

6. New York City Municipal Water Finance Authority Law

NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY

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S 1045-a. Short title. This title shall be known and may be cited as the "New York city municipal water finance authority act".

S 1045-b. Definitions. As used or referred to in this title, unless a different meaning clearly appears from the context:

1. "Authority" shall mean the public benefit corporation created by section one thousand forty-five-c of this title, known as the New York city municipal water finance authority.

2. "Bonds" shall mean bonds, notes or other evidences of indebtedness issued by the authority pursuant to this title and the provisions of this title relating to bonds and bondholders shall apply with equal force and effect to notes and noteholders, respectively, unless the context otherwise clearly requires.

3. "City" shall mean the city of New York.

4. "Comptroller" shall mean the comptroller of the city.

5. "Construction" shall mean the acquisition, erection, building, alteration, improvement, increase, enlargement, extension, reconstruction, renovation or rehabilitation of a water, sewerage or water and sewerage system or water project, as the case may be, as defined herein; the inspection and supervision thereof; and the engineering, architectural, legal, fiscal and economic and environmental investigations and studies, surveys, designs, plans, working drawings, specifications, procedures and other actions incidental thereto and claims arising therefrom.

6. "Contracting agency" shall mean any municipality, agency, authority or board, state agency, public authority or public benefit corporation authorized to award contracts for design, construction, services or materials for water projects authorized by this title.

7. (a) "Cost", as applied to any water project, shall include the cost of construction, the cost of the acquisition of all property, including both real, personal and mixed, the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated, the cost of all systems, facilities, machinery, apparatus and equipment, financing charges, interest prior to, during and after construction to the extent not paid or provided for from revenues or other sources, the cost of engineering and architectural surveys, plans and specifications, the cost of consultants` and legal services, the cost of lease guarantee or bond insurance, other expenses necessary, reasonably related or incidental to the construction of such water project and the financing of the construction thereof, including the amount authorized in the resolution of the authority providing for the issuance of bonds to be paid into any reserve or other special fund from the proceeds of such bonds and the financing of the placing of any water project in operation, including reimbursement to any municipality, state agency, the state, the United States government, or any other person for expenditures that would be costs of the water project hereunder.

(b) Notwithstanding the provisions of paragraph (a) of this subdivision, with respect to any fund established to support a program of water projects in Westchester and Putnam counties from the proceeds of bonds issued pursuant to this chapter, "cost" as applied

to any water project shall also include any interest paid after January twenty-first, nineteen hundred ninety-seven, without any other limitation as to when paid and without regard to the availability of any other sources of payment therefor, on bonds, notes or other evidences of indebtedness issued by any local governmental entity after January twenty-first, nineteen hundred ninety-seven to finance expenditures that would otherwise be costs of such water projects.

8. "Mayor" shall mean the mayor of the city of New York.

9. "Municipal bond" shall mean a bond, note or other evidence of indebtedness lawfully issued by the city pursuant to the local finance law or any other law applicable thereto.

10. "Person" shall mean any person, firm, partnership, association, or corporation organized or existing under the laws of the state or any other state, exclusive of public corporations as defined pursuant to article two-A of the general construction law. 11. "Real property" shall mean lands, structures, franchises and interests in land, waters, lands under water, groundwater riparian rights and air rights and any and all things and rights included within said term and includes not only fees simple absolute, but also any and all lesser interests including, but not limited to, easements, rights of way, uses, leases, licenses and all other incorporeal hereditaments and every estate, interest or rights, legal or equitable, including terms for years and liens thereon by way of judgments, mortgages or otherwise.

12. "Sewage" shall mean the water-carried human or animal wastes from residences, buildings, industrial establishments or other places, together with such groundwater infiltration and surface water as may be present. The admixture with sewage of industrial or other waste also shall be considered "sewage" within the meaning of this title.

13. "Sewerage facility" or "sewerage facilities" shall mean any plants, structures and other real and personal property acquired, rehabilitated or constructed or planned for the purpose of collecting, treating and disposing of sewage, including main, trunk, intercepting, connecting, lateral, outlet or other sewers, outfall, pumping stations, treatment and disposal plants, groundwater recharge basins, back-flow prevention devices, sludge dewatering or disposal equipment and facilities, clarifiers, filters, phosphorous removal equipment, and other plants, structures, equipment, vehicles, conveyances, real or personal property or rights therein and appurtenances thereto necessary or useful and convenient for the collection, conveyance, pumping, treatment, neutralizing, storing and disposing of sewage.

14. "Sewerage system" shall mean the sewage collection, pumping, treatment neutralizing, storage and disposal system or systems in the possession of, or under the jurisdiction and control of, the city or the water board, including all additions, increases, enlargements, extensions or improvements thereto.

15. "State" shall mean the state of New York.

16. "State agency" shall mean any state office, department, board, commission, bureau or division, or other agency or instrumentality of the state.

17. "System revenues" shall mean rents, fees, charges, payments and other income and receipts derived from users of a water system or sewerage system of the city or the water board including, without limiting the generality of the foregoing, investment proceeds and proceeds of insurance, condemnation, sale or other disposition of any

part thereof, together with all federal or state aid therefor.

18. "Water board" shall mean the water board or a sewer and water board, as the case may be, created by a special act of the state legislature, for the city as a body corporate and politic, constituting a public benefit corporation, and having the powers and duties as provided in this title.

19. "Water facility" or "water facilities" shall mean any plants, structures and other real and personal property acquired, rehabilitated, or constructed or planned for the purpose of supplying, distributing or treating water, including but not limited to surface or groundwater reservoirs, basins, dams, canals, aqueducts, standpipes, conduits, pipelines, mains, pumping stations, water distribution systems, compensating reservoirs, intake stations, water-works or sources of water supply, wells, purification or filtration plants or other treatment plants and works, connections, water meters, rights of flowage or division and other plants, structures, equipment, conveyances, real or personal property or rights therein and appurtenances thereto necessary or useful and convenient for the accumulation, supply, treatment or distribution of water.

20. "Water project" shall mean any sewerage facility, water facility or water and sewerage facility, as the case may be, including the planning, development, financing or construction thereof.

21. "Water system" shall mean the water supply and distribution system or systems owned by, in the possession of the city or the water board or under the jurisdiction, control and regulation of the city, including all additions, increases, enlargements, extensions or improvements thereto.

S 1045-c. New York city municipal water finance authority. 1. A corporation known as the New York city municipal water finance authority is hereby created for public purposes and charged with the duties and having the powers provided in this title. The authority shall be a body corporate and politic constituting a public benefit corporation. It shall be administered by a board of directors consisting of seven members as follows: the commissioner of environmental protection of the city, the state commissioner of environmental conservation, the director of management and budget of the city, the commissioner of finance of the city, two public members to be appointed by the mayor and one public member to be appointed by the governor. One public member appointed by the mayor shall serve for a term of one year, one public member appointed by the mayor shall serve for a term of two years, and the public member appointed by the governor shall serve for a term of two years from January first next succeeding the date of their appointment. Their successors shall serve for terms of two years each. Members shall continue in office until their successors have been appointed and qualified. The mayor or the governor shall fill any vacancy which may occur by reason of death, resignation or otherwise in a manner consistent with the original appointment. A public member may be removed by the mayor or the governor, whichever appointed him, for cause, but not without an opportunity to be heard in person or by counsel, in his defense, upon not less than ten days` notice. The mayor shall select a chairman from among the directors appointed by him who shall serve in such capacity at his pleasure.

The chairman shall preside over all meetings of the board of directors and shall have such other duties as may be prescribed by the board.

2. Each director who is a public member shall be entitled to reimbursement for his actual and necessary expenses incurred in the performance of his official duties and a per diem allowance of one hundred fifty dollars when rendering service as such director, provided that the aggregate of such per diem allowance to any one director in any one fiscal year of the authority shall not exceed the sum of five thousand dollars.

3. Such public members may engage in private employment, or in a profession or business, subject to the limitations contained in sections twenty-six hundred four, twenty-six hundred five, twenty-six hundred six and twenty-six hundred seven of the New York city charter for members appointed by the mayor, and subject to the limitations contained in sections seventy-three and seventy-four of the public officers law for members appointed by the governor. The authority shall, for the purposes of such sections be a "city agency" or a "state agency," as the case may be and such directors shall be "officers" of the authority for the purposes of such sections.

4. Four directors of the authority of whom at least three members shall be ex officio shall constitute a quorum for the transaction of any business or the exercise of any power of the authority. Resolutions authorizing the issuance of bonds or notes of the authority and resolutions authorizing any loan, lease, sale or other agreement in respect to a water project shall be approved by not less than four members of the authority at a meeting duly called for such purposes at which a quorum is in attendance, but for the transaction of any other business or the performance of any other power or function of the authority, the authority may act by a majority of the members present at any meeting at which a quorum is in attendance. The authority may delegate to one or more of its directors, or its officers, agents and employees, such powers and duties as it may deem proper. The commissioner of environmental protection of the city, the state commissioner of environmental conservation, the director of management and budget of the city, and the commissioner of finance of the city may each, by written instrument, filed with and approved as to form by the authority, designate a deputy or assistant in their respective departments or offices, to perform, in their absence, their respective duties under this title. The term "director" as used in this subdivision shall include such persons so designated as provided herein. The designation of such persons shall be deemed temporary only and shall not affect the civil service or retirement rights of any persons so designated.

5. Notwithstanding any inconsistent provisions of this or any other law, general, special or local, or of any charter, no officer or employee of the city or the state, shall be deemed to have forfeited or shall forfeit his office or employment or any benefits provided under the retirement and social security law by reason of his acceptance of membership on the authority, provided, however, that a director who holds such other public office or employment shall receive no additional compensation for services rendered pursuant to this title, but shall be entitled to reimbursement for his actual and necessary expenses incurred in the performance of such services.

6. The authority and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the authority shall

have bonds or other obligations outstanding unless adequate provision has been made for the payment or satisfaction thereof. Upon termination of the existence of the authority, all of the rights and properties of the authority then remaining shall pass to and vest in the city except as otherwise may be specified in such law.

7. It is hereby determined and declared that the authority and the carrying out of its powers and duties are in all respects for the benefit of the people of the city and the state for the improvement of their health, welfare and prosperity and that such purposes are public purposes and that the authority is and will be performing an essential governmental function in the exercise of the powers conferred upon it by this title.

8. Nothing in this title shall be construed to obligate the state in any way in connection with the operations or obligations of the authority.

S 1045-d. General powers of the authority. Except as otherwise limited by this title, the authority shall have power:

1. To sue and be sued;
2. To have a seal and alter the same at pleasure;
3. To borrow money and issue negotiable or non-negotiable notes, bonds or other obligations and to provide for the rights of the holders thereof;
4. To make and amend by-laws for its organization and internal management, and rules and regulations governing the exercise of its power and the fulfillment of its purposes under this title and file such by-laws with the secretary of state and clerk of the city;
5. To enter into contracts and to execute all instruments necessary or convenient or desirable for the purposes of the authority to carry out any powers expressly given it in this title;
6. To acquire, by purchase, gift, grant, transfer, contract or lease, lease as lessee, hold, and use any real or personal property or any interest therein, as the authority may deem necessary, convenient or desirable to carry out the purpose of this title provided, however, the authority may not acquire or otherwise receive real property of the city without the consent of the city and to sell, lease as lessor, transfer and dispose of any property or interests therein at any time required by it in the exercise of its powers;
7. To appoint such officers and employees as it may require for the performance of its duties, and to fix and determine their qualifications, duties and compensation, subject to the provisions of the civil service law and the rules of the civil service commission of the city, and to retain or employ counsel, auditors, engineers and private consultants for rendering professional or technical services and advice;
8. To make plans and studies necessary, convenient or desirable to the effectuation of the purposes and powers of the authority and to prepare recommendations in regard thereto;
9. To make use of existing studies, surveys, plans, data and other material in the possession of any state agency, any municipality or the water board in order to avoid duplication of effort;

10. To enter upon such lands, waters, or premises as in the judgment of the authority shall be necessary for the purpose of making surveys, soundings, borings and examinations to accomplish any purpose authorized by this title, the authority being liable only for actual damage done;

11. To conduct investigations and hearings in the furtherance of its general purposes, and in aid thereof to have access to any books, records or papers relevant thereto; and if any person whose testimony shall be required for the proper performance of the duties of the authority shall fail or refuse to aid or assist the authority in the conduct of any investigation or hearing, or to produce any relevant books, records or other papers, the authority is authorized to apply for process of subpoena, to issue out of any court of general original jurisdiction whose process can reach such person, upon due cause shown;

12. To enter into agreements with the water board and the city for the financing by the authority of water projects, as herein provided;

13. To apply for and to accept any gifts or grants or loans of funds or property or financial or other aid in any form from the federal government or any agency or instrumentality thereof, or from the state or any agency or instrumentality thereof or from any other source, for any or all of the purposes specified in this chapter, and to comply, subject to the provisions of this title, with the terms and conditions thereof;

14. To do all things necessary, convenient or desirable to carry out its purposes and for the exercise of the powers granted in this title.

S 1045-e. Approval of water projects. The authority shall not enter into any contract or agreement with the city or the water board with respect to the financing of any water project pursuant to section one thousand forty-five-i of this title, unless the state commissioner of environmental conservation and the state commissioner of health shall have completed all statutory reviews and approvals with respect to such project which, as of the date of such contract or agreement, are required by law. Nothing herein shall be construed to diminish the full authority and responsibility of each department of the state for statutory reviews and approvals.

S 1045-f. Water board. 1. A city water board may be created by a special act of the state legislature at the request of the city, as a body corporate and politic, constituting a corporate municipal instrumentality of the state and having the powers and duties as provided in this title.

2. The water board shall consist of seven members appointed by the mayor. Terms of office of the members shall be two years except that the terms of four of the board members first appointed shall be one year. At least one member shall have experience in the science of water resource development. No member shall be a director of the authority. The mayor shall appoint a chairman from among the members of the board. All members shall continue to hold office until their successors are appointed and qualified. Vacancies shall be filled in the manner provided for original appointments.

Vacancies, occurring otherwise than by expiration of term of office, shall be filled in the same manner as original appointments for the unexpired terms.

3. Each member of the water board shall be entitled to reimbursement for his actual and necessary expenses incurred in the performance of his official duties and a per diem allowance of one hundred fifty dollars when rendering service as a member; provided that the aggregate of such per diem allowance to any one member in any one fiscal year of the board shall not exceed the sum of five thousand dollars.

4. Notwithstanding any inconsistent provision of law, general, special or local, or any city charter, no officer or employee of the city shall be deemed to have forfeited or shall forfeit his office or employment or any benefits provided under the retirement and social security law, by reason of his acceptance of membership on the water board, provided, however, that a member of the board who holds other public office or employment shall receive no additional compensation for services rendered pursuant to this title, but shall be entitled to reimbursement for his actual and necessary expenses incurred in the performance of such services.

5. The mayor may remove any member for inefficiency, neglect of duty or misconduct in office after giving such member a copy of the charges against such member and an opportunity to be heard and defended, in person or by counsel, upon not less than ten days' notice. If any member shall be so removed, the mayor shall file in the office of the clerk of the city a complete statement of charges against such member, and the mayor's findings thereon, together with a complete record of the proceedings.

6. Members of the water board, other than members holding other public office or employment, may engage in private employment, or in a profession or business, subject to the limitations contained in sections twenty-six hundred four, twenty-six hundred five, twenty-six hundred six and twenty-six hundred seven of the New York city charter.

7. A majority of the members of the water board shall constitute a quorum for the transaction of any business or the exercise of any power of the board. The water board shall have power to act by the affirmative vote of not less than a majority of the members in office at any duly held meeting thereof. The water board may delegate to one or more of its members or its officers, agents and employees, such powers and duties as it may deem proper. Any member who is an officer of the city may, by written instrument, filed with and approved as to form by the board, designate another city officer to perform in his absence his duties under this title. The term "member" as used in this section shall include such persons so designated as provided herein. The designation of any such person shall be deemed temporary only and shall not affect the civil service or retirement rights of the person so designated.

8. The water board and its corporate existence shall continue so long as it shall have contractual duties or obligations outstanding and until its existence shall be terminated by law. Upon termination of the existence of the water board, all of the rights and assets of the water board then remaining shall pass to and vest in the city.

9. It is hereby determined and declared that the water board and the carrying out of its powers and duties are in all respects for the benefit of the people of the city and the state, for the improvement of their health, welfare and prosperity and that such purposes are public purposes and that the water board is and will be performing

an essential governmental function in the exercise of the powers conferred upon it by this title.

S 1045-g. General powers of the water board. Except as otherwise limited by this title, the water board shall have power:

1. To sue and be sued;
2. To have a seal and alter the same at pleasure;
3. To make and amend by-laws for its organization and internal management, and rules and regulations governing the exercise of its powers and duties and the fulfillment of its purposes under this title;
4. To establish, fix, revise, charge and collect and enforce the payment of all fees, rates, rents and other service charges for the use of, or services furnished by the sewerage system, water system, or both, as the case may be, so as to receive revenues which, together with other revenues available to the board, if any, shall be at least sufficient at all times so that such system or systems shall be placed on a self-sustaining basis in accordance with section one thousand forty-five-j of this title; provided, however that the water board shall not establish a limit of less than four years commencing from the date of the bill for services to challenge any fee, rate, rent or other service charges for the use of or services furnished by the water and/or sewerage systems; any such challenge shall specifically set forth the basis for such claim;
5. To enter into contracts and to execute all instruments necessary or convenient or desirable for the purposes of the water board to carry out any powers expressly given it in this title, provided nothing herein contained shall authorize the water board to borrow money or otherwise contract indebtedness;
6. To enter into an agreement pursuant to section one thousand forty-five-i of this title with the authority and the city to provide a means whereby the authority shall finance the cost of constructing water projects, as described in the agreement, and the water board may agree to assume title to the water or sewerage system, or both, and to raise revenues from users through fees, rates, rents or other service charges necessary or appropriate to secure such financing and to pay the cost of the operation, management and repair of such water or sewerage system;
7. To acquire, purchase, lease as lessee, hold and use any property, real, personal or mixed, or any interest therein necessary or desirable to carry out the purposes of this title and, subject to any limitations in any agreement with the city entered into pursuant to section one thousand forty-five-h of this title, to sell, lease as lessor, transfer or otherwise dispose of any such property or interest therein;
8. To appoint such officers and employees as it may require for the performance of its duties, and to fix and determine their qualifications, duties, and compensation, subject to the provisions of the civil service law and the rules of the civil service commission of the city, and to retain or employ counsel, auditors, engineers and private consultants on a contract basis or otherwise for rendering professional or technical services and advice;

9. To acquire from the city title to the sewerage system, water system, or both the sewerage and water systems, as the case may be, of such city;

10. To make plans, surveys and studies necessary, convenient or desirable to the effectuation of the purposes and powers of the water board and to prepare recommendations in regard thereto; 11. To make use of existing studies, surveys, plans, data and other material in the possession of the city in order to avoid duplication of effort, and such city is hereby authorized to make the same available to the water board and otherwise to assist it in the performance of its functions;

12. With the consent of the mayor of the city to use officers or employees of the city and to pay a proper portion of the compensation or costs for the services of such officers or employees;

13. To conduct investigations and hearings in the furtherance of its general purposes, and in aid thereof to have access to any books, records or papers relevant thereto; and if any person whose testimony shall be required for the proper performance of the duties of the water board shall fail or refuse to aid or assist the water board in the conduct of any investigation or hearing, or to produce any relevant books, records or other papers, the water board is authorized to apply for process of subpoena, to issue out of any court of general original jurisdiction whose process can reach such person, upon due cause shown;

14. To apply for and to accept any gifts or grants of funds or property or financial or other aid in any form from the federal government or any agency or instrumentality thereof, or from the state or any state agency, the city or from any other sources, for any or all of the purposes specified in this title, and to comply, subject to the provisions of this title, with the terms and conditions thereof;

15. To invest moneys not required for immediate use or disbursement, subject to such restrictions as may be imposed by any agreement with the authority, in such obligations or deposits with such banks or trust companies as it may determine and designate, provided that any such deposit with a bank or trust company shall be continuously and fully secured by direct obligations of the city, the state or the United States of America, or obligations the principal of and interest on which are guaranteed by the state or the United States of America, of a market value equal at all times to the amount of the deposit;

16. To establish and maintain such reserves, special funds and accounts, to be held in trust or otherwise, as may be required by any agreement with the authority and the city; and

17. To do all things necessary, convenient or desirable to carry out its purposes and for the exercise of the powers granted in this title.

S 1045-h. Transfer of sewerage or water systems by the city to the water board.

1. The city may, acting either by the mayor alone or by resolution of the board of estimate of the city, enter into an agreement with the water board for the transfer to the water board, for use in the exercise of its corporate powers and purposes, the sewerage system or water system, or both, of the city as the same then shall be owned by the city. Any such agreement may provide for the transfer of title of such system

or systems by deed, lease or other arrangement to the water board. To the extent not inconsistent with this title, any such agreement may impose such limitations or conditions as may be agreed upon by and between the city and water board with respect to the power of the water board to sell or otherwise dispose of any property acquired by the board pursuant to such agreement, and may provide for or authorize the water board to surrender to the city, property no longer required by the water board for its public purposes. Notwithstanding the provisions of any general, special or local law or charter to the contrary, any action taken by the city pursuant to this subdivision shall not be subject to a permissive or mandatory referendum.

2. Any such agreement shall set forth the liabilities of the city which it is contemplated are to be paid by the water board from moneys available to it; provided, however, that such agreement does not require the water board to assume the liabilities of the city; provided further, notwithstanding the foregoing, the city shall continue to be the record owner for real estate tax purposes of any facilities located outside of its municipal boundaries.

3. Any such agreement may provide for the payment by the city to the water board from any funds of the city, of such amount as may be determined appropriate for use by the water board.

4. The city and the water board are hereby authorized and empowered to make or enter into any contracts, agreements, deeds, leases, conveyances or other instruments as may be necessary or appropriate to effectuate the purposes of this title, and they shall have power and authority to do so and to authorize the doing of all things incidental, desirable or necessary to implement the provisions of this title.

5. Notwithstanding the foregoing provisions of this section, no agreement contemplated by this section shall become effective for any purpose unless and until the same shall have been approved in writing by resolution of the authority.

6. Upon the filing by the water board with the clerk of the city and the secretary of state of a copy of the instruments or documents effectuating the transfer authorized by this section, the water board shall take possession of the sewerage system or water system, or both, of the city thereby transferred.

7. Any application filed or proceeding heretofore commenced in relation to the sewerage system or water system, or both, transferred to the water board pending with the state departments of environmental conservation or health or any other state agency or with the United States environmental protection agency or any other federal agency or instrumentality shall inure to and for the benefit of the water board and be binding upon the water board to the same extent and in the same manner as if the water board had been a party to such application or proceeding from its inception, and the water board shall be deemed a party thereto to the extent not prohibited by any federal law. Any license, approval, permit or decision heretofore or hereafter issued or granted pursuant to or as a result of any such application or proceeding shall inure to the benefit of and be binding upon the water board and shall be assigned and transferred by the city to the water board unless such assignment and transfer is prohibited by federal law.

8. The rules and regulations of the water board may provide for the discontinuance or disconnection of the supply of water or the provision of sewerage service, or both, as the case may be, by the city for non-payment of fees, rates, rents or other charges therefor imposed by the water board, provided such discontinuance or disconnection of any supply of water or the provision of sewerage service, or both, as the case may be, shall not be carried out except in the manner and upon the notice as is required of a waterworks corporation pursuant to subdivisions three-a, three-b and three-c of section eighty-nine-b and section one hundred sixteen of the public service law. A copy of all by-laws, rules and regulations and amendments thereto, duly certified by the secretary of the water board, shall be filed in the offices of the clerk of the city and the secretary of state within three months and thereafter published once in the official newspaper of the city.

Violation of such rules and regulations shall subject the offending party to a civil penalty in an action brought by the water board, not exceeding one hundred dollars for each day the violation continues.

Jurisdiction is hereby conferred upon the civil court of the city and the environmental control board of the city to hear and determine, subject to the provisions of the civil practice law and rules, any violation of such rules and regulations.

S 1045-i. Agreement among the water board, the city and the authority for the provision of water projects.

1. The authority, the water board and the city, acting either by the mayor alone or by resolution of the board of estimate of the city, may enter into agreements for the purpose of providing for the construction and financing of a water project.

2. Any such agreements (i) shall describe in sufficient detail for reasonable identification the particular water project to be financed in whole or in part by the authority, (ii) shall describe the plan for the financing of the cost of the construction of such water project, including the amount, if any, to be provided by the water board and the source or sources thereof, (iii) shall set forth the method by which and by whom and the terms and conditions upon which moneys provided by the authority shall be disbursed, (iv) may require, in the discretion of the authority, the payment to the authority of the proceeds of any state and federal grants available to the water board, (v) shall provide for the establishment of user fees, rates, rents and other charges and the charging and collection thereof by the water board for the use of, or services furnished, rendered or made available by such system such as to provide that such board receive revenues at least sufficient, together with other revenues of the board, if any, to meet the requirements of subdivision one of section one thousand forty-five-j of this title, provided that revenues received by such board shall be deposited in a special fund established pursuant to this title and disbursed to, and upon certification of, the authority, (vi) may provide for the transfer by the city to the water board pursuant to section one thousand forty-five-h of this title of ownership of the sewerage system or water system, or both, as the case may be, of which such project will form a part by the city, (vii) shall provide for the construction and completion of such water project by the city and for the operation, maintenance and repair thereof as an

integrated part of the system of which such water project forms a part, subject to such terms and conditions, not inconsistent with this title, which may be in the public interest and necessary or desirable properly and adequately to secure the holders of bonds of the authority, provided, however, all contracts for public work and all purchase contracts shall be awarded by the city as provided by law for the award of such contracts by the city and that all contracts for construction shall be let in accordance with the provisions of state law pertaining to prevailing wages, labor standards and working hours. When the entire cost of constructing a building as part of any water project shall exceed fifty thousand dollars, the city shall prepare separate specifications for the following three subdivisions of the work to be performed:

- (a) plumbing and gas fitting;
- (b) steam heating, hot water heating, ventilating and air conditioning apparatus; and
- (c) electric wiring and standard illuminating fixtures, (viii) shall provide for the discontinuance or disconnection of the supply of water or the provision of sewerage service, or both, as the case may be, for non-payment of fees, rates, rents or other charges therefor imposed by the water board, provided such discontinuance or disconnection of any supply of water or the provision of sewerage service, or both, as the case may be, shall not be carried out except in the manner and upon the notice as is required of a waterworks corporation pursuant to subdivisions three-a, three-b and three-c of section eighty-nine-b and section one hundred sixteen of the public service law, and (ix) in the discretion of the authority, require reports concerning the project from the water board to the authority and the city.

3. If the city executes an agreement pursuant to this section, relating to the financing of water projects by revenue bonds, it shall have and shall be deemed to have annulled its power to levy user fees, rents and other charges on participating properties or customers for the cost of financing, operating and maintaining such water or sewerage system or both, as the case may be, under its jurisdiction until all bonds of the authority shall have been paid or discharged in accordance with the agreement and the resolution of the authority authorizing such bonds. If the city has outstanding general obligation bonds issued for acquiring or constructing water or sewerage facilities, whether the bonds are payable from revenues, special assessments, or taxes, it may authorize the authority pursuant to the agreement to issue its revenue bonds under this title for the purpose of retiring the outstanding bonds.

4. No such agreement shall be executed until the city and water board shall have held a public hearing at which users of the water system or the sewerage system or the water system and sewerage system, as the case may be, shall have had opportunity to be heard concerning the proposed provisions thereof. Notice of such hearing shall be published at least thirty days in advance in the state register, in the official newspaper or newspapers of the city, and in at least one newspaper of general circulation in each of the areas served by the water system or sewerage system, as the case may be.

5. Such agreement shall be effective upon the issuance by the authority of notes and bonds to finance the cost of constructing water projects of the city.

6. Any such agreement may be amended, revised or extended by supplemental agreements authorized and executed in the same manner as the original agreement, provided that

any such supplemental agreement shall not be inconsistent with the provisions of this title.

7. (a) Following the execution of the agreement by and between the authority, the water board and the city pursuant to this section, the clerk of the city, shall publish a notice in substantially the following form: "Notice is hereby given that the city of New York has on day of entered into an agreement with the New York city municipal water finance authority in relation to the construction and financing of (here insert a brief description of the sewerage or water facility or facilities to which such agreement relates) pursuant to the New York City Municipal Water Finance Authority Act for the purpose of placing its water or sewerage system or water and sewerage system, as the case may be, on an independent basis, imposing fees and rents on water or sewerage system users, or both, which, together with other revenues available for such purpose, if any, are sufficient to pay to the authority debt service on bonds issued by the authority pursuant to the agreement and for operation and maintenance of the facility (title to which is transferred to the water board pursuant to the agreement). Such agreement in general terms provides (here insert a brief summary of the substantive provisions of such agreement). A copy of the complete agreement is on file for public inspection in the office of the clerk of the city where the same may be examined by any interested person during regular business hours. The validity of this agreement may be hereafter contested only upon the ground or grounds that: (i) such agreement violates, or the performance of any provision thereof by any party thereto would violate, the provisions of any law or the state constitution, or (ii) the provisions of law which should have been complied with in relation to the authorization and execution were not substantially complied with, and in any event an action, suit or proceeding is commenced within sixty days after the date of this notice. (Clerk or other official designated by the city council of the city of New York)"

(b) The publication authorized by this subdivision shall be in the state register and in the official newspaper or newspapers of the city.

(c) After the expiration of the sixty day period set forth in such notice the validity of such agreement shall be conclusively presumed and the validity thereof shall not thereafter be questioned by either a party plaintiff or a party defendant and no court shall have jurisdiction in any action, suit or proceeding contesting such validity.

(d) Neither any error or omission in the notice of publication provided for in this subdivision shall affect or impair the validity of an agreement executed pursuant to this section so long as the notice substantially conforms to the provisions of this section.

S 1045-j. Imposition and disposition of sewer and water fees, rates, rents or charges.

1. The water board shall establish, fix and revise, from time to time, fees, rates, rents or other charges for the use of, or services furnished, rendered or made available by, the sewerage system or water system, or both, as the case may be, owned by the water board pursuant to this title in such amount at least sufficient at all times so as to provide funds in an amount sufficient together with other revenues available to the board, if any, (i) to pay to the authority, in accordance with any agreement with the

authority, an amount sufficient for the purpose of paying the principal of and the interest on the outstanding notes or bonds of the authority as the same shall become due and payable and maintaining or funding a capital or debt service reserve fund therefor and, to the extent requested by the city in, or annually pursuant to, the agreement to pay to the city, in accordance with the agreement, an amount sufficient for the purpose of paying the principal of and interest on general obligation bonds thereof issued for or allocable to the water system or sewerage system or both, as the case may be, as the same shall become due and payable, and to maintain or fund reserves therefor, (ii) to pay to the city, in accordance with the agreement, an amount sufficient for the purpose of paying the costs of administering, maintaining, repairing and operating and the cost of constructing capital improvements to the water system or sewerage system or both, as the case may be, (iii) to pay to the city in accordance with the agreement entered into pursuant to section one thousand forty-five-i of this title an amount sufficient for the purpose of paying liabilities issued for or allocable to the water system or sewerage system or both, as the case may be, as the same shall become due and payable, (iv) to meet any requirements of any agreement including requirements relating to the establishment of reserves for renewal and replacement and for uncollected charges and covenants respecting rates, (v) to pay all other reasonable and necessary expenses of the authority and the water board in relation thereto, and (vi) to the extent requested by the city in or pursuant to the agreement, to pay or provide for such other purposes or projects as such city considers appropriate and in the public interest.

Any surplus of funds remaining in the water board after such payments have been made shall be returned to the city for deposit in the general fund.

2. There is hereby established in the custody of the water board a special fund to be known as the local water fund. Such fund shall consist of the revenues derived from the fees, rates, rents and service charges established, charged and collected pursuant to this title and any other income earned or moneys received by the water board. Revenues in the local water fund shall be kept separate and shall not be commingled with any other moneys in the custody of the water board. All moneys, properties and assets acquired by the water board, whether as revenues or otherwise, shall be held by it in trust for the purposes of carrying out its powers and duties, and shall be used and reused in accordance with the purposes and provisions of this article.

The water board shall deposit promptly, to the credit of the local water fund, revenues collected under this article in a bank, banking house or trust company as may be designated in or pursuant to the agreement.

3. No such fee, rate, rent or other charge shall be established, fixed or revised unless and until the water board has held a public hearing at which the users of the water system or sewerage system, or both, as the case may be, the owners of property served or to be served and others interested, have had an opportunity to be heard concerning the same.

Notice of such public hearing shall be published by the water board at least twenty days before the date set therefor, in at least one newspaper of general circulation in each of the areas served by the water system or sewerage system, as the case may

be. Such notice shall set forth the date, time and place of such hearing and shall include a brief description of the matters to be considered at such hearing. A copy of the notice shall be filed in the office of the clerk of the city and shall be available for inspection by the public. At all such hearings, any users of the water system, sewerage system, or both, as the case may be, owners of property served or to be served and any other interested persons shall have an opportunity to be heard concerning the matters under consideration. Any decision of the water board on matters considered at such public hearing shall be in writing and be made available in the office of the water board for public inspection during regular office hours. Such decision shall be published in at least one newspaper of general circulation in each of the areas served by the water system or sewerage system, as the case may be within thirty days after such decision is made. The fees, rates, rents or other charges so established for any class of users of property served shall be extended to cover any additional premises thereafter served which are within the same class, without the necessity of a hearing thereon.

4. The fees, rates, rents or other charges established, fixed and revised from time to time by the water board shall be collected by the water board at such times and in such manner as may be determined by the rules and regulations adopted by the water board consistent with the provisions of this title.

4-a. (a) The water board may enter into agreements with one or more financing agencies or card issuers to provide for the acceptance by the water board of credit cards as a means of payment of fees, rates, rent or other charges owed by a person to the water board. Any such agreement shall govern the terms and conditions upon which a credit card proffered as a means of payment of a fee, rate, rent or other charge shall be accepted or declined and the manner in and conditions upon which the financing agency or card issuer shall pay to the water board the amount of fees, rates, rent or other charges paid by means of a credit card pursuant to such agreement. Any such agreement may provide for the payment by the water board to such financing agency or card issuer of fees for the services provided by such financing agency or card issuer pursuant to such agreement, which fees may consist of a discount deducted from or payable in respect to the amount of each such fee, rate, rent or other charge or otherwise as the agreement may provide.

(b) If the water board has entered into an agreement pursuant to paragraph (a) of this subdivision, it may accept credit cards as a means of payment of fees, rates, rent or other charges, as provided in any agreement entered into pursuant to paragraph (a) of this subdivision and may pay such fees as are specified in such agreement to such financing agency or card issuer in consideration of the services rendered by such financing agency or card issuer thereunder; provided, however, that the water board may require any person offering a credit card as a means of payment of such fee, rate, rent or other charge to pay to the water board a reasonable administrative service fee not to exceed the costs incurred by the water board in connection with such credit card transaction, which costs shall include any fee payable by the water board to such financing agency or card issuer.

(c) The water board may promulgate any rules or regulations necessary to carry out the provisions of this subdivision.

(d) For purposes of this subdivision, the terms "card issuer", "credit card", "financing agency" and "person" shall have the same meaning as provided in subdivision (a) of section five of the general municipal law.

5. Such fees, rates, rents or other charges, if not paid when due, shall constitute a lien upon the premises served and a charge against the owners thereof, which lien and charge shall bear interest at the same rate as would unpaid taxes of the city. Such lien shall take precedence over all other liens or encumbrances, except taxes, and may be foreclosed against the lot or building served in the same manner as a lien for such taxes. The amount which remains due and unpaid for sixty days may, with interest thereon at the same rate as unpaid city taxes and with reasonable attorneys' fees, be recovered by the water board in a civil action in the name of the water board against such owners. The city, and any state agency shall be subject to the same fees, rates, rents or other charges under the same conditions as other users of such water system or sewerage system, or both, as the case may be. Tax exempt organizations shall be charged according to the provisions of chapter six hundred ninety-six of the laws of eighteen hundred eighty-seven, as amended by chapters eight hundred ninety-three and eight hundred ninety-four of the laws of nineteen hundred eighty and by provisions which may by law extend the provisions of such chapters from time to time. Any agreement for the supply of water or sewerage services between the city or an agency thereof and any other municipality or water supply system, or any administrative determination by a state agency, or any other arrangement in this regard, in effect at the time the water board shall be established, shall remain in full force and effect and be binding upon the water board as if it were a party to such agreement, determination or other arrangement. All rights, powers, duties, obligations and functions provided by law with respect to the fixing of charges or rates for the supply of water or sewerage services to users outside the city, including but not limited to those set forth in article one of title K of chapter fifty-one of the administrative code of the city of New York and article eight of the environmental conservation law, shall be deemed to apply, as appropriate, to the water board established pursuant to this title. In addition to any other lawful enforcement methods and pursuant to rules and regulations of the water board promulgated pursuant to this title, the payment of fees, rates, rents or other charges for water service or sewerage service to any premises may be enforced by discontinuing the water service or sewerage service to such premises provided that such discontinuance or disconnection of any supply of water or the provision of sewerage service, or both, as the case may be, shall not be carried out except in the manner and upon the notice as is required of a water-works corporation pursuant to subdivisions three-a, three-b and three-c of section eighty-nine-b and section one hundred sixteen of the public service law.

6. The water board shall pay to the authority such amounts at such times and in such manner as may be provided in the agreement by and among the authority, the water board and the city consistent with the priorities set forth in such agreement. There is hereby created a lien, by this title made a statutory lien within the meaning of the uniform commercial code and any other state or federal law, upon the gross revenues of the water board, in favor of the payment of all amounts due pursuant to such agreement and in

the order and priority set forth therein and which lien shall be a first lien upon such gross revenues.

The gross revenues so subject to such statutory lien shall be and remain subject to such statutory lien until the payment in full of each such item in accordance with such priority. Said statutory lien shall not be construed to give any holder or owner of any bond of the authority power to compel the sale of any water system or sewerage system, as the case may be.

7. If there be any default by the water board in the making of the payments to the authority required under this section, as a result of the failure by the water board to impose sufficient fees, rates, rents or other charges, the authority may petition for the appointment by any court having jurisdiction in any proper action of a receiver to administer on behalf of the water board, under the direction of said court, the affairs of the water board in order to achieve system revenues at least sufficient to make such payments; and by and with the approval of said court, to establish, fix and revise, from time to time, fees, rates, rents or other charges at least sufficient therefor in conformity with this title, and the resolution or trust indenture of the authority providing for the issuance of its bonds and in accordance with such orders as the court shall make.

8. The water board shall prepare and transmit to the city on or before the first day of December in each year a list of those persons or property owners within such city who are in arrears in the payment of fees, rates, rents or other charges for a period of sixty days or more after the last day fixed for payment thereof without penalty. The list shall contain a brief description of the properties for which the services were provided, the names of the persons liable to pay for the same and the amounts chargeable to each, including penalties and interest computed to the next succeeding December thirty-first. The city shall levy such sums against the properties liable and shall state the amount thereof in a separate column in the annual tax rolls of such city under the name of "delinquent water charges" or "delinquent sewerage charges" or "delinquent water and sewerage charges" as may be appropriate and as may be directed by the water board. Such amounts, as and when collected by the commissioner of finance of the city, shall be paid over to the water board. All of the provisions of the tax laws of the state covering the enforcement and collection of unpaid taxes of the city shall apply to the collection of such unpaid fees, rates, rents or other charges.

9. Neither the public service commission, nor any city or state agency, shall have any jurisdiction over the water board or authority or any power over the regulation of the fees, rates, rents or other charges established, fixed or revised by the water board except with respect to the supply of water or sewerage services to users outside the city as provided in article one of title K of chapter fifty-one of the administrative code of the city of New York.

9-a. The water board shall hold public hearings, in each borough of the city of New York, prior to promulgating or fixing annual water and sewer rates for such city. Notice of such public hearing shall be conspicuously published in a newspaper of general circulation, within each borough, at least one week prior to the hearing.

S 1045-k. Tax exemption of the water board property and activities.

1. It is hereby determined that the creation of a water board and the carrying out of its corporate purposes is in all respects for the benefit of the city and is a public purpose and the water board shall be regarded as performing a governmental function in the exercise of the powers conferred upon it by this title and shall not be required to pay any taxes, special ad valorem levies or special assessments upon any real property owned by it or any filing, recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by it or on its behalf. The water board shall be deemed a public authority for the purposes of section four hundred twelve of the real property tax law.

2. Notwithstanding the provisions of subdivisions one and four of this section, any real property of the water board located outside the boundaries of the city, shall be exempt from the payment of taxes, special ad valorem levies and special assessments only if and to the extent that such real property would have been exempt if owned by the city.

3. Notwithstanding any provision in this section to the contrary, the water board may pay, or may enter into agreements with any municipality to pay, a sum or sums, annually or otherwise, or to provide other considerations to such municipality, with respect to real property of the water board located within such municipality and provided that any such payment or agreement to pay shall be subject to approval by the authority.

4. The water board shall not be required to pay any taxes or other governmental fees or charges, whether imposed by the state or any municipality, including without limitation franchise taxes, sales taxes or other excise taxes, or any other tax or charge upon its property or activities or upon any of its revenues or other income.

S 1045-l. Pledge effective without filing or recording. Any provision of the uniform commercial code to the contrary notwithstanding, any pledge of or other security interest in revenues or other personal property made or created by the authority, the water board or the city pursuant to this title shall be valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the authority, the water board or the city, as the case may be, irrespective of whether or not such parties have notice thereof. No instrument by which such pledge or security interest is created nor any financing statement need be recorded or filed.

S 1045-m. Governmental capacity of the authority, the water board and the city. The authority, the water board and the city in carrying out their respective powers and duties under this title, shall be deemed to be acting in a governmental capacity and in the performance of an essential governmental function.

S 1045-n. Transfer of officers and employees to and from city and state agencies; retirement rights of officers and employees. Officers and employees of city and state agencies may be transferred to the authority or water board and officers and employees of the authority or water board may be transferred to appropriate city and state agencies without examination and without loss of any civil service or retirement status or rights.

Any officer or employee of the authority or water board who heretofore acquired or shall hereafter acquire such position status by transfer and who at the time of such transfer was a member of the New York city employees' retirement system shall continue to be a member of such system as long as he or she continues in such service, and shall continue to have all the rights, privileges and obligations of membership in such system. Employment by the authority or water board shall constitute city-service for the purposes of chapter one of title thirteen of the administrative code of the city of New York. Transfers shall be in accordance with section seventy of the civil service law or the rules of the civil service commission of the city, as the case may be. No such transfer shall be made except with the approval of the head of the agency involved, the director of the division of the budget or the director of management and budget of the city, as the case may be, and the chairman of the authority or water board, as applicable, and in compliance with the rules and regulations of the civil service commission of the city or the state, as the case may be.

§ 1045-o. Bonds of the authority.

1. The authority shall have the power and is hereby authorized from time to time to issue bonds, in conformity with applicable provisions of the uniform commercial code, in such principal amounts as it may determine to be necessary to pay the cost of any water project or water projects, or for any other corporate purposes, including incidental expenses in connection therewith. The authority shall have power from time to time to refund any bonds by the issuance of new bonds whether the bonds to be refunded have or have not matured, and may issue bonds partly to refund bonds then outstanding and partly for any other corporate purpose. Bonds issued by the authority shall be special obligations payable solely out of particular revenues or other moneys of the authority as may be designated in the proceedings of the authority under which the bonds shall be authorized to be issued, subject to any agreements entered into between the authority and the city, and the authority, the water board and the city, and subject to any agreements with the holders of outstanding bonds pledging any particular revenues or moneys.

2. The authority is authorized to obtain from any department or agency of the United States of America or non-governmental insurer any insurance or guaranty, to the extent now or hereafter available, as to, or for the payment or repayment of interest or principal, or both, or any part thereof, on any bonds or notes issued by the authority, or on any municipal obligations of governmental units purchased or held by the authority; and to enter into any agreement or contract with respect to any such insurance or guaranty, except to the extent that the same would in any way impair or interfere with the ability of the authority to perform and fulfill the terms of any agreement made with the holders of the bonds or notes of the authority.

* 3. Bonds shall be authorized by resolution of the authority, be in such denominations and bear such date or dates, mature at such time or times, except that bonds and any renewal thereof shall mature within forty years of the date of their original issuance and notes and any renewal thereof shall mature within five years of the date of their original issuance. Such bonds shall be subject to such terms of redemption, bear interest

at such rate or rates payable at such times, be in such form, carry such registration privileges, be executed in such manner, be payable in such medium of payment at such place or places, and be subject to such terms and conditions as such resolution may provide. Bonds may be sold at public or private sale for such price or prices as the authority shall determine, provided that no issue of bonds may be sold at private sale unless the terms of such sale shall have been approved in writing by (i) the comptroller, where such sale is not to such comptroller, or (ii) the director of management and budget, where such sale is to such comptroller.

* NB There are 2 sub 3`s

* 3. Whenever the authority shall determine that the issuance of its bonds is appropriate, the mayor and the comptroller shall make a joint recommendation as to the arrangements necessary for the issuance and sale of such bonds including the underwriting of such bonds through negotiated agreement or public letting or the private sale of such bonds and such recommendation shall include compensation for services rendered as they deem appropriate. The mayor and the comptroller shall recommend to the authority the price or prices, interest rate or rates, maturities and other terms and conditions for the issuance of the bonds, except that bonds and any renewal thereof shall mature within forty years of the date of their original issuance and notes and any renewal thereof shall mature within five years of the date of their original issuance.

Following such recommendation, bonds shall be authorized by resolution of the authority which shall set forth the arrangements for the issuance of the bonds, the price or prices, the interest rate or rates, maturities, terms of redemption, form and other terms of the bonds. Such resolution and the minutes of the authority related thereto shall be transmitted to the mayor and the comptroller for their approval or disapproval thereof. Approval of such resolution shall be indicated by the execution of the resolution by the mayor and the comptroller whereupon such resolution shall come into full force and effect in accordance with its terms.

* NB There are 2 sub 3`s

4. Any resolution or resolutions authorizing bonds or any issue of bonds may contain provisions which may be a part of the contract with the holders of the bonds thereby authorized as to:

(a) pledging all or part of its revenues, together with any other moneys, securities, contracts or property, to secure the payment of the bonds, subject to such agreements with bondholders as may then exist;

(b) the setting aside of reserves and the creation of sinking funds and the regulation and disposition thereof;

(c) limitations on the purpose to which the proceeds from the sale of bonds may be applied;

(d) limitations on the right of the authority to restrict and regulate the use of any project or part thereof in connection with which bonds are issued;

(e) limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured and the refunding of outstanding or other bonds;

(f) the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, including the proportion of bondholders which must consent thereto and the manner in which such consent may be given;

(g) the creation of special funds into which any revenues or other moneys may be deposited;

(h) the terms and provisions of any trust, deed or indenture securing the bonds under which the bonds may be issued;

(i) vesting in a trustee or trustees such properties, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of the trustee appointed by the bondholders pursuant to section one thousand forty-five-p of this title and limiting or abrogating the rights of the bondholders to appoint a trustee under such section or limiting the rights, duties and powers of such trustee;

(j) defining the acts or omissions to act which may constitute a default in the obligations and duties of the authority to the bondholders and providing for the rights and remedies of the bondholders in the event of such default, including as a matter of right the appointment of a receiver, provided, however, that such rights and remedies shall not be inconsistent with the general laws of the state and other provisions of this title;

(k) limitations on the amount of revenues and other moneys to be expended for operating, administrative or other expenses of the authority;

(l) the payment of the proceeds of bonds, revenues and other moneys to a trustee or other depository, and for the method of disbursement thereof with such safeguards and restrictions as the authority may determine; and

(m) any other matters of like or different character which in any way affect the security or protection of the bonds or the rights and remedies of bondholders.

5. In addition to the powers herein conferred upon the authority to secure its bonds, the authority shall have power in connection with the issuance of bonds to enter into such agreements as the authority may deem necessary, consistent or desirable concerning the use or disposition of its revenues or other moneys or property, including the mortgaging of any property and the entrusting, pledging or creation of any other security interest in any such revenues, moneys or property and the doing of any act, including refraining from doing any act, which the authority would have the right to do in the absence of such agreements.

The authority shall have power to enter into amendments of any such agreements within the powers granted to the authority by this title and to perform such agreements. The provisions of any such agreements may be made a part of the contract with the holders of bonds of the authority.

6. Any provision of the uniform commercial code to the contrary notwithstanding, any pledge of or other security interest in revenues, moneys, accounts, contract rights, general intangibles or other personal property made or created by the authority shall be valid, binding and perfected from the time when such pledge is made or other security interest attaches without any physical delivery of the collateral or further act, and the lien of any such pledge or other security interest shall be valid, binding and

perfected against all parties having claims of any kind in tort, contract or otherwise against the authority irrespective of whether or not such parties have notice thereof. No instrument by which such a pledge or security interest is created nor any financing statement need be recorded or filed.

7. Whether or not the bonds of the authority are of such form and character as to be negotiable instruments under the terms of the uniform commercial code, the bonds are hereby made negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the bonds for registration.

8. Neither the directors of the authority nor any person executing bonds shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

9. The authority, subject to such agreements with bondholders as then may exist, shall have power out of any moneys available therefor to purchase bonds of the authority, which shall thereupon be cancelled, at a price not exceeding (i) if the bonds are then redeemable, the redemption price then applicable, plus accrued interest to the next interest payment date, or (ii) if the bonds are not then redeemable, the redemption price applicable on the first date after such purchase upon which the bonds become subject to redemption, plus accrued interest to the next interest payment date.

S 1045-p. Remedies of bondholders. Subject to any resolution or resolutions adopted pursuant to paragraph (i) of subdivision four of section one thousand forty-five-o of this title:

1. In the event that the authority shall default in the payment of principal of or interest on any issue of bonds after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or in the event that the authority shall fail or refuse to comply with the provisions of this title or shall default in any agreement made with the holders of any issue of bonds, the holders of twenty-five percent in aggregate principal amount of the bonds of such issue then outstanding, by instrument or instruments filed in the office of the clerk of the city and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purpose herein provided.

2. Such trustee may, and upon written request of the holders of twenty-five per centum in principal amount of such bonds outstanding shall, in his or its own name:

(a) by action or proceeding in accordance with the civil practice law and rules, enforce all rights of the bondholders and require the authority to carry out any other agreements with the holders of such bonds and to perform its duties under this title;

(b) bring an action or proceeding upon such bonds;

(c) by action or proceeding, require the authority to account as if it were the trustee of an express trust for the holders of such bonds;

(d) by action or proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds; and

(e) declare all such bonds due and payable, and if all defaults shall be made good, then with the consent of the holders of twenty-five per centum of the principal amount of such bonds then outstanding, annul such declaration and its consequences.

3. Such trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders in the enforcement and protection of their rights.

4. The supreme court shall have jurisdiction of any action or proceeding by the trustee on behalf of such bondholders. The venue of any such action or proceeding shall be laid in the county of New York.

5. Before declaring the principal of bonds due and payable, the trustee shall first give thirty days` notice in writing to the authority.

S 1045-q. State, city and water board not liable on authority bonds. Neither the state, nor the city, nor the water board nor any subdivision thereof shall be liable on the bonds of the authority and such bonds shall not be a debt of the state, the city or such water board.

S 1045-r. Moneys of the authority. All moneys of the authority from whatever source derived shall be paid to the treasurer of the authority and shall be deposited forthwith in a bank or banks in the state designated by the authority. The moneys in such accounts shall be paid out on check of the treasurer upon requisition by the chairman of the authority or of such other officer or officers as the authority may authorize to make such requisitions. All deposits of such moneys shall be secured by obligations of or guaranteed by the United States, or of the state or of the city of a market value equal at all times to the amount on deposit and all banks and trust companies are authorized to give such security for such deposits. The authority shall have power, notwithstanding the provisions of this section, to contract with the holders of any bonds as to the custody, collection, security, investment and payment of any moneys of the authority or any moneys held in trust or otherwise for the payment of bonds or in any way to secure bonds.

Moneys held in trust or otherwise for the payment of bonds or in any way to secure bonds and deposits of such moneys may be secured in the same manner as moneys of the authority and all banks and trust companies are authorized to give such security for such deposits.

S 1045-s. Bonds legal investment for fiduciaries. The bonds of the authority are hereby made securities in which all public officials and bodies of the state and all municipalities, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, investment companies and other persons carrying on a banking business, and administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds including capital in their control or belonging to

them. The bonds are also hereby made securities which may be deposited with and may be received by all public officers and bodies of this state and all municipalities for any purposes for which the deposit of bonds or other obligations of this state is now or hereafter may be authorized.

S 1045-t. Agreement with the state. The state does hereby pledge to and agree with the holders of any bonds issued by the authority pursuant to this title that the state will not alter or limit the rights hereby vested in the authority or the water board to fulfill the terms of any agreement made with or for the benefit of the holders of bonds, or in any way impair the rights and remedies of bondholders, until the bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with bondholders.

S 1045-u. Exemption from taxes, assessments and certain fees; payments in lieu of taxes.

1. It is hereby determined that the creation of the authority and the carrying out of its corporate purposes is in all respects for the benefit of the people of the city and of the state and is a public purpose and the authority shall be regarded as performing a governmental function in the exercise of the powers conferred upon it by this title and shall not be required to pay any taxes, special ad valorem levies or special assessments upon any real property owned by it or any filing, recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by it or on its behalf. The authority shall be deemed a public authority for the purposes of section four hundred twelve of the real property tax law.

2. Notwithstanding any provision in this section to the contrary, the authority may pay, or may enter into agreements with any municipality to pay, a sum or sums, annually or otherwise, or to provide other considerations to such municipality with respect to real property owned by the authority located within such municipality.

3. Any bonds issued pursuant to this title together with the income therefrom shall be exempt from taxation except for transfer and estate taxes. The revenues, moneys and all other property and activities of the authority shall be exempt from all taxes and governmental fees or charges, whether imposed by the state or any municipality, including without limitation real estate taxes, franchise taxes, sales taxes or other excise taxes. The state hereby covenants with the purchasers and with all subsequent holders and transferees of bonds issued by the authority pursuant to this title, in consideration of the acceptance of and payment for the bonds, that the bonds of the authority issued pursuant to this title and the income therefrom shall be free from such taxation, as aforestated herein, and that all revenues, moneys, and other property pledged to secure the payment of such bonds shall at all times be free from such taxes as aforestated herein.

S 1045-v. Actions against authority and water board.

1. Except in an action for wrongful death, no action or proceeding shall be prosecuted or maintained against the authority or the water board for personal injury or damage to real or personal property alleged to have been sustained by reason of the negligence or wrongful act of the authority or the board or of any member, officer, agent or employee thereof, unless (i) a notice of claim shall have been made and served upon the authority or the water board, as the case may be, within the time limit by and in compliance with section fifty-e of the general municipal law,

(ii) it shall appear by and as an allegation in the complaint or moving papers that at least thirty days have elapsed since the service of such notice and that adjustment or payment thereof has been neglected or refused, and (iii) the action or proceeding shall be commenced within one year after the happening of the event upon which the claim is based.

An action against the authority or water board for wrongful death shall be commenced in accordance with the notice of claim and time limitation provisions of title eleven of article nine of this chapter.

2. Wherever a notice of claim is served upon the authority or the water board, it shall have the right to demand an examination of the claimant relative to the occurrence and extent of the injuries or damages for which claim is made, in accordance with the provisions of section fifty-h of the general municipal law.

3. The authority or the water board may require any person presenting for settlement an account or claim for any cause whatever against the authority or the water board, as the case may be, to be sworn before a member, counsel or an attorney, officer or employee thereof designated for such purpose, concerning such account or claim and when so sworn, to answer orally as to any facts relative to such account or claim. The authority or the water board shall have power to settle or adjust all claims in favor of or against the authority or the water board, as the case may be.

4. The rate of interest to be paid by the authority or the water board upon any judgment for which it is liable, other than a judgment against the authority on bonds, shall not exceed the rate of interest on judgments and accrued claims against municipal corporations as provided in the general municipal law from time to time. Interest on payments of principal or interest on any bonds in default shall accrue at the rate borne by such bonds from the due date thereof until paid or otherwise satisfied.

S 1045-w. Interest in contracts prohibited. It shall be a misdemeanor for any member or any officer, agent, servant or employee of the authority or of the water board to be in any way or manner interested, directly or indirectly in the furnishing of work, materials, supplies or labor, or in any contract therefor which the authority or the board, as the case may be, is empowered by this title to make.

S 1045-x. Authority, water board and city to take affirmative action.

1. Each contracting agency which awards contracts for design, construction, services or materials for water projects authorized by this title shall require that such contracts and documents soliciting bids or proposals therefor shall contain or make reference to the following provisions: (a) The contractor will not discriminate against

employees or applicants for employment because of race, creed, color, national origin, sex, age, disability, or marital status, and will undertake or continue programs of affirmative action to insure that minority group persons and women are afforded equal employment opportunity without discrimination. Such action shall be taken with reference, but not be limited to recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selections for training or retraining, including apprenticeship and on-the-job training. (b) At the request of the contracting agency, the contractor shall request each employment agency, labor union, or authorized representative of workers with which he has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will cooperate in the implementation of the contractor's obligations hereunder. (c) The contractor will state, in all solicitations or advertisements for employees placed by or on behalf of the contractor, in performance of the contract that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability or marital status. (d) The contractor will include the provisions of paragraphs (a) through (c) of this subdivision in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its working connection with a contract.

2. Each contracting agency shall establish procedures and guidelines to ensure that contractors and subcontractors undertake programs of affirmative action as required by this section. Such procedures may require, after notice in a bid solicitation, the submission of an affirmative action program prior to the award of any contract, or at any time thereafter, and may require the submission of compliance reports relating to the operation and implementation of any affirmative action program adopted hereunder. Such procedures and guidelines shall be consistent with the guidelines promulgated by the office of federal contract compliance programs of the United States department of labor pursuant to presidential executive order eleven thousand two hundred forty-six, as amended, and any state statutory or regulatory requirements. A contracting agency shall, in the promulgation of procedures and guidelines pursuant to this section, cooperate with any federal, state or local agency established for the purpose of implementing affirmative action compliance programs.

3. Any contracting agency empowered to award contracts for design, construction, services or materials shall seek meaningful participation in the performance of contracts by minority business enterprises and shall establish measures and procedures to identify those contracts and items of work for which minority business enterprises may best bid to actively and affirmatively promote and assist their participation so as to facilitate the award of a fair share of contracts to such enterprises. For purposes hereof, "minority business enterprise" shall mean any business enterprise which is at least fifty-one per centum owned by, or in the case of a publicly owned business, at least fifty-one per centum of the stock of which is owned by citizens or permanent resident aliens who are Black, Hispanic, Asian, American Indian or women,

and such ownership interest is real, substantial and continuing. The provisions of this subdivision shall not be construed to limit the ability of any minority business enterprise to bid on any contract.

4. In the implementation of subdivisions two and three of this section, the contracting agency shall consider compliance by any contractor with the requirements of any federal, state or local law concerning minority business enterprises or equal employment opportunity, which may effectuate the requirements of this section. If the contracting agency determines that by virtue of the imposition of the requirements of any such law, in respect to contracts affected by this section, that the provisions thereof duplicate or conflict with such law, the contracting agency shall waive the applicability of this section to the extent of such duplication or conflict.

5. In order to implement the requirements and objectives of this section, contracting agencies shall be responsible for monitoring the contractors' compliance with the provisions hereof, for advising contractors on the availability of competing qualified minority business enterprises to perform contracts proposed to be awarded and for making recommendations to contractors to improve the access of minority business enterprises to such contracts.

S 1045-y. Audit and annual report. The accounts of the authority and the water board shall be subject to the supervision of the city comptroller. The authority and the water board shall annually submit to the mayor, the comptroller and the director of management and budget a detailed report. In addition, an annual audit of the authority shall be conducted by an independent certified public accountant. Such audited report shall be submitted to the mayor, the comptroller and the director of management and budget.

S 1045-z. Limited liability. Neither the members of the authority nor of the water board, nor any officer or employee of the authority nor the water board acting in behalf thereof, while acting within the scope of his authority, shall be subject to any liability resulting from (i) the construction, ownership, maintenance or operation of any project financed with the assistance of the authority, (ii) the construction, ownership, maintenance or operation of any sewerage system or facility or water system or facility owned by the water board, or (iii) carrying out any of the powers expressly given in this title. A director, officer or employee of the authority shall be deemed an "employee" for the purposes of section fifty-k of the general municipal law, provided, however that any director, either appointed by the governor or an employee of the state shall be deemed an "employee" for the purposes of section eighteen of the public officers law for any actions relating to their activities as a director of the authority created by this title.

S 1045-aa. Separability clause. If any section, clause or provision in this title shall be held by a competent court to be unconstitutional or ineffective in whole or in part, to the extent that it is not unconstitutional or ineffective, it shall be valid and effective, and no other section, clause or provision shall on account thereof be deemed invalid or ineffective.

S 1045-bb. Effect of inconsistent provisions. Insofar as the provisions of this title are inconsistent with the provisions of any other law, general, special or local or of the city charter or any local law, ordinance or resolution of the city, the provisions of this title shall be controlling, provided that nothing contained in this section shall be held to supplement or otherwise expand the powers or duties of the authority otherwise set forth in this title. Nothing contained in this title shall be held to alter or abridge the powers and duties of the state department of environmental conservation or the state department of health.

7. Governmental Finance Officers Association

『Committee on Governmental Debt Management』 (1994)

「Selecting and Managing the Method of Sale of State and
Local Government Bonds」

8. 同 (1997) 「Preparing RFPs to Select Financial Advisors
and Underwriters」

9. 同 (1998) 「Selecting Bond Council」



Committee on Governmental Debt Management

- Selecting and Managing the Method of Sale of State and Local Government Bonds (1994)
- Analyzing an Advance Refunding (1995)
- Investment of Bond Proceeds (1996)
- Payment of the Expense Component of Underwriters' Discount (1996)
- Preparing RFPs to Select Financial Advisors and Underwriters (1997)
- Sale and Securitization of Property Tax Liens (1997)
- Using Variable Rate Debt Instruments (1997)
- Issuer's Role in Selection of Underwriter's Counsel (1998)
- Issuing Taxable Debt by U.S. State and Local Governments (1998)
- Selecting Bond Counsel (1998)
- Pricing Bonds in a Negotiated Sale (1996 and 2000)
- Underwriter Disclaimers in Official Statements (2000)
- Using a Web site for Disclosure (2002)
- Debt Management Policy (1995, 2003)
- Maintaining an Investor Relations Program (1996, 2003)
- Evaluating the Use of Pension Obligation Bonds (1997, 2005)
- Secondary Market Securitization of Tax-Exempt Obligations (1993, 1996, 2005)
- Use of Debt-Related Derivatives Products and the Development of a Derivatives Policy (1995, 2003, 2005)
-

Selecting and Managing the Method of Sale of State and Local Government Bonds (1994)

Background. It is in the interest of state and local government issuers to sell public debt using the method of sale that is expected to achieve the best sales results, taking into account both short-range and long-range implications for taxpayers and ratepayers. However, there is a divergence of views as to the relative merits of the competitive and negotiated methods of sale due to the lack of comprehensive, empirical evidence that would favor one method over the other. Furthermore, in negotiated sales, there is concern about the fairness of the selection process and the possibility of higher borrowing costs because of the potential for underwriter selection on the basis of political favoritism rather than merit and cost. There also is the recognition that conflicts of interest may arise because of agreements by and between outside financial professionals involved in the transaction.

Recommendation. If state and local governments are able to choose their method of bond sale, the Government Finance Officers Association (GFOA) recommends that policies be adopted to ensure that the most appropriate method of sale is selected in light of financial, market, and transaction-specific and issuer-related conditions; the method of sale is evaluated for each bond issue, including an assessment of the different risks associated with each method; and thorough records are kept about the process to demonstrate that it was equitable and defensible.

The GFOA also recommends that the competitive method of sale be chosen when conditions favoring this method of sale are present. Such conditions include the following:

1. The market is familiar with the issuer, and the issuer is a stable and regular borrower in the public market.
2. There is an active secondary market with a broad investor base for the issuer's bonds.
3. The issue has an unenhanced credit rating of A or above or can obtain a credit enhancement prior to the competitive sale.
4. The debt structure is backed by the issuer's full faith and credit or a strong, known or historically performing revenue stream.
5. The issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sales effort.
6. The issue is not viewed by the market as carrying complex or innovative features or requiring explanation as to the bonds' soundness.
7. Interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes.

While issuers often use negotiated sales to address public-policy issues such as the desire for disadvantaged business enterprise (DBE) and regional firm participation in the

syndicate and the allocation of bonds to such firms, they may be able to meet these goals by specifying their requirements in the notice of sale.

If conditions do not allow for a competitively bid bond sale, GFOA recommends the following practices:

1. Promote fairness in a negotiated sale by using a competitive underwriter-selection process that ensures that multiple proposals are considered.
2. Remain actively involved in each step of the negotiation and sale processes to uphold the public trust.
3. Ensure that either an employee of the issuer or an outside professional other than the issue underwriter, who is familiar with and abreast of the condition of the municipal market, is available to assist in structuring the issue, pricing, and monitoring sales activities.
4. Avoid using a firm to serve as both the financial advisor and underwriter of an issue because conflicts of interest may arise.
5. Require that financial professionals disclose the name(s) of any person or firm compensated to promote the selection of the underwriter; any existing or planned arrangements between outside professionals to share tasks, responsibilities and fees; the name(s) of any person or firm with whom the sharing is proposed; and the method used to calculate the fees to be earned.
6. Review the "Agreement Among Underwriters" and ensure that it governs all transactions during the underwriting period.

References

- *Competitive v. Negotiated Sale Debt*, Issue Brief No. 1, California Debt Advisory Commission, September 1992.
- *An Elected Official's Guide to Debt Issuance*, J.B. Kurish and Patricia Tigue, GFOA , 1993.
- *Debt Issuance and Management: A Guide for Smaller Governments*, James C. Joseph, GFOA, 1994.
- *Competitive v. Negotiated: How to Choose the Method of Sale for Tax-Exempt Bonds*, GFOA, 1994.

Preparing RFPs to Select Financial Advisors and Underwriters (1997)

Background. State and local government frequently employ underwriters for a negotiated sale and financial advisors for either a competitive or negotiated sale to assist in the structuring and issuance of debt. A request for proposal (RFP) can help issuers to select the most qualified professionals.

Recommendation. The Government Finance Officers Association (GFOA) recommends the use of an RFP process when selecting underwriters and financial advisors because it promotes fairness and objectivity, allows the issuer to compare respondents and helps the issuer to obtain the best price and level of service. Issuers should have a clear understanding of their needs (transaction-specific or ongoing) and should carefully develop an RFP that complies with state and local bidding requirements. Additionally, the RFP should

- provide a clear and concise description of the scope of work, specify the length of the contract and indicate whether joint proposals with other firms are acceptable;
- include objective selection criteria and explain how proposals will be evaluated;
- require all fee structures to be presented in a standard format and ask proposers to identify which fees are to be proposed on a “not-to-exceed” basis, describe any condition attached to their fee proposal, and explicitly state which costs are included in the fee proposal and which costs are to be reimbursed; and
- require at least three references from other public-sector clients.

RFPs should include questions related to the areas listed below to distinguish firms’ qualifications and experience, including

- relevant experience of the firm and the individuals assigned to the issuer, identification of the individual in charge of day-to-day management and the percentage of time committed for each individual on the account;
- the respondent’s ideas on how the issuer should approach the financing, including the structure of the offering, credit-rating strategy, and investor-marketing strategy;
- the analytic capability of the firm and assigned individuals and ongoing employee training programs;
- the availability of sources of information to assist in bond pricing;
- the amount of uncommitted capital available and the ability and willingness of the firm to purchase the entire offering of the issuer, if necessary, in the case of underwriting firms;
- the level and types of insurance carried, including the deductible amount, to cover errors and omissions, improper judgments, or negligence; and
- any finder’s fees, fee splitting, or other contractual arrangements of the firm that could present a real or perceived conflict of interest, as well as any pending investigation of the firm or enforcement or disciplinary actions taken within the past three years by the SEC or other regulatory bodies.

Fees paid to financial advisors should be on an hourly or retainer basis--reflecting

the nature of the services to the issuer. They should not be contingent on the sale of bonds to remove the potential incentive for the financial advisor to recommend the issuance of bonds. Issuers may want to include a provision in the RFP restricting any firm from engaging in activities on behalf of the issuer that produce a direct or indirect financial gain for the firm, other than the agreed-upon compensation, without the issuer's informed consent. Ongoing contracts should be reviewed periodically.

No firm should be given an unfair advantage. Procedures should be established for communicating with potential proposers, determining how and over what time period questions will be addressed, and determining when contacts with proposers will be restricted. Additionally, issuers should:

1. Take steps to maximize the number of respondents by using mailing lists and advertisements.
2. Give at least one week for firms to develop their responses to the RFP, and longer depending on the nature of the RFP.
3. Establish evaluation procedures and a systematic rating process, conduct interviews with proposers, and undertake reference checks. Where practical, one individual should check all references using a standard set of questions to promote consistency. To remove any appearance of a conflict of interest resulting from political contributions or other activities, elected officials should not be part of the selection team.
4. Document how the selection was made and the rankings of each firm.

References

- Preparing Requests for Proposals, Issue Brief No. 3, California Debt Advisory Commission, October 1994.
- Debt Issuance and Management: A Guide for Smaller Governments, James C. Joseph, GFOA, 1994.
- A Guide for Selecting Financial Advisors and Underwriters: Writing RFPs and Evaluating Proposals, Patricia Tighe, GFOA, 1997.

Selecting Bond Counsel (1998)

Background. An essential member of the bond financing team of governmental issuers is bond counsel. Bond counsel renders an opinion on the validity of the bond offering, the security for the offering, and whether and to what extent interest on the bonds is exempt from income and other taxation. The opinion of bond counsel provides assurance both to issuers and to investors who purchase the bonds that all legal requirements are met. An issuer should assure itself that its bond counsel has the necessary expertise to provide an opinion that can be relied on and will be able to assist the issuer in completing the transaction in a timely manner.

Recommendation. The Government Finance Officers Association (GFOA) recommends that issuers select bond counsel on the basis of merit using a competitive process. A competitive process using a request for proposals (RFP) or request for qualifications (RFQ) process permits issuers to compare qualifications of firms and select a firm or firms that best meets their needs. The RFP or RFQ should clearly describe the scope of services desired, the length of the engagement, evaluation criteria, and the selection process. The GFOA has developed a recommended practice on selecting financial advisors and underwriters that provides advice on setting up an objective RFP process, advice which is also generally applicable to the selection of bond counsel.

An RFP or RFQ should require firms proposing to serve as bond counsel to submit information that permits the issuer to evaluate the following factors, at a minimum:

1. The experience of the firm with financings of the issuer or comparable issuers, and financings of similar size, types and structures, including financings in the same state.
2. The experience of the firm with federal, state, and other laws including tax matters.
3. The experience of the firm with and its approach to applicable federal securities laws and regulations.
4. The knowledge and experience of the attorneys that would be assigned to the transaction, particularly the individual with day-to-day responsibility for the issuer's account.
5. The ability of the firm and assigned personnel to evaluate legal issues, prepare documents, and complete other tasks of a bond transaction in a timely manner.
6. Relationships or activities that might present a conflict of interest for the issuer, including financial relationships with other firms providing services that the issuer will procure for a bond issue.

In making the final selection of bond counsel issuers should consider the

following factors:

7. Issuers should consider the use of oral interviews of candidates, in which the attorney who would have day-to-day responsibility for the issuer's account should be asked to assume the lead role in presenting the qualifications of the firm.
8. The selection should not be driven solely by proposed fees. The experience of the firm with the type of transactions contemplated by the issuer is the most important factor in the selection of bond counsel.
9. For issuers that have ongoing needs of a similar nature, continuity is an important factor.
10. While bond counsel fees typically have been contingent on the sale of bonds, fees based on this arrangement may create an incentive to provide opinions that would allow the inappropriate issuance of bonds. Fees based on an hourly, retainer or fixed fee arrangement may more appropriately reflect the complexity and scope of the services provided.
11. Before making a final selection, the issuer should check the references furnished by the prospective bond counsel.

Once a bond counsel has been selected, issuers should enter into an engagement letter or other agreement with the firm as required by state or local law or procurement codes. Issuers should consider using the form of the model engagement letter for governmental bonds suggested by the National Association of Bond Lawyers.

If co-bond counsel are being engaged, the issuer should

- delineate in the RFP or engagement letter the roles and responsibilities of each firm;
- assign discrete tasks to each firm in order to minimize cost duplication; and
- exercise appropriate oversight to ensure coordination of tasks undertaken by the firms.

If co-bond counsel are engaged or if bond counsel firms are rotated, the issuer should

- evaluate whether higher costs for legal services will result because of the need for two or more firms to familiarize themselves with the issuer; and
- consider the possible need to resolve differing viewpoints of each bond counsel.

Throughout the term of the engagement, the performance of bond counsel should be evaluated in relation to the stated scope of services and any areas where service needs to be improved should be communicated to the lead attorney. Ongoing contracts should be reviewed regularly and resubjected to competitive selection periodically.

References

- "Preparing RFPs to Select Financial Advisors and Underwriters" GFOA

Recommended Practice, 1997.

- *A Guide to Selecting Financial Advisors and Underwriters: Writing RFPs and Evaluating Proposals*, Patricia A. Tigue, GFOA, 1997.
- "Model Engagement Letters," National Association of Bond Lawyers, 1998.
- "The Selection and Evaluation of Bond Counsel," National Association of Bond Lawyers, 1998.

10. National Federation of Municipal Analysts 『disclosure guidelines』 (ガイドラインのタイトルのみ)、

National Federation of Municipal Analysts (2006)



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- [Single Family Housing Operating Data Guidelines Template](#)
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- [Multifamily Housing Operating Data Guidelines Template](#) 
- [Multifamily Housing Operating Data Guidelines Template](#)
(Microsoft Excel - right click to download and save) 

Recommended Best Practices in Disclosure for Land Secured Transactions

The Recommended Best Practices in Disclosure for Land Secured Debt Transactions is available below. *Please note, future comments and feedback on this paper should go to:*
lgood@nfma.org

- [Recommended Best Practices in Disclosure for Land Secured Debt Transactions, Dated June, 2000](#) 

National Federation of Municipal Analysts
Recommended Best Practices in Disclosure
for Water and Sewer Transactions

The National Federation of Municipal Analysts (NFMA) is an organization of nearly 1,000 members, primarily research analysts, who evaluate credit and other risks of municipal securities. These individuals represent, among others, mutual funds, insurance companies, broker/dealers, bond insurers, and rating agencies.

One of the main initiatives of the NFMA is to promote timely and complete disclosure of the financial and operating information needed to assess the credit quality and risk of a municipal debt issue. The NFMA's efforts have ranged from global disclosure-related issues to more detailed, sector-specific work such as these Recommended Best Practices in Disclosure. For further information on the NFMA's continuing work in the area of disclosure, please see the "Disclosure Guidelines" and "Position Statements" pages of the organization's web site at www.nfma.org.

In order to develop our Recommended Best Practices in Disclosure, diverse groups of NFMA analysts worked with non-analyst market professionals to develop "best practices" guidelines for certain market sectors. These Recommended Best Practices include descriptions of the sector-specific financial and operating information needed to help analysts do their jobs. The NFMA believes that the best practice in disclosure will always be the one that provides a steady flow of timely information from borrowers to the market. Initial drafts of our Recommended Best Practices in Disclosure were widely circulated, and an industry comment period was used to seek input from interested parties. Subsequent to the comment period, the papers were revised. For certain papers, Comment and Response papers were drafted; these papers are available on the NFMA web site, providing additional information on the comments received.

Following is the most recent version of the Recommended Best Practices in Disclosure for this sector. This document is not intended to supplant the Amendments to SEC Rule 15c2-12, but to be used in conjunction with the guidance provided in those amendments. It is important to note that the NFMA's disclosure efforts are a continuing process. These guidelines are not static documents, and will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to lgoo@nfma.org so that they can be considered in the development of future versions of these Recommended Best Practices in Disclosure.

The NFMA Recommended Best Practices in Disclosure are not intended to be "one size fits all" recommendations, and all the information requested may not apply to every transaction in the sector. We encourage the providers of information to indicate when a specific item requested in the Recommended Best Practices is not applicable to a specific transaction.

BACKGROUND

The NFMA Water and Sewer Disclosure Subcommittee (the “Subcommittee”) was formed to write Recommended Best Practices in Disclosure for Water and Sewer Transactions. Members of the subcommittee included buy and sell-side analysts, insurance company analysts, rating agency representatives, and issuer representatives.

GOALS

The goals of these Recommended Best Practices are as follows:

1) Improve the timeliness, thoroughness, and accuracy of both primary market and secondary market disclosure in the Water and Sewer sectors.

In an era of both evolving regulation of water and sewer systems and increasing capital needs, issuers need to be aware that accuracy, timeliness, and thoroughness in reporting are critical for investors and potential investors attempting to assess the system’s relative creditworthiness.

2) Improve the consistency of water and sewer system audits post GASB 34.

We believe a level of standardization in financial reporting will allow auditors to make financial reports and audits much more meaningful to the investment community. Analysts would like to work with issuers and auditors to make disclosure as painless as possible, and the audit more user-friendly.

3) Improve the means of dissemination of financial and operational information to make it easier for issuers to provide, and for investors and potential investors to access information, especially for continuing disclosure.

Operational data related to water and sewer systems is generally maintained by system management and staff, while financial information is often managed by the issuer’s finance department, especially for the preponderance of municipally-owned utilities. Both types of information are important for continued credit evaluation. The issuer, especially cities, should consider designating the same investor contact who handles general inquiries to handle inquiries about the water and sewer system. In addition, we recommend that the institution designate an area of its web site where continuing disclosure information is provided.

CONCLUSION

The following recommendations have been developed as a response to the three goals discussed above, and as a way of helping issuers hit a firm target of disclosure based on investor needs. The specific recommendations directly address the timeliness and content of disclosures that municipal market participants have identified as important in this sector.

In summary, the goal of the Subcommittee is to make financial disclosure more standardized, useful and timesaving for the issuers, as well as more meaningful and accurate for investors and potential investors.

The Recommended Best Practices that follow are divided into two sections: primary market disclosure and secondary market disclosure.

RECOMMENDED CONTENT OF PRIMARY MARKET DISCLOSURE FOR WATER AND SEWER TRANSACTIONS

In addition to the specifics outlined below, institutions should be aware of the following:

- Information should be as current as possible when issuing bonds, including unaudited financials for the current fiscal year if the previous fiscal year's audit is over 12 months old.
- Accurate capacity and compliance characteristics, which are key drivers of future credit quality, must be easily available.
- Issuers should be consistent with quantitative data being released to all venues, including that data released on the institution's web site.
- Data should be defined consistently over time and any changes in definitions or classifications should be clearly highlighted.
- Systems that are part of a consolidated municipal organization report should have discernible financial statements for the system.
- All financial statements submitted should include an income statement, cash-flow statement and balance sheet.
- Annual audited financial statements should include related footnotes and a complete set of comparable audited financial statements for the prior year.

UTILITY DESCRIPTION

Identify services as wholesale or retail; drinking water supply, treatment and/or distribution; wastewater collection, transmission, treatment and/or disposal.

ECONOMIC BASE

1. Define service area
2. Population trends and forecasts
3. Largest employers, unemployment rate

MANAGEMENT

1. Governance. Note selection process for governing body (e.g., mayoral appoint, election, etc.)
2. Rate setting authority. Identify the governmental body with final approval authority for rates and minimum estimated time frame for implementation of rate increases.
3. Statement with respect to rate regulation by a state public utility board or commission. To the extent the rates are subject to regulation, a statement regarding the history of decisions with respect to rate applications.
4. Brief professional background of key administrators, and term of office, years of service;
5. Names, address, phone and fax number, and e-mail for investor contact.

STAFF

1. Five-year trend of staffing with statement of licenses and certifications.
2. Comment on any current labor issues, if material.
3. Retirement plan status.
4. Comment on any formal efforts to enter into contracts with private parties for operation of all or part of the system.

RATES

1. Current rates by customer class and five year history of rate adjustments.
2. Average monthly bill for residential customers based on 7,500 gallons of usage.
3. Comparable rates for similarly sized systems.
4. 10 largest customers by revenues.
5. Statement with respect to any large customer contracts
6. Collections rates and enforcement mechanisms

PLANT AND FACILITIES

1. Current treatment facilities, including year placed in service, major upgrades, capacity, peak and average flows, level of treatment (for wastewater) and treatment process (for drinking water);
2. Source, quality and capacity of water supply
3. Miles of lines of mains, number of interceptors and lift stations
4. Conclusions of engineering studies

ENVIRONMENTAL REGULATION

1. Expiration date of NPDES permit (where applicable); if expired, status of renewal application.
2. Identification of violations under the permit within the past two years, and statement of corrective action. Statement of paid or pending fines.
3. Statement of water quality pursuant to requirements under the Safe Drinking Water Act.
4. Statement of compliance with pending or proposed rules under the Safe Drinking Water Act or Clean Water Act.
5. Statement with respect to the existence of any administrative actions taken by a regulatory agency or any consent decree.

FOR WHOLESALE SYSTEMS

1. Description of contracts, including term, method for calculating rates and other pertinent terms.
2. Identify any step up provisions; identify obligated parties under the step-up provisions.
3. Statement with respect to capital plans of wholesale customers that may impact flow to the issuer's facilities.
4. Terms and conditions for plant expansions and improvements.
5. Information related to obligated parties, including financial disclosure on significant participants representing 10% or more of gross revenues.

FOR PURCHASERS UNDER WHOLESALE SYSTEM CONTRACTS

1. Description of contractual obligation to wholesale provider, including term, method for calculating rates and other pertinent terms.
2. Nature of payment obligation with respect to debt service on current offering (i.e., prior or subordinate obligation).
3. Five-year operating and financial history, including required rates to cover contractual obligations.
4. Prospective capital plan for wholesale provider.

TERMS OF DEBT

1. Amount, security and lien status of (a) outstanding indebtedness, including lease and all contractual obligations, including the use of derivative products and (b) projected and planned indebtedness. Discuss security of debt obligations and, in the case of derivatives, the length of the agreement and potential termination payments.
2. Capital plans for the next five years and expected funding mechanisms, including revolving loan fund and USDA programs.

BOND ISSUANCE PLAN (This may be included in the body of the Official Statement)

1. Project description and timetable, including the following: (a) source and use of funds, including source of equity contribution and timing of receipt; (b) if a refunding issue, reasons for refunding (economic, legal, etc.); and (c) if reimbursing for prior expenditures, or taking out construction loan, include explanation and status of construction.
2. Summary of Security. Refer to operative underlying document.
 - a. Pledged revenues.
 - b. Flow of funds
 - c. Rate covenant.
 - d. Use of rate stabilization funds and connection fees.
 - e. Additional debt test.
 - f. Reserve fund requirements and funding provisions.
 - g. Redemption provisions, including extraordinary call features.
 - h. Legal features
 - i. Litigation risk—Pending proceedings that could affect the system's ability to meet its obligations or questions the validity of the obligation;
 - ii. Taxation risk—Covenant to maintain tax-exemption
 - iii. Events of default and remedies.
 - i. Crossover refundings—discuss if applicable.
 - j. Escrow arrangements, trustees and refunding timetable, if applicable.
3. Statement of sources and uses of funds.
4. Debt Service:
 - i. Debt service schedule, cumulative and by issue on a pro forma basis;
 - ii. Debt service reserve requirement and balance for each issue;

- iii. Debt service coverage by issue and projected.
- 5. Bond opinion and list of all legal documents with relevant opinions.
- 6. Continuing Disclosure statement.

FINANCIAL INFORMATION

1. Audited financial statements—minimum of three years (summary of five), accompanied by auditor's management letters and management's responses.
2. Year-to-date financial statements compared with budget.
3. Budget summaries for most recent fiscal year and current full year projection.
4. Management discussion and analysis. Include discussion of impact of accounting changes.
5. Discuss policies with respect to imposition, collection and use of impact fees.
6. Discuss policies with respect to general fund transfers (or payments in lieu of taxes)

RECOMMENDED CONTENT OF SECONDARY MARKET DISCLOSURE FOR WATER AND SEWER TRANSACTIONS

The following recommendations have been developed to achieve the goals set forth above. In addition to the specifics outlined below, issuers should be aware of the following:

- Information should be provided in a timely manner by the issuer and should include the name of appropriate contact person, telephone and fax number and e-mail address. This would enable those interested to obtain further clarification on the information disclosed. Information posted on web sites with free access is highly recommended.
- Issuers should try to be consistent with quantitative data being released to all venues, including that data released on its web site.
- Data should be defined consistently over time and any changes in definitions or classifications should be clearly highlighted.
- All financial statements submitted should include an income statement, cash-flow statement and balance sheet and related footnotes. A management discussion is also very helpful.

FINANCIAL INFORMATION

1. Annual audited financial statements and a complete set of comparable audited financial statements for the prior year should be made available within 120 days of fiscal year end.
2. Management discussion of finances on an annual basis should include:
 - Material changes in financial performance;
 - Identification of any major unplanned expenditure in the prior year;
 - Lines of credit, including amount outstanding, amount available, provider, and collateral pledged;
 - Any significant changes to current year's budget;
 - Significant changes in short or long-term debt;

- Any plans for new projects or capital improvements using contributions, internal funds or debt;
 - Statement that pertinent hazard and liability insurance policies are still in effect;
 - Significant changes in outstanding litigation, if deemed material.
3. Annual audit should contain statement or certification by issuer that they are in compliance with financial covenants required by bond documents or that the auditor opines to their compliance.
 4. If available, interim financial statements shown against respective budget periods should be made available to investors.

OPERATING INFORMATION

1. Operating Information for the period, including the following:
 - Peak and average flows for the year;
 - Change in status of top ten customers;
 - Impact from promulgation of any change in regulatory framework;
 - Status of permits.

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NFMA constituent societies, individual members, or their firms may not agree with all provisions of these Recommended Best Practices. The NFMA is not a regulatory agency and compliance with the practices advocated herein does not constitute a "safe harbor" from any State or Federal rules or regulations. Nothing in this paper is to be construed as an offer or recommendation to buy or sell any security or class of securities.

1 1 . The City of New York、New York City Transitional Finance
Authority、TSASC, Inc. (2003) 「Request for Proposals
For Financial Advisor Services」

THE CITY OF NEW YORK
NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
TSASC, INC.

REQUEST FOR PROPOSALS
FOR
FINANCIAL ADVISOR SERVICES

September 10, 2003

I. INTRODUCTION

The City of New York (the “City”), the New York City Transitional Finance Authority (“TFA”) and TSASC, Inc. (“TSASC”) (collectively the “Issuers”) are requesting proposals from firms to serve as Financial Advisor(s) in all matters relating to the issuance of bonds and notes. The Financial Advisor(s) will be selected from among responding firms based on a thorough analysis of each firms’ response to this solicitation and their ability to meet the Issuers’ needs.

The Issuers will only contract with firm(s) which do not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status with respect of all employment decisions. Consistent with policies expressed in the City Charter, the Issuers encourage proposals from women-owned and minority-owned businesses and from small and City-based businesses.

In the next four fiscal years, the Issuers anticipate issuing approximately \$3 billion of bonds annually for all three credits combined. The amount does not include any refinancing. Most of the new money financing will be issued through the GO credit unless the TFA’s debt-incurring capacity is increased. In addition, the City may consider restructuring TSASC debt in light of the recent downgrade of a major tobacco manufacturer by Moody’s and Standard & Poor’s. Please note that the Issuers have already retained swap advisors. A copy of the Issuers’ most recent Official Statements/Offering Circulars can be obtained via e-mail request, indicating “FA RFP OS/OC Request” in the subject line, to: contracts@omb.nyc.gov.

II. QUESTIONS FROM PROSPECTIVE FIRMS

Between the date of receipt of this Request for Proposals (“RFP”) and Wednesday, September 17, 2003, questions regarding this solicitation should be addressed only to the following individuals, jointly and in writing by e-mail indicating “FA RFP Question” in the subject line, to:

Andrew Burdess, (contracts@omb.nyc.gov); and

Michael Stern, (mstern@comptroller.nyc.gov).

Responses to questions will be jointly determined and may be distributed to all firms.

III. SCOPE OF SERVICES

The Financial Advisor(s) will provide services regarding the financial matters of the Issuers for the term of the contract resulting from this RFP. Such services shall include, but not be limited to:

- (1) Providing financial analysis and marketing advice in connection with current and future financing plans, including advising the Issuers on bond pricings, investor and rating agency relations and presentations;
- (2) Advising and assisting the Issuers and their counsel in connection with the preparation of

official statements, purchase contracts, resolutions and other documents or press releases relating to financings;

- (3) Assisting the Issuers in implementing competitive financings, including recommending optional bond structures, arranging electronic bidding logistics and verifying winning bids;
- (4) Advising, analyzing and assisting in connection with the structure and timing of financings including but not limited to refundings, taxable bonds, credit-enhancement, leased equipment financings, asset-backed financings, commercial paper and private placements.
- (5) Assisting in the selection and evaluation of underwriters for debt offerings and negotiation of the terms of such debt offerings with managing underwriters;
- (6) Assisting in the selection and evaluation of refinancings, derivative and other innovative products;
- (7) Providing advice and assistance in analyzing alternative financing mechanisms and assisting the Issuers in securing legislation, to the extent necessary or appropriate, to employ such mechanisms;
- (8) Advising and assisting the Issuers and their counsel in connection with investments and defeasance/escrow accounts, including preparing requests for proposals and receiving and evaluating bids;
- (9) Providing day-to-day advice and recommendations to Issuer staff members on various bond financing related matters;
- (10) Providing quantitative training to Issuer staff members, including but not limited to, fundamental bond math, new money optimization structuring techniques and refunding analyses;
- (11) Preparing, attending and participating in meetings and conferences with, and presentations to, Federal, State and City officials, underwriters, investors, counsel, rating agencies and trade organizations;
- (12) Assisting with preparation of RFP's and written evaluation of proposals for the procurement of credit enhancements, including letters of credit and bond insurance;
- (13) Assuming responsibility for the following in the case of competitive offerings:
 - Preparation and advertisement of Notices of Sale;
 - Preparation of bid forms;
 - Advice as to manner of bid procedures;
 - Investor mailings;
 - Investor meetings including preparation of presentation material, if required;

- (14) Attending meetings related to debt offerings and participation in the deliberations at such meetings, including:
- Preparation of official statements with the entire working group;
 - Due diligence;
 - Rating agency presentations;
 - Pricing;
 - Closing.
- (15) Providing ongoing financial advisory services, including:
- Assistance with regular contacts with the rating agencies;
 - Evaluations of financial proposals received from the underwriters including refundings;
 - Advice on investor relations and assistance in preparation of related presentation materials;
 - Preparation of a technical appendix upon the completion of each new money financing;
 - Verification of the underwriter's cash flows.
- (16) Assisting the Issuers in working with arbitrage rebate calculation specialists;
- (17) Assisting in the implementation and the management of the City's and TFA's debt database, including supervision of outside consultants;
- (18) Performing additional services related to the financial advisory position including, but not limited to, special projects upon the request of the Issuers;
- (19) Monitoring the market movements and keeping the Issuers abreast of these developments as they impact potential financings;
- (20) Assisting in a smooth transition to another financial advisor at the conclusion of the contract resulting from this RFP;
- (21) Demonstrating familiarity with the New York State Local Finance Law ("LFL") and other laws and regulations affecting the Issuers as well as how these constrain financial structures. The successful proposer will be required to inform the Issuers of any potential impact on the current outstanding debt resulting from changes to the statutes or regulations governing the City's, TFA's and TSASC's financings.

IV. TERM

The initial term of the contract is for three years with two one-year renewal options.

V. PROPOSAL REQUIREMENTS

Each proposer must adhere to this section's requirements for proposal content and format so that the evaluation and selection process can be conducted in an orderly and timely manner. Proposers must insure that their proposals closely follow the sequence and organizational outline in this section.

To facilitate proposal evaluation, proposers must submit proposals in three sections and contain the following information in order to be considered: A. Technical Proposal; B. Cost Proposal; C. Compliance Information

Every page in the proposal, including all appendices and attachments, must be numbered consecutively to facilitate reference and review by the selection committee.

Proposers must identify those portions of their proposal that they deem to be confidential, proprietary information or trade secrets and provide justification why such materials, upon request, should not be disclosed by the City. Such information must be easily separable from the non-confidential sections of the proposal.

All proposals must indicate that they are valid for a minimum of 60 calendar days after submission date.

A. TECHNICAL PROPOSAL

This section must contain all pertinent information that substantiates the proposer's qualifications and capabilities to perform the services required by this RFP. For questions that are not applicable for the Issuer for which your firm is proposing, please indicate by stating "NOT APPLICABLE." Page limits have been set for each question. However, the proposer's may opt to combine answers and consolidate set page limits.

(1) Which Issuer(s) (Brief statement only):

Indicate to which Issuer your firm is interested in serving as financial advisor.

(2) Phasing of Financings Within Each Fiscal Year (2 pages):

The City has on-going new money financing needs of about \$3 billion annually for the three credits combined. Provide a recommended phasing of bond financings within a hypothetical fiscal year beginning in July and ending in June with your commentary for the three scenarios outlined below. Place particular emphasis on frequency and size and whether the City would benefit from the use of interim financings (i.e. BANs or Commerical Paper).

Assume that \$150 million per year of the capital program would be taxable and that each Issuer has variable rate capacity of up to 25%. Given these assumptions, discuss your view of the appropriate portion of the City's debt that should be issued as variable rate and the portion that should be issued on a competitive basis in each scenario below:

- Scenario 1) The full \$3 billion must be financed with City G.O. bonds. (Assume that the TFA is at its statutory issuance cap and that TSASC bonds are not cost-effective and/or are not practical for usage because of trapping events). (Applicable to only proposers on G.O.).
- Scenario 2) The \$3 billion new money need can be financed by either City G.O. bonds or TFA bonds, but that no TSASC new money bonds are available for new money purposes. (Applicable to only proposers on G.O. and TFA).
- Scenario 3) The \$3 billion new money need can be financed by a combination of either City G.O. bonds, TFA bonds or two additional TSASC deals (\$700 million annually with total capacity of \$1.4 billion). Assume the following regarding TSASC bonds: (1) TSASC is restructured using the double-barreled approach utilized by New York State in its recent tobacco bond issuance; (2) TSASC is financable at a spread to MMD approximating that of NYC G.O. bonds. (Proposers for G.O. and TFA and TSASC all must answer this question).

(3) Relevant Experience (1 page):

Please describe, in detail, the scope of services that your firm has provided for at least two clients that you believe have prepared your firm for the role of financial advisor to the Issuer(s).

Please provide your firm's ranking and a list of all transactions for which your firm has acted in the capacity of financial advisor on a negotiated offering within the last three years. Please include the issuer's credit rating and the average size of the issuer's financings during the relevant period.

(4) Securitization/Structured Finance Experience (TFA & TSASC proposers only) (1/2 page):

Please describe services that your firm has provided in connection with asset backed securitizations, structured transactions, and leasing transactions. Identify the individuals who worked on each transaction and the specific roles they played.

Indicate NOT APPLICABLE in proposals for the City G.O. bonds senior manager.

(5) Credit Analysis (1/2 page per credit):

For each Issuer to which you are applying to serve as Financial Advisor (City, TFA, TSASC), provide rationales for a credit rating upgrade for the Issuer. Feel free to differentiate rationales based on each rating agency's approach to the particular Issuer.

(6) Credit Enhancement (1/2 page):

Please describe specific strategies to expand bond insurance, LOC or liquidity capacities and lower the credit enhancement costs for each Issuer for which you are proposing. If the credit enhancement is unavailable, please recommend ways to access the lower-costs short-term market with cost benefit analysis.

(7) Refunding (1 page):

Describe the analytical criteria your firm would employ to evaluate the cost-benefit of refunding opportunities. Also provide rationales for the use of derivatives in a refunding and discuss what should be considered in analyzing how derivatives would impact the appropriate level of threshold savings.

(8) Pricing and Marketing (1 page):

- a) Discuss your firm's approach in assisting your clients in negotiating pricing.
- b) Describe the advantages and disadvantages of hiring an independent financial advisory firm versus a full service underwriting firm with regard to negotiated financings.
- c) Indicate your firm's strengths with regard to advising on bond pricing and marketing for each Issuer. Address both competitive and negotiated sales.
- d) Middle Maturities: The Issuers have often experienced wider pricing spreads in maturities ranging between 10 and 20 years. What recommendations do you have for lowering the spread to MMD for these maturities?
- e) Marketing Process: Discuss ideas with regard to Issuer's marketing process and investor relations your firm would recommend. Each of the Issuers has extensive investor outreach efforts. Is there anything different or additional which the specific Issuers should be doing? Address retail order periods, electronic technology or other channels the Issuers should consider.

(9) Quantitative (1/2 page):

- a) Please describe your firm's quantitative capabilities and how you would organize your firm to provide quantitative support for the Issuers' transactions.
- b) Provide a discussion of whether the Issuers are getting a fair option value from

issuing premium bonds. Also recommend when and how much the Issuers should issue premium bonds relative to discount bonds or par bonds.

- (10) Structuring Analysis: (G.O. and TFA proposers only) (1/2 page of text and up to two pages of supplemental information)

Provide a calculation utilizing \$600M General Obligation new money bond structure in compliance with the New York State LFL and with a thirty year maximum maturity, the following Period of Probable Usefulness (“PPU”) distribution amounts and an assumed issue date of 11/01/03 (please see the Interest Rate Scale attached as Exhibit 1):

PPU	Tax-Exempt	Taxable
5 Year	\$83,385,000	\$17,500,000
10 Year	43,830,000	13,000,000
15 Year	42,385,000	1,000,000
20 Year	40,835,000	10,000,000
25 Year	17,710,000	500,000
30 Year	241,855,000	58,000,000
40 Year	30,000,000	
	\$500,000,000	\$100,000,000

The structure should first maximize overall bond average life and second minimize the aggregate debt service during the period of 07/01/03 through to 06/30/07.

- (11) Taxable Debt: (G.O. and TFA proposers only) (1/2 page)

Please discuss strategies for lowering borrowing costs for the City’s and the TFA’s taxable bond programs. Assume an aggregate annual taxable new money financing need of about \$150 million.

- (12) TSASC Trapping Events: (TSASC proposers only) (1/2 page)

Given that a trapping event has occurred, what steps, if any, should TSASC take?

- (13) Underwriter Performance Evaluation (1/2 page):

Discuss what techniques your firm would suggest to evaluate senior and co-manager performance on any given financing and over time. In your discussion, include the sources of information you would utilize.

- (14) Expanding Underwriter Involvement (1/2 page):

The City’s current syndicate includes local and regional firms as well as women-owned and minority-owned firms. These firms serve as co-managers or special-managers in the syndicate and their role is typically limited to the distribution of the City’s bond offerings.

Discuss how the City can best access the resources available at these firms while increasing the importance of their role and adding value to the City.

(15) Biographies (No page limit):

Please provide names, resumes, licenses or certifications (if any) and relevant background of anyone in the firm that will be working directly on this account. Specify the role each would play, as well as what backup coverage would be available in times of conflicting engagements. Please asterisk(*) the name of the person who will be the primary day-to-day contact person for this account.

List other major financial advisory assignments that each individual will be engaged in during the term of this engagement and the appropriate amount of time that it requires.

The Technical Proposal should include any other information the proposer deems relevant. Information deemed by the proposer to be confidential/proprietary should be easily separable from the non-confidential/non-proprietary sections of the proposal.

B. COST PROPOSAL

- (1) Please state your hourly rates for each category of employee for each Issuer to which your firm is proposing to be financial advisor.
- (2) Please state your not to exceed total annual fee (excluding expenses) for each Issuer referred to above.

This section must contain all information concerning costs, fees and hourly rates for providing the services requested in this RFP. Fees are not subject to adjustments after the contract is awarded. The Issuers are tax exempt; therefore, prices must not include any state or local sales or use taxes. Proposed prices are irrevocable until the contract is awarded unless the proposal is withdrawn. Proposals may be withdrawn only in writing and only on the expiration of 60 calendar days after opening the proposals. Withdrawals must be received by the agency contact before the contract award.

Reimbursement for out-of-pocket expenses must be at cost, without markup, and may not exceed 15% of billings, which may only be increased with the consent of the respective Issuer.

C. COMPLIANCE INFORMATION (No page limit)

Firm Background

- (1) Firm Information/Equal Employment Opportunity
 - a) Indicate the number of persons, as well as the total number and percentages of minorities and women that your firm employs in professional and non-professional, or support, categories or titles? How many of such employees work primarily in

financial advisory services?

- b) Does your firm qualify as a women-owned or minority-owned business as defined by the Rules of the City of New York (Rules of the City of New York Chapter 11)?
- c) Describe your firm's equal employment opportunity policies and programs.
- d) Complete the attached employment statistic forms for your firm's public finance (and municipal sales and trading, if applicable) professionals.
- e) Identify all adverse determinations against your firm or any of its partners, directors, officers or employees or persons acting on its behalf, with respect to actions, proceedings, claims or complaints concerning violations of Federal, State or City equal opportunity laws or regulations and a statement that your firm is in compliance with all applicable Federal, State or City equal opportunity laws or regulations.
- f) State whether or not, in the past ten years, your firm or any of its or any of its partners, directors, officers or employees or anyone acting on its behalf, has ever been convicted of any crime or offense arising directly or indirectly from the conduct of your firm's business, or whether any of your firm's partners, directors, officers or employees or persons exercising substantial policy discretion has ever been convicted of any crime or offense involving financial misconduct or fraud, and, if so, please describe any such convictions and surrounding circumstances in detail.
- g) State whether or not your firm or any of its or any of its partners, directors, officers or employees or anyone acting on its behalf, has ever been indicted or otherwise charged in connection with any criminal matter arising directly or indirectly from the conduct of your firm's business which is still pending, or whether any of your firm's partners, directors, officers or employees or persons exercising substantial policy discretion has ever been indicted or otherwise charged in connection with any criminal matter involving financial misconduct or fraud which is still pending, and, if so, please describe any such indictments or charges and surrounding circumstances in detail.
- h) State whether or not any legal proceedings are pending to which your firm is a party, as well as any such proceedings known to be contemplated by government authorities or private parties and, if so, a description of each such proceeding.
- i) Describe any existing disputes or proceedings between your firm and the City regarding the payment of taxes.

(2) New York City Location

Please state whether your firm maintains its headquarters, or other offices, in the City, and

the number of your firm's employees who are employed in the City. If your firm is located in the City, does it have any plans to relocate any employees outside the City in the next three years? Does your firm pay City taxes and, if so, what type of taxes?

- (3) Demonstrate the proposer's financial and organizational stability.
 - (4) Provide a description of the proposer's professional relationships with the City.
 - (5) Conflict of Interest:
 - a) Please disclose:
 - (i) Any material financial relationships that your firm or any firm employee has with any financial advisory firms, investment banks or law firms or other persons or entities that may create a conflict of interest or the appearance of a conflict of interest in acting as financial advisor to the Issuers;
 - (ii) Any family relationship that any employee of your firm has with any Issuer (or officer, employee or Director thereof) that may create a conflict of interest or the appearance of a conflict of interest in acting as financial advisor to the Issuer(s); and
 - (iii) Any other matter that your firm believes may create a conflict of interest or the appearance of a conflict of interest in acting as a financial advisor to the Issuers.

Please describe any procedures your firm either has, or would adopt, to assure the Issuers that a conflict of interest would not exist for your firm in the future.

 - b) Has your firm or any of its officers, employees or directors given gifts totaling \$50 or more to any officer, employee or director of any Issuer in any 12 month period during the last 10 years?
- (6) Please describe the level of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. List the insurance carrier(s) supplying the coverage.

VI. PROPOSAL SPECIFICATIONS AND SUBMISSION

- (1) Firms must submit a proposal for each issuer (City, TFA and TSASC), for which they wish to be considered and ensure that each proposal responds to the relevant questions posed. The page limits that appear in the Technical Proposal section should be adhered to. However, no Technical Proposal shall exceed 10 pages, excluding the two page supplemental information response to the Structuring Analysis question located at Section IV A (10) and Biographies located at Section IV A (15) of this RFP.

- (2) Proposals may be single spaced and in no smaller than 10 point type.
- (3) Proposals MUST be received no later than 5:00 PM on Friday, September 26, 2003.
LATE PROPOSALS WILL NOT BE ACCEPTED.
- (4) Proposals should be submitted in a three-ring binder. More than one copy of the complete response can be included in a single binder. Please separate each copy by using tabs. Eight copies should be delivered to each of the following:

Rita J. Sallis
Office of the Comptroller
One Centre Street, Room 517
New York, NY 10007
Rsallis@comptroller.nyc.gov; and

Andrew Burdess
New York City Office of Management and Budget
75 Park Place, 6th Floor
New York, NY 10007
contracts@omb.nyc.gov .

Each office must also receive one copy of the proposal by e-mail, to the e-mail addresses above, or CD ROM in Microsoft format. Delivery is the sole responsibility of the proposer.

VII. SELECTION PROCESS

- (1) Selection of the financial advisor to the City will be completed by a selection committee comprised of one or more representatives from the respective Issuer, Mayor's Office of Management and Budget and The City Law Department, and from The City Comptroller's Office. The Committees may, at their discretion, choose to conduct interviews of proposing firms.
- (2) Selection of the financial advisor to the TFA and TSASC will be made by their respective Boards of Directors. Selection committees comprised of TFA or TSASC staff members, the Mayor's Office of Management and Budget and The City Comptrollers Office, will make recommendations to the respective Boards of Directors

VIII. ADDITIONAL INFORMATION

- (1) The Issuers expect the selected firm to enter into a contract with the Issuers to perform the services described herein as soon as possible after the selection is made. Such contract will contain Appendix A in the form attached hereto without alteration, except to reflect the particular Issuer that is entering into the contract.
- (2) Proposals should be concise.
- (3) This RFP does not commit the Issuers to award a contract or select the lowest bidder.
- (4) All materials submitted in response to this RFP will become the property of the Issuers.
- (5) The Issuers reserve the right to conduct discussions with one or more proposers. No proposer shall have any rights against the Issuers as a result of such discussions.
- (6) The Issuers reserve the right to negotiate separately with any source whatsoever.
- (7) The Issuers reserve the right to waive any irregularity in any proposal received or any other aspect of this procurement.

Interest Rate Scale

Exhibit 1

Pertaining to the Structuring Analysis question located at Section IV A (10) of this RFP.

	Tax Exempt Coupon	Taxable Coupon
2005	3.000%	2.290%
2006	3.500%	3.010%
2007	4.000%	3.410%
2008	4.500%	3.980%
2009	4.500%	4.300%
2010	5.000%	4.600%
2011	5.000%	4.870%
2012	5.000%	5.140%
2013	5.000%	5.190%
2014	5.250%	5.610%
2015	5.250%	5.710%
2016	5.250%	5.750%
2017	5.500%	6.000%
2018	5.500%	6.000%
2019	5.500%	6.000%
2020	5.000%	5.500%
2021	5.000%	5.500%
2022	5.000%	5.500%
2023	5.000%	5.500%
2024	5.000%	5.500%
2025	5.250%	5.750%
2026	5.250%	5.750%
2027	5.250%	5.750%
2028	5.250%	5.750%
2029	5.250%	5.750%
2030	5.250%	5.750%
2031	5.250%	5.750%
2032	5.250%	5.750%
2033	5.250%	5.750%

1 2. New York City Transitional Finance Authority (2005)

「Annual Report for Fiscal Year 2004」

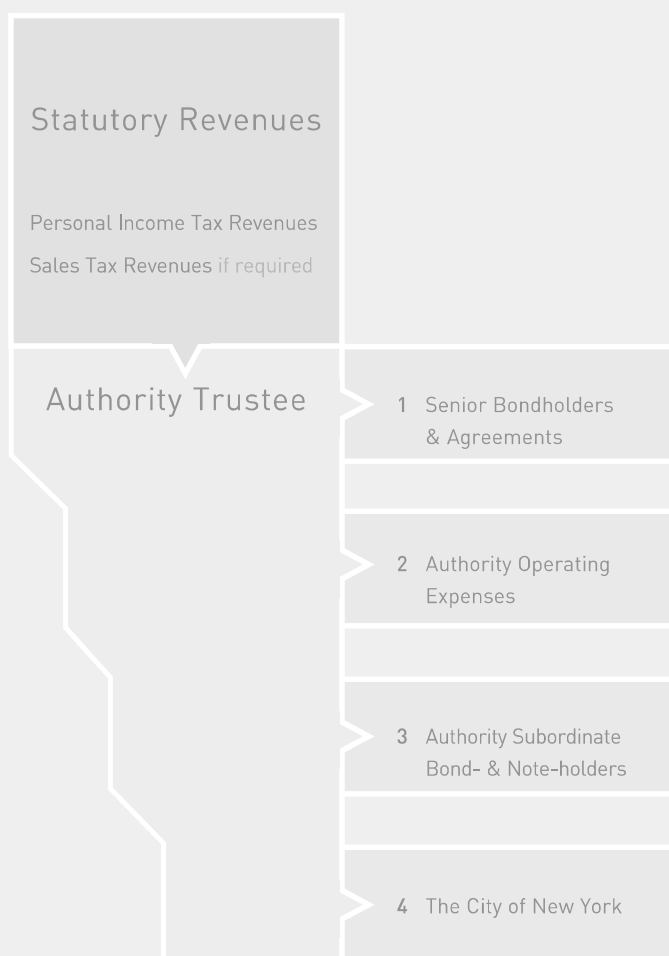
TFA New York City
Transitional Finance Authority



2004 Annual Report

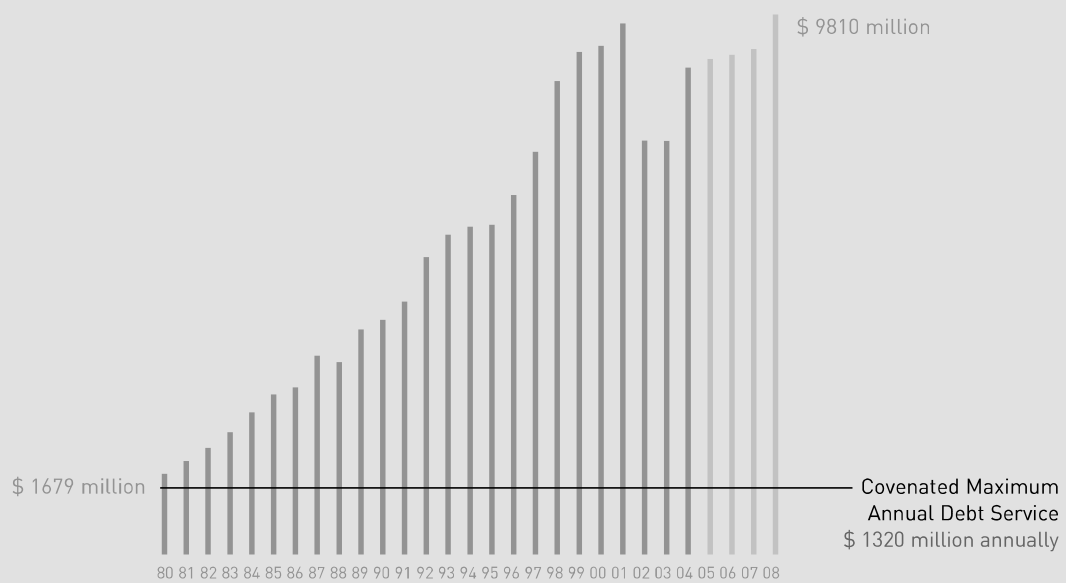


Collection & Application of Revenues



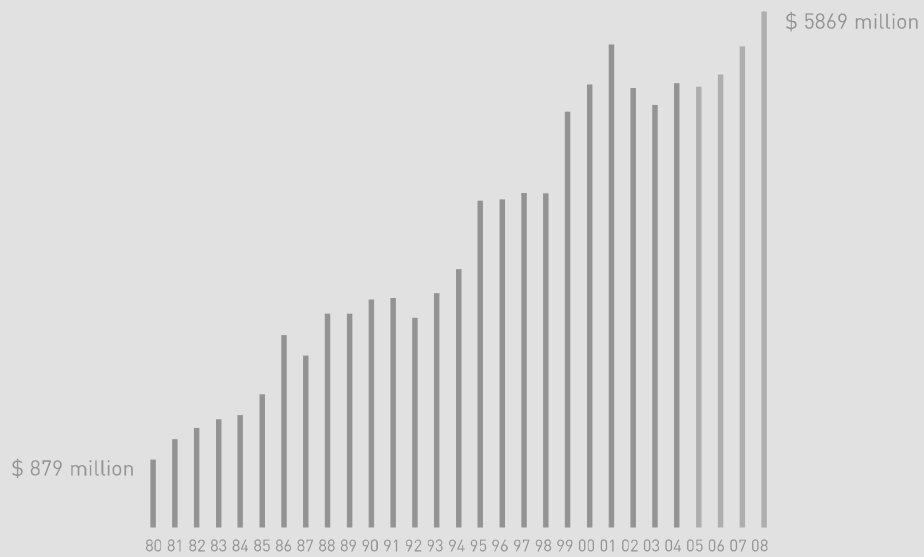


New York City Statutory Revenues





New York City Personal Income Tax Revenues







Financing a portion of New York City's Capital Program

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Letter from the Executive Director

I am pleased to present the Fiscal Year 2004 Annual Report of the New York City Transitional Finance Authority (the "TFA"). This report contains complete audited financial information for the TFA's seventh fiscal year of operation, which began on July 1, 2003.

The TFA is a public benefit corporation whose primary purpose is to finance a portion of New York City's (the "City's") capital program. The New York State Legislature approved the law authorizing the creation of the NYC Transitional Finance Authority on March 5, 1997 (Chapter 16 of the Laws of 1997, the "Act"). The Act included governance by a Board of five directors consisting of the following officials of the City: the Director of Management & Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design & Construction, the Comptroller, and the Speaker of the City Council.

The TFA is authorized to borrow up to \$11.5 billion through the issuance of bonds for capital purposes. In addition, the Act was amended in September 2001 to permit the TFA to have outstanding an additional \$2.5 billion of its bonds and notes to pay for costs related to or arising from the terrorist attack on the City on September 11, 2001. The TFA has issued \$2 billion of subordinate debt to pay such costs. This subordinate debt achieved ratings of the same level as the TFA's senior bonds. The TFA completed its authorized borrowing of \$11.5 billion in bonds for capital purposes in Fiscal Year 2004.

TFA bonds are payable from personal income tax revenues and, if needed, a portion of sales tax revenues collected in the City. These revenues are collectively referred to as the "Statutory Revenues." The TFA enjoys high coverage of its debt service provided by the Statutory Revenues. The ratings of the TFA are Aa2/AA+/AA+ from Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

The TFA is an asset-backed credit, which combines structured finance methods with a traditional revenue source. The high coverage provided by the Statutory Revenues and the TFA's legal separation from the City have enabled it to earn high bond ratings and to achieve low interest costs. Personal income tax revenues are paid directly to the TFA. Payment of such revenues to the city is made by the TFA only after and to the extent that the TFA determines revenues to be in excess of its needs. Sales tax revenues are available to the TFA if required.

The existence of the TFA has allowed the City to continue its capital program. Without it, the constitutional debt limit would have forced the City to stop entering into additional contracts for the improvements of its infrastructure. Over the last seven fiscal years, the TFA has proved to be a very successful borrowing vehicle for the City's capital program.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Page", with a stylized, flowing script.

Mark Page,
Executive Director

Report of Independent Certified Public Accountants

To the Board of Directors of New York City Transitional Finance Authority

We have audited the accompanying financial statements of the governmental activities, the capital projects fund and the debt service fund of the New York City Transitional Finance Authority (the "Authority"), a component unit of the City of New York, New York, as of and for the years ended June 30, 2004 and 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the capital projects fund and the debt service fund of the Authority as of June 30, 2004 and 2003, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



New York, New York
September 8, 2004

Management's Discussion and Analysis

Overview of Financial Statements

The annual financial statements of the New York City Transitional Finance Authority (the "Authority") consist of two parts - management's discussion and analysis (this section) and the basic financial statements.

Our discussion and analysis of the financial performance of the Authority provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements, which begin on page 12.

The entity-wide financial statements of the Authority, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements and Management's Discussion & Analysis for State and Local Governments. The statements of net assets (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. All revenues and expenses are taken into account regardless of when cash is paid or received.

The Authority's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period.

The reconciliations of the statements of revenues, expenditures and changes in fund balances of governmental funds to the statements of activities are presented to assist the reader in understanding the differences between entity-wide and governmental funds financial statements.

The Authority is a component unit of New York City (the "City") and, accordingly, is included in the City's financial statements. The Authority's authorizing legislation limits the amount of Authority bonds and notes issued for capital purposes ("Future Tax Secured Bonds") to \$11.5 billion. The Authority has reached its statutory limit on Future Tax Secured Bonds. In addition, the Authority is authorized to have outstanding \$2.5 billion of bonds and notes ("Recovery Bonds") to pay costs related to or arising from the World Trade Center attack ("Recovery Costs"). The Authority had, as of June 30, 2004, \$2 billion of Recovery Bonds outstanding.

Financial Highlights and Overall Analysis - Entity-Wide Financial Statements

During fiscal year 2004 total assets increased by \$158 million. Restricted cash and cash equivalents increased by \$16 million, restricted investments decreased by \$100 million, unrestricted cash and cash equivalents decreased by \$224 million, restricted cash for economic defeasance increased by \$0.7 million, restricted investments held for economic defeasance increased by \$313 million, personal income taxes receivable increased by \$149 million and other assets increased by \$4 million.

The increase of \$16 million at June 30, 2004 in restricted cash and cash equivalents is comprised of an increase of \$100 million in investments having an original maturity date of less than three months (thus a cash equivalent), an increase of \$48 million in required debt service and a \$132 million decrease in restricted cash and cash equivalents used to reimburse the City for capital projects.

The \$224 million decrease in unrestricted cash and cash equivalents reflects the reduction of unrestricted grants received by the Authority from the City in the fiscal year ended June 30, 2004. The decrease in restricted investments held for debt service is primarily due to the funds being invested for less than three months at June 30, 2004.

Management's Discussion and Analysis (continued)

Financial Highlights and Overall Analysis - Entity-Wide Financial Statements (continued)

The economic defeasance of \$295 million of the Authority's Future Tax Secured Bonds in the year ended June 30, 2004 increased assets held in escrow by the Authority's Trustee by \$314 million. Because this transaction was an economic defeasance, and not a legal defeasance, the Authority includes the escrow funds for the economically defeased bonds in its assets and those funds provide for all future debt service on the economically defeased bonds. The liability for those economically defeased bonds is included in bonds payable on the books of the Authority.

Total liabilities increased by \$455 million in fiscal year 2004. The primary changes were that long-term bonds payable increased by \$1.1 billion, short-term debt payable decreased by \$906 million and personal income taxes payable to the City increased by \$149 million. The increase in long-term bonds payable reflects issuance of \$1.9 billion of Future Tax Secured Bonds during the fiscal year ended June 30, 2004, of which \$1.1 billion was used to pay bond anticipation notes, \$145 million was used to reimburse the City for capital project costs and \$709 million was used for defeasance of Future Tax Secured Bonds totaling \$717 million. \$295 million of the defeased Future Tax Secured Bonds were economically defeased and remain as a liability on the Authority's books while \$422 million were legally defeased and were eliminated from the Authority's liabilities.

Total general revenues decreased by \$671 million in fiscal 2004. The primary components of this decrease were a decrease of \$224 million in the unrestricted grant received from the City, a \$428 million decrease in personal income taxes retained due to (a) utilization of the unrestricted grant from the City, which was received in the fiscal year ended June 30, 2003, and (b) increased debt service including principal payments on bonds in fiscal year ended June 30, 2004.

Total program expenses decreased by \$2.9 billion in fiscal 2004. The primary components of this decrease

were a decrease of \$1.3 billion in distributions to the City for its capital program, and a decrease of \$1.6 billion in distributions to the City for Recovery Costs. In addition, interest expense increased by \$18 million due to increased debt outstanding, and general and administrative expenses increased by \$1.9 million primarily for liquidity and remarketing fees.

Financial Highlights and Overall Analysis - Governmental Funds Financial Statements

Total assets increased by \$155 million in fiscal 2004. Restricted cash and cash equivalents increased by \$16 million, restricted investments decreased by \$100 million, unrestricted cash and cash equivalents decreased by \$224 million, restricted cash for economic defeasance increased by \$0.7 million, restricted investments held for economic defeasance increased by \$313 million and personal income tax receivable increased by \$149 million.

Total liabilities decreased by \$963 million in fiscal year 2004 which reflects the reduction in bond anticipation notes that were paid with the proceeds from the issuance of long-term debt and the increase of \$112 million of deferred personal income tax revenue at June 30, 2004.

Total revenues decreased by \$659 million in fiscal year 2004. The primary components of the decrease were a \$224 million decrease in an unrestricted grant received from the City and a \$428 million decrease in personal income taxes retained.

Expenditures decreased by \$2.8 billion in fiscal year 2004. The primary components of this decrease were the distributions to the City for its capital program decreased by \$1.3 billion, the distribution to the City for Recovery Costs decreased by \$1.6 billion, interest expense increased by \$40 million, principal amount of debt retired increased by \$72 million, and general and administrative expenses increased by \$1.9 million.

Other financing sources decreased by \$2.3 billion primarily due to the decrease in the principal amount of bonds issued in fiscal year 2004.

**New York City
Transitional Finance Authority**

Statements of Net Assets (Deficit)

June 30, (in thousands)	2004	2003
ASSETS		
Restricted cash and cash equivalents	\$ 153,632	\$ 137,543
Restricted cash escrow for economic defeasance	708	-
Restricted investments	16,448	116,702
Restricted investments escrow for economic defeasance	312,879	-
Unrestricted cash and cash equivalents	400,014	624,000
Personal income tax receivable	165,229	15,949
Unamortized bond issuance costs	63,557	59,777
Total assets	<u>1,112,467</u>	<u>953,971</u>
LIABILITIES		
Distributions payable to New York City capital program	-	2,695
Personal income tax payable to New York City	165,229	15,949
Accrued expenses	2,532	2,541
Accrued interest payable	143,525	129,680
Bond anticipation notes payable	-	1,110,000
Interest rate cap obligation	16,060	13,720
Bonds payable		
Portion due within one year	389,260	184,925
Portion due after one year	12,974,625	11,839,335
Unamortized deferred bond refunding costs	(162,856)	(137,214)
Unamortized bond premium	293,459	204,754
Total liabilities	<u>13,821,834</u>	<u>13,366,385</u>
NET ASSETS (DEFICIT)		
Restricted for capital program	2,539	134,754
Restricted for economic defeasance	313,587	-
Deficit	<u>(13,025,493)</u>	<u>(12,547,168)</u>
Total deficit	<u><u>\$(12,709,367)</u></u>	<u><u>\$(12,412,414)</u></u>

New York City
Transitional Finance Authority

Statements of Activities

Year ended June 30, (in thousands)	2004	2003
EXPENSES		
General and administrative expenses	\$ 11,328	\$ 9,390
Distributions to New York City for		
Capital program	278,715	1,592,932
Recovery costs	-	1,564,884
Amortization of deferred bond refunding costs	16,511	12,529
Interest expense	489,798	471,420
Amortization of debt issuance expense	5,731	5,953
Total program expenses	<u>802,083</u>	<u>3,657,108</u>
GENERAL REVENUES		
Personal income tax revenue	5,693,704	4,455,749
Less remittances to New York City	<u>(5,584,876)</u>	<u>(3,918,947)</u>
Personal income tax revenue retained	108,828	536,802
Unrestricted grant from New York City	400,000	624,000
Unrealized loss on economic defeasance investments	(9,044)	-
Change in value of interest rate cap obligation	(2,340)	9,372
Investment earnings	<u>7,686</u>	<u>5,753</u>
Total general revenues	<u>505,130</u>	<u>1,175,927</u>
Change in net assets	(296,953)	(2,481,181)
DEFICIT - BEGINNING OF YEAR	<u>(12,412,414)</u>	<u>(9,931,233)</u>
DEFICIT - END OF YEAR	<u>\$ (12,709,367)</u>	<u>\$ (12,412,414)</u>

The accompanying notes are an integral part of these statements.

New York City
Transitional Finance Authority

Balance Sheet

Governmental Funds

June 30, 2004 (in thousands)	Capital Projects	Debt Service	Total Governmental Funds
ASSETS			
Restricted cash and cash equivalents	\$ 5,071	\$ 148,561	\$ 153,632
Restricted cash escrow for economic defeasance	-	708	708
Unrestricted cash and cash equivalents	-	400,014	400,014
Restricted investments	-	16,448	16,448
Restricted investments escrow for economic defeasance	-	312,879	312,879
Personal income tax receivable	-	165,229	165,229
Total assets	<u>\$ 5,071</u>	<u>\$ 1,043,839</u>	<u>\$ 1,048,910</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued expenses	\$ 2,532	\$ -	\$ 2,532
Personal income tax payable to New York City	-	52,933	52,933
Deferred personal income tax revenue	-	112,296	112,296
Total liabilities	<u>2,532</u>	<u>165,229</u>	<u>167,761</u>
Fund balances			
Reserved for capital projects	2,539	-	2,539
Reserved for debt service	-	165,009	165,009
Reserved for economic defeasance	-	313,587	313,587
Unrestricted funds	-	400,014	400,014
Total fund balance	<u>2,539</u>	<u>878,610</u>	<u>881,149</u>
Total liabilities and fund balances	<u>\$ 5,071</u>	<u>\$ 1,043,839</u>	<u>\$ 1,048,910</u>

**New York City
Transitional Finance Authority**

Balance Sheet

Governmental Funds

June 30, 2003 (in thousands)	Capital Projects	Debt Service	Total Governmental Funds
ASSETS			
Restricted cash and cash equivalents	\$ 137,449	\$ 94	\$ 137,543
Unrestricted cash and cash equivalents	-	624,000	624,000
Restricted investments	-	116,702	116,702
Personal income tax receivable	-	15,949	15,949
Total assets	<u>\$ 137,449</u>	<u>\$756,745</u>	<u>\$ 894,194</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Bond anticipation notes payable	\$ 1,110,000	\$ -	\$ 1,110,000
Distributions payable to New York City capital program	2,695	-	2,695
Accrued expenses	2,541	-	2,541
Personal income tax payable to New York City	-	15,949	15,949
Total liabilities	<u>1,115,236</u>	<u>15,949</u>	<u>1,131,185</u>
Fund balances			
Deficit	(977,787)	-	(977,787)
Reserved for debt service	-	116,796	116,796
Unrestricted funds	-	624,000	624,000
Total fund balance (deficit)	<u>(977,787)</u>	<u>740,796</u>	<u>(236,991)</u>
Total liabilities and fund balances	<u>\$ 137,449</u>	<u>\$ 756,745</u>	<u>\$ 894,194</u>

The accompanying notes are an integral part of this statement.

New York City
Transitional Finance Authority

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2004 (in thousands)	Capital Projects	Debt Service	Total Governmental Funds
REVENUES			
Personal income tax revenue	\$ -	\$ 5,581,408	\$ 5,581,408
Less remittances to New York City	-	(5,472,580)	(5,472,580)
Personal income tax revenue retained	-	108,828	108,828
Unrestricted grant from New York City	-	400,000	400,000
Investment earnings	346	7,340	7,686
Unrealized loss on economic defeasance investments	-	(9,044)	(9,044)
Total revenues	346	507,124	507,470
EXPENDITURES			
Interest expense	-	508,033	508,033
Principal amount of bonds retired	-	179,510	179,510
Costs of debt issuance	8,489	-	8,489
Refunding bond issuance costs	-	2,129	2,129
Economic refunding bond issuance costs	-	1,476	1,476
Distributions to New York City for Capital program	278,715	-	278,715
General and administrative expenses	11,328	-	11,328
Total expenditures	298,532	691,148	989,680
Excess of expenditures over revenues	(298,186)	(184,024)	(482,210)
OTHER FINANCING SOURCES (USES)			
Principal amount of bonds issued	1,231,620	-	1,231,620
Bond premium, net of discount	44,895	-	44,895
Refunding bond proceeds	-	463,190	463,190
Payments to refunded bond escrow holder	-	(460,493)	(460,493)
Economic refunding bond proceeds	-	321,138	321,138
Transfers in (out)	1,997	(1,997)	-
Total other financing sources and uses	1,278,512	321,838	1,600,350
Net change in fund balances	980,326	137,814	1,118,140
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	(977,787)	740,796	(236,991)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 2,539	\$ 878,610	\$ 881,149

New York City
Transitional Finance Authority

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2003 (in thousands)	Capital Projects	Debt Service	Total Governmental Funds
REVENUES			
Personal income tax revenue	\$ -	\$ 4,489,749	\$ 4,489,749
Less remittances to New York City	-	(3,952,947)	(3,952,947)
Personal income tax revenue retained	-	536,802	536,802
Unrestricted grant from New York City	-	624,000	624,000
Investment earnings	3,155	2,598	5,753
Total revenues	3,155	1,163,400	1,166,555
EXPENDITURES			
Interest expense	-	467,803	467,803
Principal amount of bonds retired	-	107,875	107,875
Costs of debt issuance	20,460	-	20,460
Refunding bond issuance costs	-	11,658	11,658
Distributions to New York City for			
Capital program	1,592,932	-	1,592,932
Recovery costs	1,564,884	-	1,564,884
General and administrative expenses	9,390	-	9,390
Total expenditures	3,187,666	587,336	3,775,002
Excess of expenditures over revenues	3,184,511	(576,064)	2,608,447
OTHER FINANCING SOURCES (USES)			
Principal amount of bonds issued	3,772,565	-	3,772,565
Bond premium, net of discount	75,765	-	75,765
Refunding bond proceeds	-	2,142,187	2,142,187
Payments to refunded bond escrow holder	-	(2,128,791)	(2,128,791)
Transfers in (out)	(40,448)	40,448	-
Total other financing sources and uses	3,807,882	53,844	3,861,726
Net change in fund balances	623,371	629,908	1,253,279
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	(1,601,158)	110,888	(1,490,270)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (977,787)	\$ 740,796	\$ (236,991)

The accompanying notes are an integral part of this statement.

Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Assets (Deficit)

June 30, (in thousands)	2004	2003
Total fund balance (deficit) - governmental funds	\$ 881,149	\$ (236,991)
Amounts reported for governmental activities in the statements of net assets (deficit) are different because:		
Costs of debt issuance are reported as expenditures in governmental funds financial statements. However, in the statements of net assets (deficit), the costs of debt issuance are reported as capitalized assets and amortized over the lives of the debt.	63,557	59,777
Bond premiums are reported as other financing sources in the governmental funds financial statements. However, in the statements of net assets (deficit), bond premiums are reported as a component of bonds payable and amortized over the lives of the related debt.	(293,459)	(204,754)
Proceeds from interest rate cap agreements are currently available financial resources and are recognized as other financing sources in the governmental funds financial statements. However, in the statements of net assets (deficit), this amount is considered a liability and is reported at fair value.	(16,060)	(13,720)
Some liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements but are reported in the statements of net assets (deficit). Those liabilities consist of:		
Bonds payable	(13,363,885)	(12,024,260)
Accrued interest on bonds	(143,525)	(129,680)
Costs of bond refunding are reported as expenditures in governmental funds financial statements. However, in the statements of net assets (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	162,856	137,214
Personal income taxes due to the Authority at year-end but not collected within sixty days of year-end are recognized as deferred revenue in the governmental funds balance sheets. In the statements of net assets (deficit) and changes in net assets, all personal income tax receivables are recognized as revenue and are included in net assets. The corresponding amount of personal income taxes payable to the City of New York is higher in the statements of net assets (deficit) for this reason.		
Personal income tax payable to New York City	(112,296)	-
Deferred personal income tax revenue	112,296	-
Net assets (deficit) of government activities	<u><u>\$ (12,709,367)</u></u>	<u><u>\$ (12,412,414)</u></u>

Reconciliations of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statements of Activities

Year ended June 30, (in thousands)	2004	2003
Net change in fund balances - total governmental funds	\$ 1,118,140	\$ 1,253,279
Amounts reported for governmental activities in the statements of activities are different because:		
Refunding bond proceeds and payments to refunded bond escrow holder are reported as other financing sources and uses in the governmental funds, but increase and decrease long-term liabilities in the statements of net assets (deficit).	(2,697)	(13,396)
Governmental funds report costs of bond refunding as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	(14,382)	(871)
Bond proceeds provide current financial resources to governmental funds, but debt issued increases long-term liabilities in the statements of net assets (deficit).	(1,231,620)	(3,772,565)
Bond proceeds used to fund the economic defeasance escrow are current financial resources to governmental funds but debt issued increases long-term liabilities in the statements of net assets.	(319,662)	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statements of net assets (deficit).	179,510	107,875
Governmental funds report costs of debt issuance as expenditures. However, in the statements of activities, the cost of debt issuance is amortized over the lives of the debt.	2,758	14,507
Governmental funds report bond premiums/discounts as other financing sources. However, in the statements of activities, bond premiums/discounts are amortized over the lives of the debt as interest expense.	(12,815)	(47,132)
Governmental funds report revenue received from the sale of interest rate cap agreements as other financing sources. However, statements of activities report changes in the fair value of the agreements.	(2,340)	9,372
Interest expense is reported in the statements of activities on the accrual basis, but interest is reported as an expenditure in governmental funds when outlay of financial resources is required.	(13,845)	(32,250)
Change in net assets of governmental activities	<u>\$ (296,953)</u>	<u>\$ (2,481,181)</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

June 30, 2004 and 2003

NOTE A - ORGANIZATION

The New York City Transitional Finance Authority (the "Authority") is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the "State"). The Authority is governed by a Board of five directors, consisting of the following officials of the City of New York (the "City"): the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the City Comptroller and the Speaker of the City Council. Although legally separate from the City, the Authority is a component unit of the City and, accordingly, is included in the City's financial statements.

The Authority was created by State legislation enacted in 1997 to issue and sell up to \$7.5 billion in bonds and notes to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City. In June 2000, the State Legislature increased to \$11.5 billion the Authority's capacity to issue bonds and notes for capital purposes ("Future Tax Secured Bonds"). The State Legislature also increased the amount of Future Tax Secured Bonds which may be issued as variable rate debt from \$750 million to \$2.3 billion. On September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional \$2.5 billion of bonds and notes ("Recovery Bonds") to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center ("Recovery Costs"). The Authority has issued its statutory limit of \$11.5 billion of Future Tax Secured Bonds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The entity-wide financial statements of the Authority, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board Statement No. 34. The statements of net assets (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Authority's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for unmatured interest on bonds payable, which is recognized when due. The governmental funds consist of the (a) Capital Projects Fund, which accounts for resources to be transferred to the City for its capital program and Recovery Costs and for the operations of the Authority, and (b) the Debt Service Fund, which accounts for the accumulation of resources for payment of principal and interest on long-term debt and certain interest on short-term debt.

Bond and bond anticipation note premiums, discounts and issuance costs are capitalized and amortized over the lives of the related debt using the interest method in the entity-wide financial statements. The governmental fund financial statements recognize the premiums, discounts, as well as debt issuance costs, during the current period. The face amount of debt issued and premium received are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred bond refunding costs represent the accounting loss incurred in advance refunding of outstanding bonds. The deferred bond refunding costs are amortized over the lesser of the remaining life of the old debt or the life of the new debt.

Interest expense is recognized on the accrual basis in the entity-wide financial statements. Interest expenditure is recognized when paid in the individual governmental fund financial statements.

Interest rate cap obligations, which originated from the sale of interest rate cap agreements, are reported in the statements of net assets (deficit) and are adjusted to their fair value at June 30 each year and the change in their fair value is reported as revenue or expense in the statements of activities. Any amounts paid under the agreements will be reported as an expense/expenditure in the statements of activities and the governmental funds statements of revenues, expenditures and changes in fund balances.

The Authority receives City personal income taxes, imposed pursuant to State law and collected on behalf of the Authority by the State, to service its debt and pay its administrative expenses. Funds for bond debt service are required to be set aside prior to the due date of the principal and interest. Unused personal income taxes are remitted to the City.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - BONDS PAYABLE

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), the Authority is authorized to issue \$11.5 billion of Future Tax Secured Bonds. The Authority has issued \$11.5 billion of Future Tax Secured Bonds and as of June 30, 2004, the Authority had outstanding debt of \$11.3 billion of Future Tax Secured Bonds, including \$295 million of economically defeased Future Tax Secured Bonds. The Authority includes the escrow funds for the economically defeased bonds in its assets and those funds provide for all future debt service on the economically defeased bonds.

In addition, the Act permits the Authority to have outstanding \$2.5 billion of Recovery Bonds for Recovery Costs. As of June 30, 2004 and 2003, the Authority had outstanding \$2 billion of Recovery Bonds.

The Authority funds its debt service requirements and operating expenditures from personal income taxes collected on its behalf by the State and, under certain circumstances, sales taxes. Sales taxes are only available to the Authority after such amounts required by the Municipal Assistance Corporation for the City of New York are deducted and if the amounts of personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during fiscal years 2004 and 2003.

All City personal income tax is paid by the State to the Authority. The Authority has pledged the personal income tax as collateral to secure its bonds. The Authority retains personal income taxes in an amount sufficient to service its debt and pay its operating expenditures, and remits the difference to the City. The Authority has no taxing power.

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

Bonds are recorded at the principal amount outstanding and consist of the following:

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
1998 Fiscal Series A - 4.20% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2023	\$ 243,740	\$ -	\$ -	\$ 243,740
1998 Fiscal Series B - 4.00% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2027	600,655	-	(66,995)	533,660
1998 Fiscal Series C 4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2026	599,915	-	(216,785)	383,130
5.80% to 6.375% serial taxable bonds maturing in varying installments through 2014	69,580	-	(6,580)	63,000
Variable rate tax-exempt bonds due in 2028 (a)	100,000	-	-	100,000
1999 Fiscal Series A 4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2016	329,440	-	(13,945)	315,495
5.30% to 5.80% serial taxable bonds maturing in varying installments through 2006	25,435	-	(6,200)	19,235
5.00% to 5.50% serial tax-exempt bonds maturing in varying installments through 2026	222,500	-	-	222,500
Variable rate tax-exempt bonds due in 2028 (a)	277,500	-	-	277,500

New York City
Transitional Finance Authority

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
1999 Fiscal Series B				
3.25% to 5.125% serial and term tax-exempt bonds maturing in varying installments through 2024	\$ 392,390	\$ -	\$ (15,965)	\$ 376,425
5.45% to 5.85% serial taxable bonds maturing in varying installments through 2006	29,470	-	(2,875)	26,595
5.00% to 5.20% serial tax-exempt bonds maturing in varying installments through 2027	100,000	-	-	100,000
Variable rate tax-exempt bonds due in 2028 (a)	50,000	-	-	50,000
1999 Fiscal Series C				
3.50% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2028	310,400	-	(38,370)	272,030
5.75% to 6.50% serial taxable bonds maturing in varying installments through 2011	32,420	-	-	32,420
2000 Fiscal Series A				
4.25% to 6.00% serial and term tax-exempt bonds maturing in varying installments through 2017	97,230	-	(34,515)	62,715
2000 Fiscal Series B				
4.50% to 6.25% serial and term tax-exempt bonds maturing in varying installments through 2021	205,235	-	(7,505)	197,730
5.90% to 7.125% serial taxable bonds maturing in varying installments through 2003	955	-	(955)	-

New York City
Transitional Finance Authority

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
2000 Fiscal Series C				
4.20% to 5.875% serial and term tax-exempt bonds maturing in varying installments through 2024	\$ 420,330	\$ -	\$ (5,375)	\$ 414,955
6.875% to 7.125% serial taxable bonds maturing in varying installments through 2005	7,475	-	-	7,475
2001 Fiscal Series A				
4.25% to 5.75% serial and term tax-exempt bonds maturing in varying installments through 2020	228,615	-	(14,475)	214,140
Variable rate tax-exempt bonds due in 2030 (a)	100,000	-	-	100,000
2001 Fiscal Series B				
3.75% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2020	285,765	-	(11,265)	274,500
Variable rate tax-exempt bonds due in 2031 (a)	100,000	-	-	100,000
2001 Fiscal Series C				
3.65% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2022	331,955	-	(1,965)	329,990
Variable rate tax-exempt bonds due in 2032 (a)	100,000	-	-	100,000
2002 Fiscal Series A				
4% to 5.375% serial and term tax-exempt bonds maturing in varying installments through 2031	147,755	-	(2,335)	145,420

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
2002 Fiscal Series B				
3.5% to 5% serial and term tax-exempt bonds maturing in varying installments through 2031	\$ 411,145	\$ -	\$ (34,385)	\$ 376,760
Variable rate taxable bonds due in 2030 (a)	194,505	-	-	194,505
2002 Fiscal Series C				
4.25% to 5.50% serial tax-exempt bonds maturing in varying installments through 2032	250,000	-	(9,710)	240,290
2003 Fiscal Series A				
3.00% to 6.00% serial term and capital appreciation tax-exempt bonds maturing in varying installments through 2029 (b)	1,254,275	-	(22,710)	1,231,565
2003 Fiscal Series B				
3.00% to 5.375% serial and term tax-exempt bonds maturing in varying installments through 2029 (c)	670,230	-	(4,465)	665,765
1.75% to 4.00% serial and term taxable bonds maturing in varying installments through 2008	62,780	-	(9,535)	53,245
2003 Fiscal Series C				
2.50% to 5.250% serial tax-exempt bonds maturing in varying installments through 2025	441,735	-	(61,110)	380,625
Variable rate tax-exempt bonds due in 2031 (a)	150,000	-	-	150,000

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
2003 Fiscal Series D				
2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2031	\$ 500,910	\$ -	\$ (13,215)	\$ 487,695
2.65% to 4.80% serial taxable bonds maturing in varying installments through 2013	103,215	-	-	103,215
2003 Fiscal Series E				
2.00% to 5.250% serial and term tax-exempt bonds maturing in varying installments through 2033	550,000	-	-	550,000
2004 Fiscal Series A				
3.00% to 5.250% serial and term tax-exempt bonds maturing in varying installments through 2033	-	145,000	-	145,000
2004 Fiscal Series B				
2.00% to 5.250% serial and term tax-exempt bonds maturing in varying installments through 2032	-	545,620	-	545,620
2004 Fiscal Series C				
2.00% to 5.250% serial and term tax-exempt bonds maturing in varying installments through 2033	-	541,000	-	541,000
2004 Fiscal Series D				
2.00% to 5.000% serial tax-exempt bonds maturing in varying installments through 2017	-	709,240	-	709,240
Total bonds payable, excluding Recovery Bonds	<u>9,997,555</u>	<u>1,940,860</u>	<u>(601,235)</u>	<u>11,337,180</u>

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
2003 Series 1 Recovery Bonds				
Variable rate tax-exempt bonds due in 2022 (a)	\$ 480,000	\$ -	\$ -	\$ 480,000
2003 Series 2 Recovery Bonds				
Variable rate tax-exempt bonds due in 2022 (a)	520,000	-	-	520,000
2003 Series 3 Recovery Bonds				
2.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2007	143,505	-	-	143,505
Variable rate tax-exempt bonds due in 2022 (a)	883,200	-	-	883,200
Total Recovery Bonds payable	<u>2,026,705</u>	<u>-</u>	<u>-</u>	<u>2,026,705</u>
Total bonds payable	12,024,260	<u>\$ 1,940,860</u>	<u>\$ (601,235)</u>	13,363,885
Less current portion of bonds payable	<u>184,925</u>			<u>389,260</u>
Bonds payable due after one year	<u>\$ 11,839,335</u>			<u>\$ 12,974,625</u>

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

- (a) Variable rates are adjusted daily or weekly and represent the lowest rate of interest that would cause the adjustable rate bonds to have a market value equal to the principal amount. The rates cannot exceed 9%.
- (b) Fiscal 2003 Series A bonds include bonds callable on November 1, 2011. The callable term bonds are \$659,770,000 maturing on November 1, 2026 and \$122,500,000 maturing on November 1, 2028. Capital appreciation bonds (accreted value of \$112,365,000 on November 1, 2011), maturing on November 1, 2029, are also callable. If these bonds are not called on November 1, 2011, the interest to be paid to the bondholders converts, without further notice to bondholders, to 14% per annum. The callable bonds are subject to redemption prior to maturity or, if a liquidity facility has been provided, purchase in lieu thereof, on 30 days' notice, beginning November 1, 2011 at the option of the Authority in whole or in part at anytime, at a price of 100% of their principal amount plus accrued interest to the redemption date.
- (c) \$482,490,000 of Fiscal 2003 Series B term bonds maturing on February 1, 2029 are callable on February 1, 2011. If these bonds are not called on November 1, 2011, the interest to be paid to the bondholders converts, without further notice to bondholders, to 10% per annum. Other bonds in this series callable on February 1, 2012 or later are those that mature on February 1, 2013, 2014 and 2015 with no change to the interest rate if not called. The Fiscal 2003 Series B Bonds maturing on February 1, 2029 are subject to redemption prior to maturity or, if a liquidity facility has been provided, purchase in lieu thereof, on 30 days' notice, beginning on February 1, 2011 at the option of the Authority in whole or in part at any time, at a price of 100% of their principal amount plus accrued interest to the redemption date.
- (d) \$295,180,000 of bonds shown as outstanding on June 30, 2004 were economically defeased on March 24, 2004 and an escrow account is held by the Authority Trustee, funded from the proceeds of the sale of Fiscal 2004 Series D.

On March 24, 2004, the Authority issued \$709,240,000 of Fiscal 2004 Series D Future Tax Secured Bonds to advance refund \$716,905,000 of its outstanding Future Tax Secured Bonds. \$421,725,000 of the advanced refunded bonds were legally defeased and \$295,180,000 of the advanced refunded bonds were economically defeased. In the legally defeased bonds refunding, the proceeds, net of costs of issuance, were invested in Defeasance Collateral (as defined in the Authority's indenture) consisting of U.S. Government securities and were deposited in an escrow account with the Authority's Trustee to provide for all future debt service on the legally defeased bonds. In the economically defeased bonds refunding, the proceeds, net of costs of issuance, were invested in U.S. Government securities as well as federal agency bonds and STRIPS and were deposited in an escrow account with the Authority's Trustee to provide for all future debt service on the economically defeased bonds.

Bonds economically defeased remain a liability and the escrow deposited with the Authority's Trustee is an asset on the Authority's records. The legally defeased bonds of \$421,725,000 are not entitled to any benefit or security under the Authority's indenture and are payable from amounts on deposit in the escrow established for those bonds. The legally defeased bonds have been removed from the financial statements as a liability of the Authority. As of June 30, 2004 and 2003, the Authority had legally defeased bonds of \$2,378,080,000 and \$1,956,355,000 respectively, of which \$2,176,790,000 and \$1,845,770,000, respectively, are still outstanding.

The advance refunding in March 2004 resulted in an accounting loss of \$38.8 million, which is recorded as deferred bond refunding costs on the statement of net assets. The Authority in effect reduced the aggregate debt service by \$36.9 million and obtained an economic benefit of \$23.7 million. The advance refunding in the fiscal year ended June 30, 2003 resulted in an accounting loss of \$149 million and the Authority in effect reduced the aggregate debt service by \$226 million and obtained an economic benefit of \$148 million.

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE C - BONDS PAYABLE (continued)

Debt service requirements at June 30, 2004, for bonds payable to their maturity are as follows:

(in thousands)	Principal	Interest (a)	Total
Year ended June 30,			
2005	\$ 389,260	\$ 535,785	\$ 925,045
2006	379,615	522,674	902,289
2007	415,750	508,195	923,945
2008	443,030	491,441	934,471
2009	428,920	474,451	903,371
2010 to 2014	2,599,330	2,254,069	4,853,399
2015 to 2019	3,015,890	1,770,559	4,786,449
2020 to 2024	2,911,350	1,052,844	3,964,194
2025 to 2029	2,176,500	418,904	2,595,404
2030 to 2034	604,240	46,865	651,105
	<u>\$ 13,363,885</u>	<u>\$ 8,075,787</u>	<u>\$ 21,439,672</u>

(a) Actual variable rates at June 30, 2004 averaged approximately 0.95%, which is the rate used in this table. If variable interest is calculated at 5.00% per annum (which is the rate utilized for retention), total interest would be increased to \$10,189,359 from the \$8,075,787. Interest on the callable Fiscal 2003 Series A and Fiscal 2003 Series B term bonds which would convert to 14% and 10%, respectively, on the call date if not called and interest on the callable Fiscal 2003 Series A capital appreciation bonds which would convert to 14% per annum if not called are computed in this table at the 14% or 10% rates as if those bonds were not called.

Debt service accounts have been established under each of the Authority's indentures to provide security for the payment of interest on and principal of bonds outstanding. The principal and interest required to be paid are to be deposited into the debt service account in the quarter preceding the payment due date.

At June 30, 2004 and 2003, the Authority maintained its required debt service accounts totaling \$164,775,000 and \$116,413,000, respectively, of which \$47,205,000 and \$18,855,000 were for principal retirement, respectively, and \$117,570,000 and \$97,558,000 were for interest payments, respectively.

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE D - BOND ANTICIPATION NOTES PAYABLE

Bond anticipation notes are recorded at the principal amount outstanding and consist of the following:

(in thousands)	Balance at June 30, 2003	Issued	Retired	Balance at June 30, 2004
2003 Fiscal Series 1				
2.5% tax-exempt bond anticipation notes maturing November 6, 2003	\$ 555,000	\$ -	\$ (555,000)	\$ -
2003 Fiscal Series 2				
2.0% tax-exempt bond anticipation notes maturing February 19, 2004	555,000	-	(555,000)	-
Total bond anticipation notes payable	<u>\$ 1,110,000</u>	<u>\$ -</u>	<u>\$(1,110,000)</u>	<u>\$ -</u>

NOTE E - CASH AND CASH EQUIVALENTS

At June 30, 2004, the Authority's restricted cash and cash equivalents consisted of bank deposits of approximately \$5,071,000 and commercial paper of approximately \$148,561,000. At June 30, 2003, the Authority's restricted cash and cash equivalents consisted of bank deposits of approximately \$1,534,000 and commercial paper of approximately \$136,009,000.

At June 30, 2004, unrestricted cash and cash equivalents consisted of cash of \$5,000 and commercial paper of approximately \$400,009,000. At June 30, 2003, unrestricted cash and cash equivalents consisted of a reverse repurchase agreement of \$624,000,000.

At June 30, 2004, the Authority's restricted cash - economic defeasance consisted of cash held by the escrow agent in the economic defeasance account.

The Authority's investments classified as cash and cash equivalents have an original maturity date of three months or less. The Authority values those investments at cost plus accrued interest, which approximates market. The Authority's investments in commercial paper are held by the Authority's Trustee in the Authority's name.

At June 30, 2004 and 2003, the carrying amounts of bank deposits were approximately \$5,071,000 and \$1,534,000 respectively, and the bank balances were approximately \$4,982,000 and \$1,556,000, respectively. At June 30, 2004 and 2003, \$100,000 and \$194,000 respectively, of the bank deposits were insured by the Federal Deposit Insurance Corporation. The remaining balances were not collateralized.

Notes to Financial Statements (continued)

June 30, 2004 and 2003

NOTE F - RESTRICTED INVESTMENTS

At June 30, 2004 and 2003, the Authority's restricted investments of \$16,448,000 and \$116,702,000, respectively, were in commercial paper having an original maturity date of more than three months. The Authority values those investments at cost plus accrued interest, which approximates market. The commercial paper held had a rating of A-1 and P-1 or better at June 30, 2004 and 2003, respectively.

At June 30, 2004, the Authority's restricted investments in the economic defeasance escrow account at the Authority's Trustee were invested in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association bonds, notes and STRIPS; and United States bonds, notes and STRIPS. At June 30, 2004, the Authority valued these investments at market, which resulted in an unrealized loss of approximately \$9,044,000. The investments included purchases of securities at a premium, resulting in higher interest bearing investments and this was included in the verification agent's computations to assure that the escrow fund does provide for all future debt service on the economically defeased bonds.

NOTE G - INTEREST RATE CAP OBLIGATIONS

On June 20, 2002, the Authority entered into three interest rate cap agreements (the "Interest Rate Cap Agreements") with the New York City Housing Development Corporation ("HDC") (a component unit of the City) relating to certain variable rate bonds issued by HDC. Under the agreements, the Authority will pay to HDC the amount by which the three-month LIBOR rate exceeds 7.35%, up to 14.85% (a maximum exposure of 7.50%), on a notional amount of \$198,995,000 as of June 30, 2004 and 2003. The Authority will also pay to HDC the amount by which the three-month LIBOR rate exceeds 4.85% through April 30, 2007 and 7.35% thereafter (but not in excess of 14.85%), on a notional amount of \$135,400,000 as of June 30, 2004 and 2003. Notional amounts will amortize over the life of the Interest Rate Cap Agreements by scheduled principal payments on the HDC bonds. The HDC bonds covered by the agreements mature serially through November 2032.

At June 30, 2004 and 2003, the Interest Rate Cap Agreements were estimated to have a market value of \$16.06 million and \$13.72 million, respectively, by the Authority's Swap Advisor. The valuations were based on an option valuation model using market interest rates and volatilities as of June 30 of each year.

The valuation at June 30, 2004 increased the interest rate cap obligation in the statement of net assets and resulted in an expense in the statement of activities. The valuation at June 30, 2003 reduced the interest rate cap obligation in the statement of net assets (deficit) and was reported as revenue in the statement of activities.

In future years, the carrying amounts of these Interest Rate Cap Agreements reported in the statement of net assets will continue to be adjusted to their fair value and the change will be reported as revenue or expense in the statement of activities. Any amounts paid under the Interest Rate Cap Agreements will be reported as an expense in the statement of activities and will be reported as an expenditure in the governmental funds statement of revenues, expenditures and changes in fund balances.

NOTE H - UNRESTRICTED GRANT FROM NEW YORK CITY

The Authority received an unrestricted grant from the City of \$400,000,000 on June 29, 2004 and \$624,000,000 on June 30, 2003.

NOTE I - ADMINISTRATIVE COSTS

The Authority's salaries, rent and expenditures related to carrying out the Authority's duties, including remarketing and liquidation fees not funded from cost of issuance, are funded from the personal income taxes flowing through the Authority's accounts.

NOTE J - SUBSEQUENT EVENTS

Subsequent to June 30, 2004, the Authority used the entire unrestricted grant received from the City to fund debt service and administrative expenses, rather than retaining personal income tax revenues for those purposes.

Directors

MARK PAGE, Chairperson, Director of
Management and Budget of the City of New York

MARTHA E. STARK
Commissioner of Finance of the City of New York

WILLIAM C. THOMPSON, JR.
Comptroller of the City of New York

DAVID R. BURNEY
Commissioner of the Department of
Design and Construction of the City of New York

A. GIFFORD MILLER
Speaker of the Council of the City of New York

Officers

MARK PAGE
Executive Director

ALAN ANDERS
Treasurer

MARJORIE E. HENNING
Secretary

PRESCOTT D. ULREY
General Counsel

LAWRENCE R. GLANTZ
Comptroller

F. JAY OLSON
Assistant Treasurer

ALBERT F. MONCURE, JR.
Assistant Secretary

Manager Investor Relations

RAYMOND ORLANDO
212 788-5875
OrlandoR@omb.nyc.gov

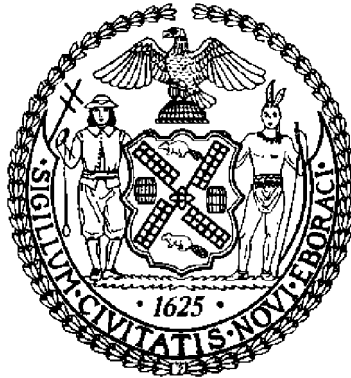




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York for the Fiscal Years Ended June 30, 2005」

The City
of
New York



Comprehensive
Annual Financial Report
of the
Comptroller
for the
Fiscal Year Ended June 30, 2005

WILLIAM C. THOMPSON, JR.
Comptroller

GREG BROOKS
Deputy Comptroller

WARREN RUPPEL
Assistant Comptroller for Accounting

MICHAEL SPITZER
Chief Accountant

Comprehensive Annual Financial Report of the Comptroller of The City of New York
for the Fiscal Year Ended June 30, 2005

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Tel (03)5253-8816 (直通番号)
Fax (03)5253-1678
