public Finance in the construction of this section.

Chart 18: GO, TFA PIT, and TFA BARBs Issues, 1H13 & 1H14

(\$ in billions)



The pace of bond issuance in 1H14 was slower than year-ago. In 1H14 the City issued \$4.13 billion in new money and refunding bonds, versus \$5.18 billion in 1H13.

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