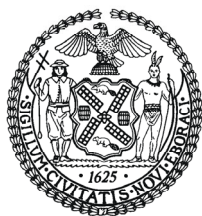


Quarterly Cash Report

October-December 2002



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

February 2003

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

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I. HIGHLIGHTS

- Daily cash balances averaged \$2.580 billion in the second quarter of FY 2003 compared with \$1.7 billion in the same period in FY 2002. Higher daily balances in FY 2003 reflect the higher opening balance for the quarter of \$2.995 billion in FY 2003 compared with \$2.009 billion in FY 2002. The second quarter of FY 2003 ended with \$2.719 billion in cash, after total quarterly receipts of \$12.630 billion and expenditures of \$12.906 billion. Real estate tax receipts in the second quarter of FY 2003 totaled \$1.912 billion compared with \$1.112 billion in the second quarter of FY 2002. The increase in real estate tax receipts is due both to timing and an 18.49 percent mid-year increase in tax rates.¹
- Average daily cash balances for the first half of FY 2003 were \$3.252 billion. Receipts totaled \$26.258 billion and expenditures \$27.972 billion. In the first half of FY 2002, the average daily balance was \$2.206 billion with total receipts of \$23.563 billion and total expenditures of \$24.861 billion. The City ended the first half FY 2003 with \$951 million more than at the end of the first half of FY 2002. In the first half of FY 2003 the City received \$1.5 billion in proceeds from Transitional Finance Authority (TFA) Recovery Notes and Bonds for operating purposes.
- On October 9, 2002 the City issued \$1.5 billion in Revenue Anticipation Notes (RANs) to cover the City's short-term cash needs in FY 2003. The notes had a net interest cost of \$10.601 million. On October 23, 2001 the City issued \$1.5 billion in RANs for FY 2002 needs at a net interest cost of \$14.373 million.

Table 1. *Overview of Cash Position*² (\$ millions)

<i>Central Treasury</i>	<i>October-December 2002</i>	<i>July-September 2002</i>	<i>October-December 2001</i>
Opening Balance	\$ 2,995	\$ 4,433 ³	\$ 2,009
Closing Balance	2,719	2,995	1,768
Total Receipts	12,630	13,628	12,220
Total Expenditures	12,906	15,066	12,461
Average Daily Balance	2,580	3,893	1,700

¹ The level of real estate tax collections in December is affected by the prepayment of January taxes and the day of the week the calendar year begins.

² The data for this report are based on the City's central treasury book balances as calculated by the Bureau of Financial Analysis, Office of the NYC Comptroller. Expenditures, with the exception of payroll, are reported on checks issued and receipts on cash as deposited in the bank. Receipts and expenditures are net of debt-service funding.

³ Before City Audit

- Capital expenditures totaled \$1.357 billion in the second quarter of FY 2003, \$186 million less than in the second quarter of FY 2002. For October-December 2002 there were \$1.254 billion in City-funded capital expenditures compared with \$1.467 billion for October-December 2001. In the first half of FY 2003, capital expenditures totaled \$2.907 billion and City-funded capital expenditures were \$2.721 billion. Payments to the School Construction Authority (SCA) totaled \$300 million during the first quarter of FY 2003 and \$825 million for the first six months of FY 2003. Reimbursement to the City's central treasury from General Obligation (GO), TFA, TSASC, Inc. and Water and Sewer Authority debt, was \$882 million in the second quarter of FY 2003 and totaled \$1.549 billion in the first half of FY 2003.

Table 2. *Capital Expenditures (\$ millions)*

	<i>October-December 2002</i>	<i>July-September 2002</i>	<i>October-December 2001</i>
Capital Expenditures	\$1,357	\$1,550	\$1,543
City-funded Capital Expenditures	1,254	1,467	1,467
Reimbursement to the Central Treasury for Capital Expenditures	882	667	1,492

- The City and TFA issued debt totaling \$3.320 billion in the second quarter of FY 2003. The City issued \$1.147 billion in GO debt and the TFA issued \$2.173 billion. In the first half of the Fiscal Year, debt issuances totaled \$8.180 billion consisting of \$2.157 billion by the City, \$5.523 billion by the TFA and \$500 million by TSASC, Inc.

II. DAILY CASH BALANCES–OCTOBER-DECEMBER 2002

The average daily balance in the quarter was \$2.580 billion, compared with \$1.7 billion in the same quarter last year. The higher average daily balance in FY 2003 was a result of a higher opening balance for the quarter of \$2.995 billion, which included \$1.5 billion in TFA Recovery Note and Bond proceeds. The opening balance for the second quarter of FY 2002 was \$2.009 billion. Chart 1 compares daily balances for the quarter with daily balances in the same quarter last year (October-December 2001). Daily balances in FY 2003 exceed daily balances in FY 2002 until mid-November. If TFA recovery proceeds are excluded from the daily balances calculation, daily balances for nearly the entire second quarter of FY 2003 would have been comparatively lower than the daily balances in FY 2002. Without the TFA proceeds the City would have had to increase its FY 2003 level of seasonal borrowing.

Daily cash balances ranged from a low of \$801 million on December 12, 2002, to a high of \$4.457 billion on October 9, 2002. Daily balances averaged \$3.689 billion in October 2002, \$2.513 billion in November 2002, and \$1.476 billion in December 2002. The quarter ended with \$2.719 billion after total receipts of \$12.630 billion and total expenditures of \$12.906 billion.

In the first half of FY 2003 the average daily balance was \$3.252 billion. Receipts totaled \$26.258 billion and expenditures \$27.972 billion. The average daily balance in the first half of FY 2002 was \$2.206 billion. Receipts totaled \$23.563 billion and expenditures \$24.861 billion. Expenditures in the first half of FY 2003 were higher than in the first half of FY 2002. Expenditures in July-December 2002 contained greater PS costs, including back-pay from collective bargaining increases, and higher HHC medicaid payments related to IGTs than expenditures in July-December 2001.

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

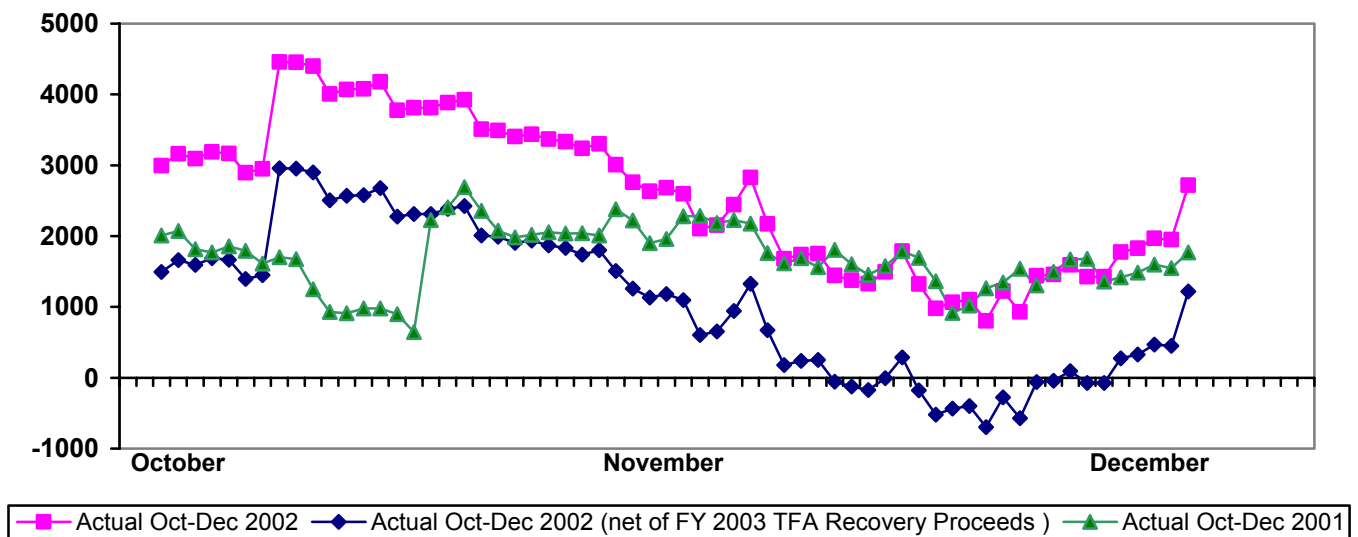
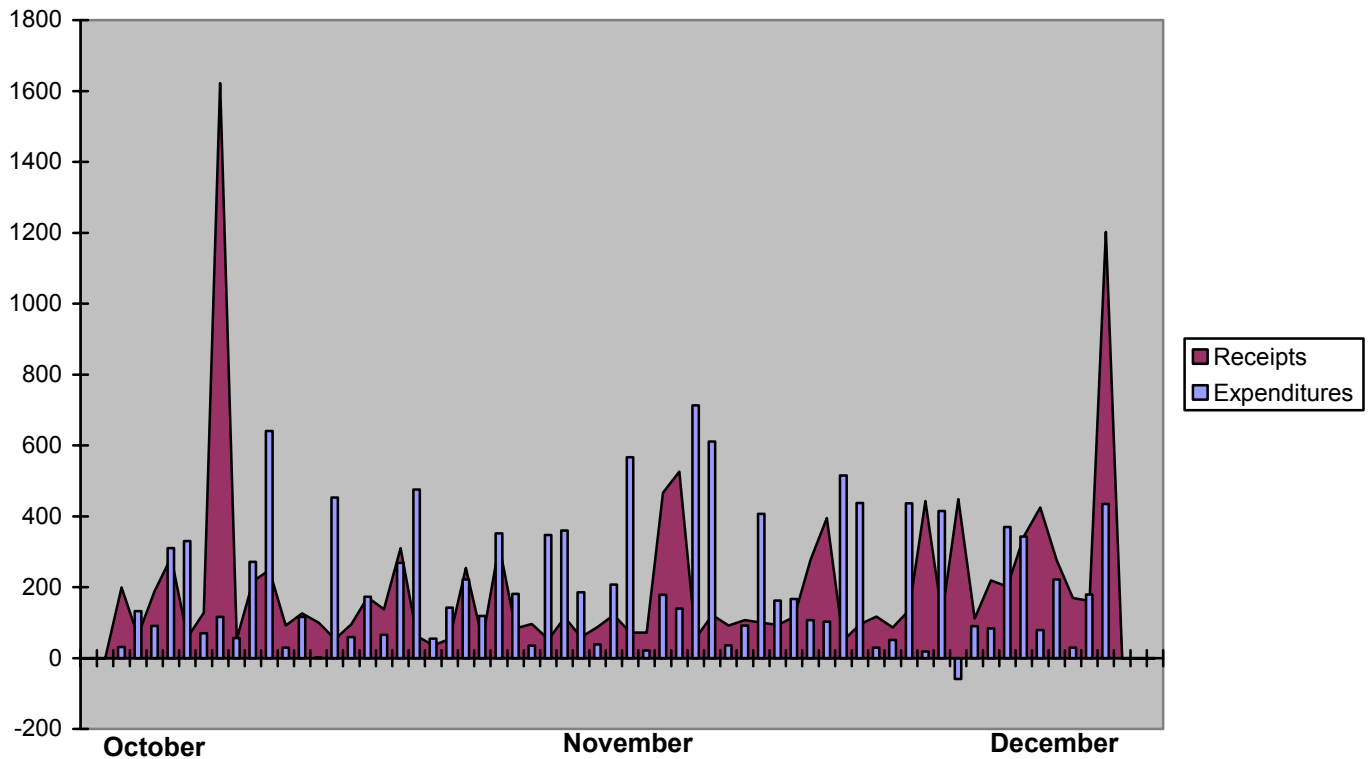


Chart 2 illustrates the level of receipts and expenditures during the quarter. October 9, 2002, November 21, 2002 and December 31, 2002 had exceptionally large level of receipts. October 9, 2002 receipts included \$1.514 billion in RANs; November 21, 2002 included \$466 million from capital proceeds transfers; and December 31, 2002 included \$856 million of real estate tax receipts. The large levels of \$713 million and \$611 million expenditures on November 22 and 25 respectively included \$724 million in PS expenditures, \$250 million in OTPS expenditures and \$300 million in payments to the SCA. The PS expenditures included retroactive payments of approximately \$221 million, which was due to the Police officers' collective bargaining agreement.

Chart 2. *Daily Cash Receipts and Expenditures, October-December 2002 (\$ millions)*



A. Cash Receipts

Cash receipts totaled \$12.630 billion in the second quarter of FY 2003 (October-December 2002), \$410 million greater than the \$12.220 billion in the same period last year. Table 3 compares cash receipts in FY 2002 and FY 2003 by major categories. Average daily receipts in the quarter were \$207 million. Daily October cash receipts averaged \$207 million and totaled \$4.550 billion.⁴ Average daily November cash receipts were \$144 million and totaled \$2.596 billion. Average daily December cash receipts were \$261 million and totaled \$5.484 billion.

Table 3. *Major Cash Receipts by Category in FY 2002 and FY 2003 (\$ millions)*

Receipts	October 2001	November 2001	December 2001	Total	October 2002	November 2002	December 2002	Total
Real Estate Tax	\$ 360	\$ 71	\$ 681	\$ 1,112	\$ 355	\$ 56	\$1,501	\$ 1,912
Other Taxes	930	942	1,807	3,679	989	829	1,793	3,611
Less: Debt Service	(5)	(40)	(20)	(65)	(153)	(20)	(43)	(216)
Federal and State Aid	959	706	1,046	2,711	1,071	615	1,062	2,748
Miscellaneous and Other	296	238	284	818	229	257	411	897
Intergovernmental Aid	31	0	277	308	70	219	227	516
Other ⁵	1,795	1,215	647	3,657	1,989	640	533	3,162
Total	4,366	3,132	4,722	12,220	4,550	2,596	5,484	12,630

During the quarter, tax receipts totaled \$5.523 billion, compared with \$4.791 billion in the same quarter of the prior year. Real estate tax collections totaled \$1.912 billion compared with \$1.112 billion during the same period last year. December real estate tax collection computations include the early payment of January bills. December 2002 collections were \$820 million greater than in December 2001 as a result of timing and the 18.49 percent increase in the real estate tax rate.⁶ Other taxes in the second quarter of FY 2003 totaled \$3.611 billion, down \$68 million from the same period a year ago. During this same period in FY 2003, economically sensitive taxes (sales tax, personal income tax, general corporation tax, financial corporation tax, and the unincorporated business tax), declined 13.5 percent to \$2.675 billion. Other tax receipts in the second quarter included \$292 million in STAR payments that were received from the State. In FY 2002 some STAR payments were delayed to January resulting in \$90 million of STAR receipts for the quarter.

⁴ October receipts include a seasonal borrowing of \$1.514 billion in RANs. Average October receipts, exclusive of this borrowing, were \$138 million and totaled \$3.036 billion.

⁵ Other receipts include \$1.506 billion RANs in October 2001, \$1.514 billion in October 2002, capital proceeds transfers of \$97 million in October 2001, \$983 million in November 2001, \$412 million in December 2001, \$212 million in October 2002, \$466 million in November 2002 and \$203 million in December 2002.

⁶ The level of real estate tax collections in December is affected by prepayment of January taxes and the day of the week the calendar year begins.

Current and prior Federal and State aid totaled \$2.748 billion in the second quarter of FY 2003 compared with \$2.711 billion in the same period of FY 2002. FEMA aid associated with the WTC disaster was \$117 million in the second quarter of FY 2003. Miscellaneous and other revenue totaled \$897 million, an increase of \$79 million from last year. FY 2003 revenue included \$90 million from TSASC, Inc. bond proceeds for land fill closing costs. Intergovernmental aid was \$516 million; \$208 million more than the \$308 million received in the same quarter last year. In October-December 2002, the City received intergovernmental transfers (IGTs) from the Health and Hospital Corporation (HHC) of \$288 million compared with \$83 million received in October-December 2001.⁷ IGTs were offset by increased payments of HHC Medicaid. Other intergovernmental aid in the second quarter of FY 2003 included \$166 million in NYS Revenue Sharing and \$61 million in aid for the long-term mentally disabled. Table 4 shows the major receipts by month for the quarter.

Table 4. *Major Cash Sources (\$ millions)*

October 2002		November 2002		December 2002	
RANs	\$1,514	Capital Proceeds Transfer	\$466	Real Estate Tax	\$1,501
Real Estate Tax ⁸	355	PIT ⁹	320	PIT	460
Sales Tax ¹⁰	347	Federal Welfare	278	NYS Education ¹¹	423
PIT	315	Sales Tax	246	Sales Tax	368
Federal Welfare	225	Intergovernmental Transfer	219	General Corporation Tax	315
Capital Proceeds Transfer	212	NYS Welfare	115	Federal Welfare	244
NYS Welfare	207	Licenses, Franchises, etc.	61	STAR	214
Intergovernmental Transfer	69	NYS Education	61	Capital Proceeds Transfer	203
WTC Reimbursement	64	Real Estate Tax	56	NYS Revenue Sharing	166
Water and Sewer Fees	54	General Corporation Tax	43	Commercial Rent Tax	92
General Corporation Tax	51	Fines and Forfeitures	42	Land Fill Costs	90
Fines and Forfeitures	50	STAR	39	Unincorporated Business Tax	63
STAR	39			Long Term Care	61
				Hotel Tax	55
				Water and Sewer Fees	46
				Federal Education	45
				WTC Reimbursement	43
				Fines and Forfeitures	42

⁷ The five HHC residential health care facilities participate in the Medicaid intergovernmental transfer program. The level of IGTs is driven by payment of enhanced upper payment limit (UPL) funds.

⁸ Real Estate Tax is gross of debt service.

⁹ PIT is gross of debt service.

¹⁰ Sales tax is net of Municipal Assistance Corporation (MAC) debt service (if any) plus interest income and the local share distribution.

¹¹ NYS Education includes \$230 million in general operating aid and \$137 million in excess cost aid.

Year-to-date FY 2003 receipts, net of capital proceeds transfers, totaled \$24.711 billion and averaged \$198 million daily compared with \$20.980 billion and a daily average of \$169 million in the first half of FY 2002.¹² Table 5 compares cash receipts, net of capital proceeds transfers, in FY 2002 and FY 2003. In the first half of FY 2003, total cash receipts were \$26.258 billion compared with \$23.563 million in the same period in FY 2002.

Table 5. *Cash Receipts (net of capital proceeds transfers) for FY 2002 and FY 2003 (\$ millions)*

FY 2002		FY 2003	
July	\$ 4,263	July	\$ 5,029
August	2,297	August	2,744
September	3,692	September	5,189
1st Quarter	10,252	1st Quarter	12,962
October	4,269	October	4,338
November	2,149	November	2,130
December	4,310	December	5,281
2nd Quarter	10,728	2nd Quarter	11,749
First Half of FY	20,980	First Half of FY	24,711

B. Cash Expenditures

Cash expenditures totaled \$12.906 billion in the second quarter of FY 2003, averaging \$212 million daily. During the same period last year, cash expenditures totaled \$12.461 billion and averaged \$204 million daily. Expenditures were \$4.109 billion in October 2002, \$4.587 billion in November 2002 and \$4.210 billion in December 2002. The daily average expenditure was highest during November at \$255 million and lowest in October at \$187 million. The average daily expenditure in December was \$201 million.

¹² See Section III beginning on page 12 for a discussion of capital proceeds transfers.

Major expenditures for the quarter reflect the impact of budgetary changes and timing differences. Table 6 shows monthly expenditures in major categories in the second quarter of FY 2002 and FY 2003.

Table 6. Cash Expenditures by Major Category in FY 2002 and FY 2003 (\$millions)

	October 2001	November 2001	December 2001	Total	October 2002	November 2002	December 2002	Total
Gross Payroll	\$1,585	\$1,420	\$1,441	\$ 4,446	\$1,473	\$1,706	\$1,562	\$ 4,741
Other Personal Services	504	392	450	1,346	536	512	614	1,662
Public Assistance	201	193	199	593	211	182	136	529
Medical Assistance (excluding HHC)	281	239	291	811	283	285	290	858
Other Social Services	162	163	161	486	154	145	161	460
Vendor and Other Payments	755	704	941	2,400	762	739	768	2,269
All Other, including Capital ¹³	870	436	1,073	2,379	690	1,018	679	2,387
Total	4,358	3,547	4,556	12,461	4,109	4,587	4,210	12,906

Gross Payroll, at \$4.741 billion, was \$295 million higher in FY 2003 than during the same period last year. Retroactive pay due from the new collective bargaining agreement with Police officers was paid in November 2002. December 2002 disbursements included \$62.5 million in uniform allowances.

¹³ Capital expenditures included in all other are \$604 million in October 2001, \$259 million in November 2001, \$680 million in December 2001, \$427 million in October 2002, \$616 million in November 2002 and \$314 million in December 2002.

Table 7. *Bi-Weekly Payroll Analysis (\$ millions)*

	October 2002	November 2002	December 2002	Total
Full-time Regular	\$280.86	\$ 278.85	\$279.33	\$ 839.04
Full-time Uniform	247.10	270.81	245.13	763.04
Back-pay ¹⁴	1.54	156.45	6.01	164.00
Part-time	3.14	3.17	3.24	9.55
Longevity	22.28	22.13	23.52	67.93
Uniform Allowance	0.00	0.00	57.51	57.51
Overtime	57.99	54.72	46.49	159.20
Social Security And Health Plan	103.11	120.85	110.93	334.89
Other	66.57	108.20	68.49	243.26
Total	782.59	1,015.18	840.65	2,638.42

Tables 7 and 8 illustrate the components of the City's major bi-weekly payrolls and the Teachers' payrolls for the second quarter of FY 2003 based on information in the City's Financial Management System (FMS). There were two bi-weekly payrolls in each month of the quarter. Teachers are paid twice a month. Uniform sanitation workers are not included as they are paid weekly. Other personal services were \$1.662 billion, up \$316 million compared with the same period last year.

Table 8. *Teachers' Payroll Analysis (\$ millions)*

	October 2002	November 2002	December 2002	Total
Full-time	\$461.91	\$456.44	\$454.18	\$1,372.53
Part-time	34.30	32.38	32.47	99.15
Social Security And Health Plan	73.44	79.01	78.85	231.30
Other	7.18	8.76	7.14	23.08
Total	576.83	576.59	572.64	1,726.06

Public assistance spending totaling \$529 million in the quarter, was lower this fiscal year by \$64 million compared with the same quarter in FY 2002. Medical assistance spending was \$858 million, or \$47 million above the second quarter of the last fiscal year. Other social service expenditures totaled \$460 million compared with \$486 million in the second quarter of FY 2002. Vendor and other payments were \$2.269 billion in October-December 2002 compared with \$2.4 billion in October-December 2001. Other expenditures during the quarter included \$248 million in refunds of tax revenue.

¹⁴ A portion of retroactive pay is included in other categories. The Police received approximately \$221 million in back-pay.

Year-to-date in FY 2003 expenditures, net of capital, totaled \$25.065 billion and averaged \$201 daily compared with \$22.171 billion and a daily average of \$179 million in the first half of FY 2002. Table 9 compares expenditures, net of capital expenditures, in FY 2002 and FY 2003. (See Section III for a discussion of capital expenditures.) Total expenditures were \$27.972 billion in the first half of FY 2003 and \$24.862 billion for the first half of FY 2002.

Table 9. *Cash Expenditures (net of capital expenditures) for FY 2002 and FY 2003 (\$ millions)*

FY 2002		FY 2003	
July	\$ 4,167	July	\$ 4,553
August	3,726	August	4,075
September	3,360	September	4,888
1st Quarter	11,253	1st Quarter	13,516
October	3,754	October	3,682
November	3,288	November	3,971
December	3,876	December	3,896
2nd Quarter	10,918	2nd Quarter	11,549
First Half of FY	22,171	First Half of FY	25,065

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

In FY 2002 the City received approximately \$784 million from FEMA as reimbursement for expenditures related to the WTC disaster. In the first half of FY 2003 \$497 million has been received for a total of \$1.281 billion in FEMA reimbursements. In addition to FY 2003 WTC reimbursements, the City has transferred \$1.957 billion in proceeds of TFA Recovery Notes and Bonds to the City's central treasury to address City costs from 9/11 for which the City will not be reimbursed. Transfers from proceeds of \$1 billion occurred in July 2002 and \$500 million in September 2002. Table 10 reflects when the City received these FEMA and TFA funds.

Table 10. *WTC Reimbursements and Transfers (\$ millions)*

Date	FEMA	TFA
FY 2002	\$ 783.79	\$ 457.00
July 2002	114.13	1,000.00
August 2002	10.20	0.00
September 2002	255.05	500.00
October 2002	64.20	0.00
November 2002	10.25	0.00
December 2002	43.04	0.00
FYTD FY 2003	496.87	1,500.00
Total	1,280.66	1,957.00

The City created special budget categories that allow it to trace expenditures resulting from the WTC disaster. Table 11 reflects \$1.074 billion in identified expenditures in FY 2002 and \$187.7 million in the first half of FY 2003 for a total of \$1.262 billion in direct 9/11 related expenditures.

Table 11. *WTC Expenditures (\$ millions)*

	Personal Service	Other Than Personal Service	Total PS and OTPS	Capital	Grand Total
FY 2002 total	\$405.32	\$650.05	\$1,055.37	\$19.02	\$1,074.39
July 2002	4.02	36.79	40.81	9.92	50.73
August 2002	3.43	29.05	32.48	3.17	35.65
September 2002	2.31	15.61	17.92	12.26	30.18
1st Quarter total	9.76	81.45	91.21	25.35	116.56
October 2002	2.21	14.73	16.94	7.24	24.18
November 2002	2.15	6.65	8.80	4.18	12.98
December 2002	.25	30.65	30.90	3.06	33.96
2nd Quarter total	4.61	52.03	56.64	14.48	71.12
First half of FY 2003	14.37	133.48	147.85	39.83	187.68
Total	419.69	783.53	1,203.22	58.85	1,262.07

III. CAPITAL EXPENDITURES

Capital expenditures totaled \$1.357 billion during the second quarter of FY 2003, \$186 million less than in the same quarter last year. The average daily expenditure was \$22.249 million, down from a daily average of \$25.289 million for the second quarter of FY 2002. Expenditures of \$427 million for October 2002 averaged \$19.423 million daily. November 2002 expenditures of \$616 million averaged \$34.198 million daily, and December 2002 expenditures of \$314 million averaged \$14.969 million daily.

Capital expenditures are financed by issuing debt, including GO, TFA, TSASC, Inc., Water and Sewer and Dormitory Authority debt. These capital expenditures are City-funded expenditures. City-funded capital expenditures, averaging \$20.554 million daily, were \$1.254 billion for this quarter, compared with \$1.467 billion in the same period last year. City-funded expenditures were \$392 million in October 2002, \$578 million in November 2002, and \$283 million in December 2002. The expenditures averaged \$17.839 million daily, \$32.120 million daily, and \$13.485 million daily in October, November and December, respectively.

Payments of \$300 million were made to the School Construction Authority (SCA) in November 2002; the second quarter of FY 2003. In the second quarter of FY 2002 there were \$600 million in payments to the SCA. For the first half of FY 2003 SCA expenditures totaled \$825 million, or \$75 million below the \$900 million in payments in the first half of FY 2002.

Chart 3 compares quarterly City-funded capital expenditures in October-December 2002, July-September 2002 and October-December 2001.

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

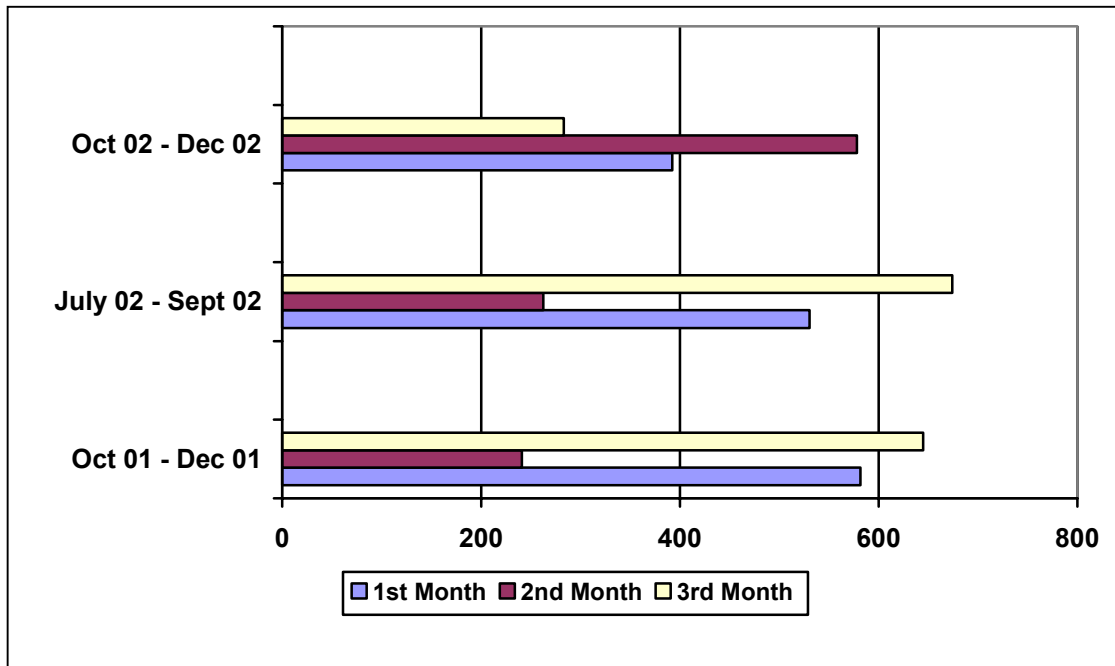


Table 12 compares capital expenditures in FY 2002 and FY 2003. In the first half of FY 2003 capital expenditures were \$216 million greater than in the first half of FY 2002. City-funded capital expenditures were \$177 million, or 7 percent higher in FY 2003.

Table 12. *Capital Expenditures for FY 2002 and FY 2003 (\$ millions)*

FY 2002	Total Capital	City-funded Capital	FY 2003	Total Capital	City-Funded Capital
First quarter	\$1,148	\$1,077	First quarter	\$1,550	\$1,467
Second quarter	1,543	1,467	Second quarter	1,357	1,254
First half of FY	2,691	2,544	First half of FY	2,907	2,721

Table 13 displays City-funded capital expenditures for the quarter by bonding status. Bonding status classifies City-funded capital expenditures into categories. These categories indicate whether the general fund may be reimbursed for these expenditures out of certain bond proceeds.

Table 13. *City-funded Capital Expenditures by Bonding Status (\$ millions)*

	October 2002	November 2002	December 2002	Total
Approved-Tax Exempt	\$126.40	\$429.92	\$111.47	\$ 667.79
Water and Sewer	90.52	75.11	118.45	284.08
Taxable	18.88	39.70	33.50	92.08
All City-funded Spending	392.46	578.16	283.19	1,253.81

All capital expenditures are paid from the City's central treasury. Bonds and BANs are issued to reimburse the central treasury. The timely transfer of funds to the central treasury eliminates the potential of any negative impact on operating cash balances. During the second quarter of FY 2003, \$882 million of City-funded capital expenditures that were previously paid out of the central treasury, were reimbursed from bond proceeds as shown in Table 14. In the same period in FY 2002 there were \$1.492 billion of transfers.

Table 14. *Reimbursement to the Central Treasury From Bond Proceeds (\$ millions)*

	October 2002	November 2002	December 2002	Total
General Obligation Bonds	\$ 18.46	\$ 3.63	\$ 0.00	\$ 22.09
Water and Sewer Bonds	67.17	97.00	28.00	192.17
Transitional Finance Authority Bonds and BANs	0.00	365.76	149.27	515.03
Tobacco Settlement	126.43	0.00	0.00	126.43
<i>Sub-total</i>	<i>212.06</i>	<i>466.39</i>	<i>177.27</i>	<i>855.72</i>
Other	0.00	0.00	25.79	25.79
Total	212.06	466.39	203.06	881.51

IV. FINANCING AND DEBT SERVICE

In the second quarter of FY 2003, the City sold \$1.147 billion in General Obligation (GO) bonds to refund outstanding debt. The issuance was comprised of \$599.1 million of fixed rate tax-exempt bonds, \$147.68 million of fixed rate taxable bonds and \$400 million of adjustable rate tax-exempt debt. In the second quarter of FY 2002 \$1.650 billion in GO debt was issued. Year-to-date in FY 2003, GO debt issues total \$2.157 billion compared with the \$1.65 billion issued in the first half of FY 2002.

In October 2002, the Transitional Finance Authority (TFA) sold \$1.027 billion in New York City Recovery Bonds, consisting of \$883.2 million adjustable rate and \$143.51 million fixed rate bonds. These bonds were used to fund the payment of New York City Recovery Notes issued in FY 2002 for City operating budget costs incurred as a result of the attack on the World Trade Center on 9/11. In the second quarter of FY 2003, the TFA sold \$555 million in Bond Anticipation Notes (BANs) maturing in November 2003. These BANs are to provide funds for the City's capital program. The TFA issued bonds totaling \$592 million to refund outstanding BANs due in November 2002. A total of \$2.173 billion in debt was issued by the TFA in October, November and December 2002. In the same period in FY 2002, the TFA issued \$1.22 billion in debt. Year-to-date, \$5.523 billion in debt was issue by the TFA compared with \$1.97 billion in the first half of FY 2002.

Table 15 shows the total of \$8.180 billion in debt issued by the City, the TFA, and TSASC, Inc. in the first half of FY 2003. In the first half of FY 2002, issuances totaled \$3.62 billion.

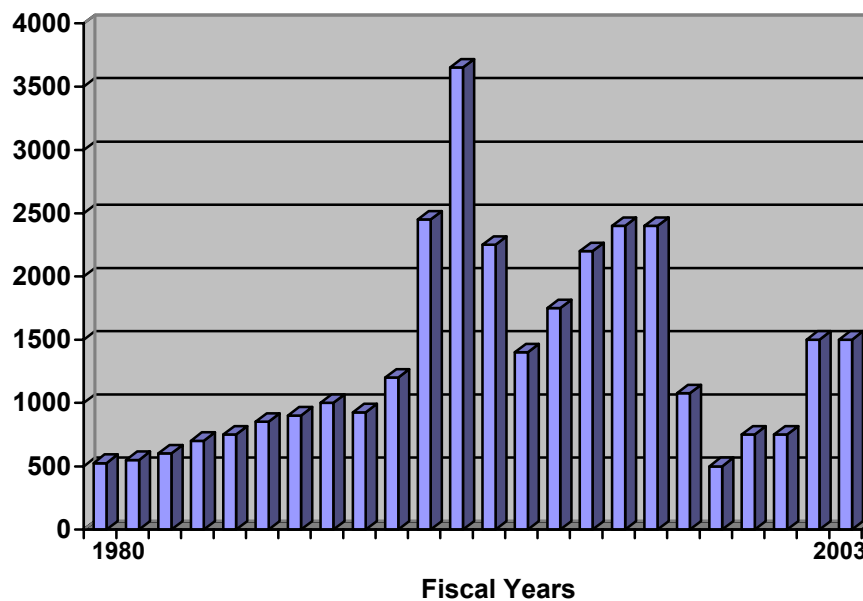
Table 15. *Bond and BAN Issues During FY 2003 (\$ millions)*

	NYC GO Debt		TFA Debt		TSASC, Inc.	
	Tax- Exempt	Taxable	Tax- Exempt	Taxable	Tax- Exempt	Total
July 2002	\$ 0.00	\$0.00	\$2,079.77	\$ 0.00	\$ 0.00	\$ 2,079.77
August 2002	1,009.81	0.00	673.83	76.17	500.00	2,259.81
September 2002	0.00	0.00	520.00	0.00	0.00	520.00
First Quarter Total	1,009.81	0.00	3,273.60	76.17	500.00	4,859.58
October 2002	0.00	0.00	1,026.71	0.00	0.00	1,026.71
November 2002	999.10	147.68	1,146.74	0.00	0.00	2,293.52
December 2002	0.00	0.00	0.00	0.00	0.00	0.00
Second Quarter	999.10	147.68	2,173.45	0.00	0.00	3,320.23
Total						
Total First Half of FY2003	2,008.91	147.68	5,447.05	76.17	500.00	8,179.81

The City and the TFA fund debt service payments in advance of the actual payment dates to holders of these securities. In the October-December 2002 period, GO debt service funding was \$159 million compared with zero in October-December 2001. GO debt service is normally funded by real estate tax withheld in a separate bank account by the State Comptroller. In FY 2003, a \$26 million payment was made from the central treasury. The FY 2002 second quarter debt service requirement was funded in June 2001 from the FY 2001 budget surplus. In the second quarter of FY 2003, actual payments to holders of GO bonds were \$166.5 million. During the quarter, PIT of \$107 million was withheld by the TFA for February 2003 payments of debt service compared with \$65 million in the same period last year. The City's real estate tax and PIT cash receipts are net of debt service funding.

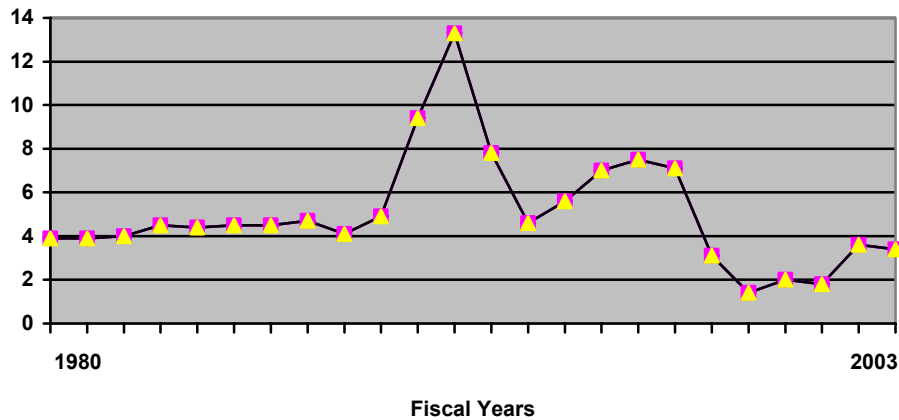
On October 9, 2002, the City issued \$1.5 billion of Revenue Anticipation Notes (RANs) maturing on April 11, 2003. As shown in Chart 4 this is the same amount of RANs borrowed in FY 2002. New York State education aid of \$1.706 billion was pledged to repay the notes for 1.14 times of coverage.

Chart 4. *Seasonal Borrowings FY 1980-FY 2003 (\$ millions)*



In the November 2002 financial plan modification, \$1.5 billion in RANs corresponded to 3.4 percent of total forecast expenditures for FY 2003. This percentage included TFA debt service funding as shown in Chart 5.

Chart 5. *Seasonal Borrowings as a Percentage of Expenditures, FY 1980-FY 2003 (%)*



Of the RANs issued in October 2002, \$650 million have a 2.5 percent coupon and \$850 million have a 3.75 percent coupon for a gross interest cost of \$24.330 million. The Notes sold at a premium of \$13.728 million resulting in a net interest cost of \$10.601 million. Table 16 shows the cost of the City's seasonal financings since FY 1980.

Table 16. *Cost of Seasonal Borrowing Needs (\$ millions)*

FY	Public Sales	Private Sales	Total Sales	Net Interest
1980	\$ 375	\$150	\$ 525	\$ 23.30
1981	550	0	550	25.34
1982	600	0	600	48.25
1983	700	0	700	41.44
1984	750	0	750	27.54
1985	850	0	850	49.73
1986	900	0	900	41.05
1987	1,000	0	1,000	42.45
1988	925	0	925	34.84
1989	1,200	0	1,200	65.39
1990	2,450	0	2,450	85.20
1991	3,650	0	3,650	132.66
1992	2,250	0	2,250	74.41
1993	1,400	0	1,400	34.13
1994	1,750	0	1,750	36.20
1995	2,200	0	2,200	59.50
1996	2,400	0	2,400	70.28
1997	2,400	0	2,400	57.24
1998	1,075	0	1,075	30.59
1999	500	0	500	6.18
2000	750	0	750	11.91
2001	750	0	750	13.58
2002	1,500	0	1,500	14.37
2003	1,500	0	1,500	10.60

V. GLOSSARY OF ACRONYMS

BANs	Bond Anticipation Notes
FEMA	Federal Emergency Management Agency
FMS	Financial Management System
FY	Fiscal Year
GO	General Obligation
HHC	Health and Hospitals Corporation
IGT	Intergovernmental Transfer
MAC	Municipal Assistance Corporation
NYC	New York City
NYS	New York State
OTPS	Other than Personal Service
PIT	Personal Income Tax
PS	Personal Service
RANs	Revenue Anticipation Notes
SCA	School Construction Authority
STAR	School Tax Relief
TFA	Transitional Finance Authority
UPL	Upper Payment Limit
WTC	World Trade Center