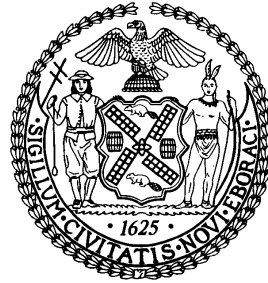


**The City Of New York
Office of the Comptroller**

**John C. Liu
Comptroller**



QUARTERLY CASH REPORT

October - December 2012
Second Quarter of Fiscal Year 2013

February 2013

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Summary

Cash Balances

Although the average balance for the second quarter of FY13 (October 2012 – December 2012, hereafter 2Q13) exceeded the year-ago mark by \$1.032 billion, a closer examination of the constituent cash flows reveals that the 2Q13 performance is properly viewed as in-line with year-ago.

In October and November of FY13, cash balances maintained a sizable lead over year-ago marks. However, we bear in mind that 2Q13 began with a \$1.1 billion head start over 2Q12, thanks to large capital transfers into the NYC central treasury at the end of 1Q13. September (the last month of 1Q13) transfers totaled \$1.4 billion, versus \$489 million year-ago. December transfers were correspondingly small, only \$336 million versus \$1.2 billion year ago. It follows that in December, 2Q13 cash balances converged on their year-ago counterparts. The NYC central treasury closed 2Q13 with a book balance of \$6.196 billion, versus \$6.354 billion in 2Q12.

The most remarkable feature of the second quarter of the fiscal year is the expected occurrence of the annual cash balance low. This year, what we expect will be the FY13 low point occurred on December 10, and measured \$2.351 billion, versus \$1.696 billion in the year-ago period. We always caution against putting too much emphasis on any one day, however the trend of annual cash balance lows is consistent with overall strengthening of the City's cash position since FY10.

Superstorm Sandy

It is well known that during the last week of October, the NYC metro area suffered major disruptions as a result of Superstorm Sandy. The damage resulting from flooding and fires is still being remediated as of the date of publication of this document, and we expect that affected homeowners and business owners will be in the process of recovery for many months to come.

That said, it is important to note that the impact of Sandy on the City cash flows has so far been much smaller than first anticipated. During 2Q13, emergency expenditures related to Sandy amounted to \$120 million. In a counterintuitive twist, the immediate impact of the storm was an increase (versus projections) in cash balances. Some City agencies had no access to their offices during the weeks immediately following Sandy and were unable to submit expense vouchers to the City's financial management system. In other words, they were unable to spend money. Meanwhile, the City's cash receipts infrastructure proved considerably more robust and suffered no significant disruption.

In our November Cash Letter we observed a backlog of expenditures, totaling approximately \$600 million. At that time we fully expected the backlog to resolve as agencies recovered their ability to interface with the financial management system. As expected, the backlog was resolved in December. As the backlog and its resolution both occurred within the bounds of 2Q13, no net effect is observable in the ending cash balance figures for the quarter. It is likely that the entire event boosted the average balance comparison to year-ago.

No FEMA reimbursement for Sandy expenditures was received during 2Q13, though funds did start to arrive in January 2013 (3Q13, outside the normal scope of this report). As of February 22, the City has received \$237 million in FEMA reimbursements, against \$308 million of emergency expenditures.

The figures for Sandy expenditures should be taken as indicative only. City agencies are working to ensure that all Sandy expenditures are categorized as such in the financial management system, but it is probable that a significant number of items yet remain to be properly classified.

New Procedure for Senior College Inflows and Outflows

During 2Q13 we first noticed a change to the process for receiving Tuition & Fees inflow from the senior colleges (CUNY). Also changed was the usual routine for expending funds on behalf of the senior colleges. Until very recently, receipts from and expenditures on behalf of the senior colleges were marked internally as coming from outside the “City,” as the municipal entity is technically defined. This procedure has been changed to reflect these transactions as being conducted by the City, on behalf of the senior colleges. A new, somewhat circuitous reimbursement protocol requires that the City effectively write a check to itself for tuition and fees receivable from the senior colleges. That check is then reimbursed by CUNY.

As the Bureau of Financial Analysis is charged with counting every dollar of inflow and outflow, in cash terms and in real time, this new protocol requires us to report the senior college inflow as being received twice. It also adds an extra expenditure. The net effect is the same as before, a single transfer to the benefit of the City. However, the new process will in the future artificially inflate the reporting of both inflows and outflows by a relatively small amount.

Cash Receipts

Cash receipts for 2Q13 fell 4.2% versus year-ago, or \$830 million, to \$18.923 billion. This result was driven by a \$1.157 billion decline in capital transfers. Removing the effect of capital transfers, 2Q13 cash receipts rose 1.9% versus year-ago. Also impacting receipts was debt service retention, which for the purposes of this report is treated as a negative inflow rather than a positive expenditure. In FY12, debt service retention did not start in earnest until December. This year, due to a smaller prepayment at the end of FY12, retention began in July and was in full swing during all of 2Q13.

Total tax receipts rose 4.8% in 2Q13 versus year-ago. With the exception of Banking Corporation Tax and Utility Tax, receipts were strong across the various major categories of tax.

Aid from the State of New York declined by 2.5% during 2Q13, and federal aid fell by 3.1% versus year-ago. However, both sources have recorded gains during the first half of FY13 (hereafter, 1H13), up 2.3% as a combined total.

As usual, half-year results tended to moderate the readings established during 2Q13. Total receipts for 1H13 fell 2.9% versus year-ago, owing to higher debt service retention. Tax receipts rose 1.3%, with all major categories of tax posting gains except real estate tax, which fell 1.2%. Net of capital transfers, 1H13 receipts fell 2.1% versus year-ago.

Cash Expenditures

At \$18.963 billion, 2Q13 cash expenditures reached a 2Q record high, up 2.3% versus year-ago. Expenditure gains were driven by persistent increases in “other personnel services”, medical assistance, and vendor-related spending. Nationwide, municipalities reported expenditure growth of 2.5% during the same period.¹

Cash expenditures for 1H13 rose 0.8% versus year-ago. Municipalities across the U.S. reported expenditure growth of 2.1% over the same period.² The City’s total 1H expenditures remain well-contained, as 1H13 expenditures are only 2.9% greater than expenditures in 1H09.

Capital Expenditures

Capital Expenditures (hereafter “CapEx”) for 2Q13 declined 22% versus year-ago, driven by a 26% drop in City-funded CapEx. CapEx reimbursements to the central treasury trailed reimbursable expenditures by \$97 million. This result represents the first 2Q since FY06 during which reimbursements did not exceed CapEx, which is initially paid from the City treasury and then reimbursed from bond proceeds as appropriate.

CapEx for 1H13 declined 5.3%, driven by a continued contraction in the City-funded component. City-funded CapEx for 1H13 fell for the third consecutive year, down 7.3% versus year-ago.

Capital transfers during September 2012 were relatively large, exceeding September 2011 marks by \$956 million. As previously mentioned, this difference contributed to a divergence between FY13 and FY12 cash balances. This divergence continued until December, when relatively small capital transfers of \$337 million (versus \$1.2 billion in December 2011) offset the effect of the September transactions.

Financings

Two bond transactions closed in 2Q13. The first was a sale of \$1.450 billion of tax-exempt GO bonds, consisting of \$850 million of new money bonds and \$600 million of refunding bonds. In addition, the City converted \$58 million of variable-rate demand bonds to fixed-rate. The refunding achieved budgetary savings of more than \$107 million, or greater than \$98 million on a present-value basis. Most of the savings will occur in FY14. The second transaction was a sale of \$1.131 billion of TFA PIT bonds. The sale consisted of \$578 million of new money bonds and \$553 million of refunding bonds. In addition, the TFA converted \$32 million of variable-rate demand bonds to fixed-rate. Each series of bonds was sold via competitive sale, and the refunding transaction produced nearly \$86 million of savings on a present-value basis. Overall, 1H13 bond issuance exceeded the bond issuance of 1H12. The City issued \$5.18 billion in new money and refunding bonds during 1H13, versus \$3.95 billion in the year-ago period.

¹ US Dept of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/itable/itable.cfm?ReqID=9&step=1>, Table 3.3.

² *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. 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.

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Rounding of Large Numbers in the Quarterly Cash Report

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I. Cash Balances ³

October 2012 - December 2012 (2Q13)

Chart 1. Daily Cash Balances in the NYC Central Treasury, 2Q08, 2Q12, and 2Q13

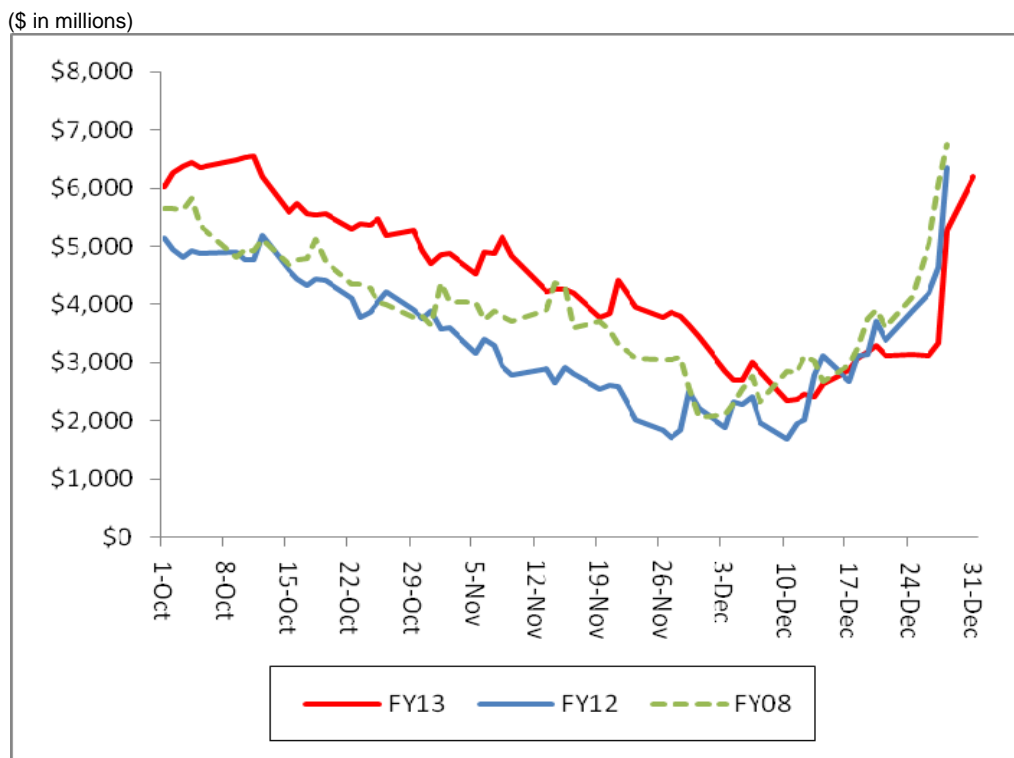


Table 1. Cash Position in the NYC Central Treasury, 2Q, FY04 - FY13

(\$ in millions)

Central Treasury	2Q04	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13
Opening Balance ^a	\$ 2,538	\$ 3,910	\$ 7,296	\$ 6,164	\$ 5,686	\$ 6,370	\$ 4,596	\$ 5,350	\$ 5,135	\$ 6,235
Total Receipts	13,996	15,491	15,464	16,545	18,712	15,061	19,233	18,761	19,753	18,923
Total Expenditures ^b	12,392	14,442	15,015	15,853	17,648	18,611	18,737	17,967	18,534	18,962
Closing Balance	\$ 4,142	\$ 4,959	\$ 7,745	\$ 6,856	\$ 6,750	\$ 2,820	\$ 5,092	\$ 6,144	\$ 6,354	\$ 6,196

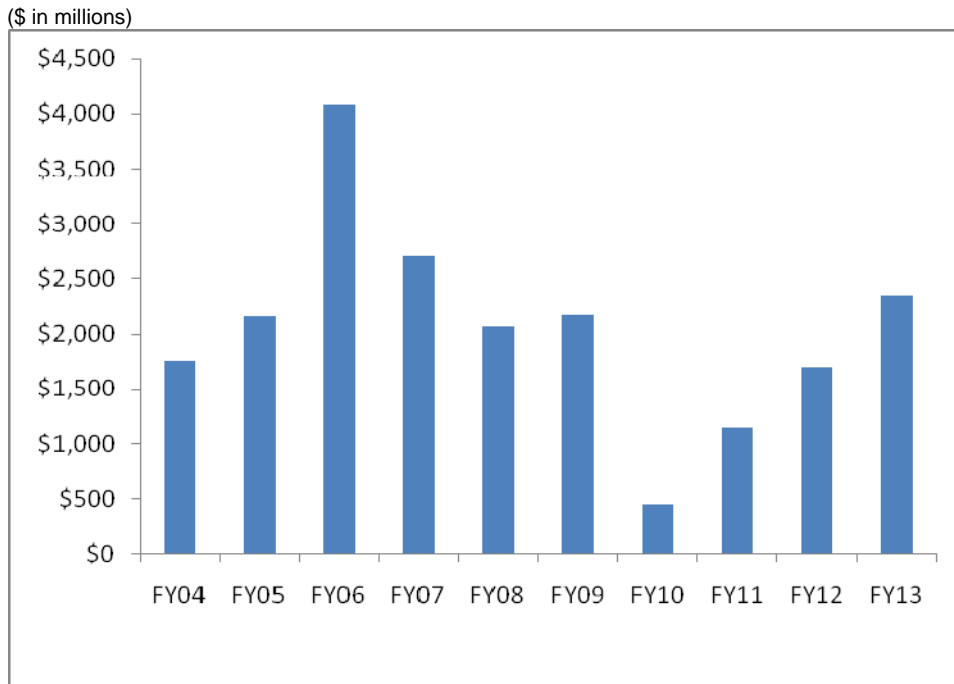
a. Opening balances as measured before City audits

b. Total expenditures include capital expenditures.

Through October and November, cash balances maintained a sizable lead over year-ago marks. However, we bear in mind that 2Q13 began with a \$1.1 billion head start, thanks to large capital transfers into the NYC central treasury at the end of 1Q13. September (the last month of 1Q13) transfers totaled \$1.4 billion. December transfers were correspondingly small, only \$336 million. It follows that in December, 2Q13 cash balances converged on their year-ago counterparts.

³ 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.

Chart 2. NYC Cash Balance Lows, FY03 - FY13



The most remarkable feature of the second quarter of the fiscal year is the expected occurrence of the annual cash balance low. This year, what we expect will be the FY13 low point occurred on December 10, and measured \$2.351 billion, versus \$1.696 billion in the year-ago period. We always caution against putting too much emphasis on any one day. However, the trend of annual cash balance lows is consistent with overall strengthening of the City’s cash position since FY10.

Total receipts for 2Q13 fell 4.2% versus last year, while expenses rose 2.3%. Net cash flow for the quarter was just barely negative, by \$39 million. This reading represents the first 2Q of negative cash flow since 2Q09. Though the quarter began with a significant lead in cash balances, it ended very much in-line with year-ago levels.

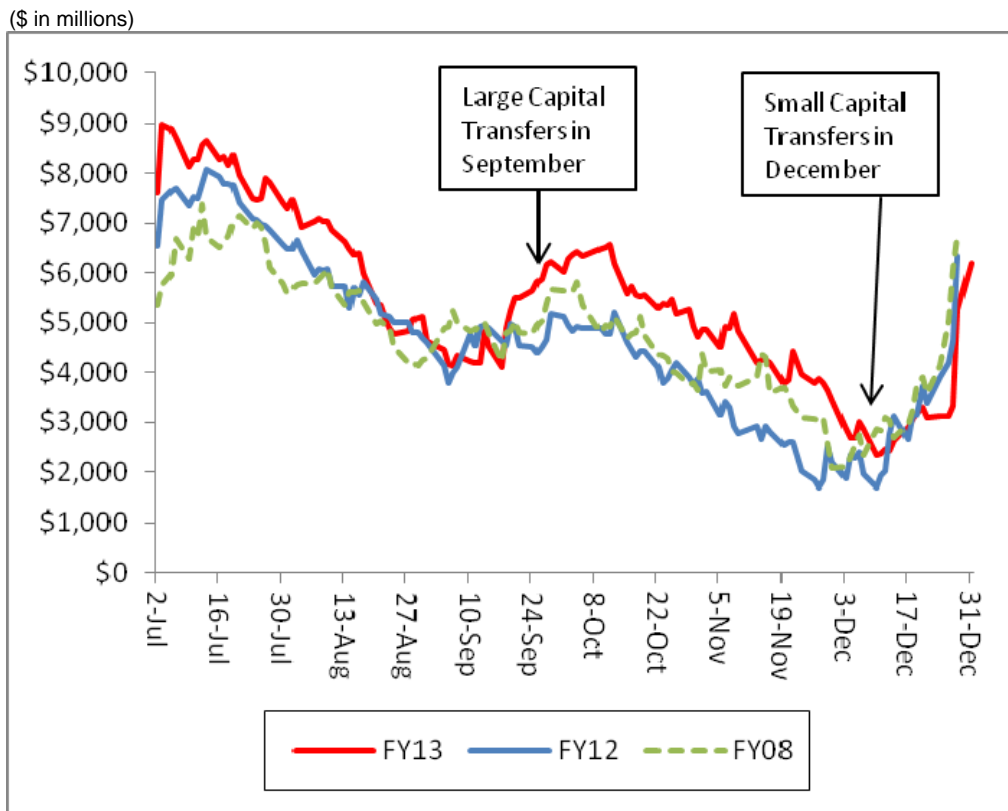
Table 2. Average Daily Cash Balances, 2Q, FY04 - FY13

(\$ in millions)

	2Q04	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13
October	\$3,390	\$3,508	\$7,156	\$5,293	\$4,739	\$6,198	\$4,253	\$4,502	\$4,457	\$5,764
November	2,805	2,660	5,410	3,712	3,645	4,010	2,927	2,999	2,795	4,277
December	2,268	2,802	4,934	4,047	3,404	2,760	1,992	2,516	2,965	3,148
2Q Total	\$2,822	\$2,992	\$5,825	\$4,377	\$3,960	\$4,348	\$3,046	\$3,331	\$3,408	\$4,440

July 2012 - December 2012 (1H13)

Chart 3. Cash Position in the NYC Central Treasury, 1H08, 1H12, 1H13



A chart of 1H13 cash balances illustrates the effect of larger and smaller capital transfers. In September the City received \$1.4 billion in capital transfers, which created the gap with the previous year's history. This divergence lasted until December, when transfers were very light, only \$336 million. Current-year balances (red line) then converged towards FY12 levels (blue line).

Table 3. Cash Position in the NYC Central Treasury, 1H, FY04 - FY13

(\$ in millions)

Central Treasury	1H04	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13
Opening Balance ^a	\$ 2,502	\$ 4,208	\$ 6,830	\$ 6,386	\$ 4,473	\$ 4,988	\$ 5,839	\$ 4,604	\$ 5,041	\$ 6,297
Total Receipts	28,141	30,067	32,001	31,715	35,533	34,811	36,565	38,672	39,068	37,946
Total Expenditures ^b	26,501	29,316	31,086	31,245	33,256	36,979	37,312	37,132	37,755	38,048
Closing Balance ^c	\$ 4,142	\$ 4,959	\$ 7,745	\$ 6,856	\$ 6,750	\$ 2,820	\$ 5,092	\$ 6,144	\$ 6,354	\$ 6,196

a. Opening balances as measured before City audits

b. Total expenditures include capital expenditures.

Table 4. Average Daily Cash Balances, 1H, FY04 - FY13

(\$ in millions)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
1Q Total	\$2,900	\$4,348	\$7,738	\$6,293	\$5,567	\$6,426	\$6,348	\$4,628	\$5,843	\$6,397
2Q Total	2,822	2,992	5,825	4,377	3,960	4,348	3,046	3,331	3,408	4,440
1H Total	\$2,862	\$3,692	\$6,812	\$5,358	\$4,777	\$5,412	\$4,737	\$4,000	\$4,665	\$5,426

Although the 1H13 average daily balance rose 16.3% versus year-ago, this improvement owes mainly to the timing of receipts rather than to any actual increase in inflows or decrease in expenditures. In fact, the changes in inflows and outflows versus 1H12 generated a negative net cash flow in 1H13. Large capital transfers in September and small transfers in December had a warping effect on the 1H13 chart of cash balances, giving a surface impression of strength versus previous year. Cash balances for 1H13 are properly viewed as in-line with year-ago.

II. Cash Receipts

October 2012 - December 2012 (2Q13)

Receipts at a Glance

Table 5. Total and Average Daily Cash Receipts, 2Q, FY09 - FY13

(\$ in millions)

	2Q Total Receipts					2Q Average Daily Receipts				
	FY09	FY10	FY11	FY12	FY13	FY09	FY10	FY11	FY12	FY13
October	\$ 4,404	\$ 5,184	\$ 4,518	\$ 4,933	\$ 4,658	\$200	\$247	\$226	\$247	\$212
November	3,959	4,135	4,058	4,293	4,506	233	230	214	226	225
December	6,698	9,914	10,185	10,527	9,759	304	451	485	501	488
2Q Total	\$15,061	\$19,233	\$18,761	\$19,753	\$18,923	\$247	\$315	\$313	\$329	\$305

Table 6. Cash Receipts by Category, 2Q12 and 2Q13

(\$ in millions)

Receipts	Oct. 2011	Nov. 2011	Dec. 2011	Total 2Q12	Oct. 2012	Nov. 2012	Dec. 2012	Total 2Q13	Diff. Total 2Q13/12
Real Property Tax	\$ 471	\$ 172	\$4,223	\$ 4,866	\$ 747	\$ 97	\$ 4,272	\$ 5,116	\$ 250
Other Taxes	1,580	1,225	2,712	5,517	1,620	1,319	2,824	5,763	246
Federal and State Aid	1,337	1,307	1,670	4,314	1,386	1,473	1,348	4,207	(107)
Less Debt Service Funding	0	(12)	(134)	(146)	(349)	(199)	(104)	(652)	(506)
Miscellaneous	499	*466	340	1,305	379	611	371	1,361	56
Intergovernmental Aid	0	1	0	1	1	0	0	1	0
Other	1,046	1,134	1,716	3,896	874	1,205	1,048	3,127	(769)
Total	\$4,933	\$4,293	\$10,527	\$19,753	\$4,658	\$4,506	\$9,759	\$18,923	\$ (830)

* Nov 2011 miscellaneous receipts line has been amended from \$439 million to \$466 million, and other totals were adjusted accordingly.

Cash receipts for 2Q13 fell 4.2% versus year-ago, driven by a \$1.157 billion decline in capital transfers (represented within the "Other" category). Also impacting receipts was debt service retention, which is treated as a negative inflow rather than a positive expenditure. In FY12, debt service retention did not start in earnest until December. In FY13, retention began in July and was in full swing during all of 2Q13.

Table 7. Cash Receipts by Category, 2Q, FY04 - FY13

(\$ in millions)

	2Q04	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13
Real Property Tax	\$ 2,749	\$ 2,227	\$ 3,688	\$ 3,608	\$ 3,734	\$ 1,461	\$ 4,612	\$ 4,489	\$ 4,866	\$ 5,116
Other Taxes	3,861	4,995	5,437	5,968	6,143	5,108	4,923	5,231	5,517	5,763
<i>Total taxes</i>	<i>6,610</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>
Federal and State Aid	2,830	2,829	2,566	2,837	3,339	3,607	3,900	4,152	4,314	4,207
Debt Service Funding	(185)	(425)	(1)	(147)	0	0	0	(158)	(146)	(652)
Miscellaneous	922	2,411	1,112	1,200	1,696	1,027	1,463	1,459	1,305	1,361
Intergovernmental Aid	477	1,242	383	265	4	165	193	0	1	1
Other	3,342	2,212	2,279	2,814	3,796	3,693	4,142	3,588	3,896	3,127
Total	\$13,996	\$15,491	\$15,464	\$16,545	\$18,712	\$15,061	\$19,233	\$18,761	\$19,753	\$18,923

Taxes ⁴

Table 8. Major Tax Receipts, 2Q08, 2Q12, and 2Q13

(\$ in millions)

	2Q08	2Q12	2Q13	% Change 2Q13/ 2Q08	% Change 2Q13/ 2Q12
Real Property Tax	\$ 3,734	\$ 4,866	\$ 5,116	37%	5%
Personal Income Tax	1,821	1,780	1,847	1	4
Sales Tax	1,406	1,600	1,651	17	3
General Corporation Tax	953	756	839	(12)	11
Mortgage and Real Property Transfer Taxes	678	302	427	(37)	41
Banking Corporation Tax	161	387	298	85	(23)
Unincorporated Business Tax	187	205	210	12	2
Commercial Rent Tax	136	154	173	27	12
Hotel Occupancy Tax	108	145	147	36	1
Utility Tax	83	104	95	14	(9)
All Other Taxes	610	84	76	(88)	(10)
Total	\$9,877	\$10,383	\$10,879	10%	5%

Tax receipts in 2Q13 were strong across the major categories of tax, with the exceptions of Banking Corporation Tax and Utility Tax. The large difference between 2Q08 and 2Q13 in the “All Other Taxes” category is heavily influenced by the timing of STAR aid receipts (considered tax receipts for the purposes of this report) five years ago. This outlier statistic traces mainly to an accident of the calendar and not to any bona fide decline in the category.

Selected Cash Receipts

Table 9. Selected Cash Receipts, 2Q, FY09 - FY13

(\$ in millions)

	2Q09	2Q10	2Q11	2Q12	2Q13
Real Property Tax	\$1,461	\$4,612	\$4,489	\$4,866	\$5,116
Personal Income Tax	1,707	1,507	1,512	1,780	1,847
Sales Tax	1,401	1,318	1,542	1,600	1,651
NYS Education Aid	1,350	1,332	1,286	1,289	1,416
General Corporation Tax	811	785	911	756	839
Federal Welfare Aid	532	686	1,038	975	823
Mortgage and Real Property Transfer Taxes	377	240	270	302	427
Federal Education Aid	343	240	290	378	433
NYS Welfare Aid	392	534	559	539	360
Banking Corporation Tax	184	450	309	387	298
Water and Sewer Fees	199	200	229	245	295
NYS Higher Education Aid	332	347	321	288	292
Fines and Forfeitures	229	237	248	259	288
Unincorporated Business Tax	209	204	244	205	210
Senior College Fees	1	154	146	159	170

⁴ 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, FY09 - FY13

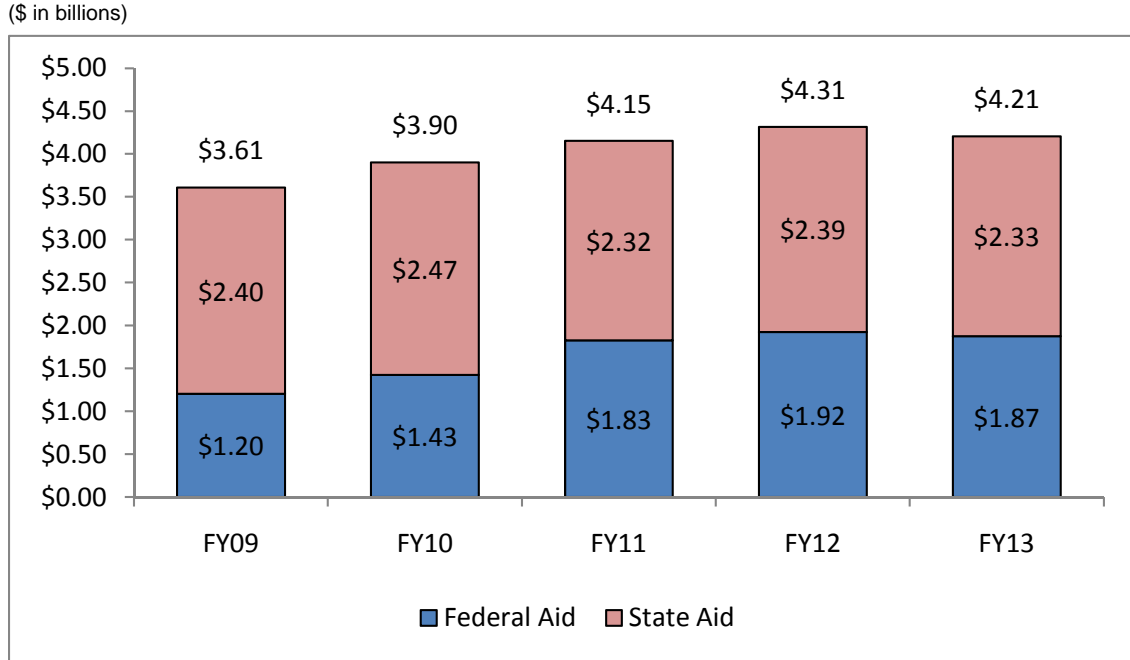


Chart 5. Federal & State Aid as % of Total Cash Receipts, 2Q, FY09 - FY13

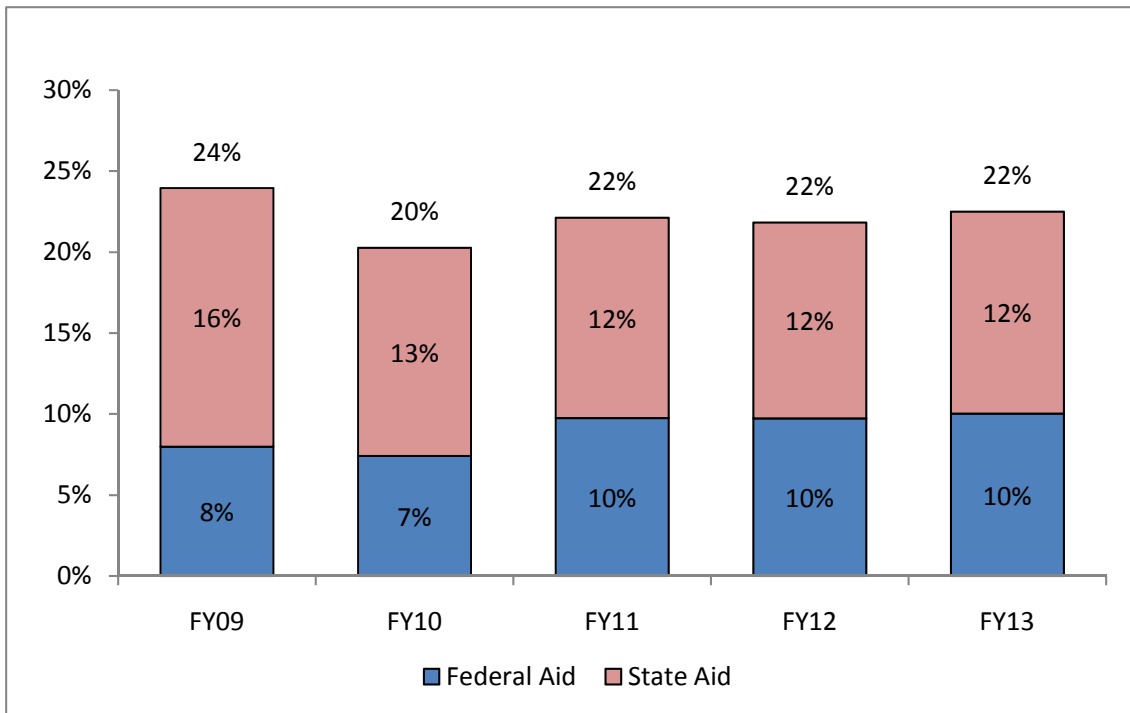


Chart 6. Components of State Aid, 2Q, FY09 - FY13

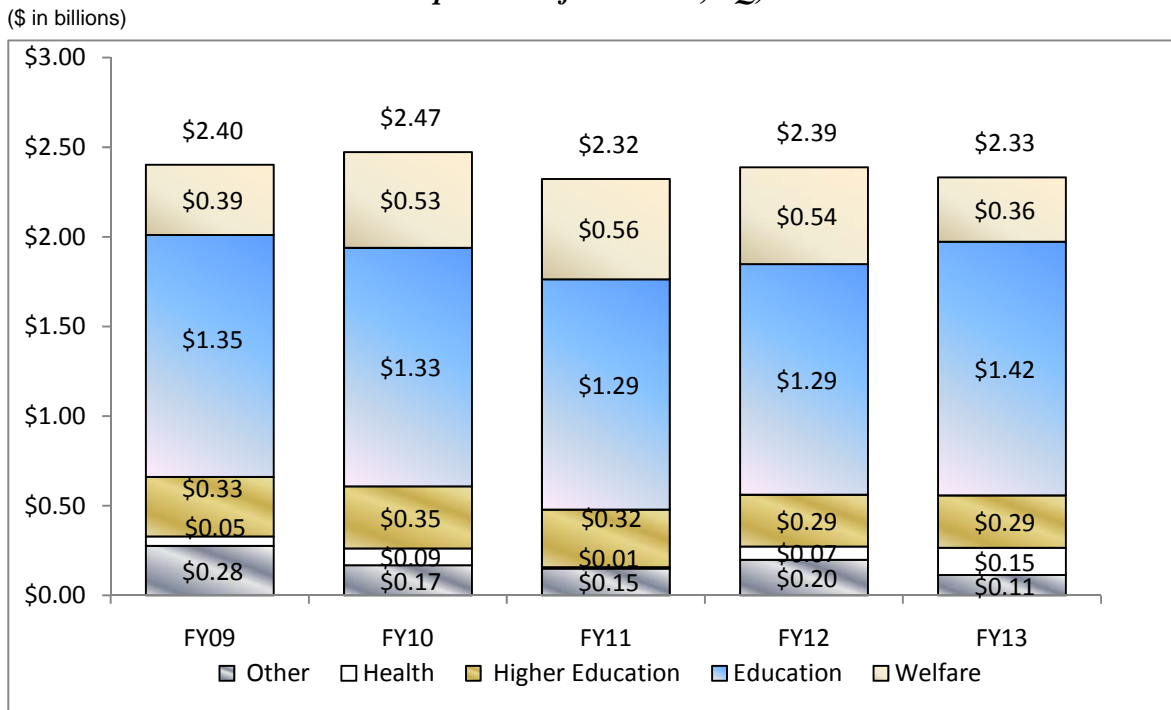
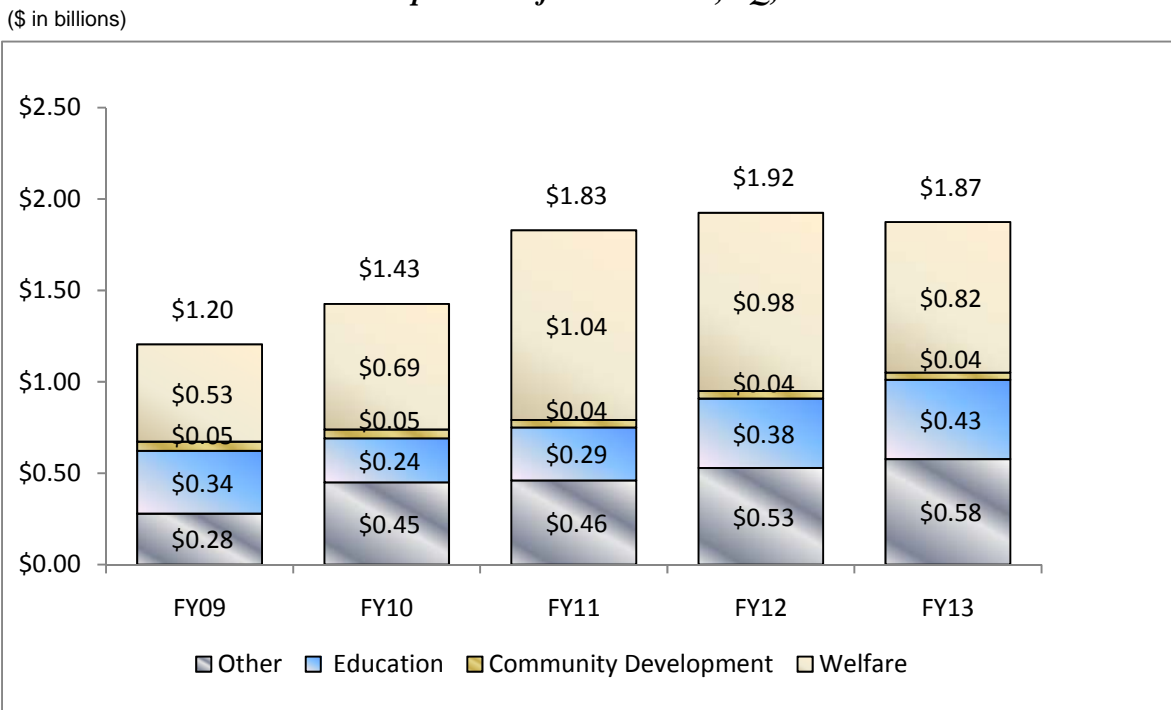


Chart 7. Components of Federal Aid, 2Q, FY09 - FY13



July 2012 - December 2012 (1H13)

Receipts at a Glance

Table 10. Total and Average Daily Cash Receipts, 1H, FY09 - FY13

(\$ in millions)

	Total Receipts					Average Daily Receipts				
	1H09	1H10	1H11	1H12	1H13	1H09	1H10	1H11	1H12	1H13
1Q Total	\$19,750	\$17,332	\$19,911	\$19,315	\$19,023	\$309	\$271	\$311	\$302	\$302
2Q Total	15,061	19,233	18,761	19,753	18,923	247	315	313	329	305
1H Total	\$34,811	\$36,565	\$38,672	\$39,068	\$37,946	\$278	\$293	\$312	\$315	\$304

Table 11. Cash Receipts by Category, 1H, FY04 - FY13

(\$ in millions)

	1H04	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13
Real Property Tax	\$ 6,703	\$ 6,284	\$ 8,578	\$ 7,024	\$ 7,978	\$ 6,467	\$ 8,390	\$ 9,127	\$10,020	\$ 9,901
Other Taxes	7,124	8,900	9,944	11,294	11,783	10,664	9,429	10,422	11,060	11,444
Total taxes	13,827	15,184	18,522	18,318	19,761	17,131	17,819	19,549	21,080	21,345
Federal and State Aid	6,592	6,013	5,702	6,140	6,329	7,319	8,179	8,872	8,204	8,395
Debt Service Funding	(1,587)	(1,088)	(1)	(428)	0	0	0	(266)	(146)	(1,657)
Miscellaneous	2,190	3,613	2,336	2,688	3,134	2,828	3,259	3,087	3,012	3,030
Intergovernmental Aid	1,793	2,047	609	328	10	228	256	0	1	1
Other	5,326	4,298	4,833	4,669	6,299	7,305	7,052	7,430	6,917	6,832
Total	\$28,141	\$30,067	\$32,001	\$31,715	\$35,533	\$34,811	\$36,565	\$38,672	\$39,068	\$37,946

Total cash receipts during 1H13 reflect a decline of 2.9% versus year-ago. This decline traces mainly to an earlier start in FY13 debt service retention (which, in turn, results from the lower prepayment at the end of FY12).

Taxes⁵

Table 12. Major Tax Receipts, 1H08, 1H12, and 1H13

(\$ in millions)

	1H08	1H12	1H13	% Change 1H13/ 1H08	% Change 1H13/ 1H12
Real Property Tax	\$ 7,978	\$ 10,020	\$ 9,901	24%	(1)%
Personal Income Tax	3,371	3,484	3,568	6	2
Sales Tax	2,315	2,879	2,968	28	3
General Corporation Tax	1,730	1,484	1,508	(13)	2
Mortgage and Real Property Transfer Taxes	1,565	752	848	(46)	13
Banking Corporation Tax	472	699	760	61	9
Unincorporated Business Tax	597	609	621	4	2
Commercial Rent Tax	280	322	347	24	8
Hotel Occupancy Tax	198	260	265	34	2
STAR	866	178	188	(78)	6
All Other Taxes	389	386	371	(5)	(4)
Total Taxes	\$19,761	\$21,080	\$21,345	8%	1%

⁵ 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.

Selected Cash Receipts

Table 13. Selected Cash Receipts, 1H09 - 1H13

(\$ in millions)

	1H09	1H10	1H11	1H12	1H13
Real Property Tax	\$6,467	\$8,390	\$9,127	\$10,020	\$9,901
Personal Income Tax	3,356	2,951	2,992	3,484	3,568
Sales Tax	2,356	2,307	2,735	2,879	2,968
NYS Education Aid	2,604	2,630	2,782	2,600	2,740
Federal Welfare Aid	1,068	1,402	2,117	1,845	1,846
General Corporation Tax	1,563	1,455	1,595	1,484	1,508
Water and Sewer Fees	711	750	771	831	925
Mortgage and Real Property Transfer Taxes	958	473	550	752	848
Banking Corporation Tax	591	632	846	699	760
NYS Welfare Aid	820	1,104	1,044	1,121	715
NYS Higher Education Aid	620	970	651	288	646
Unincorporated Business Tax	600	551	626	609	621
Fines and Forfeitures	467	470	491	502	577
Federal Education Aid	720	468	718	* 675	574
Senior College Fees	174	321	150	161	171

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

Net Cash Receipts

Table 14. Cash Receipts, Net of Reimbursements for CapEx, 1H12 & 1H13

(\$ in millions)

	1H12	1H13	Diff. 1H13/ 1H12
July	\$ 7,222	\$ 6,537	\$ (685)
August	3,980	3,493	(487)
September	6,230	6,368	138
1Q Total	\$17,432	\$16,398	\$(1,034)
October	4,217	4,190	(27)
November	3,572	3,814	242
December	9,311	9,423	112
2Q Total	\$17,100	\$17,427	\$ 327
1H Total	\$34,532	\$33,825	\$ (707)

Net of reimbursements for CapEx, 2Q13 cash receipts rose 1.9%. In 1H13, net receipts declined 2.1% versus year-ago. This statistic reflects what we consider to be a measure of the organic growth in receipts. It removes the impact of capital transfers, which should be offset by corresponding CapEx outflows over the long term.

Federal and State Aid

Chart 8. Federal & State Aid to NYC, 1H, FY09 - FY13

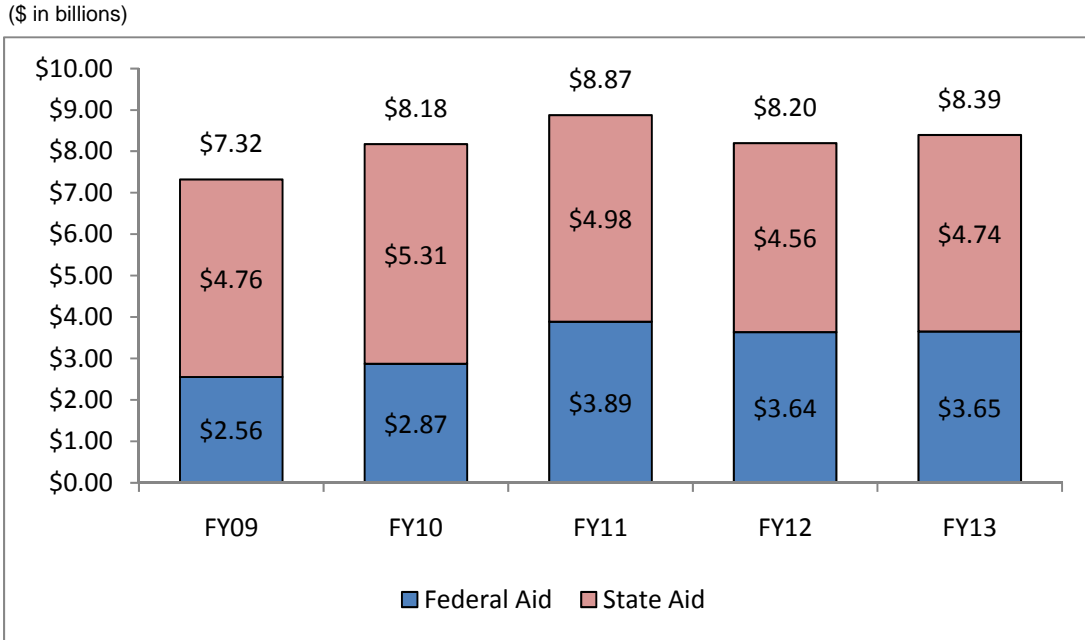


Chart 9. Federal & State Aid as % of Total Revenue, 1H, FY09 - FY13

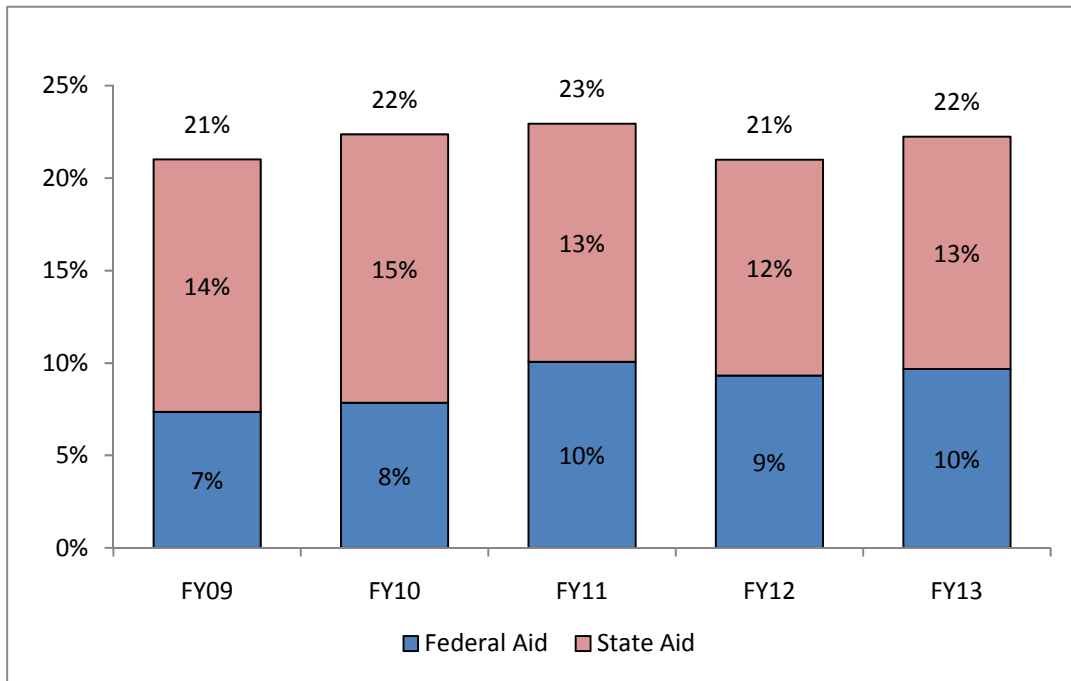


Chart 10. Components of State Aid, 1H, FY09 - FY13

(\$ in billions)

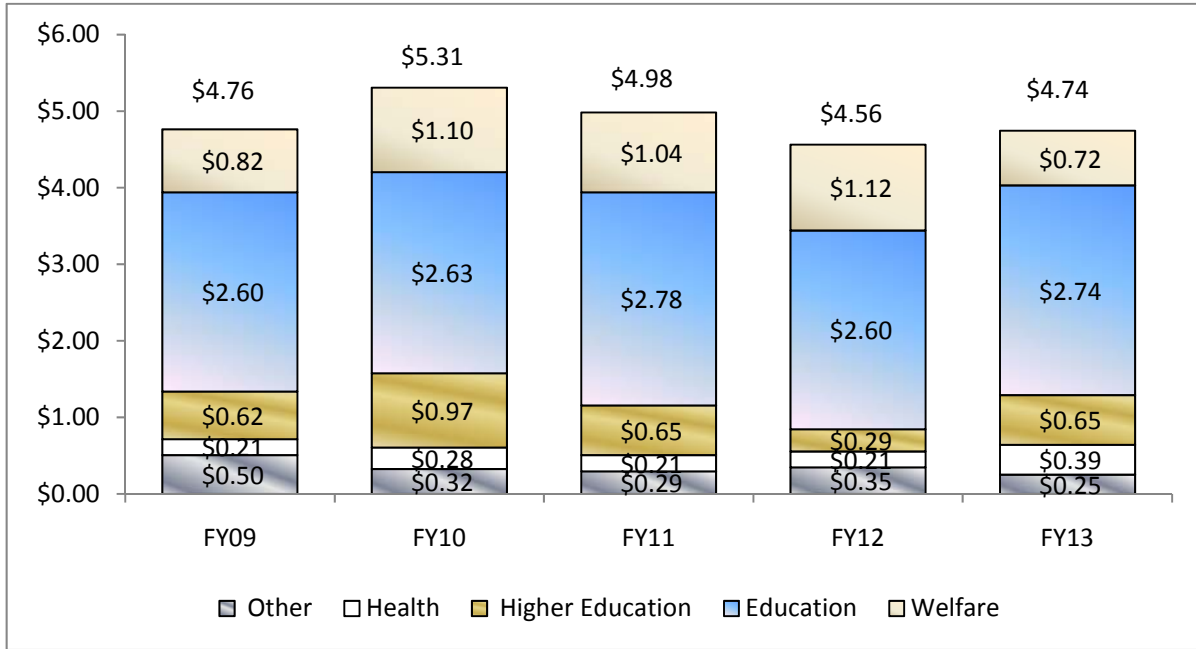
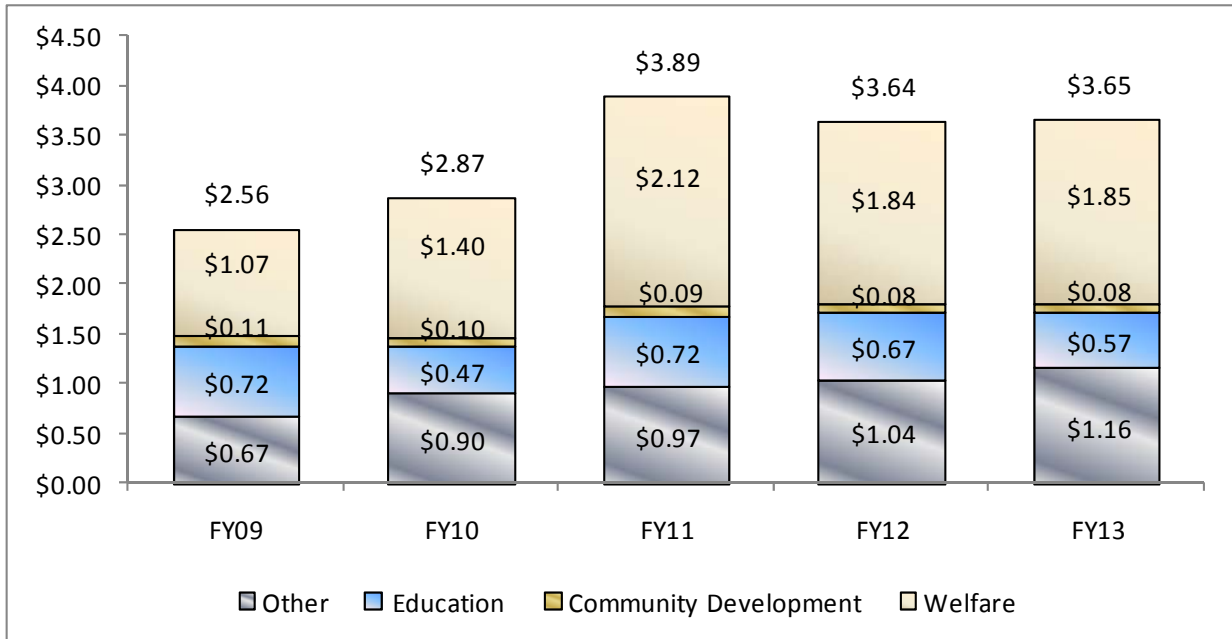


Chart 11. Components of Federal Aid, 1H, FY09 - FY13

(\$ in billions)



III. Cash Expenditures (Including Capital)

October 2012 - December 2012 (2Q13)

Cash Expenditures at a Glance

Table 15. Total and Average Daily Cash Expenditures, 2Q, FY09 - FY13

(\$ in millions)

	Total Expenditures					Average Daily Expenditures				
	2Q09	2Q10	2Q11	2Q12	2Q13	2Q09	2Q10	2Q11	2Q12	2Q13
October	\$6,193	\$6,439	\$5,916	\$6,311	\$6,182	\$281	\$307	\$296	\$316	\$281
November	5,861	6,052	6,485	6,206	5,767	345	336	341	327	288
December	6,557	6,246	5,566	6,017	7,014	298	284	265	287	351
2Q Total	\$18,611	\$18,737	\$17,967	\$18,534	\$18,963	\$305	\$307	\$299	\$309	\$306

Table 16. Cash Expenditures by Category, 2Q12 and 2Q13

(\$ in millions)

Expenditures	Oct. 2011	Nov. 2011	Dec. 2011	Total 2Q12	Oct. 2012	Nov. 2012	Dec. 2012	Total 2Q13	Diff. Total 2Q13/12
Gross Payroll	\$1,856	\$1,951	\$1,968	\$5,775	\$1,863	\$2,034	\$2,057	\$5,953	\$178
Fringe Benefits	1,149	1,156	1,097	3,402	1,257	871	1,472	3,600	198
Public Assistance	192	198	201	591	216	196	198	610	19
Medical Assistance	414	468	380	1,262	390	491	586	1,466	204
Other Social Services	235	184	202	621	156	191	210	557	(64)
Vendor and Other	1,178	1,228	1,295	3,701	1,399	1,007	1,503	3,909	208
All Other	1,287	1,021	873	3,182	901	978	988	2,868	(314)
Total	\$6,311	\$6,206	\$6,016	\$18,534	\$6,182	\$5,767	\$7,014	\$18,963	\$429

At \$18.963 billion, 2Q13 cash expenditures reached a record high, up 2.3% versus year-ago. The advance was broad-based, with expenditure gains in several major categories. Nationwide, municipalities reported expenditure growth of 2.5% during the same period.⁶

⁶ U.S. Dept of Commerce, Bureau of Economic Analysis, *Op. cit.*

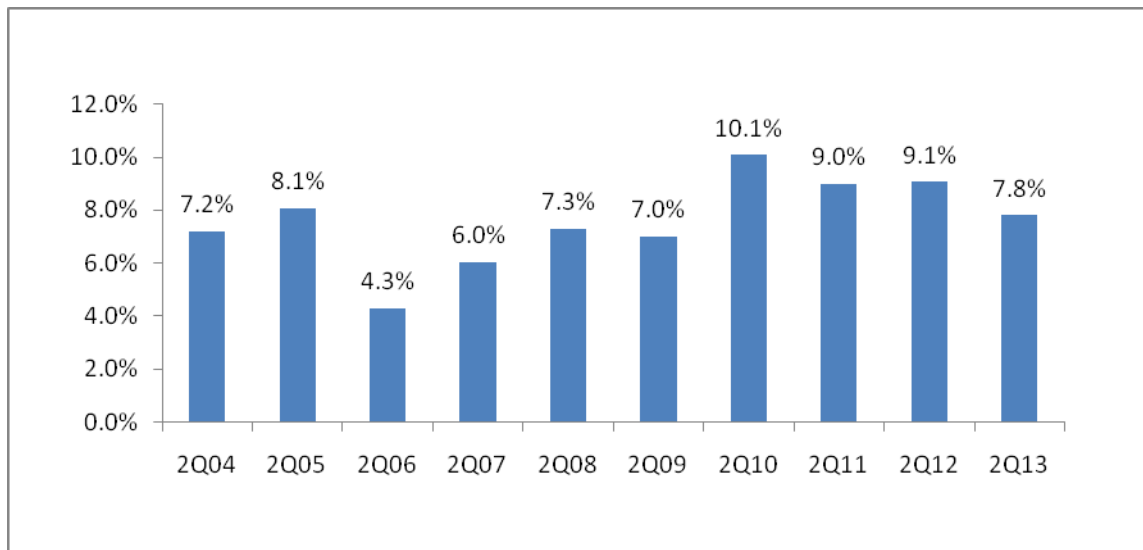
Table 17. PS & OTPS, 2Q, FY04 - FY13

(\$ in millions)

	2Q04	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13
Gross Payroll	\$4,307	\$4,755	\$5,397	\$5,330	\$5,799	\$6,124	\$6,071	\$6,154	\$5,775	\$5,953
Other Personnel Services	1,839	1,982	2,383	2,423	2,806	2,886	3,289	2,821	3,402	3,600
Total PS	\$6,146	\$6,737	\$7,780	\$7,753	\$8,605	\$9,010	\$9,360	\$8,975	\$9,177	\$9,553
% of 2Q Total Exp	50%	47%	52%	49%	49%	48%	50%	50%	50%	50%
Public Assistance	573	592	603	519	543	643	646	629	591	610
Medical Assistance	936	1,083	1,083	1,065	1,172	1,166	1,066	1,330	1,262	1,466
Other Social Services	459	504	458	610	600	585	742	595	621	557
Vendor and Other	2,323	2,672	2,906	3,212	3,381	3,394	3,330	3,399	3,701	3,909
Total OTPS	\$4,291	\$4,851	\$5,050	\$5,406	\$5,696	\$5,788	\$5,784	\$5,953	\$6,175	\$6,542
% of 2Q Total Exp	35%	34%	34%	34%	32%	31%	31%	33%	33%	35%
All Other	\$1,955	\$2,854	\$2,185	\$2,694	\$3,347	\$3,813	\$3,593	\$3,039	\$3,182	\$2,868
% of 2Q Total Exp	16%	20%	15%	17%	19%	20%	19%	17%	17%	15%
Total Expenditures	\$12,392	\$14,442	\$15,015	\$15,853	\$17,648	\$18,611	\$18,737	\$17,967	\$18,534	\$18,963

Total cash expenditures have reached an all-time 2Q high, driven by persistent increases in “other personnel services”, medical assistance, and vendor-related spending.

Chart 12. Daily Expenditures as % of Daily Cash Balances, 2Q, FY04 - FY13



On the surface, it would appear that daily cash expenditures have fallen as a percentage of cash balances, but this statistic is influenced by the impact of very large September capital transfers. Cash balances were inflated through December, at which point correspondingly small transfers neutralized the effect of the September receipts.

“All Other” Spending

Table 18. Major Components of “All Other” Spending, 2Q12 & 2Q13

(\$ in millions)

	2Q12	2Q13	Difference
Transit Authority	\$ 50	\$ 51	\$ 1
Housing Authority	1	0	(1)
Lump Sum Payments	448	621	173
HHC	176	165	(11)
Refunds	195	137	(58)
City-Funded Capital	1,948	1,444	(504)
Non-City Funded Capital	323	337	14
F-700 Adjustment	40	114	74

July - December 2012 (1H13)

Cash Expenditures at a Glance

Table 19. Total and Average Daily Cash Expenditures, 1H, FY09 - FY13

(\$ in millions)

	Total Expenditures					Average Daily Expenditures				
	FY09	FY10	FY11	FY12	FY13	FY09	FY10	FY11	FY12	FY13
1Q Total	\$18,368	\$18,575	\$19,165	\$19,221	\$19,085	\$287	\$290	\$299	\$300	\$303
2Q Total	18,611	18,737	17,967	18,534	18,963	305	307	299	309	306
1H Total	\$36,979	\$37,312	\$37,132	\$37,755	\$38,048	\$296	\$298	\$299	\$304	\$304

Cash expenditures for 1H13 rose 0.8% versus year-ago. Municipalities across the U.S. reported expenditure growth of 2.1% over the same period.⁷ Total 1H expenditures remain well-contained, rising only 2.9% since FY09.

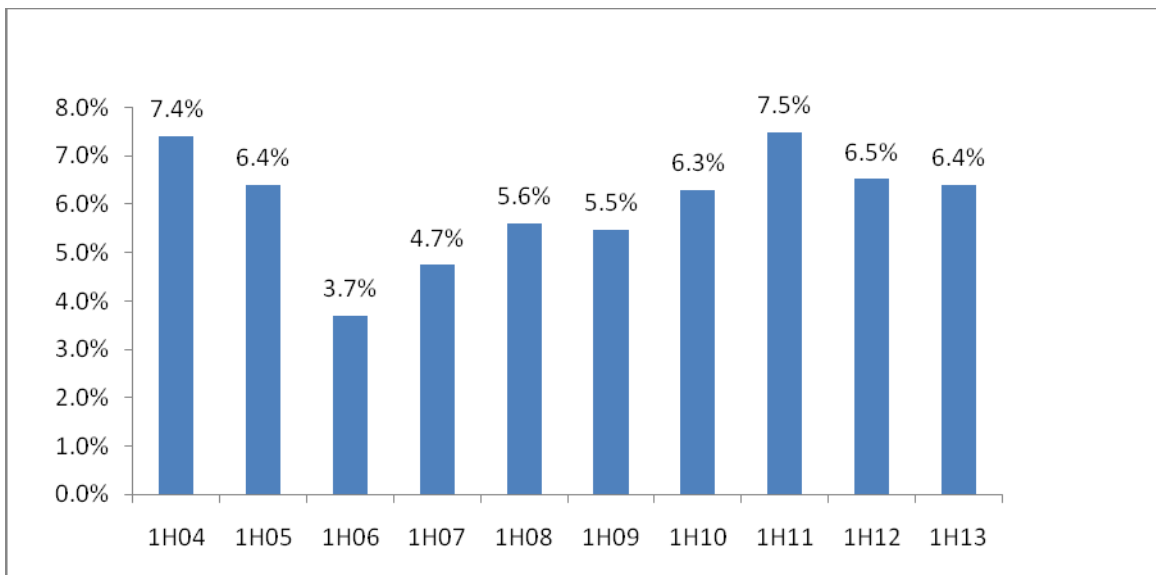
⁷ *Ibid.*

Table 20. PS & OTPS, 1H, FY04 - FY13

(\$ in millions)

	1H04	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13
Gross Payroll	\$9,063	\$9,656	\$10,727	\$10,372	\$10,999	\$12,285	\$11,830	\$12,121	\$11,951	\$12,012
Other Personnel Services	3,695	4,086	4,882	4,842	5,292	5,678	6,329	6,029	6,694	6,966
Total PS	\$12,758	\$13,742	\$15,609	\$15,214	\$16,291	\$17,963	\$18,159	\$18,150	\$18,645	\$18,978
% of 1Q Total Exp	48%	47%	50%	49%	49%	49%	49%	49%	49%	50%
Public Assistance	\$1,354	\$1,343	\$1,299	\$1,112	\$1,104	\$1,209	\$1,413	\$1,282	\$1,223	\$1,190
Medical Assistance	1,842	2,211	2,168	2,159	2,284	2,380	2,438	2,511	2,912	3,088
Other Social Services	996	1,071	1,047	1,260	1,170	1,310	1,423	1,250	1,182	1,195
Vendor and Other	4,775	5,507	6,030	6,385	6,790	7,122	6,984	7,219	7,735	7,726
Total OTPS	\$8,967	\$10,132	\$10,544	\$10,916	\$11,348	\$12,021	\$12,258	\$12,262	\$13,052	\$13,199
% of 1Q Total Exp	34%	35%	34%	35%	34%	33%	33%	33%	35%	35%
All Other	\$4,775	\$5,441	\$4,933	\$5,115	\$5,617	\$6,995	\$6,895	\$6,720	\$6,058	\$5,871
% of Total Exp	18%	19%	16%	16%	17%	19%	18%	18%	16%	15%
Total Expenditures	\$26,500	\$29,315	\$31,086	\$31,245	\$33,256	\$36,979	\$37,312	\$37,132	\$37,755	\$38,048

Chart 13. Daily Expenditures as % of Daily Cash Balances, 1H, FY04 - FY13



Net Cash Expenditures

Table 21. Cash Expenditures, Net of Capital Expenditures, 1H, FY09 - FY13

(\$ in millions)

	1H09	1H10	1H11	1H12	1H13
July	\$5,587	\$5,602	\$6,088	\$5,752	\$5,715
August	5,531	5,371	5,235	5,764	5,858
September	4,942	5,074	4,945	5,828	5,363
1Q Total	16,060	16,047	16,268	17,344	16,936
October	5,659	5,516	5,388	5,338	5,630
November	5,005	5,264	5,472	5,408	5,068
December	5,489	5,257	5,009	5,517	6,484
2Q Total	16,153	16,037	15,869	16,263	17,182
1H Total	\$32,213	\$32,084	\$32,137	\$33,607	\$34,118

Removing the effect of capital expenditures, net cash expenditures in 1H13 rose 1.5% versus 1H12. Municipalities nationwide reported net expenditures up 2.4% for the same period.⁸

“All Other” Spending

Table 22. Major Components of “All Other” Spending, 1H12 & 1H13

(\$ in millions)

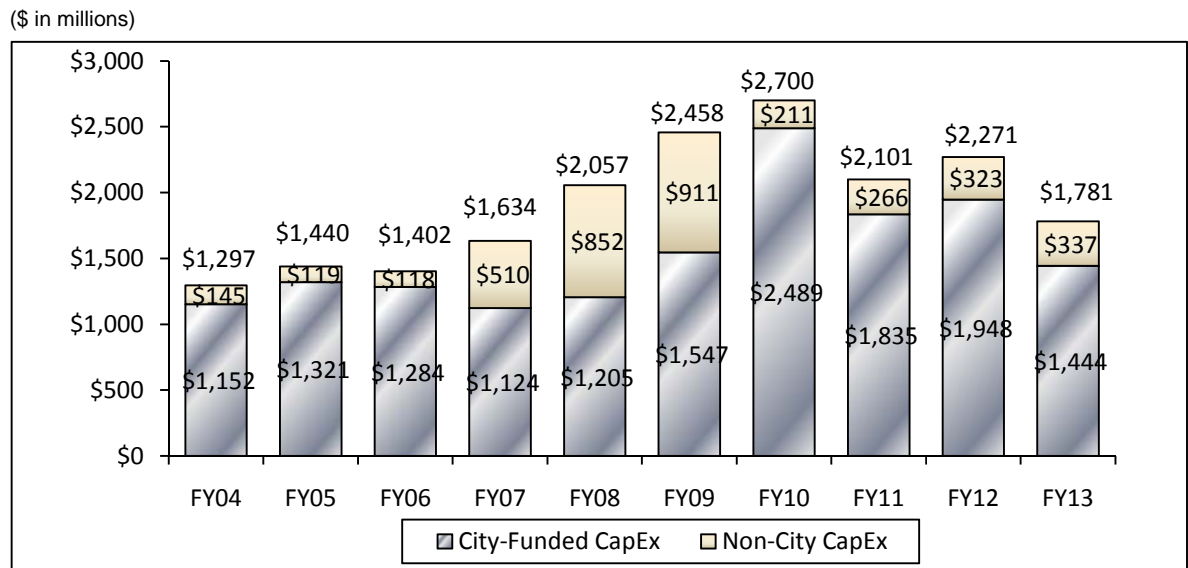
	1H12	1H13	Difference
Transit Authority	\$304	\$278	\$(26)
Housing Authority	1	1	0
Lump Sum Payments	928	1,032	104
HHC	361	342	(19)
Refunds	406	317	(89)
City-Funded Capital	3,317	3,075	(242)
Non-City Funded Capital	831	854	23
F-700 Adjustment	(93)	(27)	66

⁸ *Ibid.*

IV. Capital Expenditures

October 2012 - December 2012 (2Q13)

Chart 14. Total CapEx, 2Q, FY04 - FY13



Total 2Q13 CapEx declined 22% versus year-ago, driven by a 26% drop in City-funded CapEx.

Chart 15. Total CapEx as % of Total Expenditures, 2Q, FY04 - FY13

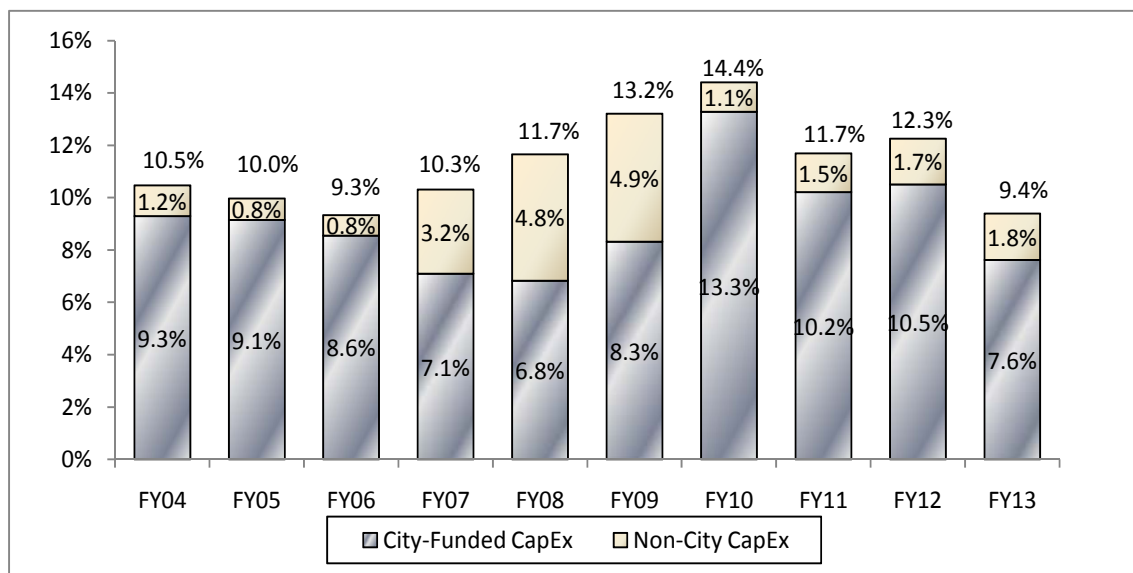


Table 23. Reimbursements to the NYC Central Treasury for CapEx, 2Q, FY04 - FY13

(\$ in millions)

	2Q04	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	Total
GO	\$ 765	\$ 1,032	\$ 836	\$ 40	\$ 1,144	\$ 1,412	\$1,399	\$ 885	\$ 977	\$127	\$8,617
NY Water	265	328	361	219	674	659	785	693	582	470	5,036
TFA	53	0	0	761	208	2	937	613	797	768	4,139
Sub-total	1,083	1,360	1,197	1,020	2,026	2,073	3,121	2,191	2,356	1,365	17,792
TFA Building Aid	0	0	0	300	372	610	0	269	297	132	1,980
DASNY	0	0	0	213	132	41	0	0	0	0	386
Sub-total	0	0	0	513	504	651	0	269	297	132	2,366
Other	24	13	0	0	0	0	0	0	0	0	37
Total	\$1,107	\$1,373	\$1,197	\$1,533	\$2,530	\$2,724	\$3,121	\$2,460	\$2,653	\$1,497	\$20,195

2Q Reimbursable Capital Expenditures	\$1,152	\$1,321	\$1,284	\$1,493	\$1,968	\$2,303	\$2,489	\$1,963	\$2,117	\$1,594	\$17,684
2Q Reimbursements Less 2Q Reimbursable Capital Expenditures	\$(45)	\$52	\$(87)	\$40	\$562	\$421	\$632	\$497	\$536	(\$97)	\$2,511
2Q Reimbursements as a % of 2Q Reimbursable Capital Expenditures	96.1%	103.9%	93.2%	102.7%	128.6%	118.3%	125.4%	125.3%	125.3%	93.9%	114.2%
2Q Reimbursements as a % of 2Q Total Receipts	7.9%	8.9%	7.7%	9.3%	13.5%	18.1%	16.2%	13.1%	13.4%	8.0%	11.7%

Reimbursements to the central treasury for CapEx trailed reimbursable expenditures during 2Q13. This result represents the first 2Q since FY06 during which reimbursements did not exceed CapEx. CapEx is initially paid from the City treasury and then reimbursed from bond proceeds as appropriate. Over the long term, CapEx and reimbursements should balance. However, from quarter to quarter the lag between an expenditure and the offsetting reimbursement can result in a gain or loss to the central treasury. In 2Q13, this dynamic resulted in a loss of \$97 million.

Chart 16. Bond-Funded Reimbursements for Eligible CapEx, 2Q, FY09 - FY13

(\$ in millions)

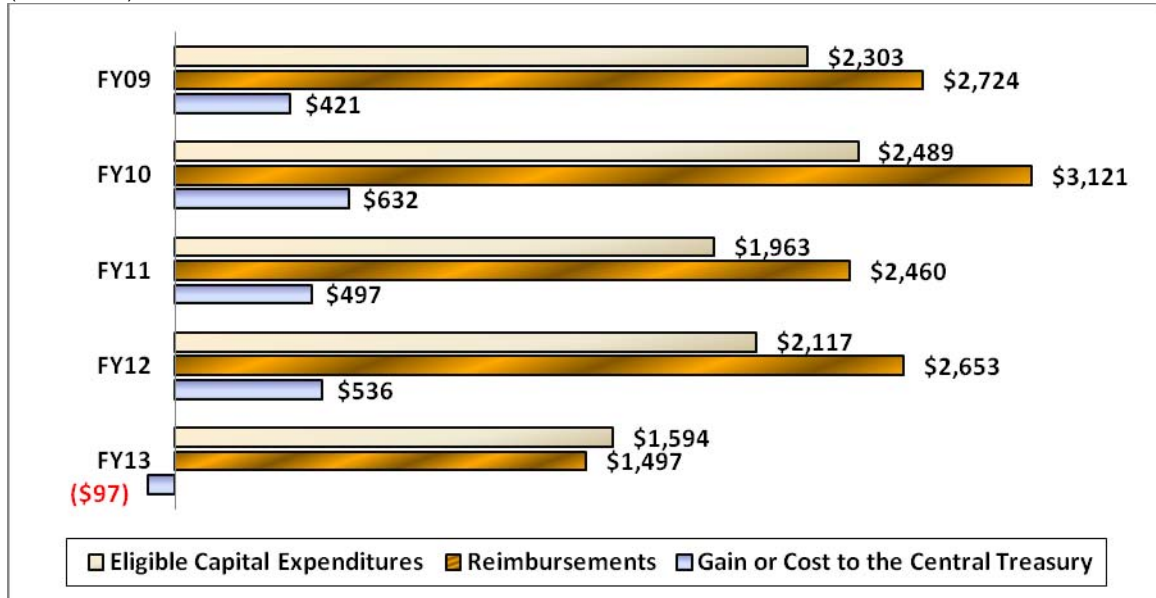


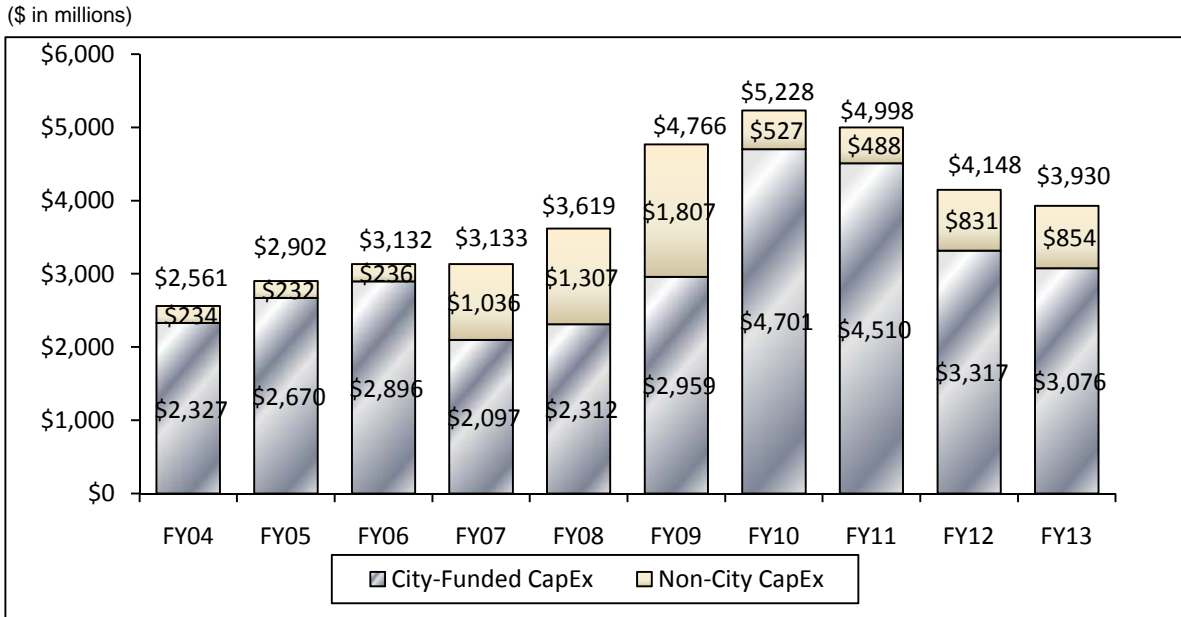
Table 24. Payments to the SCA, 2Q, FY04 - FY13

(\$ in millions)

	2Q04	2Q05	2Q06	2Q07	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13
City-funded	\$249	\$296	\$400	\$ 31	\$ 35	\$ 30	\$642	\$269	\$622	\$190
TFA & DASNY	0	0	0	369	763	756	0	128	168	150
Other	51	4	0	0	2	14	8	3	10	0
Total	\$300	\$300	\$400	\$400	\$800	\$800	\$650	\$400	\$800	\$340
2Q SCA as a % of 2Q Total Capital Expenditures	23%	21%	29%	24%	39%	33%	24%	19%	35%	19%

July-December 2012, 1H13

Chart 17. Total CapEx and City-Funded CapEx, 1H, FY04 - FY13



Total CapEx for 1H13 declined 5.3% versus year-ago, driven by a continued contraction in the City-funded component. City-funded CapEx for 1H fell for the third consecutive year, down 7.3% versus year-ago.

Chart 18. Total CapEx as % of Total Expenditures, 1H, FY04 - FY13

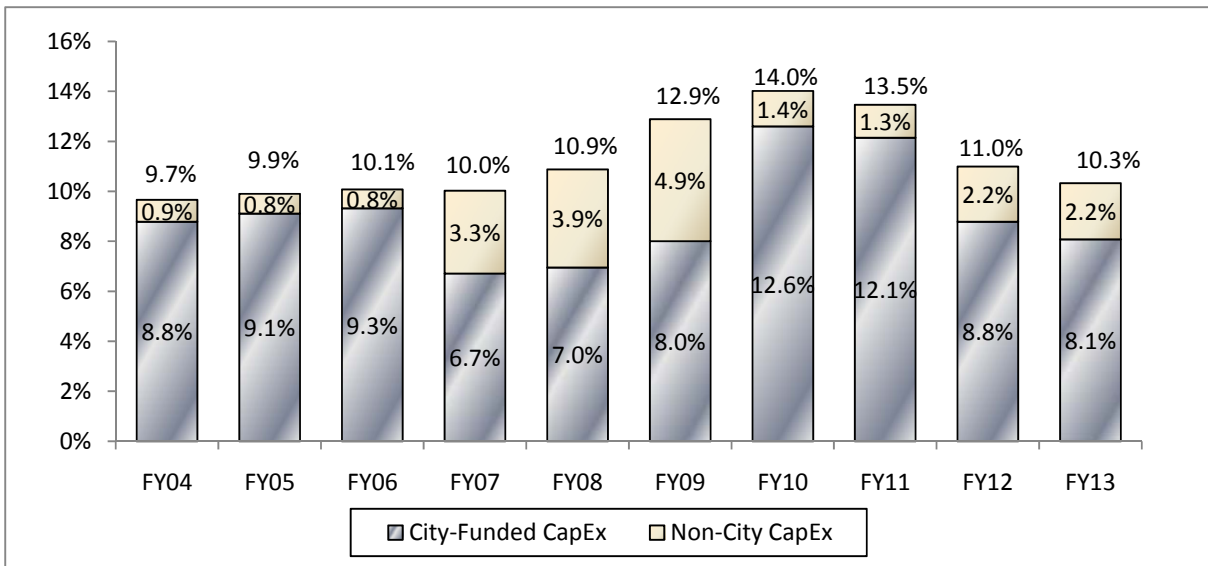


Table 25. Reimbursements to the NYC Central Treasury for Capital Expenditures, 1H13

(\$ in millions)

	Jul. 2012	Aug. 2012	Sept. 2012	Total 1Q13	Oct. 2012	Nov. 2012	Dec. 2012	Total 2Q13	Total 1H13
GO	\$81	\$95	\$119	\$295	\$9	\$69	\$50	\$127	\$422
NY Water	166	0	350	516	168	155	147	470	986
TFA	519	79	616	1,214	292	336	140	768	1,982
Sub-total	\$766	\$174	\$1,085	\$2,025	\$469	\$560	\$337	\$1,365	\$3,390
TFA Building Aid	238	0	360	598	0	132	0	132	730
DASNY	0	0	0	0	0	0	0	0	0
Sub-total	238	0	360	598	0	0	0	132	730
Total	\$1,004	\$174	\$1,445	\$2,624	\$469	\$692	\$337	\$1,497	\$4,121

Capital transfers during September 2012 were relatively large, exceeding September 2011 marks by \$956 million. This difference contributed to a divergence between FY13 and FY12 cash balances. This divergence remained in effect until December, when relatively small capital transfers of \$337 million (versus \$1.2 billion in December 2011) reversed the effect of the September transactions.

Table 26. Reimbursements to the NYC Central Treasury, 1H, FY04 - FY13

(\$ in millions)

	1H04	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13	Total
GO	\$1,252	\$1,809	\$2,066	\$392	\$1,426	\$2,541	\$1,932	\$1,644	\$1,433	\$ 422	\$14,917
NY Water	589	798	604	692	922	1,343	1,396	1,648	1,157	986	10,135
TFA	281	0	0	761	494	7	1,545	1,783	1,369	1,982	8,222
Sub-total	2,122	2,607	2,670	1,845	2,842	3,891	4,873	5,075	3,959	3,390	33,274
TFA Building Aid	0	0	0	300	650	820	182	269	577	730	3,528
DASNY	0	0	0	213	320	367	6	0	0	0	906
Sub-total	0	0	0	513	970	1,187	188	269	577	730	4,434
Other	32	31	0	0	0	0	0	0	0	0	63
Total	\$2,154	\$2,638	\$2,670	\$2,358	\$3,812	\$5,078	\$5,061	\$5,344	\$4,536	\$4,120	\$37,771
1H Reimbursable Capital Expenditures	\$2,327	\$2,670	\$2,896	\$2,866	\$3,453	\$4,466	\$4,871	\$4,711	\$3,784	\$3,586	\$35,630
1H Reimbursements Less 1H Reimbursable Capital Expenditures	(\$173)	(\$32)	(\$226)	(\$508)	\$359	\$612	\$190	\$633	\$752	\$534	\$2,141
1H Reimbursements as a % of 1H Reimbursable Capital Expenditures	92.6%	98.8%	92.2%	82.3%	110.4%	113.7%	103.9%	113.4%	119.9%	114.9%	106.0%
1H Reimbursements as a % of 1H Total Receipts	7.7%	8.8%	8.3%	7.4%	10.7%	14.6%	13.8%	13.8%	11.6%	10.9%	11.0%

For the sixth consecutive year, 1H reimbursements have exceeded eligible spending, netting a \$534 million gain to the central treasury during 1H13. Over the past ten years, 1H reimbursements have exceeded eligible spending by 6.0%.

Chart 19. Bond-Funded Reimbursements for Eligible CapEx, 1H09 - 1H13

(\$ in millions)

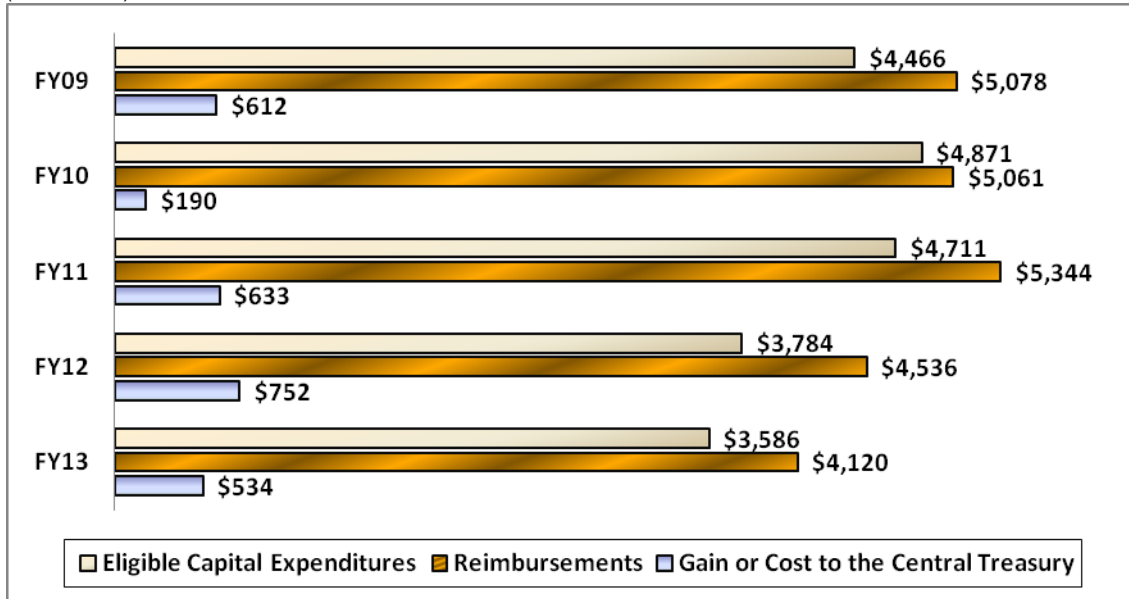


Table 27. Payments to the SCA, 1H, FY04 - FY13

(\$ in millions)

	1H04	1H05	1H06	1H07	1H08	1H09	1H10	1H11	1H12	1H13
City-funded	\$549	\$596	\$ 996	\$ 31	\$ 57	\$ 59	\$1,268	\$ 995	\$ 674	\$ 510
TFA & DASNY	0	0	0	769	1,141	1,507	170	201	466	510
Other	51	4	4	0	2	34	12	4	10	3
Total	\$600	\$600	\$1,000	\$800	\$1,200	\$1,600	\$1,450	\$1,200	\$1,150	\$1,023
1H SCA as a % of 1H Total Capital Expenditures	23%	21%	32%	26%	33%	34%	28%	24%	28%	26%

V. Financings ⁹

In FY13 the City plans to issue \$5.98 billion in General Obligation (GO) bonds, Transitional Finance Authority Personal Income Tax (TFA PIT) bonds, and Transitional Finance Authority Building Aid Revenue Bonds (TFA BARBs) for new money capital purposes. So far this year (1H13), the City has issued \$3.08 billion of new money debt.

Table 28. FY13 Projected vs. 1H13 Actual GO, TFA PIT, and TFA BARBs Issuance

(\$ in billions)

	Projected New Money Issuance	Actual New Money Issuance	Remaining New Money Issuance
GO	\$1.65	\$0.85	\$0.80
TFA PIT	2.98	1.38	1.60
TFA BARBs	1.35	0.85	0.50
Total	\$5.98	\$3.08	\$2.90

Projected bond issuance is based on the OMB's January Financial Plan

Two transactions closed in 2Q13. The first was a sale of \$1.450 billion of tax-exempt GO bonds, consisting of \$850 million of new money bonds and \$600 million of refunding bonds. In addition, the City converted \$58 million of variable-rate demand bonds to fixed-rate. The refunding achieved budgetary savings of more than \$107 million, or greater than \$98 million on a present-value basis. Most of the savings will occur in FY14. The second transaction was a sale of \$1.131 billion of TFA PIT bonds. The sale consisted of \$578 million of new money bonds and \$553 million of refunding bonds. In addition, the TFA converted \$32 million of variable-rate demand bonds to fixed-rate. Each series of bonds was sold via competitive sale, and the refunding transaction produced nearly \$86 million of savings on a present-value basis.

Table 29. GO, TFA PIT, and TFA BARBs Bond Issuance, 1H13

(\$ in millions)

Closing Date	Deal	Purpose	TE Fixed	TX Fixed	TE Variable	QSCBs*	Total Par
7/19/2012	TFA BARBs	New Money	\$ 850	\$ 0	\$ 0	\$ 0	\$ 850
8/28/2012	TFA PIT 2013 A	New Money	100	** 200	350	** 150	800
8/28/2012	TFA PIT 2013 B	Refunding	950	0	0	0	950
10/23/2012	GO 2013 A	New Money	525	0	325	0	850
10/23/2012	GO 2013 BC	Refunding	600	0	0	0	600
12/4/2012	TFA PIT 2013 B	New Money	** 100	** 130	** 248	* 100	578
12/4/2012	TFA PIT 2013 CD	Refunding	** 553	0	0	0	553

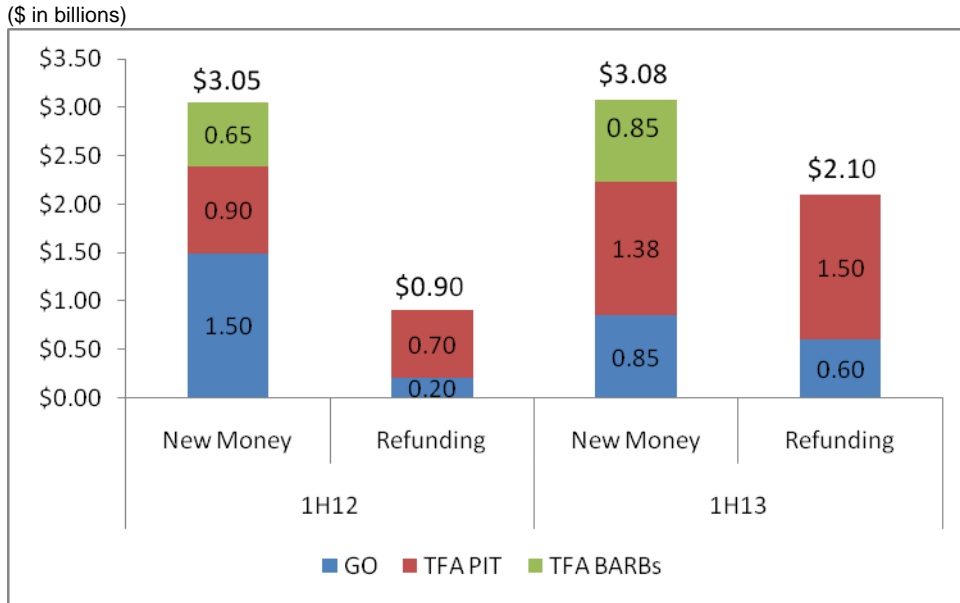
The table excludes conversions or re-offerings.

* Interest on QSCBs is 100% subsidized by the federal government, unless impacted by federal sequestration.

** Designates a series of bonds that were sold via competitive sale

⁹ We gratefully acknowledge the assistance of the Bureau of Public Finance in the construction of this section.

Chart 20. GO, TFA PIT, and TFA BARBs Issues, 1H12 and 1H13



Overall, 1H13 bond issuance exceeded the bond issuance of 1H12. The City issued \$5.18 billion in new money and refunding bonds during 1H13, versus \$3.95 billion in the year-ago period.

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