New York City Comptroller
John C. Liu

BUREAU OF FISCAL AND BUDGET STUDIES

Fiscal Year 2011 Annual Report on Capital Debt and Obligations

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www.comptroller.nyc.gov or call (212) 669-2507.

JOHN C. LIU
Comptroller

First Deputy Comptroller
Eric Eve

Deputy Comptroller of Accountancy & Budget
Simcha Felder

Assistant Comptroller for Budget/
Chief Policy Officer
Ari Hoffnung

Deputy Comptroller for Public Finance
Carol Kostik

Bureau Chief
Eng-Kai Tan

Assistant Budget Chief
Peter E. Flynn

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Executive Summary

New York City's (the "City") debt has grown from $2,951 per capita in FY 1990 to $8,281 by FY 2010, an increase of 181 percent. Over the same period, the cumulative growth rate in debt per capita exceeded the rate of inflation by 103 percentage points and the growth rate of City tax revenues by 32 percentage points. This growth reflects the City's capital spending for infrastructure that was neglected in the 1970's. While this spending is necessary, it is costly because New York City is the most populous City in the nation with a complex, varied, and aging infrastructure. Based on an analysis of financial statements released by other jurisdictions in FY 2009, New York City's debt burden per capita exceeds the average of a sample of large U.S. cities by a margin of just more than two to one.

Among the cities surveyed in this report, New York City also ranks among the highest in two measures of debt burden that factor in a locality's wealth, and is well above the averages of the sample cities and counties. New York City's outstanding debt as a percentage of full value of real property in FY 2009 was 8.0 percent. This was 4.1 percentage points above the sample city average of 3.9 percent. Philadelphia at 9.7 percent exceeded New York City's ratio. Other major cities had considerably less debt relative to full market value compared to New York City. For example, Chicago's debt was 4.5 percent, and Los Angeles' debt was 3.4 percent of full market value.

Compared to the same set of cities, New York City's debt as a percentage of personal income in FY 2008 was the second highest at 13.6 percent, 1.9 times higher than the average of the other sample cities.[1] Philadelphia was slightly above New York at 13.7 percent with San Antonio following at 12.7 percent, and Boston the lowest at 3.1 percent.

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

Despite its magnitude, the amount of outstanding New York City debt is within the debt limit provided by State law. New York City's general debt limit, as set forth in the New York State Constitution, is 10 percent of the five-year rolling average of the full value of taxable city real property. The City's FY 2011 general debt-incurring power of $76.224 billion is projected to decline to $75.984 billion in FY 2012, and then rise to $76.42 billion in FY 2013, and $77.61 billion in FY 2014.

The City's General Obligation (GO) debt was $39.23 billion at the beginning of FY 2011. After including contract and other liability and adjusting for appropriations, the City's indebtedness that is counted toward the debt limit totaled $49.88 billion at the beginning of

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[1] Since the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) provides personal income figures by county, the analysis in Chart 7 on page 24 uses annual financial reports of the *county* in which each city is located. The latest available BEA data for personal income is 2008. Both the respective cities and counties of San Francisco and Philadelphia are coterminous geographic entities.

FY 2011, as shown in the Debt-Incurring Power Table on page vii. This indebtedness is expected to grow to $60.07 billion by the beginning of FY 2014. The City was below its general debt limit by $26.34 billion on July 1, 2010 and is projected to have remaining debt-incurring capacity of $20.04 billion on July 1, 2011, $18.05 billion on July 1, 2012, and $17.55 billion on July 1, 2013. This decline in debt-incurring capacity reflects the combined influence of a sizable capital plan and softening property values. In addition to the obligations counted toward the debt limit, the City is responsible for the interest on Hudson Yards Infrastructure Corporation (HYIC) debt to the extent that revenues from the Hudson Yards development are insufficient to pay debt service (but not its related principal of $2 billion).

The City maintains several additional credits, including bonds issued by the New York City Transitional Finance Authority (NYCTFA) and TSASC. Since its inception in 1997, the NYCTFA has issued over $17 billion of NYCTFA Personal Income Tax (PIT) bonds and $2 billion of Recovery bonds through FY 2010. In July 2009, the State Legislature granted NYCTFA the authority to issue additional debt for general capital purposes. This additional borrowing above the initial $13.5 billion limit will be secured by personal income tax revenues and will be counted under the general debt limit. In addition to this capacity, the NYCTFA is authorized to issue up to $9.4 billion of Building Aid Revenue Bonds (BARBs) for education purposes. Approximately $4.25 billion of these bonds have been issued to date. Debt service for these bonds is supported by State building aid revenues. TSASC has contributed a total of $1.3 billion to the City's capital program but is unlikely to provide further support to the City's capital program.

The City's GO credit is rated AA by Standard & Poor's, Aa2 by Moody's Investor Service, and AA by Fitch Ratings, and has a stable outlook from all three rating agencies.

NYC Debt-Incurring Power

($ in millions)

	July 1, 2010	July 1, 2011 [a]	July 1, 2012	July 1, 2013
Gross Statutory Debt-Incurring Power	**$76,224**	**$75,984**	**$76,420**	**$77,615**
Actual Bonds Outstanding as of June 30 (net) [b]	40,982	39,241	37,122	35,004
Plus New Capital Commitments [c]				
FY 2011		7,560	7,560	7,560
FY 2012			5,039	5,039
FY 2013				4,420
Less: Appropriations	(1,750)	(2,130)	(2,128)	(2,093)
Incremental NYCTFA Bonds Outstanding Above $13.5 billion	**906**	**1,530**	**1,030**	**391**
Subtotal: Net Funded Debt Against the Limit	**$40,138**	**$46,201**	**$48,623**	**$50,321**
Plus: Contract and Other Liability	9,745	9,745	9,745	9,745
Subtotal: Total Indebtedness Against the Limit	**$49,883**	**$55,946**	**$58,368**	**$60,066**
Remaining Debt-Incurring Power within General Limit	**$26,341**	**$20,038**	**$18,052**	**$17,549**

[a] FYs 2012 through 2014 debt limits are based on the NYC Comptroller's Office forecast of billable assessed value and related full market value of real property estimates.

[b] Net adjusted for Original Issue Discount, Capital Appreciation Bonds, GO bonds issued for the water and sewer system, Business Improvement District debt, and cash on hand. $41.555 billion from Table 1 minus $573 million of the aforementioned adjustments equals $40.982 billion.

[c] Reflects Capital Commitments as of the FY 2011 September Capital Commitment Plan (released in September 2010) and includes cost of issuance and certain Inter-Fund Agreements. In July 2009, the State Legislature included future debt of the NYCTFA PIT bonds under the general debt limit, thus capital commitments will be funded by the NYCTFA as well.

NOTE: The Debt Affordability Statement released by the City in May, 2010 presents data for the last day of each fiscal year, June 30th, instead of the first day of each fiscal year, July 1, as reflected in this table. The City's Debt Affordability Statement forecasts that indebtedness would be below the general debt limit by $19.11 billion at the end of FY 2010.

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

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I. Profile of New York City Debt

Debt is issued by New York City, or on behalf of New York City, through a number of different mechanisms. This debt (Gross NYC Debt) is used to finance the City's capital projects. Gross NYC Debt rose by 7.1 percent from FY 2009 to FY 2010. In the 1980s, Gross NYC Debt grew at an average annual rate of 4.5 percent. During the 1990s, Gross NYC Debt increased by 6.4 percent annually. The substantial increase during the 1990s resulted mainly from the rehabilitation of facilities that were neglected during the 1970s fiscal crisis. Gross debt outstanding grew at a rate of 5.8 percent per year from FY 2000 to FY 2010. The FY 2011 Adopted Budget and Financial Plan projects that over the next four years, Gross NYC Debt will increase by 3.6 percent annually.[2]

A. COMPOSITION OF DEBT

Debt used by the City to finance its capital program can be divided into five categories with General Obligation (GO) bonds accounting for 59.9 percent of the total, as shown in Table 1. Except for debt issued by TSASC, the City's debt is comprised of both tax-exempt and taxable bonds.

Table 1. Gross NYC Debt Outstanding as of June 30, 2010

($ in millions)

	GO Bonds	NYCTFA	TSASC	STAR Corporation	Capital Lease Obligations & Other[a]	Gross Debt Outstanding
Tax-Exempt						
Fixed Rate	$29,071	$14,377[c]	$1,265	$1,869	$3,660	$50,242
Variable Rate[b]	6,880	2,984[c]	0	0	156	10,020
Subtotal	$35,951	$17,361	$1,265	$1,869	$3,816	$60,262
Taxable						
Fixed Rate	$4,964	$2,561	$0	$309	$471	$8,305
Variable Rate[b]	650	172	0	0	0	812
Subtotal	$5,604	$2,733	$0	$309	$471	$9,117
Total	**$41,555**	**$20,094**	**$1,265**	**$2,178**	**$4,287**	**$69,379**
Percent of Total	**59.9%**	**29.0%**	**1.8%**	**3.1%**	**6.2%**	**100.0%**

[a] This figure includes capital leases of $471 million, CUCF debt of $179 million, and $2 billion of Hudson Yards Infrastructure Corporation debt but excludes FY 2005 Securitization Corporation debt .
[b] Variable rate debt varies in term from two to 30 years with interest-payment terms that are reset on a daily, weekly, or other periodic basis.
[c] The New York City Transitional Finance Authority (NYCTFA) fixed rate figure includes $4.22 billion for NYCTFA Building Aid Revenue Bonds (BARBs). The variable rate figure contains $1.466 billion of Recovery Bonds.
SOURCE: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2010, p.308.

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

Tax-exempt debt is issued to finance projects that have a public purpose, while taxable debt is issued for projects that have a public purpose but are ineligible for Federal tax exemptions, such as housing loan programs that benefit from Federal tax credits. Tax-exempt debt accounted for 86.9 percent of the total value of debt outstanding at the end of FY 2010.[3]

NYC debt consists of both fixed and variable rate debt with the bulk of the debt in fixed rate borrowing. In FY 2010, fixed rate debt accounted for almost 85 percent of debt outstanding.

Elements of Outstanding Gross NYC Debt

1. *General Obligation (GO)* debt, which is backed by the full faith and credit of the City, totaled $41.56 billion as of June 30, 2010 and accounted for 59.9 percent of total debt outstanding. GO debt increased $1.56 billion from FY 2009, or 3.9 percent. Debt service for GO bonds is paid from the proceeds of real property taxes which are deposited with and retained by the State Comptroller under a statutory formula for the payment of debt service. This "lock-box" mechanism assures that debt-service obligations are satisfied before property taxes are released to the City's general fund. This is a positive feature of GO debt.

2. *New York City Transitional Finance Authority (NYCTFA) debt is backed by both the City's personal income tax (PIT) revenues and New York State building aid revenue. NYCTFA debt* totaled $20.09 billion at the end of FY 2010, comprising of $15.87 billion of PIT supported debt and $4.22 billion of building aid supported debt or BARBs (Building Aid Revenue Bonds). This is a 19 percent increase, or a $3.18 billion change, from FY 2009. As a result, the NYCTFA's share of Gross NYC debt outstanding increased to 29 percent in FY 2010 from 26.1 percent in FY 2009. The significant increase is due to the issuance of over $3.5 billion of NYCTFA PIT bonds in FY 2010.

   The NYCTFA was created as a State authority in 1997 with the power and authorization to issue bonds up to an initial limit of $13.5 billion. This borrowing did not count against the City's general debt limit.[4] The City exhausted the $13.5 billion limit in FY 2007. In July 2009, the State Legislature authorized NYCTFA to issue debt beyond the $13.5 billion limit. However, this additional borrowing is subject to the City's general debt limit. Thus, the incremental NYCTFA PIT bond debt issued in FY 2010 and beyond will be combined with City GO debt to calculate the City's indebtedness within the debt limit.

   Building Aid Revenue Bonds (BARBs) In April 2006, the State Legislature authorized the NYCTFA to issue up to $9.4 billion of debt to fund a portion of the City's five-

[3] The remaining 13.9 percent of debt, categorized as taxable, includes Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs). However, although BABs and QSCBs are taxable, they must meet the same public purpose standards as tax-exempt bonds.

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

year educational facilities capital plan. This debt is supported by State education aid for building purposes and is an addition to the initial $13.5 billion NYCTFA debt limit. In addition to this NYCTFA authorized portion, another $1.8 billion of bonds for education purposes, backed by State personal income tax revenues, were authorized to be issued by the Dormitory Authority of the State of New York (DASNY). During the course of FYs 2007 through 2009, $4.25 billion of BARBs and all $1.8 billion of DASNY Expanding our Children's Excellence in Learning (EXCEL) bonds were issued. NYCTFA BARBs were not issued in FY 2010.

3. *TSASC* debt totaled $1.265 billion as of June 30, 2010. This represents a decrease of $9 million from FY 2009. TSASC is a local development corporation organized under the Not-for-Profit Corporation Law of the State of New York. TSASC bonds are secured by tobacco settlement revenues as described in the Master Settlement Agreement among 46 states, six jurisdictions, and the major tobacco companies. In February 2006, TSASC refinanced all bonds issued under its original indenture. The new refunding bond structure allows the tobacco settlement revenues (TSRs) to flow to both TSASC and the City.[5] Approximately 40 percent of the TSRs are pledged to TSASC bondholders and the remainder goes to the City's general fund. This new indenture provides residual TSR revenues, after retention for debt service, directly to the general fund.

4. *STAR (Sales Tax Asset Receivable) Corporation* debt totaled $2.178 billion at the end of FY 2010. The proceeds of its bonds were used to pay off the remaining debt of the Municipal Assistance Corporation. There are no plans to issue any additional debt for this credit. The STAR Corporation is a local development corporation organized under the Not-for-Profit Corporation Law of the State of New York. It is separate and apart from the City of New York but is an instrumentality of the City. Debt service for STAR Corporation bonds is paid by the Local Government Assistance Corporation (LGAC), a State agency.

5. *Capital Lease Obligations* totaled $4.287 billion as of June 30, 2010, a decrease of $85 million, or 3.3 percent, from FY 2009. The City makes annual appropriations from its general fund for agreements with other entities that issue debt to build or maintain facilities on behalf of the City. These agreements are known as "leaseback" transactions. These leaseback obligations are included in the gross debt outstanding, but are excluded in the calculation of the City's indebtedness under the general debt limit. Capital lease obligations include debt issued by the DASNY for the New York City Courts Capital Program ($596 million), the City University Construction Fund ($179 million), the Educational Construction Fund ($150 million), the Primary Care Development Corporation ($43 million), the Health and Hospitals Corporation ($718 million), the Urban Development Corporation ($31 million), the Industrial

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

Development Agency ($99 million), as well as general lease obligations ($471 million).[6]

The Hudson Yards Infrastructure Corporation (HYIC) is a not-for-profit local development corporation formed in July 2004 to issue debt to finance development in the Hudson Yards district of Manhattan. This entity is expected to issue a total of $3 billion in debt over the next few years to finance the extension of the #7 subway line and various site and structural improvements. The first bond sale in the amount of $2 billion took place in December 2006. The City is obligated to pay interest on HYIC bonds, subject to appropriation, until such time that revenues of the Hudson Yard District are sufficient to cover this expense. The City is not obligated to pay the principal of this debt. The HYIC had debt outstanding of $2 billion as of June 30, 2010 as its principal is not scheduled to amortize until FY 2045.

Other Issuing Authorities

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

Table 2. NYW and MTA Debt Outstanding as of June 30, 2010

($ in millions)

	Water Finance Authority	Metropolitan Transportation Authority
Tax Exempt		
Fixed Rate	$21,538	$24,518
Variable Rate	3,040[a]	6,581
Total	**$24,578**	**$31,099**

[a] Includes $600 million of commercial paper.
SOURCE: The NYC Municipal Water Finance Authority and the Metropolitan Transportation Authority.

NYW and MTA bonds are secured by dedicated revenues. As such, they are not considered debt of the City. Nevertheless, proceeds of these bonds are used to support services provided to City residents. In turn, City residents pay user fees and fares that support, in large part, the $55.68 billion combined debt of these two authorities.

As of June 30, 2010, NYW had $24.58 billion in debt outstanding, an increase of $2.2 billion, or 9.9 percent from FY 2009. Debt issued by NYW is supported by user fees and certain other revenues. Created by State law in 1984, NYW is responsible for funding water and sewer related capital projects administered by the City's Department of Environmental Protection (DEP) such as sewers, water mains, and water pollution control plants. Avoiding the need to build water filtration plants for upstate watersheds continues to be a high priority for the DEP capital program. Land acquisition strategies and measured local development help the goals of continued water quality.

[6] Although for reporting purposes $718 million of Health and Hospitals Corporation (HHC) debt is included in the category of *Capital Lease Obligations*, the debt of HHC is not fully guaranteed by New York City.

DEP's $6.14 billion capital program over the next four years will continue to place upward pressure on water and sewer rates over the Financial Plan period. However, the projected FYs 2011 – 2014 DEP commitment plan average of $1.54 billion per year is 45 percent below the record-high capital commitment period in FYs 2007 – 2010 when DEP capital commitments averaged $2.8 billion per year.

The MTA is composed of six major agencies providing commuter transportation throughout the metropolitan area. New York City Transit and MTA Bus maintain approximately 660 miles of mainline subway track and a fleet of more than 5,500 buses for its services within the five boroughs of New York City. The Long Island Railroad provides commuter train service to destinations in Queens, Nassau, and Suffolk counties from Midtown Manhattan and Downtown Brooklyn. Long Island Bus provides bus service to numerous destinations in Nassau, Queens, and Suffolk counties.[7] The Metro-North Railroad serves commuters in the Bronx, Westchester, Putnam and Dutchess counties and portions of southern Connecticut. The Bridges and Tunnels agency operates all intra-State toll tunnels and bridges throughout the five boroughs of New York City.

As of June 30, 2010, the MTA had $31.1 billion of debt outstanding. This is an increase of $2.45 billion, or 8.6 percent, from June 30, 2009. This 8.6 percent growth in debt from FY 2009 to FY 2010 is less than the growth of 11.5 percent from FY 2008 to FY 2009 but reflects the continued debt burden at the MTA. Moreover, MTA debt has grown by $16.9 billion from FY 2000, an increase of 119 percent which is more than 40 percent higher than the growth of gross NYC indebtedness over the same period.

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

The three major credits that either have financed and/or continue to finance capital projects are: 1) NYC General Obligation, 2) NYCTFA, and 3) TSASC bonds. There is no additional planned debt issuance of TSASC debt. Due to State legislative action in the summer of 2009 the NYCTFA may now issue its PIT secured debt under the general debt limit. As a result, new issuances will involve a mix of GO debt, NYCTFA PIT bonds, and NYCTFA BARBs. The average annual growth rate in debt outstanding is expected to slow to 1.1 percent from FY 2010 to FY 2020, compared to the average annual growth rate of 5.8 percent from FY 2000 to FY 2010.[8] Estimated debt growth from FYs 2010 to 2014, however, averages 3.6 percent per year, as one can infer from Table 3. Growth beyond the Financial Plan period tends to be lower due to the inherent uncertainty of long-term capital planning. The decreases in debt outstanding shown in FYs 2017 to 2020 are unlikely to occur as more detailed information about funding requirements becomes available.

[7] The MTA November 2010 Plan includes a proposal to eliminate its subsidy to Long Island Bus beginning in Calendar Year 2011.

[8] *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June, 30, 2010*, page 308, used as source for FY 2000 to FY 2010 rate of growth. Includes $2 billion of HYIC bonds.

Table 3. NYC Projected Bonds Outstanding, Three Major Issuers, FYs 2010 – 2020

($ in millions)

End of Fiscal Year	Debt Outstanding for GO, NYCTFA, & TSASC	Percent Change
2010	$65,092	7.6%
2011	68,861	5.8%
2012	71,457	3.8%
2013	73,283	2.6%
2014	74,891	2.2%
2015	75,844	1.3%
2016	76,199	0.5%
2017	76,085	(0.2%)
2018	75,493	(0.8%)
2019	74,484	(1.3%)
2020	72,717	(2.4%)

SOURCE: *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2010* and the NYC Office of Management and Budget, June 2010 Financial Plan.
NOTE: Above figures include STAR debt and NYCTFA BARBs.

The principal and interest composition for the three major issuers combined is reflected in Table 4.[9] Principal repayments are estimated to be $2.175 billion in FY 2011, $2.770 billion in FY 2012, $2.877 billion in FY 2013, and $2.855 billion in FY 2014. Thus, principal is estimated to comprise 42.5 percent of debt service in FY 2011, 46 percent in FY 2012, 45.4 percent in FY 2013 and 43.3 percent in FY 2014.[10]

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

($ in millions)

Fiscal Year	Estimated Principal Amount	Estimated Interest	Estimated Total Debt Service	Principal as Percent of Total
2011	$2,175	$2,945	$5,120	42.5%
2012	$2,770	$3,253	$6,023	46.0%
2013	$2,877	$3,456	$6,333	45.4%
2014	$2,855	$3,741	$6,596	43.3%

SOURCE: NYC Office of Management & Budget, June 2010 Financial Plan and the City of New York, Office of the Comptroller.
NOTE: Adjusted for prepayments

During FY 2010, the City issued $5.42 billion of GO debt, of which approximately $2 billion was used for refunding transactions with present-value savings of $182 million. The remaining $3.42 billion represented new debt for capital purposes. The refundings produced dissavings of $23.4 million in FY 2010 due to the timing of debt service fund deposits, but resulted in future year savings of $207.8 million in FY 2011, and less than $1 million in FY 2012. At the end of FY 2010, GO debt totaled $41.56 billion of which $20.92 billion, or 50.3 percent, will come due in the next ten years, as extrapolated from Table 5.

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

[10] Debt service excludes lease-purchase debt, interest on short-term notes, and debt service on STAR debt as of the FY 2011 Adopted Budget and June 2010 Financial Plan.

Table 5. Amortization of Principal of the Three Major Issuers

($ in millions)

Fiscal Years	GO	NYCTFA[a]	TSASC	Total	Percent of Total
2011-2020	$20,919	$8,082	$171	$29,172	46.4%
2021-2030	$16,280	$8,268	$499	$25,047	39.8%
2031 and After	$ 4,356	$3,744	$595	$8,695	13.8%
Total	**$41,555**	**$20,094**	**$1,265**	**$62,914**	**100.0%**

[a] Includes $1.466 billion of Recovery Bonds and $4.22 billion of NYCTFA BARBs.

In FY 2010, NYCTFA issued $5.35 billion of debt of which $3.57 billion were new debt. Of the new debt, $1.7 billion were issued as Build America Bonds (BABs) and $250 million as Qualified School Construction Bonds (QSCBs). In all, NYCTFA's debt outstanding was $20.09 billion at the end of FY 2010. The NYCTFA refunding transactions produced budgetary dissavings of $30.2 million in FY 2010 and savings of $146 million in FY 2011 and $1.2 million in FY 2012. Of the $20.09 billion of NYCTFA general purpose bonds and BARBs outstanding, $8.08 billion, or 40.2 percent, will come due over the next ten years as reflected in Table 5 above. Of the outstanding debt of all three issuers, 46.4 percent would come due over the next ten years.

C. INSTITUTIONAL USE OF CAPITAL DEBT

The City uses capital bond proceeds to fund projects with useful lives longer than five years and values of at least $35,000. These projects include the purchase of trucks, computer systems, the construction and rehabilitation of schools, roads and bridges, correctional and court facilities, sanitation garages, parks and cultural facilities, public buildings, and housing and urban development initiatives. Over the past several years, capital expenditures for schools have significantly outpaced capital spending for other purposes as additional funding became available to address deteriorating facilities, overcrowding, and renovation of existing facilities.

As shown in Table 6, GO debt outstanding as of June 30, 2010 stood at $41.56 billion, an increase of $23.74 billion, or 133 percent, from year-end FY 1992. Adjusting for inflation, growth over the same period was 29 percent.[11] Excluding GO debt for water and sewer purposes, the debt outstanding was $41.05 billion at the end of FY 2010, and $16.31 billion at the end of FY 1992, a growth of $24.74 billion or 152 percent.[12] Adjusted for inflation, growth over the period was 39 percent.[13]

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[11] Inflation adjustment was done using the average of the Building Cost Index (BCI) and Construction Cost Index (CCI).

[12] GO bonds to fund water and sewer projects were issued prior to July 1, 1985.

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

GO funding for education capital projects rose from 13.4 percent of GO debt outstanding in FY 1992 to 28.6 percent on June 30, 2010, as shown in Table 6. This reflects an increase of $9.5 billion, or 298 percent over this period.[14] The inflation adjusted growth over this period is 175 percent.

Outstanding debt on housing and economic development has increased by $753 million in absolute terms. However, its share of debt outstanding has declined to 7.8 percent in FY 2010 from 14 percent in FY 1992, as capital funding for other categories have outpaced funding for housing and economic development over this period. However, after adjusting for inflation, outstanding debt as of year-end FY 1992 totaled $4.53 billion in FY 2010 dollars, well above the FY 2010 level of $3.26 billion. The decline in real dollars demonstrates a shift in priorities away from this category. Other categories that have declined on an inflation adjusted basis include mass transit, bridges, tunnels, highways and streets, sanitation, and health and social services.

Since FY 1986, NYW has financed virtually all capital expenditures of the DEP, thereby decreasing the outstanding portion of GO bonds used for the rehabilitation and maintenance of the water and sewer system. Water and sewer related GO debt has declined to $509 million, or 1.2 percent of the total as of June 30, 2010, from a level of $1.5 billion in FY 1992, or 8.4 percent of debt outstanding as shown in Table 6. This percentage should continue to decline with each passing year as the debt is paid off.

Table 6. Use of GO Debt, FY 2010 and FY 1992

($ in millions)

Categories	**Debt Outstanding as of June 30, 2010**	**Percent of Total**	**Debt Outstanding as of June 30, 1992**	**Percent of Total**
Education (DOE & CUNY)	$11,863	28.6%	$2,382	13.4%
Housing and Urban Development	3,255	7.8	2,502	14.0
Mass Transit	2,502	6.0	2,365	13.3
Bridges, Tunnels, Highways and Streets	2,573	6.2	1,658	9.3
Public Safety, Correction and Courts	3,544	8.5	1,729	9.7
Sanitation	1,762	4.2	1,141	6.4
Parks, Recreational and Culturals	2,887	7.0	996	5.6
Water Pollution Control, Water Mains and Sewers[a]	509	1.2	1,502	8.4
Health Services	1,258	3.0	863	4.8
Public Buildings	2,964	7.1	429	2.4
Social Services	459	1.1	283	1.6
Off-Street Parking, Airports, Ferries and Markets	699	1.7	267	1.5
Undistributed and Other	7,280	17.6	1,694	9.6
Total [b]	**$41,555**	**100.0%**	**$17,811**	**100.0%**

[a] Represents debt issued for water and sewer purposes prior to June 30, 1985.
[b] Over the past ten years the NYCTFA and TSASC debts have supplanted some of GO borrowing with over $20 billion of bonds over the period. Details for NYCTFA and TSASC debt use are not avaiilable from OMB for the period ending June 30, 2010.
SOURCE: *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2010*, and the NYC Office of Management and Budget, Adopted Budget Debt Service Statement II, FY 2011 and FY 1993.

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

Table 7. Use of GO Debt, FY 2010 and FY 1992 Adjusted for Inflation

($ in millions)

Categories	Debt Outstanding as of June 30, 2010	Percent of Total	Debt Outstanding as of June 30, 1992 Adjusted for Inflation	Percent of Total
Education (DOE & CUNY)	$11,863	28.6%	$4,311	13.4%
Housing and Urban Development	3,255	7.8	4,529	14.0
Mass Transit	2,502	6.0	4,280	13.3
Bridges, Tunnels, Highways and Streets	2,573	6.2	3,002	9.3
Public Safety, Correction and Courts	3,544	8.5	3,129	9.7
Sanitation	1,762	4.2	2,065	6.4
Parks, Recreational and Culturals	2,887	7.0	1,803	5.6
Water Pollution Control, Water Mains and Sewers[a]	509	1.2	2,719	8.4
Health Services	1,258	3.0	1,562	4.8
Public Buildings	2,964	7.1	776	2.4
Social Services	459	1.1	513	1.6
Off-Street Parking, Airports, Ferries and Markets	699	1.7	483	1.5
Undistributed and Other	7,280	17.6	3,067	9.6
Total	**$41,555**	**100.0%**	**$32,238**	**100.0%**

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

SOURCE: *Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2010*, and the NYC Office of Management and Budget, Adopted Budget Debt Service Statement II, FY 2011 and FY 1993 along with blended Building and Construction Cost Indices used for inflationary factors.

City-Funded Capital Commitments

As shown in Table 8, capital commitments for education projects in the FY 2011 September Capital Plan for FYs 2011 – 2014 are projected to be $5.16 billion or 23.8 percent of the total, less DEP projects. Other GO and NYCTFA supported programs include capital projects for bridges, tunnels, streets, and highways at $2.83 billion, housing and urban renewal at $2.76 billion, public safety at $2.47 billion, and parks, libraries, and cultural affairs at $2.58 billion.

Water pollution control, water mains and sewers and other projects related to DEP, which are funded by NYW bonds, are projected to comprise $6.14 billion of estimated City-funded commitments. This represents 22.1 percent of estimated total City capital commitments between FYs 2011 – 2014. Total City-funded commitments, including DEP and less the reserve for unattained commitments, will average about $6.29 billion per year over FYs 2011 – 2014, a decline from the last year's four-year average of $6.93 billion per year.

Table 8. FY 2011 September Capital Commitment Plan by Category, City Funds, FYs 2011 – 2014

($ in millions)

Categories	Projected FYs 2011 – 2014 Commitments	Percent of Total	Percent of Total without Water & Sewer
Water Pollution Control, Water Mains and Sewers (DEP)[a]	$6,143	22.1%	0.0%
Bridges, Tunnels, Highways and Streets	2,832	10.2	13.1
Education (DOE & CUNY)	5,158	18.6	23.8
Housing and Urban Development	2,763	9.9	12.8
Public Safety, Correction and Courts	2,473	8.9	11.4
Parks, Libraries and Culturals	2,580	9.3	11.9
Sanitation	1,124	4.0	5.2
Mass Transit	397	1.4	1.8
Health Services	1,002	3.6	4.6
Public Buildings, Equipment, & Computers	2,867	10.3	13.2
Off-Street Parking, Airports, Ferries and Markets	82	0.3	0.4
Social Services	385	1.4	1.8
Total Before Reserve	**$27,806**	**100.0%**	**100.0%**
Reserve for Unattained Commitments	($2,633)	(N/A)	(N/A)
Total [b]	**$25,173**	**100.0%**	**100.0%**

[a] Will be nearly 100 percent funded with NYW bonds.
[b] This represents City-funded capital commitments as of the *FY 2011 Adopted Capital Commitment Plan issued in September 2010* and includes a $2.633 billion reserve for unattained commitments.

II. Debt Limit

A. THE CITY'S DEBT-INCURRING POWER

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

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

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

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

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

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

Table 9 illustrates the calculation of the FY 2011 debt limit. The full market value for each of FYs 2007 through 2011 were calculated by dividing the assessed value of taxable real estate for each of these years by the special equalization ratios provided by ORPS. Next, the average of the computed full values in each of these years was calculated. Finally, the FY 2011 debt limit ($76.224 billion) is derived by multiplying the five-year average value ($762.244 billion) by 10 percent.[15]

Table 9. Calculation of Full Value of Real Property in New York City and the General Debt Limit, FY 2011

Fiscal Year	Billable Assessed Value of Taxable Real Estate	Special Equalization Ratio	Full Value
2007	$116,477,764,261	0.1599	$728,441,302,445
2008	$125,777,268,853	0.1703	$738,562,941,004
2009	$134,294,731,881	0.1848	$726,703,094,594
2010	$143,334,172,616	0.1852	$773,942,616,717
2011	$149,311,931,232	0.1770	$843,570,232,949
5 - Year Average Value			$762,244,037,542
10 Percent of the 5-Year Average			$76,224,403,754

SOURCE: New York City Council Tax Fixing Resolution for FY 2011.

Table 10 shows that the City's FY 2011 general debt-incurring power of $76.224 billion is projected to rise to $75.984 billion in FY 2012, $76.42 billion in FY 2013, and $77.615 billion in FY 2014. The City's indebtedness is projected to grow from $49.88 billion at the beginning of FY 2011 to $60.07 billion by the beginning of FY 2014. The City was below its general debt limit by $26.34 billion on July 1, 2010 and is projected to be below the general limit by $20.04 billion on July 1, 2011, by $18.05 billion on July 1, 2012, and by $17.55 billion by July 1, 2013. NYCTFA and TSASC together have provided resources totaling over $18 billion through FY 2010.[16] The NYCTFA is now free to borrow beyond its original $13.5 billion limit provided the combined additional NYCTFA debt and GO debt does not exceed the City's general debt limit. The impact of these capital costs is discussed in "Affordability Measures" beginning on page 24.

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

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

Table 10. NYC Debt-Incurring Power

($ in millions)

	July 1, 2010	July 1, 2011 [a]	July 1, 2012	July 1, 2013
Gross Statutory Debt-Incurring Power	**$76,224**	**$75,984**	**$76,420**	**$77,615**
Actual Bonds Outstanding as of June 30 (net) [b]	40,982	39,241	37,122	35,004
Plus New Capital Commitments [c]				
FY 2011		7,560	7,560	7,560
FY 2012			5,039	5,039
FY 2013				4,420
Less: Appropriations	(1,750)	(2,130)	(2,128)	(2,093)
Incremental NYCTFA Bonds Outstanding Above $13.5 billion	**906**	**1,530**	**1,030**	**391**
Subtotal: Net Funded Debt Against the Limit	**$40,138**	**$46,201**	**$48,623**	**$50,321**
Plus: Contract and Other Liability	9,745	9,745	9,745	9,745
Subtotal: Total Indebtedness Against the Limit	**$49,883**	**$55,946**	**$58,368**	**$60,066**
Remaining Debt-Incurring Power within General Limit	**$26,341**	**$20,038**	**$18,052**	**$17,549**

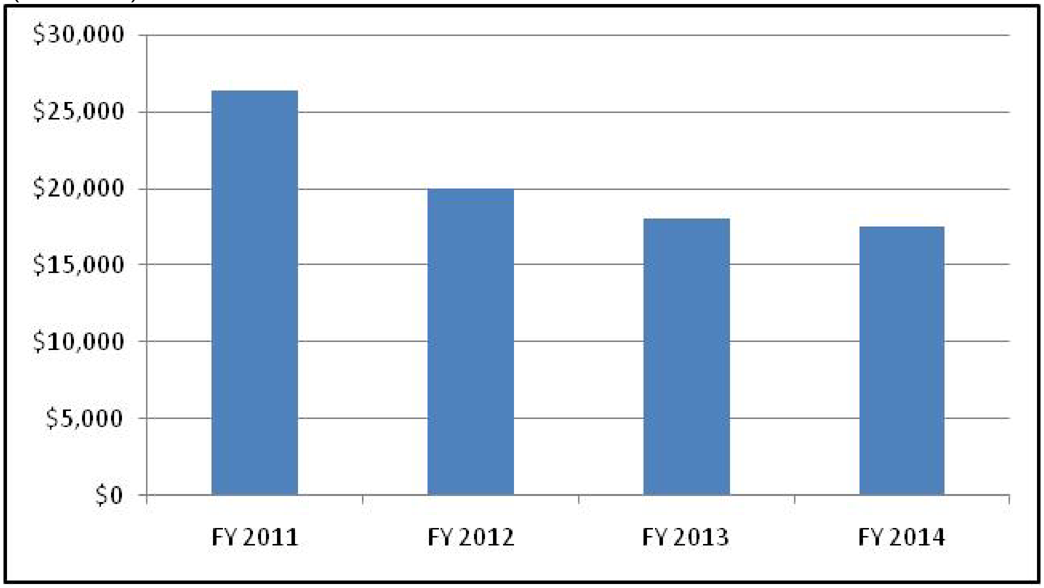
[a] FYs 2012 through 2014 debt limits are based on the NYC Comptroller's Office forecast of billable assessed value and related full market value of real property estimates.
[b] Net adjusted for Original Issue Discount, Capital Appreciation Bonds, GO bonds issued for the water and sewer system, Business Improvement District debt, and cash on hand. $41.555 billion from Table 1 minus $573 million of the aforementioned adjustments equals $40.982 billion.
[c] Reflects Capital Commitments as of the FY 2011 September Capital Commitment Plan (released in September 2010) and includes cost of issuance and certain Inter-Fund Agreements. In July 2009, the State Legislature included future debt of the NYCTFA PIT bonds under the general debt limit, thus capital commitments will be funded by the NYCTFA as well.

NOTE: The Debt Affordability Statement released by the City in May, 2010 presents data for the last day of each fiscal year, June 30th, instead of the first day of each fiscal year, July 1, as reflected in this table. The City's Debt Affordability Statement forecasts that indebtedness would be below the general debt limit by $19.11 billion at the end of FY 2010.

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

***Chart 1*. Remaining Debt Margin at the Beginning of Fiscal Year, FY 2011 Actual, FYs 2012 – 2014, Estimated**

($ in millions)



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

As depicted in Chart 1 above, the remaining debt margin is forecast to decrease from $26.34 billion at the beginning of FY 2011 to $17.55 billion at the beginning of FY 2014. This decrease of over $8.79 billion reflects the disparity in the projected growth rates of full market value of taxable properties and total indebtness. The projected debt limit which is driven by the full market value of taxable properties is projected to increase by an anemic 0.6 percent per year from FY 2011 to FY 2014, significantly below the projected annual increase of 6.4 percent in total indebtedness over the same period. This disparity in trends causes the decrease in debt-incurring margin.

III. Debt Burden and Affordability of City Debt

This section presents statistics assessing the size of the City's debt burden and its affordability. The proper measure of affordability is subject to debate since there are alternative measures that can be used to assess a locality's available resources. This section provides measures of debt per capita, debt as a percent of the value of real property, debt as a percent of personal income, and debt as a percent of local tax revenues.[17] For several of these measures, comparisons with other jurisdictions are presented. New York City has the highest debt among the largest cities in the nation when measured on a per capita basis.

A. BACKGROUND

The City's infrastructure was greatly neglected during the fiscal crisis of the 1970s. Deferred maintenance led to dilapidated roads, bridges, and schools. Following that difficult period, the City commenced a series of ambitious capital plans to repair and maintain its infrastructure. This trend began in the early 1980s and has continued through FY 2009. The City committed resources averaging $3.83 billion per year during FYs 1995 through 1998, $4.84 billion per year during FYs 1999 through 2002, $5.78 billion per year during FYs 2003 through 2006, and $8.3 billion during FYs 2007 through 2010.

In FY 2001, the City embarked on what was then an historically high capital commitment program, with City-funded capital commitments of $6.1 billion, an increase of 63.8 percent over FY 2000. City-funded commitments declined slightly to $5.83 billion in FY 2002, $5.39 billion in FY 2003 and $4.54 billion in FY 2004. The trend reversed in FY 2005 when City-funded commitments increased to $7.29 billion in FY 2005. Capital commitments continued to grow each year until reaching a high of $9 billion in FY 2008. Capital commitments declined to $7.26 billion in FY 2009 before rising again to $8.82 billion in FY 2010. During FYs 2011 – 2014, City-funded commitments are projected to average $6.29 billion, 24 percent less than the average of $8.3 billion during FYs 2007 to 2010, as shown in Chart 2 on page 16.[18] The significant decline in Capital commitments from the prior four-year period is largely attributable to a 45 percent drop in DEP's capital commitments, from an annual average of $2.8 billion over FYs 2007 – 2010 to $1.54 billion over FYs 2011 – 2014.

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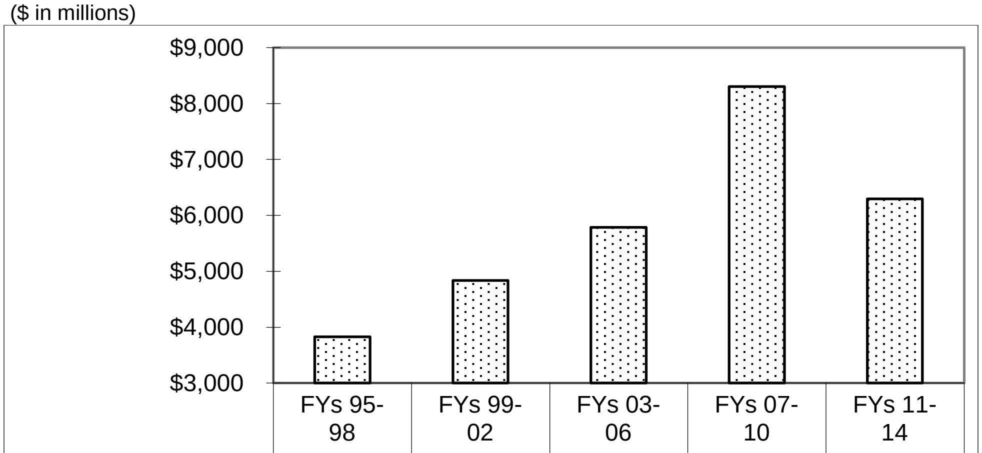
[17] New York City FY 2009 debt per capita is used for comparison because the available data for the other sample cities are from either fiscal year or calendar year 2009.

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

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



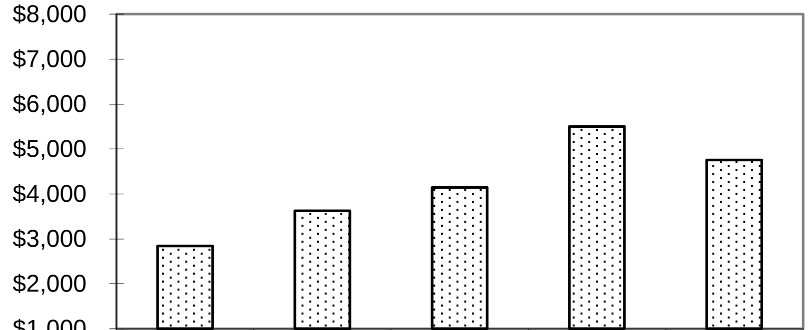
	FYs 95-98	FYs 99-02	FYs 03-06	FYs 07-10	FYs 11-14
City Capital Commitments	$3,828	$4,835	$5,782	$8,300	$6,293
Percent Change		26%	51%	44%	-24%

SOURCE: *Message of the Mayor, various FYs 1991 – 2005, and FY 2011 September Capital Commitment Plan (Published September 2010).*

Historical City-funded capital commitments excluding DEP averaged $2.84 billion in FYs 1995 – 1998, $3.62 billion in FYs 1999 – 2002, $4.14 billion in FYs 2003 – 2006, and $5.5 billion in FYs 2007 – 2010. City-funded capital commitments absent DEP are projected to average $4.76 billion per over FYs 2011 – 2014, as shown in Chart 3. This represents a decline of 14 percent from the average in FYs 2007 – 2010.

***Chart 3*. Actual and Projected Average City-Funds Capital Commitments, Excluding DEP**

($ in millions)



	FYs 95-98	FYs 99-02	FYs 03-06	FYs 07-10	FYs 11-14
City Commitments without DEP	$2,842	$3,624	$4,142	$5,500	$4,755
Percent Change		28%	14%	33%	-14%

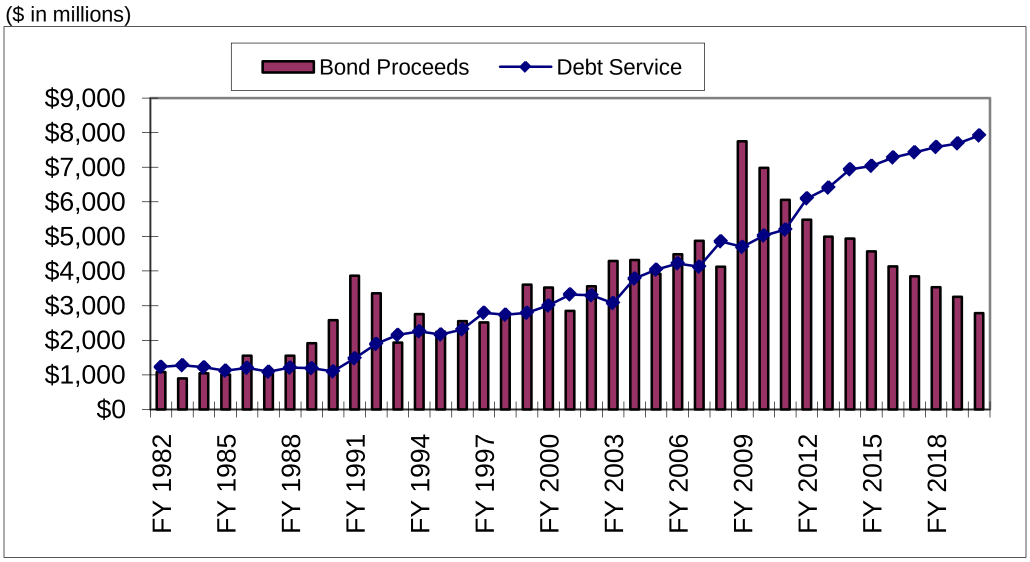
SOURCE: *Message of the Mayor, various FYs 1991 – 2005, and FY 2011 September Capital Commitment Plan (Published September 2010).*

The City's capital program relies almost exclusively on the issuance of bonds. The City's annual borrowing excluding NYW debt grew from $1.08 billion in FY 1982 to $6.98 billion in FY 2010. The FY 2010 borrowing level of $6.98 billion was the second highest level of borrowing in the City's history, after the $7.75 billion borrowing in FY 2009, and is reflective of the aggressive capital commitment plan in FYs 2007 through 2010 when City-funded commitments excluding DEP averaged $5.5 billion per year. The City's borrowing is expected to average $5.37 billion annually between FYs 2011 through 2014, with the highest borrowing in FY 2011 at $6.06 billion.[19]

The annual average growth rate of City debt-service payments was 5.16 percent per year from FY 1982 to FY 2010, growing from $1.23 billion in FY 1982 to $5.02 billion in FY 2010. Debt service is expected to grow at an average of 4.5 percent per year, from $5.02 billion in FY 2010 to $7.81 billion by FY 2020, as illustrated in Chart 4. However, projected growth over the FYs 2010 – 2014 Financial Plan period is 8.4 percent, almost twice the projected average growth over the FYs 2010 – 2020 period. This implies an average annual growth of 2.1 percent per year in FYs 2015 – 2020, well below half the average growth rate of 5.16 percent between FY 1982 and FY 2010. This growth assumption appears unrealistically low and it is more than likely that debt service will be significantly higher than projected over this period.

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

Chart 4. **Bond Proceeds and Debt Service, FYs 1982 – 2020**



SOURCES: *City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, 1982-2010 and Office of Management and Budget, FY 2011 Adopted Financial Plan, June 2010*. Debt-service payments exclude interest on short-term notes, Municipal Assistance Corporation debt, and lease-purchase debt and is adjusted for budget surpluses prepaid to the debt-service fund.

B. DEBT BURDEN

Even after adjusting for the effects of population change and tax revenue, New York City's debt has expanded at a significant rate since FY 1990. Debt per capita, which amounted to $2,951 in FY 1990, grew to $8,281 in FY 2010, an increase of 181 percent. Over the same period, the cumulative growth rate in debt per capita exceeded the rate of inflation by 103 percentage points, and exceeded the growth rate in City tax revenues by 32 percentage points.[20] The FY 2010 debt per capita is an increase of $547, or 7.1 percent, from FY 2009. The debt per capita figure does not include the debt of the NYW and the MTA, both of which greatly affect user fees paid by City residents. If this debt were included in the calculation, the FY 2010 debt per capita figure would increase to more than $14,900.

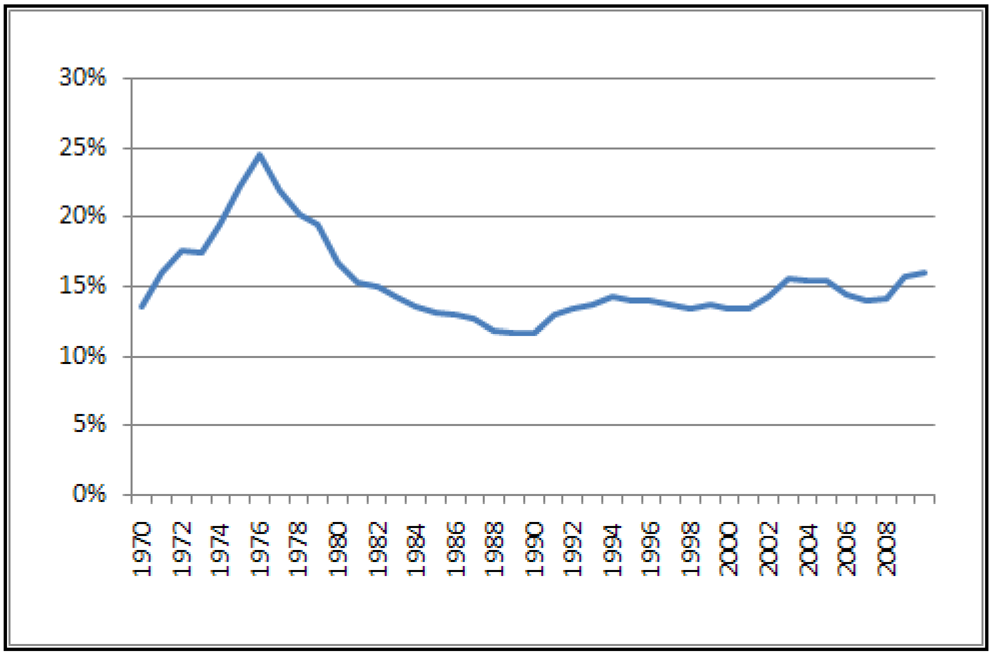
Historical Debt Outstanding to Personal Income, FYs 1970 – 2010

In the early 1970's, the City issued short-term notes which it did not entirely redeem at the end of each fiscal year. From 1970 to 1975, the City's year-end short-term note balance averaged $2.95 billion, with $4.44 billion outstanding at the end FY 1975. This signal of financial stress contributed to the City's inability to access the credit markets and the eventual involvement of State and Federal governments beginning in March of 1975. Confronted with external controls in the aftermath of the fiscal crisis, the

[20] FY 2010 debt per capita of $8,281 is used for section B's analytical purpose; however, FY 2009's debt per capita figure of $7,734 is used when comparing other municipalities, due to data limitations. In addition, 1990 is used as the base year to provide a uniform reference point from report to report. In prior reports, FY 1990's debt per capita was reported as $2,490 which was based on *net debt* outstanding. For better comparability, the FY 1990 figure is now based on *gross debt* outstanding.

City rapidly brought down its indebtedness in the late 1970's. This, combined with the resurgence of Wall Street in the 1980's, resulted in a decline of the ratio of debt to personal income from 1976 to 1989.

Chart 5. **Gross Debt as a Percent of Personal Income, FYs 1970 – 2010**



SOURCES: *Comprehensive Annual Financial Reports of the Comptroller for the Fiscal Year ended June 30, 1990, 1999, and 2010* and the U.S. Bureau of Economic Analysis, personal income for counties.

Chart 5 illustrates the historical trend of gross debt outstanding as a percentage of personal income from FYs 1970 to 2010. After reaching a peak of 24.4 percent in FY 1976, gross debt as a percent of NYC personal income trended downward, reaching a low of 11.6 percent in FY 1990. Through the 1990's, the ratio averaged 13.5 percent before spiking to 15.5 percent in FY 2003 in the aftermath of the September 11th attacks. In FYs 2007 to 2009, the ratio averaged about 14.5 percent. In FY 2010, however, it is forecast to increase to 16 percent, the highest level since 1980. Gross debt outstanding increased 7.1 percent from FYs 2009 to 2010 as personal income is projected to increase by 2.9 percent.

C. COMPARISON WITH SELECTED MUNICIPALITIES

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

In FY 2009, NYC's $7,734 debt per capita was more than twice the average of $3,847 among a sample of large U.S. cities, and 1.55 times the per capita debt of Chicago which had the next highest debt burden of $4,994, as shown in Table 11.[21]

Table 11. Debt Per Capita Measures for Selected Cities, 2009

City	Population	Direct and Overlapping Debt Outstanding ($ 000)	Debt Per Capita[a]
Philadelphia	1,540,351	$7,204,000	$4,677
Chicago	2,896,016	14,463,042	4,994
Houston	2,242,193	8,841,463	3,943
San Jose	1,007,000	3,386,453	3,363
Seattle	602,000	1,581,100	2,626
San Antonio	1,340,549	6,609,158	4,930
Los Angeles	4,065,585	13,457,474	3,310
Phoenix	1,665,320	6,257,081	3,757
Boston	609,023	916,820	1,505
Dallas	1,306,350	4,773,662	3,654
San Francisco	818,887	2,123,116	2,593
Average of Sample Cities	*1,644,843*	*$6,328,488*	*$3,847*
New York City	**8,391,881**	**$64,906,000**	**$7,734**

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

NYC debt-per-capita grew by 72 percent from 2000 to 2009. This growth is below the average growth of 100 percent for the 11 sample cities shown in Table 12 on page 21.

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

Table 12. Debt Per Capita Comparisons for Selected Cities – 2000 and 2009

City	Debt per Capita in 2000	Debt per Capita in 2009	Percentage Change 2000 – 2009
Boston	$1,376	$1,505	9.0%
Philadelphia	$3,241	$4,677	44.0%
Seattle	$1,694	$2,626	55.0%
Chicago	$2,863	$4,994	74.0%
Houston	$2,187	$3,943	80.0%
Phoenix	$2,041	$3,757	84.0%
Los Angeles	$1,464	$3,310	126.0%
San Francisco	$1,139	$2,593	128.0%
San Antonio	$1,929	$4,930	156.0%
Dallas	$1,273	$3,654	187.0%
San Jose	$943	$3,363	257.0%
Average of All Other Cities[a]	*$1,926*	*$3,847*	*100.0%*
National CPI	**$168.8**	**$216.7**	**28.0%**
New York City	**$4,502**	**$7,734**	**72.0%**

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

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

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

NYC's debt per capita also exceeds that in sampled cities across the State of New York. Within the State, the average debt per capita of the cities and counties surveyed, excluding NYC, is $3,516 which is less than half of New York City's debt per capita in FY 2009, as shown in Table 13 on page 22.[22]

Another way to examine the debt burden of a municipality or city is to measure its debt relative to its wealth. Two traditional measures of that relationship are outstanding debt divided by the full value of real property and debt divided by personal income. The rationale behind the use of the full value of real property is that the property tax base provides a major revenue source for debt payment and that there is generally some reasonable limit on the amount of debt that can be borrowed against the property tax base. The Standard & Poor's rating agency considers values above 6.0 percent to be high.[23]

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

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

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

City or County	Debt per Capita	Date of Observation
City of White Plains	$3,952	6/30/08
Westchester County	4,110	6/30/09
Nassau County	4,531	12/31/08
City of Albany	2,572	6/01/10
City of Syracuse	2,187	8/16/09
Onondaga County	2,824	12/31/09
City of Buffalo	1,467	6/30/09
City of Rochester	2,183	6/30/09
Monroe County	2,765	12/31/09
Average of Above N.Y. Cities and Counties[a]	**$3,516**	
New York City	$8,281	6/30/10
New York City	$7,734	6/30/09

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

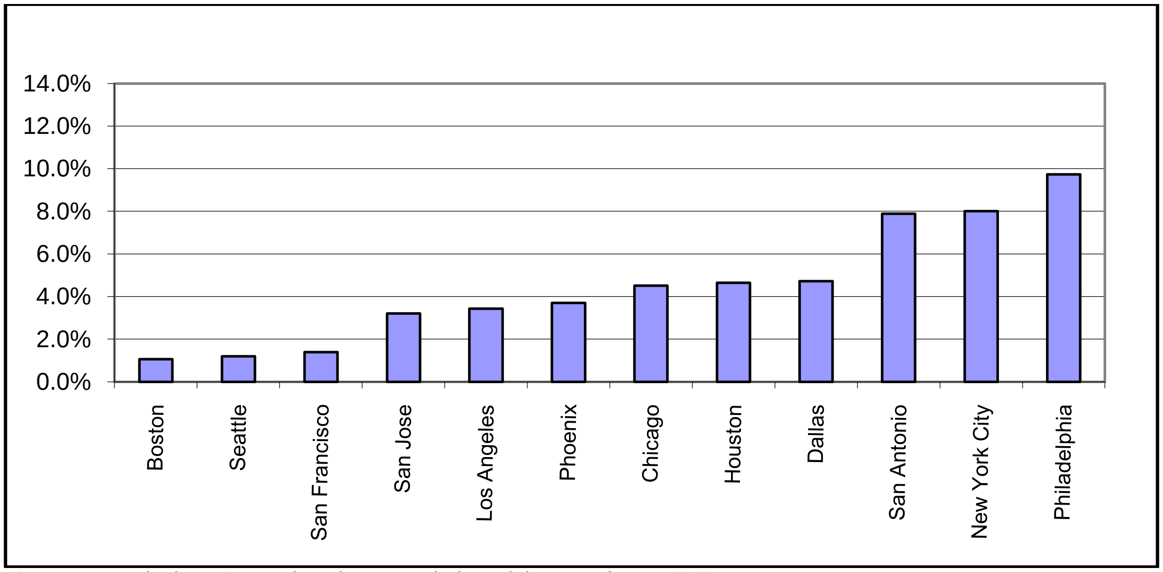
[a] This amount reflects a weighted average of total debt outstanding for all counties or cities divided by the total population for all the respective counties and cities.

The rationale behind using personal income is that it is another relative measure of a locality's wealth. The wealthier a community, the greater its capacity to pay taxes, and to sustain local government debt and operations. Standard & Poor's considers per capita debt more than 6.0 percent of per capita income to be high.[24]

Among the cities surveyed in this report, New York City ranks among the highest in both measures of debt burden and is well above the averages of the sample cities and counties. New York City's outstanding debt as a percentage of full value of real property in FY 2009 is 8.0 percent. This is 4.1 percentage points above the sample city average of 3.85 percent. Philadelphia at 9.7 percent and San Antonio at 7.9 percent both exceed New York City's ratio. Other major cities have considerably less debt relative to full market value compared to New York City. For example, Chicago's debt is 4.5 percent of full market value and Los Angeles debt is 3.4 percent, as shown in Chart 6 on page 23.

[24] Ibid.

***Chart 6*. Debt Outstanding as a Percent of the Full Value of Real Property, FY 2009**

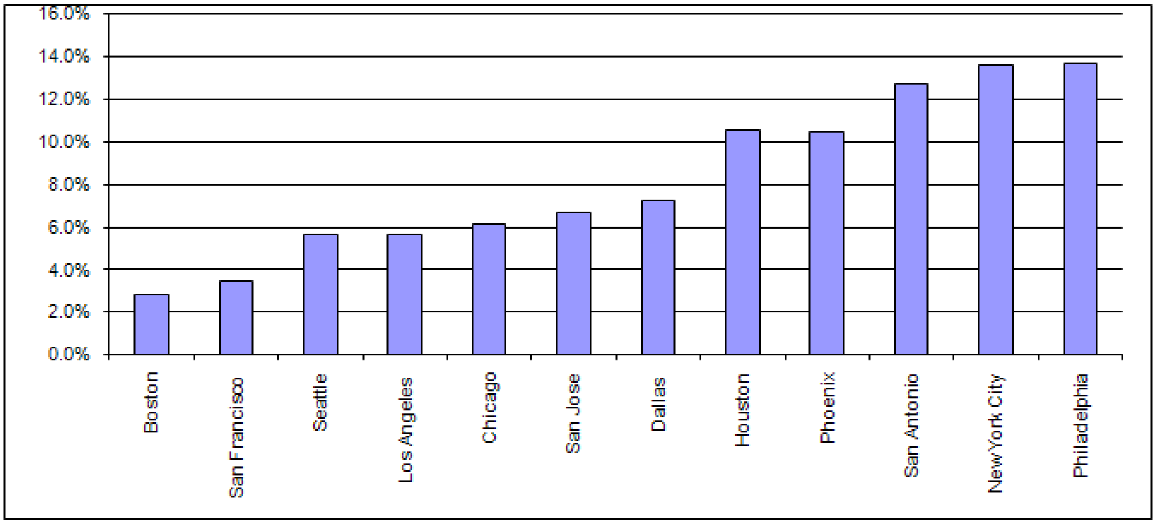


SOURCE: Each city's Comprehensive Annual Financial Report for FY 2009.
NOTE: Debt per capita is based on data extracted from each city's Direct and Overlapping Debt Outstanding exhibit included in that city's Comprehensive Annual Financial Report. While the individual exhibits are similar in format, there is no assurance that the components of the data published in those exhibits are comparable.

New York City's debt as a percentage of personal income in FY 2008 was the second highest at 13.6 percent, 1.9 times higher than the 7.1 percent average of the other sample cities.[25] For 2008, Philadelphia was the highest ranked city at 13.7 percent with San Antonio at a relatively high 12.7 percent. Boston was the lowest at 2.8 percent, as shown in Chart 7 on page 24.

[25] Since the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) provides personal income figures by county, the analysis in Chart 6 uses annual financial reports of the *county* in which each city is located. The latest available BEA data for personal income is 2008. Both the city and county of San Francisco and Philadelphia are coterminous geographic entities.

Chart 7. **Debt as a Percent of Personal Income, FY 2008**

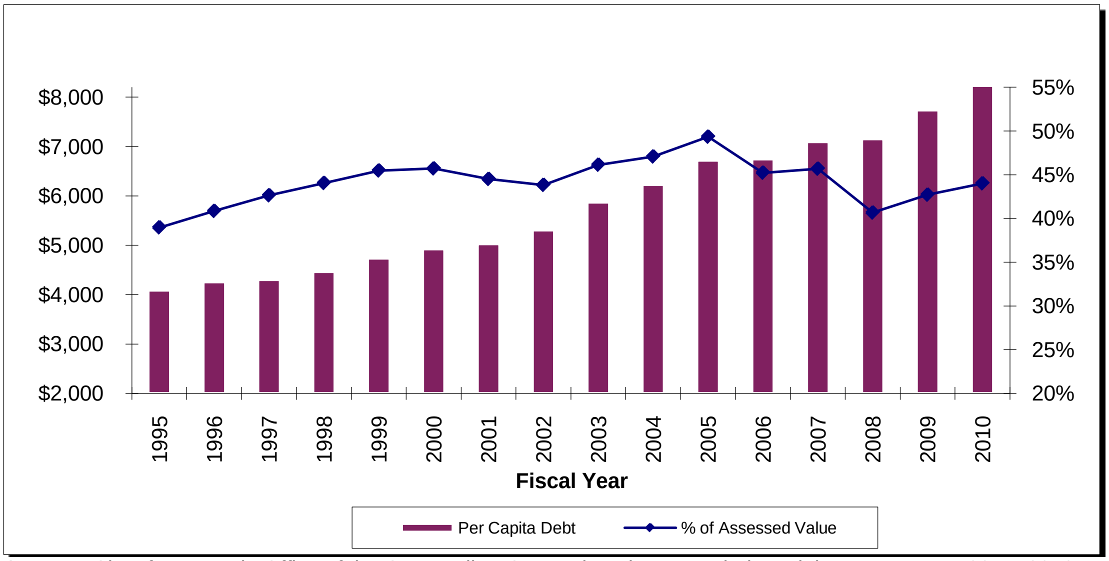


SOURCE: FY 2008 Comprehensive Annual Financial Reports of Sample Counties as proxies for the above cities and the U.S. Department of Commerce – Bureau of Economic Analysis – 2008 personal income data.
NOTE: Debt per capita is based on data extracted from each city's and select counties' Direct and Overlapping Debt Outstanding exhibits included in that city's or county's Comprehensive Annual Financial Report. While the individual exhibits are similar in form, there is no assurance that the components of the data published in those exhibits are comparable.

D. AFFORDABILITY MEASURES

The level of NYC's debt is rising and representing a growing portion of the assessed value of taxable real property. As a percentage of the assessed value of real property, NYC debt rose to 44 percent in FY 2010 from 39 percent in FY 1995, as shown in Chart 8. This represents an increase from FY 2009's ratio of 42.7 percent due primarily to an increase in outstanding debt of 7.1 percent offset by an assessed value increase of 3.9 percent over FY 2009.

***Chart 8.* Debt Per Capita and Debt as a Percentage of the Assessed Value of Taxable Real Property**



SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1995 – 2010.

Another measure of debt affordability is annual debt service expressed as a percent of annual tax revenues. This measure shows the pressure that debt service exerts on a municipality's locally generated revenues. Debt service exceeded 15 percent of tax revenues in eight of the eleven years from FY 1992 to FY 2002.[26] Subsequently, this ratio fell to a low of 11.6 percent in FY 2007 and has risen to about 13.9 percent in FY 2010, as shown in Chart 9. However, debt service as a percentage of tax revenues is projected to rise to 16.1 percent in FYs 2015 and 2016 before declining modestly to 15.2 percent by FY 2020.[27]

Standard & Poor's (S&P), one of the municipal rating agencies, uses the ratio of debt service to total general fund expenditures as one measure of the impact of debt service on a municipality's budget. S & P suggests that a City's annual debt service burden is high if it exceeds 15 percent of general fund expenditures. The City's debt service as a percent of total City-funded expenditures in FY 2010 was 12.1percent in FY 2010 and is projected to rise to 12.7 percent by FY 2014.

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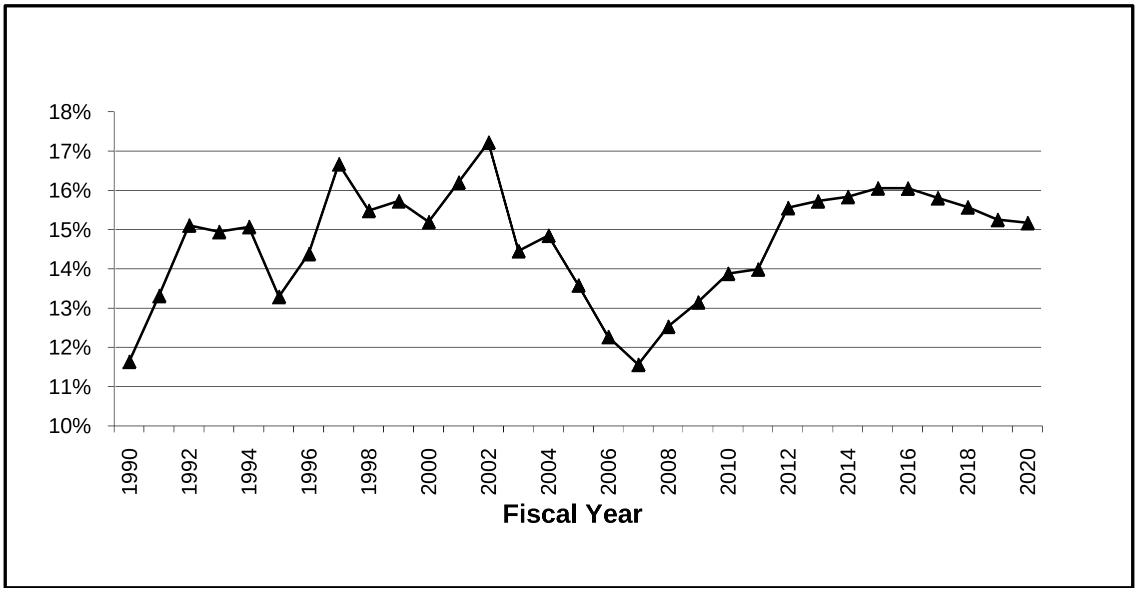
[26] Aside from the recent one-year aberration in FY 2002 related to the World Trade Center disaster, the ratio of 15 percent is more comparable to the early 1980's and early & mid 1990's when the City was emerging from recessionary periods.

[27] From the *City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, 1982-2010*, and *NYC Office of Management and Budget, Adopted Financial Plan, June 2010* and adjusted for prepayments.

***Chart 9.* Debt Service as a Percent of Tax Revenues**



SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1982 – 2010, and NYC Office of Management and Budget, FY 2011 Adopted Financial Plan, June 2010.

Glossary of Acronyms

BAB	Build America Bonds
BAN	Bond Anticipation Notes
BARB	Building Aid Revenue Bond
BCI	Building Construction Index
BEA	Bureau of Economic Analysis
CAFR	Comprehensive Annual Financial Report
CCI	Construction Cost Index
CPI	Consumer Price Index
CUCF	City University Construction Fund
CY	Calendar Year
DASNY	Dormitory Authority of the State of New York
DEP	Department of Environmental Protection
EXCEL	Expanding Our Children’s Education and Learning
FASB	Financial Accounting Standards Board
FY	Fiscal Year
GASB	Government Accounting Standards Board

GO Debt	General Obligation Debt
H**HC**	Health and Hospitals Corporation
HYIC	Hudson Yards Infrastructure Corporation
LGAC	Local Government Assistance Corporation
MAC	Municipal Assistance Corporation
MTA	Metropolitan Transportation Authority
NY	New York
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYW	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
ORPTS	Office of Real Property Tax Services
PIT	Personal Income Tax
QSCB	Qualified School Construction Bonds
S&P	Standard & Poor’s
STAR	Sales Tax Asset Receivable Corporation
TSASC	Tobacco Settlement Asset Securitization Corporation

TSR	Tobacco Settlement Revenues
U.S.	United States
USDOT	United States Department of Transportation
WTC	World Trade Center