



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

**A COMPONENT UNIT OF THE CITY OF NEW YORK**

**Financial Statements  
(Together with Independent Auditors' Report)**

**June 30, 2019 and 2018**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
(A Component Unit of The City of New York)**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and governmental funds of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2019 and 2018, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of the New York City Transitional Finance Authority as of June 30, 2019 and 2018, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Marks Paneth LLP*

New York, NY  
September 27, 2019

# **NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019 AND 2018 (unaudited)**

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The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") as of June 30, 2019 and 2018, and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The annual financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements of the Authority, which include the statements of net position (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") standards. This is to provide the reader with a broad overview of the Authority's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital, and debt service funds) 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. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which are recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and reconciliations of the governmental funds statements of revenues, expenditures and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

### **Future Tax Secured Bonds**

The Authority's original authorizing legislation limited the amount of Authority debt issued for The City of New York's (the "City") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds, (excluding Recovery Bonds); the ability to issue additional FTS Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2019, the City's and the Authority's remaining combined debt-incurring capacity was approximately \$29.3 billion.

In fiscal years 2019 and 2018, the Authority issued \$4.5 billion and \$3.6 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018 (unaudited)

### Future Tax Secured Bonds (continued)

During fiscal year 2019, the Authority reoffered \$151.5 million of FTS Bonds. The proceeds from the reoffering provided for the partial redemption and conversion of \$171.7 million of outstanding FTS Variable Rate Demand Bonds ("VRDBs") to fixed rate bonds. The Authority also converted \$200 million of Index Rate Bonds to VRDBs.

During fiscal year 2018, the Authority reoffered \$161.1 million of FTS Bonds. The proceeds from the reoffering provided for the partial redemption and conversion of \$198.6 million of outstanding FTS VRDBs to fixed rate bonds. The Authority also converted \$223.8 million of VRDBs to Index Rate Bonds.

As of June 30, 2019 and 2018, the Authority had FTS Senior Bonds outstanding of \$703 million and \$788 million and Subordinate bonds (excluding Recovery Bonds) of \$37.2 billion and \$33.9 billion, respectively.

The Authority is also authorized to have outstanding up to \$2.5 billion of bonds and notes to pay costs arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2019 and 2018, of \$558 million and \$682 million, respectively.

Build America Bonds ("BABs") and Qualified School Construction Bonds ("QSCBs") are taxable bonds that were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act") whereby the Authority receives a cash subsidy from the United States Treasury to pay related bond interest. In fiscal years 2019 and 2018, the Authority recognized subsidy payments of \$52.1 million and \$52.7 million on its BABs, respectively, and \$48.1 million and \$47.9 million on its QSCBs, respectively. Subsidy payments have been discounted due to the federal budget sequestration; the latest discount was 6.2% beginning in October 2018. The proceeds of the BABs were used to finance the City's capital expenditures and the QSCBs proceeds were used to finance the City's educational facilities.

The following summarizes the changes in debt service activity for FTS Bonds in fiscal years 2019 and 2018:

	Balance at June 30, 2018	Issued/ Converted	Retired/ Converted (in thousands)	Balance at June 30, 2019	Total Interest Payments FY 2019
<b>Senior FTS Bonds</b>	\$ 787,825	\$ -	\$ (84,640)	\$ 703,185	\$ 50,257
Subordinate FTS Bonds:					
Recovery Bonds	682,140	-	(123,690)	558,450	14,713
Parity Bonds	29,894,655	4,826,530	(1,461,425)	33,259,760	1,241,591
Build America Bonds	2,909,090	-	(54,485)	2,854,605	159,863
Qualified School Construction Bonds	1,137,340	-	-	1,137,340	51,335
<b>Subtotal - Subordinate FTS Bonds</b>	<b>34,623,225</b>	<b>4,826,530</b>	<b>(1,639,600)</b>	<b>37,810,155</b>	<b>1,467,502</b>
<b>Total FTS Bonds Payable</b>	<b>\$ 35,411,050</b>	<b>\$ 4,826,530</b>	<b>\$ (1,724,240)</b>	<b>\$ 38,513,340</b>	<b>\$ 1,517,759</b>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018 (unaudited)

### Future Tax Secured Bonds (continued)

	Balance at June 30, 2017	Issued/ Converted	Retired/ Converted (in thousands)	Balance at June 30, 2018	Total Interest Payments FY 2018
<b>Senior FTS Bonds</b>	\$ 989,775	\$ 100,000	\$ (301,950)	\$ 787,825	\$ 54,261
Subordinate FTS Bonds:					
Recovery Bonds	800,165	-	(118,025)	682,140	14,320
Parity Bonds	26,929,740	3,899,875	(934,960)	29,894,655	1,081,451
Build America Bonds	2,956,990	-	(47,900)	2,909,090	161,938
Qualified School Construction Bonds	1,137,340	-	-	1,137,340	51,335
<b>Subtotal - Subordinate FTS Bonds</b>	<b>31,824,235</b>	<b>3,899,875</b>	<b>(1,100,885)</b>	<b>34,623,225</b>	<b>1,309,044</b>
<b>Total FTS Bonds Payable</b>	<b>\$ 32,814,010</b>	<b>\$ 3,999,875</b>	<b>\$ (1,402,835)</b>	<b>\$ 35,411,050</b>	<b>\$ 1,363,305</b>

Debt service requirements to maturity for FTS Bonds, including Recovery Bonds at June 30, 2019 are as follows:

	<u>SENIOR</u>			<u>SUBORDINATE</u>			<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
Year ending June 30,									
2020	\$ 3,380	\$ 11,652	\$ 15,032	\$ 1,425,580	\$ 1,586,821	\$ 3,012,401	\$ 1,428,960	\$ 1,598,473	\$ 3,027,433
2021	-	11,563	11,563	1,582,040	1,527,614	3,109,654	1,582,040	1,539,177	3,121,217
2022	-	11,563	11,563	1,619,570	1,467,023	3,086,593	1,619,570	1,478,586	3,098,156
2023	-	11,563	11,563	1,639,640	1,404,713	3,044,353	1,639,640	1,416,276	3,055,916
2024	-	11,563	11,563	1,578,865	1,340,820	2,919,685	1,578,865	1,352,383	2,931,248
2025 to 2029	541,110	41,864	582,974	7,687,620	5,732,734	13,420,354	8,228,730	5,774,598	14,003,328
2030 to 2034	158,695	3,080	161,775	7,504,980	4,081,127	11,586,107	7,663,675	4,084,207	11,747,882
2035 to 2039	-	-	-	8,112,885	2,254,202	10,367,087	8,112,885	2,254,202	10,367,087
2040 to 2044	-	-	-	5,942,240	586,538	6,528,778	5,942,240	586,538	6,528,778
2045 to 2047	-	-	-	716,735	19,115	735,850	716,735	19,115	735,850
<b>Total</b>	<b>\$ 703,185</b>	<b>\$ 102,848</b>	<b>\$ 806,033</b>	<b>\$ 37,810,155</b>	<b>\$ 20,000,707</b>	<b>\$ 57,810,862</b>	<b>\$ 38,513,340</b>	<b>\$ 20,103,555</b>	<b>\$ 58,616,895</b>

(a) The variable interest rates used in this table were 1.57% on tax-exempt bonds, 2.18% on index bonds, and 1.85% on auction bonds.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018 (unaudited)**

**Building Aid Revenue Bonds**

The Authority is also authorized to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from the State of New York (the "State") that is received by the Authority pursuant to an assignment with the City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs for the City's school system's five-year educational facilities capital plans and to pay the Authority's administrative expenses. In fiscal years 2019 and 2018, the Authority issued \$2.5 billion and \$2.1 billion of BARBs, respectively. BARBs outstanding as of June 30, 2019 and 2018 were \$8.1 billion and \$7.9 billion, respectively.

In fiscal years 2019 and 2018, the Authority recognized subsidy payments of \$6.6 million and \$6.5 million on its BABs and \$9.2 million and \$9.1 million on its QSCBs, respectively.

The following summarizes the changes in debt service activity for BARBs in fiscal years 2019 and 2018:

	Balance at <u>June 30, 2018</u>	Issued/ <u>Converted</u>	Retired/ <u>Converted</u>	<u>Defeased</u>	Balance at <u>June 30, 2019</u>	Total Interest Payments <u>FY 2019</u>
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,448,505	\$ 2,455,485	\$ (119,835)	\$ (2,168,775)	\$ 7,615,380	\$ 320,666
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
<b>Total BARBs Payable</b>	<b>\$ 7,944,255</b>	<b>\$ 2,455,485</b>	<b>\$ (119,835)</b>	<b>\$ (2,168,775)</b>	<b>\$ 8,111,130</b>	<b>\$ 350,484</b>

	Balance at <u>June 30, 2017</u>	Issued/ <u>Converted</u>	Retired/ <u>Converted</u>	<u>Defeased</u>	Balance at <u>June 30, 2018</u>	Total Interest Payments <u>FY 2018</u>
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,385,885	\$ 2,083,255	\$ (184,145)	\$ (1,836,490)	\$ 7,448,505	\$ 355,939
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
<b>Total BARBs Payable</b>	<b>\$ 7,881,635</b>	<b>\$ 2,083,255</b>	<b>\$ (184,145)</b>	<b>\$ (1,836,490)</b>	<b>\$ 7,944,255</b>	<b>\$ 385,757</b>

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019 AND 2018 (unaudited)**

**Building Aid Revenue Bonds (continued)**

Debt service requirements to maturity for BARBs at June 30, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in thousands)		
Year ending June 30,			
2020	\$ 68,290	\$ 405,008	\$ 473,298
2021	103,835	388,009	491,844
2022	109,350	384,575	493,925
2023	185,605	378,927	564,532
2024	281,955	368,700	650,655
2025 to 2029	1,677,095	1,612,004	3,289,099
2030 to 2034	2,091,895	1,141,807	3,233,702
2035 to 2039	2,280,495	566,468	2,846,963
2040 to 2044	1,010,335	178,484	1,188,819
2045 to 2048	302,275	18,764	321,039
Total	\$ 8,111,130	\$ 5,442,746	\$ 13,553,876

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. Under the criteria established by GASB, the assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City — future State building aid) for the cumulative amount it has distributed to the City for the educational facilities capital plan, offset by the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are reported as other financing (uses) of funds.

The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses in accordance with the Indenture. Building aid retained by the Authority is treated as other financing sources, as the amount retained is accounted for as a repayment of the amounts treated as loaned to the City.

Below is a table summarizing the total building aid revenues from the State, remittances to the City and the balances retained by the Authority for the fiscal years ended June 30,

	2019	2018	2017
	-----in thousands-----		
Building aid received from New York State	\$ 1,266,978	\$ 1,211,249	\$ 1,140,203
Building aid remitted to New York City	(522,568)	(523,887)	(564,455)
Total retained for debt service and operating expenses	\$ 744,410	\$ 687,362	\$ 575,748

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019 AND 2018 (unaudited)

### Financial Highlights And Overall Analysis — Government-Wide Financial Statements

The following summarizes the activities of the Authority for the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Variance</u>	
				<u>2019/2018</u>	<u>2018/2017</u>
	-----in thousands-----				
Revenues:					
Personal income tax retained	\$ 443,864	\$ 181,410	\$ 297,251	\$ 262,454	\$ (115,841)
Unrestricted grants	2,319,545	2,174,300	2,021,568	145,245	152,732
Federal subsidy	116,019	116,275	116,657	(256)	(382)
Investment earnings	62,927	33,131	5,910	29,796	27,221
Other	-	730	-	(730)	730
Total revenues	<u>2,942,355</u>	<u>2,505,846</u>	<u>2,441,386</u>	<u>436,509</u>	<u>64,460</u>
Expenses:					
Distributions to New York City for general capital program	5,253,296	3,478,373	4,721,999	1,774,923	(1,243,626)
Bond interest	1,685,465	1,544,893	1,425,751	140,572	119,142
Other	171,749	162,358	167,033	9,391	(4,675)
Total expenses	<u>7,110,510</u>	<u>5,185,624</u>	<u>6,314,783</u>	<u>1,924,886</u>	<u>(1,129,159)</u>
Change in net position (deficit)	(4,168,155)	(2,679,778)	(3,873,397)	(1,488,377)	1,193,619
Net position (deficit) - beginning of year	<u>(37,703,747)</u>	<u>(35,023,969)</u>	<u>(31,150,572)</u>	<u>(2,679,778)</u>	<u>(3,873,397)</u>
Net position (deficit) - end of year	<u>\$ (41,871,902)</u>	<u>\$ (37,703,747)</u>	<u>\$ (35,023,969)</u>	<u>\$ (4,168,155)</u>	<u>\$ (2,679,778)</u>

In fiscal years 2019 and 2018, the Authority received unrestricted grants from the City in the amount of \$2.3 billion and \$2.2 billion, respectively. In fiscal year 2017, the Authority received an unrestricted grant from the City in the amount of \$1.9 billion and a grant from Hudson Yards Infrastructure Corporation (“HYIC”) in the amount of \$113 million. These funds were used to fund FTS Bonds’ future years debt service requirements which reduced the amount of personal income tax (“PIT”) retained for such purpose.

In fiscal years 2019, 2018 and 2017, the Authority earned subsidy payments on its BABs and QSCBs, which fluctuate each year due to the changes in the amount of bonds outstanding and changes on the discounted rate for federal budget sequestration.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018 (unaudited)

### Financial Highlights And Overall Analysis — Government-Wide Financial Statements (continued)

Investment earnings are primarily determined by capital projects fund holdings, debt service fund holdings, interest rates and market value fluctuations during the fiscal year.

The amount of distributions to the City fluctuates each year depending on the capital funding needs of the City and related issuance of debt.

Interest expense increased in each fiscal year due to the increase in outstanding bonds.

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to the City, and costs of issuance. The fluctuations in each fiscal year were primarily due to the changes in costs of issuance associated with the issuance of new bonds and changes in federal subsidies transferred to the City.

The following summarizes the Authority's assets, liabilities, and net position (deficits) as of June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Variance</u>	<u>Variance</u>
				<u>2019/2018</u>	<u>2018/2017</u>
	-----in thousands-----				
Assets	\$ 9,901,660	\$ 10,192,176	\$ 10,413,900	\$ (290,516)	\$ (221,724)
Deferred outflows of resources	30,197	40,859	82,287	(10,662)	(41,428)
Liabilities:					
Current liabilities	3,465,886	3,168,873	3,528,789	297,013	(359,916)
Non-current liabilities	48,337,873	44,767,909	41,991,367	3,569,964	2,776,542
Total liabilities	<u>51,803,759</u>	<u>47,936,782</u>	<u>45,520,156</u>	<u>3,866,977</u>	<u>2,416,626</u>
Net position (deficit):					
Restricted	202,625	697,941	203,391	(495,316)	494,550
Unrestricted	<u>(42,074,527)</u>	<u>(38,401,688)</u>	<u>(35,227,360)</u>	<u>(3,672,839)</u>	<u>(3,174,328)</u>
Total net position (deficit)	<u>\$ (41,871,902)</u>	<u>\$ (37,703,747)</u>	<u>\$ (35,023,969)</u>	<u>\$ (4,168,155)</u>	<u>\$ (2,679,778)</u>

Total assets decreased between fiscal years 2019, 2018 and 2017 primarily due to the decrease in BARBs debt service funds and capital project funds held as of year-end.

The deferred outflows of resources represent the difference between removing the carrying amount of refunded bonds and the recording of the new bonds. The deferred outflows of resource fluctuate each year based on the amount of bonds refunded and the amortization scheduled.

Total liabilities increased in fiscal years 2019, 2018 and 2017 primarily due to the issuance of new bonds.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018 (unaudited)

### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements

The Authority uses five governmental funds for reporting its activities: (1) a general fund (“GF”), (2) a building aid revenue bonds capital project fund (“BARBs CPF”), (3) a future tax secured bonds capital project fund (“FTS Bonds CPF”), (4) a building aid revenue bonds debt service fund (“BARBs DSF”), and (5) a future tax secured bonds debt service fund (“FTS Bonds DSF”).

The following summarizes the GF activities of the Authority for the years ended June 30,

	2019	2018	2017	Variance	
				2019/2018	2018/2017
	-----in thousands-----				
Revenues	\$ 134,803	\$ 136,861	\$ 143,439	\$ (2,058)	\$ (6,578)
Expenditures	141,619	139,111	140,915	2,508	(1,804)
Other financing sources (uses)	345	384	316	(39)	68
Net change in fund balances	(6,471)	(1,866)	2,840	(4,605)	(4,706)
Fund balance - beginning of year	5,899	7,765	4,925	(1,866)	2,840
Fund balance - end of year	\$ (572)	\$ 5,899	\$ 7,765	\$ (6,471)	\$ (1,866)

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. Expenditures fluctuate each year for administrative expenses and the amount of federal subsidies transferred to the City.

The following summarizes the BARBs CPF activities of the Authority for the years ended June 30,

	2019	2018	2017	Variance	
				2019/2018	2018/2017
	-----in thousands-----				
Revenues	\$ 3,978	\$ 358	\$ -	\$ 3,620	\$ 358
Expenditures	2,630	2,569	(60)	61	2,629
Other financing sources (uses)	(1,340)	2,124	-	(3,464)	2,124
Net change in fund balances	8	(87)	60	95	(147)
Fund balance - beginning of year	6	93	33	(87)	60
Fund balance - end of year	\$ 14	\$ 6	\$ 93	\$ 8	\$ (87)

BARBs CPF revenues are interest earnings and fluctuate each year based on the amount on deposit at year-end, interest rates, and market value fluctuations.

The BARBs’ proceeds and distributions to the City are reported as other financing sources and (uses), respectively, in the governmental funds and the expenditures represent cost of issuance paid by the Authority. In fiscal years 2019 and 2018, BARBs proceeds were transferred to the City to pay certain educational facilities capital program expenditures. In fiscal year 2017, the Authority did not issue any BARBs.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018 (unaudited)

### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the FTS Bonds CPF activities of the Authority for the years ended June 30,

	2019	2018	2017	Variance	
				2019/2018	2018/2017
	-----in thousands-----				
Revenues	\$ 21,955	\$ 5,550	\$ 1,766	\$ 16,405	\$ 3,784
Expenditures	5,270,803	3,491,338	4,743,582	1,779,465	(1,252,244)
Other financing sources (uses)	4,753,524	3,980,425	4,932,764	773,099	(952,339)
Net change in fund balances	(495,324)	494,637	190,948	(989,961)	303,689
Fund balance - beginning of year	697,935	203,298	12,350	494,637	190,948
Fund balance - end of year	<u>\$ 202,611</u>	<u>\$ 697,935</u>	<u>\$ 203,298</u>	<u>\$ (495,324)</u>	<u>\$ 494,637</u>

FTS Bonds CPF revenues are interest earnings and fluctuate each year based on the amount on deposit at year-end, interest rates, and market value fluctuations.

FTS Bonds CPF expenditures represent the amount of bond proceeds transferred to the City and other financing sources and (uses) represent proceeds from bond issuances. Expenditures and other financing sources and (uses) fluctuate each year depending on the capital funding needs of the City.

The following summarizes the BARBs DSF activities of the Authority for the years ended June 30,

	2019	2018	2017	Variance	
				2019/2018	2018/2017
	-----in thousands-----				
Revenues	\$ 7,192	\$ 5,243	\$ 598	\$ 1,949	\$ 4,645
Expenditures	2,379,588	2,204,096	554,912	175,492	1,649,184
Other financing sources (uses)	2,315,220	1,924,399	555,423	390,821	1,368,976
Net change in fund balances	(57,176)	(274,454)	1,109	217,278	(275,563)
Fund balance - beginning of year	601,726	876,180	875,071	(274,454)	1,109
Fund balance - end of year	<u>\$ 544,550</u>	<u>\$ 601,726</u>	<u>\$ 876,180</u>	<u>\$ (57,176)</u>	<u>\$ (274,454)</u>

Revenues in the BARBs DSF fluctuate each year based on the amount on deposit at year-end, changes in interest rates and market valuation. Expenditures are primarily the debt service payments on outstanding BARBs and payment of refunded bonds. The other financing sources (uses) consist primarily of proceeds from refunding issues and State building aid retained by the Authority in fiscal years 2019, 2018 and 2017, respectively.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018 (unaudited)

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### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

The following summarizes the FTS Bonds DSF activities of the Authority for the years ended June 30,

	2019	2018	2017	Variance	
				2019/2018	2018/2017
	-----in thousands-----				
Revenues	\$ 2,774,593	\$ 2,357,248	\$ 2,295,677	\$ 417,345	\$ 61,571
Expenditures	3,242,707	2,542,767	2,088,557	699,940	454,210
Other financing sources (uses)	681,596	568,962	67,126	112,634	501,836
Net change in fund balances	213,482	383,443	274,246	(169,961)	109,197
Fund balance - beginning of year	2,806,673	2,423,230	2,148,984	383,443	274,246
Fund balance - end of year	<u>\$ 3,020,155</u>	<u>\$ 2,806,673</u>	<u>\$ 2,423,230</u>	<u>\$ 213,482</u>	<u>\$ 383,443</u>

In fiscal years 2019, 2018 and 2017, the FTS Bonds DSF revenues primarily consisted of grants from the City and PIT retained by the Authority. The DSF revenues fluctuate each fiscal year based on the amount of unrestricted grants received from the City and PIT retained for debt service.

Expenditures increased in fiscal year 2019 over 2018 mainly due to a \$700 million increase of principal and interest payments on FTS bonds. Expenditures increased in fiscal year 2018 over 2017 mainly due to a \$477 million increase of principal and interest payments on FTS bonds. Other financing sources (uses) consist primarily of the proceeds from refunding and reoffering of FTS Bonds and payments of refunded FTS bonds and fluctuate each year based on the size of the refunding.

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, the New York City Transitional Finance Authority, 255 Greenwich Street, New York, NY 10007.

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**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

**STATEMENTS OF NET POSITION (DEFICIT)  
AS OF JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
	(in thousands)	
<b>ASSETS:</b>		
Unrestricted cash and cash equivalents	\$ 4,443	\$ 9,579
Restricted cash and cash equivalents	831,095	916,998
Unrestricted investments	2,137,204	2,469,622
Restricted investments	1,008,101	875,708
Interest receivable	148	-
Due from New York City - future State building aid	4,751,502	4,934,917
Personal income tax receivable from New York State	1,120,738	925,711
Federal interest subsidy receivable	30,221	30,387
Other	18,208	29,254
	<hr/>	<hr/>
Total assets	9,901,660	10,192,176
	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Unamortized deferred bond refunding costs	30,197	40,859
	<hr/>	<hr/>
Total deferred outflows of resources	30,197	40,859
	<hr/>	<hr/>
<b>LIABILITIES:</b>		
Personal income tax payable to New York City	1,120,738	925,711
Distribution payable to New York City capital programs	227,514	184,523
Accrued expenses	4,927	4,399
Accrued interest payable	656,032	581,865
Bonds payable:		
Portion due within one year	1,456,675	1,472,375
Portion due after one year	48,337,873	44,767,909
	<hr/>	<hr/>
Total liabilities	51,803,759	47,936,782
	<hr/>	<hr/>
<b>NET POSITION (DEFICIT):</b>		
Restricted for capital projects	202,625	697,941
Unrestricted (deficit)	(42,074,527)	(38,401,688)
	<hr/>	<hr/>
Total net position (deficit)	\$ (41,871,902)	\$ (37,703,747)
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
	(in thousands)	
<b>REVENUES:</b>		
Personal income tax revenue	\$ 13,479,944	\$ 13,605,654
Less remittances to New York City	(13,036,080)	(13,424,244)
Personal income tax revenue retained	443,864	181,410
Unrestricted grants	2,319,545	2,174,300
Federal interest subsidy	116,019	116,275
Investment earnings	62,927	33,131
Gain on defeasance	-	730
Total revenues	2,942,355	2,505,846
<b>EXPENSES:</b>		
General and administrative expenses	25,434	22,692
Distribution to New York City for general capital program	5,253,296	3,478,373
Distribution of federal interest subsidy to New York City	116,185	116,419
Cost of debt issuance	30,130	23,247
Bond interest	1,685,465	1,544,893
Total expenses	7,110,510	5,185,624
Change in net position (deficit)	(4,168,155)	(2,679,778)
NET POSITION (DEFICIT) - beginning of year	(37,703,747)	(35,023,969)
NET POSITION (DEFICIT) - end of year	\$ (41,871,902)	\$ (37,703,747)

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF JUNE 30, 2019**

(in thousands)

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>ASSETS:</b>						
Unrestricted cash and cash equivalents	\$ 3,462	\$ -	\$ -	\$ -	\$ 981	\$ 4,443
Restricted cash and cash equivalents	-	99	252,656	129	578,211	831,095
Restricted investments	-	-	177,796	526,673	303,632	1,008,101
Unrestricted investments	-	-	-	-	2,137,204	2,137,204
Interest receivable	8	-	1	1	138	148
Personal income tax receivable from New York State	-	-	-	-	1,120,738	1,120,738
Other	345	-	-	18,208	-	18,553
<b>Total assets</b>	<b>\$ 3,815</b>	<b>\$ 99</b>	<b>\$ 430,453</b>	<b>\$ 545,011</b>	<b>\$ 4,140,904</b>	<b>\$ 5,120,282</b>
<b>LIABILITIES:</b>						
Accrued expenses payable	\$ 4,387	\$ 85	\$ 328	\$ 461	\$ 11	\$ 5,272
Distribution payable to New York City for capital programs	-	-	227,514	-	-	227,514
Personal income tax payable to New York City	-	-	-	-	155,738	155,738
<b>Total liabilities</b>	<b>4,387</b>	<b>85</b>	<b>227,842</b>	<b>461</b>	<b>155,749</b>	<b>388,524</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable personal income tax revenue	-	-	-	-	965,000	965,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>965,000</b>	<b>965,000</b>
<b>FUND BALANCES:</b>						
Restricted for:						
Capital distribution to New York City	-	14	202,611	-	-	202,625
Debt service	-	-	-	544,550	881,891	1,426,441
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,138,264	2,138,264
Unassigned	(572)	-	-	-	-	(572)
<b>Total fund balances</b>	<b>(572)</b>	<b>14</b>	<b>202,611</b>	<b>544,550</b>	<b>3,020,155</b>	<b>3,766,758</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,815</b>	<b>\$ 99</b>	<b>\$ 430,453</b>	<b>\$ 545,011</b>	<b>\$ 4,140,904</b>	<b>\$ 5,120,282</b>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF JUNE 30, 2018**

(in thousands)

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>ASSETS:</b>						
Unrestricted cash and cash equivalents	\$ 8,815	\$ -	\$ -	\$ -	\$ 764	\$ 9,579
Restricted cash and cash equivalents	-	276	516,188	117,323	283,211	916,998
Restricted investments	-	-	366,721	455,900	53,087	875,708
Unrestricted investments	-	-	-	-	2,469,622	2,469,622
Personal income tax receivable from New York State	-	-	-	-	925,711	925,711
Other	384	-	-	29,254	-	29,638
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 9,199</u>	<u>\$ 276</u>	<u>\$ 882,909</u>	<u>\$ 602,477</u>	<u>\$ 3,732,395</u>	<u>\$ 5,227,256</u>
<b>LIABILITIES:</b>						
Accrued expenses payable	\$ 3,300	\$ 270	\$ 451	\$ 751	\$ 11	\$ 4,783
Distribution payable to New York City for capital programs	-	-	184,523	-	-	184,523
Personal income tax payable to New York City	-	-	-	-	63,711	63,711
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>3,300</u>	<u>270</u>	<u>184,974</u>	<u>751</u>	<u>63,722</u>	<u>253,017</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable personal income tax revenue	-	-	-	-	862,000	862,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>862,000</u>	<u>862,000</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Capital distribution to New York City	-	6	697,935	-	-	697,941
Debt service	-	-	-	601,726	336,287	938,013
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,470,386	2,470,386
Unassigned	5,899	-	-	-	-	5,899
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>5,899</u>	<u>6</u>	<u>697,935</u>	<u>601,726</u>	<u>2,806,673</u>	<u>4,112,239</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,199</u>	<u>\$ 276</u>	<u>\$ 882,909</u>	<u>\$ 602,477</u>	<u>\$ 3,732,395</u>	<u>\$ 5,227,256</u>

The accompanying notes are an integral part of these financial statements.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2019 AND 2018

	2019	2018
	(in thousands)	
Total fund balances - governmental funds	\$ 3,766,758	\$ 4,112,239
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(3,170,078)	(2,884,979)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	30,221	30,387
BARBs proceeds are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position (deficit), they are reported as due from the City.	4,751,502	4,934,917
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(46,624,470)	(43,355,305)
Accrued interest payable	(656,032)	(581,865)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statements of net position (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.	30,197	40,859
Net position (deficit) of governmental activities	\$ (41,871,902)	\$ (37,703,747)

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

(in thousands)

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>REVENUES:</b>						
Personal income tax revenue	\$ 18,295	\$ -	\$ -	\$ -	\$ 13,358,649	\$ 13,376,944
Less remittances to New York City	-	-	-	-	(12,933,080)	(12,933,080)
Personal income tax revenue retained	18,295	-	-	-	425,569	443,864
Unrestricted grants	-	-	-	-	2,319,545	2,319,545
Federal interest subsidy	116,185	-	-	-	-	116,185
Investment earnings	323	3,978	21,955	7,192	29,479	62,927
Total revenues	<u>134,803</u>	<u>3,978</u>	<u>21,955</u>	<u>7,192</u>	<u>2,774,593</u>	<u>2,942,521</u>
<b>EXPENDITURES:</b>						
Bond interest	-	-	-	350,484	1,517,759	1,868,243
Costs of debt issuance	-	2,630	17,507	9,285	708	30,130
Distributions to New York City for general capital program	-	-	5,253,296	-	-	5,253,296
Distributions of federal interest subsidy to New York City	116,185	-	-	-	-	116,185
Defeasance escrow	-	-	-	1,899,984	-	1,899,984
Principal amount of bonds retired	-	-	-	119,835	1,724,240	1,844,075
General and administrative expenses	25,434	-	-	-	-	25,434
Total expenditures	<u>141,619</u>	<u>2,630</u>	<u>5,270,803</u>	<u>2,379,588</u>	<u>3,242,707</u>	<u>11,037,347</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,816)</u>	<u>1,348</u>	<u>(5,248,848)</u>	<u>(2,372,396)</u>	<u>(468,114)</u>	<u>(8,094,826)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Principal amount of bonds issued	-	500,000	4,475,000	-	-	4,975,000
Distributions to New York City for educational facilities capital programs	-	(560,994)	-	-	-	(560,994)
Refunding bond proceeds	-	-	-	1,955,485	351,530	2,307,015
Bond premium, net of discount	-	63,622	302,229	211,581	20,879	598,311
Payments of refunded bonds	-	-	-	(314,397)	-	(314,397)
Transfer from New York City - building aid	-	-	-	744,410	-	744,410
Transfers in (out)	345	(3,968)	(23,705)	(281,859)	309,187	-
Total other financing sources (uses)	<u>345</u>	<u>(1,340)</u>	<u>4,753,524</u>	<u>2,315,220</u>	<u>681,596</u>	<u>7,749,345</u>
Net changes in fund balances	(6,471)	8	(495,324)	(57,176)	213,482	(345,481)
FUND BALANCES - beginning of year	5,899	6	697,935	601,726	2,806,673	4,112,239
FUND BALANCES - end of year	<u>\$ (572)</u>	<u>\$ 14</u>	<u>\$ 202,611</u>	<u>\$ 544,550</u>	<u>\$ 3,020,155</u>	<u>\$ 3,766,758</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(in thousands)

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>REVENUES:</b>						
Personal income tax revenue	\$ 20,250	\$ -	\$ -	\$ -	\$ 13,398,404	\$ 13,418,654
Less remittances to New York City	-	-	-	-	(13,237,244)	(13,237,244)
Personal income tax revenue retained	20,250	-	-	-	161,160	181,410
Unrestricted grants	-	-	-	-	2,174,300	2,174,300
Federal interest subsidy	116,419	-	-	-	-	116,419
Investment earnings	192	358	5,550	5,243	21,788	33,131
Total revenues	<u>136,861</u>	<u>358</u>	<u>5,550</u>	<u>5,243</u>	<u>2,357,248</u>	<u>2,505,260</u>
<b>EXPENDITURES:</b>						
Bond interest	-	-	-	385,757	1,363,305	1,749,062
Costs of debt issuance	-	2,569	12,965	7,286	427	23,247
Distributions to New York City for general capital program	-	-	3,478,373	-	-	3,478,373
Distributions of federal interest subsidy to New York City	116,419	-	-	-	-	116,419
Defeasance escrow	-	-	-	1,626,908	-	1,626,908
Principal amount of bonds retired	-	-	-	184,145	1,179,035	1,363,180
General and administrative expenses	22,692	-	-	-	-	22,692
Total expenditures	<u>139,111</u>	<u>2,569</u>	<u>3,491,338</u>	<u>2,204,096</u>	<u>2,542,767</u>	<u>8,379,881</u>
<b>Deficiency of revenues over expenditures</b>	<u>(2,250)</u>	<u>(2,211)</u>	<u>(3,485,788)</u>	<u>(2,198,853)</u>	<u>(185,519)</u>	<u>(5,874,621)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Principal amount of bonds issued	-	500,000	3,615,000	-	-	4,115,000
Distributions to New York City for educational facilities capital programs	-	(557,406)	-	-	-	(557,406)
Refunding bond proceeds	-	-	-	1,583,255	161,075	1,744,330
Bond premium, net of discount	-	59,969	367,230	258,158	37,958	723,315
Payments of refunded bonds	-	-	-	(236,307)	-	(236,307)
Transfer from New York City - building aid	-	-	-	687,362	-	687,362
Transfers in (out)	384	(439)	(1,805)	(368,069)	369,929	-
Total other financing sources (uses)	<u>384</u>	<u>2,124</u>	<u>3,980,425</u>	<u>1,924,399</u>	<u>568,962</u>	<u>6,476,294</u>
Net changes in fund balances	(1,866)	(87)	494,637	(274,454)	383,443	601,673
FUND BALANCES - beginning of year	<u>7,765</u>	<u>93</u>	<u>203,298</u>	<u>876,180</u>	<u>2,423,230</u>	<u>3,510,566</u>
FUND BALANCES - end of year	<u>\$ 5,899</u>	<u>\$ 6</u>	<u>\$ 697,935</u>	<u>\$ 601,726</u>	<u>\$ 2,806,673</u>	<u>\$ 4,112,239</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
	<b>(in thousands)</b>	
Net change in fund balances - total governmental funds	\$ (345,481)	\$ 601,673
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(4,975,000)	(4,115,000)
Refunding bond proceeds and payments to refunded bond escrows are reported as other financing sources (uses) in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	(1,992,618)	(1,508,023)
The governmental funds financial statements report costs of bond refundings 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.	(7,137)	(7,347)
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statements of net position (deficit).	3,744,059	2,990,088
Payments to defease bonds prior to maturity are reported as expenditures in the governmental funds financial statements. However, in the statements of net position (deficit), only the difference between the carrying value of the defeased bonds and the amount paid to defease the bonds are reported as period revenues or expenses.	-	730
The governmental funds financial statements report bond premiums/discounts as other financing sources (uses). However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	(311,025)	(460,033)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing sources (uses) in governmental funds financial statements. However, in the statements of net position (deficit), distributions of BARBs proceeds are reported as due from New York City-future State building aid.	560,994	557,406
Retention of building aid is reported similar to a transfer from the City, as an other financing sources (uses) in the governmental funds financial statements. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(744,410)	(687,362)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statements of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	(166)	(144)
Interest is reported on the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	(97,371)	(51,766)
Change in net position (deficit) - governmental activities	\$ (4,168,155)	\$ (2,679,778)

The accompanying notes are an integral part of these financial statements.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### 1. Organization and Nature of Activities

The New York City Transitional Finance Authority (the “Authority” or “TFA”) is a corporate governmental entity 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 financing instrumentality of the City and is included in the City’s financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board (“GASB”) standards.

The Authority was created by State legislation enacted in 1997 to issue and sell bonds and notes (“Future Tax Secured Bonds” or “FTS Bonds”) 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, and to pay the Authority’s administrative expenses.

The Authority’s original authorizing legislation limited the amount of Authority debt issued for the City’s general capital purposes (FTS Bonds) at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds) the ability to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2019, the City’s and the Authority’s remaining combined debt incurring capacity was approximately \$29.3 billion.

In addition, 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, notwithstanding the limits discussed above.

In addition, State legislation enacted in April 2006 enabled the Authority to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds (“BARBs”), notes or other obligations for purposes of funding the City school system’s costs of its five-year educational facilities capital plan and pay the Authority’s administrative expenses.

The Authority does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which the Authority pays a management fee and overhead based on its allocated share of personnel and overhead costs.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### 2. Summary of Significant Accounting Policies

- A. The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital projects and debt service funds) 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. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which are recognized when due.

The Authority uses five governmental funds for reporting its activities: (1) a general fund ("GF"), (2) a building aid revenue bonds capital projects fund ("BARBs CPF"), (3) a future tax secured bonds capital projects fund ("FTS Bonds CPF"), (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds DSF"). The two capital project funds account for resources to be transferred to the City's capital programs in satisfaction of amounts due to the City and the two debt service funds account for the accumulation of resources for payment of principal and interest on outstanding debts. The general fund accounts for and reports all financial resources not accounted for in the capital and debt service funds, including the Authority's administrative expenses.

- B. The fund balances are classified as either: 1) nonspendable, 2) restricted, or 3) unrestricted. Unrestricted fund balance is further classified as: (a) committed, (b) assigned, or (c) unassigned.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with TFA's Trust Indenture, (the "Indenture") are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board of Directors of the Authority (the "Board") constitutes the Authority's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. Authorized officers allowed to assign funds are comprised of the Executive Director, Comptroller, Treasurer, Secretary, Deputy Comptroller, Assistant Secretaries and Assistant Treasurer.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### 2. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for use for a specific purpose, it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

- C. Premiums and discounts are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs are recognized in the period incurred both on the government-wide and governmental funds financial statements.
- D. Deferred bond refunding costs represent the accounting loss incurred in a current or advance refunding of outstanding bonds and are reported as a deferred outflow of resources on the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt.
- E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental funds financial statements.
- F. The Authority receives the City personal income taxes ("PIT"), imposed pursuant to the State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. PIT in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. In fiscal years 2019 and 2018, the Authority received unrestricted grants for future debt service payments and reduced the amount of PIT retained for such purpose as described in Note 6.
- G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Due to the City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between the City and the Authority pursuant to GASB standards. The Authority reports, on its statements of net position (deficit), an asset (Due from New York City — future State building aid) representing the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 2. Summary of Significant Accounting Policies (continued)

reported as other financing (uses) of funds. Building aid retained by the Authority is treated as other financing sources as the amount retained is accounted for as a repayment of the amounts loaned to the City. During the years ended June 30, 2019 and 2018, the Authority retained \$744 million and \$687 million, respectively, of State building aid to be used for BARBs debt service and its administrative expenses.

- H. To maintain the exemption from Federal income tax on interest of bonds issued by the Authority, the Authority is required to rebate amounts to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. The Authority was not required to make an arbitrage rebate payment in fiscal years 2019 and 2018.

The Authority receives a subsidy from the United States Treasury due to the Authority's issuance of taxable Build America Bonds ("BABs") and taxable Qualified School Construction Bonds ("QSCBs") under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, a subsidy receivable is not reported.

- I. As a component unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact the Authority in future years.
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. TFA has not completed the process of evaluating GASB 84, but does not expect it to have an impact on TFA's financial statements, as it does not enter into fiduciary activities.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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**2. Summary of Significant Accounting Policies (continued)**

- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. TFA has not completed the process of evaluating GASB 87, but does not expect it to have an impact on TFA’s financial statements, as it does not enter into any lease agreements.
- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, (“GASB 88”). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt by defining debt for the purpose of note disclosure and establishes additional note disclosure requirements related to debt obligations of governments, including direct borrowing and direct placements. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. The adoption of GASB 88 required TFA to disclose in Note 5 its assets pledged as collateral for debt, separately display direct borrowing on its debt tables, and disclose significant finance related consequences relating to events of default.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (“GASB 89”). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019, but adopted it in the current fiscal year. The adoption of GASB 89 did not have an impact on TFA’s financial statements as it has no capital assets.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*, (“GASB 90”). GASB 90 clarifies the accounting and financial reporting requirements for a state and local government’s majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2018. TFA has not completed the process of evaluating GASB 90, but does not expect it to have an impact on TFA’s financial statements, as it has not made such acquisitions.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, (“GASB 91”). GASB 91 provides state and local governments with a single financial reporting method for conduit debt obligations by issuers. The requirements of GASB 91 are effective for fiscal years beginning after

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 2. Summary of Significant Accounting Policies (continued)

December 15, 2020, but adopted it in the current fiscal year. The adoption of GASB 91 did not have an impact on TFA's financial statements, as it does not issue conduit debt.

- J. 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, deferred outflow of resources, liabilities and deferred inflow of resources, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### 3. Cash and Cash Equivalents

The Authority's cash and cash equivalents as of June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
	(in thousands)	
<b>Restricted cash and cash equivalents:</b>		
Cash	\$ 100	\$ 4
Cash equivalents	<u>830,995</u>	<u>916,994</u>
<b>Total restricted cash and cash equivalents</b>	<u>831,095</u>	<u>916,998</u>
<b>Unrestricted cash and cash equivalents:</b>		
Cash	250	250
Cash equivalents	<u>4,193</u>	<u>9,329</u>
<b>Total unrestricted cash and cash equivalents</b>	<u>4,443</u>	<u>9,579</u>
<b>Total cash and cash equivalents</b>	<u>\$ 835,538</u>	<u>\$ 926,577</u>

As of June 30, 2019 and 2018, the Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, commercial paper, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2019 and 2018, the Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2019 and 2018, the carrying amounts and bank balances of bank deposits were \$250 thousand in both years. These deposits were covered by the Federal Deposit Insurance Corporation.

The Authority's investments classified as cash equivalents included U.S. Government Securities and Commercial Paper that have an original maturity date of 90 days or less from the date of purchase. The Authority values those investments at fair value (see Note 4 below for a discussion of the Authority's investment policy).

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 4. Investments

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee, as amended and as restated December 1, 2010, (the “Indenture”) may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

The Authority’s investments, including cash equivalents, as of June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
	(in thousands)	
<b>Restricted investments and cash equivalents:</b>		
Money market funds	\$ 9,725	\$ 13,005
Federal Home Loan Bank discount notes (Maturing within one year)	1,183,911	805,019
Federal National Mortgage Association discount notes (Maturing within one year)	73,012	-
U.S. Treasuries (Maturing within one year)	126,741	366,721
U.S. Treasuries (Maturing within five to ten years)	142,704	92,386
Commercial paper (Maturing within one year)	303,003	515,571
	<u>1,839,096</u>	<u>1,792,702</u>
<b>Total restricted investments and cash equivalents</b>	<b>1,839,096</b>	<b>1,792,702</b>
Less: amounts reported as restricted cash equivalents	<u>(830,995)</u>	<u>(916,994)</u>
	<u>\$ 1,008,101</u>	<u>\$ 875,708</u>
<b>Unrestricted investments and cash equivalents:</b>		
Money market funds	\$ 4,193	\$ 9,329
Federal Home Loan Bank discount notes (Maturing within one year)	2,023,807	2,469,622
Federal Farm Credit discount notes (Maturing within one year)	99,450	-
Federal National Mortgage Association discount notes (Maturing within one year)	13,947	-
	<u>2,141,397</u>	<u>2,478,951</u>
<b>Total unrestricted investments and cash equivalents</b>	<b>2,141,397</b>	<b>2,478,951</b>
Less: amounts reported as unrestricted cash equivalents	<u>(4,193)</u>	<u>(9,329)</u>
	<u>\$ 2,137,204</u>	<u>\$ 2,469,622</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### 4. Investments (continued)

#### *Fair Value Hierarchy*

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2019 and 2018:

- Money Market Funds of \$13.9 million and \$22.3 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$269 million and \$459 million, respectively, are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies securities of \$3.4 billion and \$3.3 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper of \$303 million and \$516 million, respectively, are valued using a matrix pricing model (Level 2 inputs).

**Custodial Credit Risk** — Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held in the Trustee's name by the Trustee.

**Credit Risk** — The Authority's investments are primarily government-sponsored enterprise discount notes and commercial paper. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A-1 by Standard Poor's Rating Services and P1 by Moody's Investor Services.

**Interest Rate Risk** — Substantially all of the Authority's investments mature in one year or less. Investments with longer term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

**Concentration of Credit Risk** — Concentration of credit risk is the risk of loss attributed to the magnitude of TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2019, TFA's investments were in eligible U.S. Government sponsored entities and commercial paper. These are 92% and 8% of TFA total investments, respectively.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### 5. Long-Term Liabilities

#### *Debt Program*

Pursuant to the New York City Transitional Finance Authority Act (the “Act”), the Authority issues FTS Bonds payable from personal income taxes imposed by the City and, if such personal income tax revenues are insufficient, from sales taxes imposed by the City. The Authority is authorized to have outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds and BARBs as described below) and to issue additional FTS Bonds provided that the amount of such additional FTS Bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of June 30, 2019, the City’s and the Authority’s remaining combined debt-incurring capacity was approximately \$29.3 billion. The Authority is also authorized to have outstanding \$2.5 billion of Recovery Bonds to pay costs arising from the World Trade Center attack on September 11, 2001.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses from personal income taxes collected on its behalf by the State and, if necessary, sales taxes. Sales taxes are only available to the Authority if personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ended June 30, 2019 and 2018. The Authority remits excess personal income tax not required for its debt service payments and its administrative expenses to the City.

In addition, the Authority is permitted to have outstanding up to \$9.4 billion of BARBs or other obligations for purposes of funding the City school system’s five-year educational facilities capital plan. As of June 30, 2019 and 2018, the Authority had \$8.1 billion and \$7.9 billion, respectively, of BARBs outstanding. The BARBs are secured by the building aid payable by the State to the City and assigned to the Authority. These State building aid payments are subject to annual appropriation by the State. BARBs are not payable from personal income tax revenues or sales tax revenues. However, in the event of a payment default, BARBs are payable from an intercept of State education aid otherwise payable to the City.

The Authority’s Indenture includes events of default, certain of which (relating to failure to pay debt service, insolvency, State actions impacting security for the bonds and failure to meet specified coverage levels) could result in acceleration of TFA bonds if so directed by a majority in interest of Senior bondholders.

#### *Changes in Long-term Liabilities – FTS Bonds*

The Indenture permits the Authority to issue both Senior and Subordinate FTS Bonds. FTS Bonds include Recovery Bonds, BABs, QSCBs, and other forms of debt obligations. As of June 30, 2019 and 2018, the Authority had \$703.2 million and \$787.8 million, respectively, of Senior FTS Bonds outstanding. In addition to its statutory limitations described above, the Authority is authorized pursuant to its Indenture to issue Senior FTS Bonds in an amount not to exceed \$12 billion in outstanding principal and subject to a \$330 million limit on quarterly debt service. Subordinate FTS Bonds outstanding as of June 30, 2019 and 2018, were \$37.8 billion and \$34.6 billion, respectively. Total FTS Bonds outstanding at June 30, 2019 and 2018, were \$38.5 billion and \$35.4 billion, respectively.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**5. Long-Term Liabilities (continued)**

Outstanding Authority bonds are payable from all money and securities in any of the Accounts defined in and established by the Indenture, subject to the priority of application of such money and securities to FTS Bonds and BARBs, as specified in the Indenture.

As of June 30, 2019, the interest rates on the Authority's outstanding fixed-rate FTS Bonds ranged from 2.00% to 5.50% on tax-exempt bonds and 1.30% to 6.27% on taxable bonds.

In fiscal years 2019 and 2018, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Due within one year
	(in thousands)				
Senior Bonds	\$ 616,125	\$ -	\$ (12,940)	\$ 603,185	\$ 3,380
Senior Bonds from Direct Borrowings	171,700	-	(71,700)	100,000	-
Subordinate Bonds	33,902,125	4,826,530	(1,408,500)	37,320,155	1,359,380
Subordinate Bonds from Direct Borrowings	721,100		(231,100)	490,000	32,600
<b>Total before premiums/discounts</b>	<b>35,411,050</b>	<b>4,826,530</b>	<b>(1,724,240)</b>	<b>38,513,340</b>	<b>1,395,360</b>
Premiums/(discounts)(net)	2,237,362	323,108	(224,016)	2,336,454	
<b>Total FTS Debt</b>	<b>\$ 37,648,412</b>	<b>\$ 5,149,638</b>	<b>\$ (1,948,256)</b>	<b>\$ 40,849,794</b>	<b>\$ 1,395,360</b>

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due within one year
	(in thousands)				
Senior Bonds	\$ 918,075	\$ -	\$ (301,950)	\$ 616,125	\$ 12,940
Senior Bonds from Direct Borrowings	71,700	100,000		171,700	-
Subordinate Bonds	31,285,035	3,701,075	(1,083,985)	33,902,125	1,308,500
Subordinate Bonds from Direct Borrowings	539,200	198,800	(16,900)	721,100	31,100
<b>Total before premiums/discounts</b>	<b>32,814,010</b>	<b>3,999,875</b>	<b>(1,402,835)</b>	<b>35,411,050</b>	<b>1,352,540</b>
Premiums/(discounts)(net)	2,046,234	405,188	(214,060)	2,237,362	
<b>Total FTS Debt</b>	<b>\$ 34,860,244</b>	<b>\$ 4,405,063</b>	<b>\$ (1,616,895)</b>	<b>\$ 37,648,412</b>	<b>\$ 1,352,540</b>

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
(A Component Unit of The City of New York)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**5. Long-Term Liabilities (continued)**

*Issuances - FTS*

In fiscal years 2019 and 2018, the Authority issued \$4.5 billion and \$3.6 billion, respectively, of new money FTS Bonds. The new money bond proceeds were used to finance the City's capital program.

During fiscal year 2019, the Authority reoffered \$151.5 million of FTS Bonds. The proceeds from the reoffering provided for the partial redemption and conversion of \$171.7 million of outstanding FTS VRDBs to fixed rate bonds. The Authority also converted \$200 million of Index Rate Bonds to VRDBs.

During fiscal year 2018, the Authority reoffered \$161.1 million of FTS Bonds. The proceeds from the reoffering provided for the partial redemption and conversion of \$198.6 million of outstanding FTS VRDBs to fixed rate bonds. The Authority also converted \$223.8 million of VRDBs to Index Rate Bonds.

*Defeasances - FTS*

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2019 and 2018, the Authority had FTS Bonds refunded with defeasance collateral totaling \$13.7 billion of which \$199 million and \$705 million, respectively, are still to be paid from the defeasance collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

*Annual Requirements - FTS*

Debt service requirements to maturity for FTS Bonds, including Recovery Bonds at June 30, 2019 are as follows:

	FTS Bonds			FTS Bonds from Direct Borrowings			Total	Total	Total
	Principal	Interest (a)	Total	Principal	Interest (a)	Total	Principal	Interest	Debt Service
	(in thousands)								
Year ending June 30,									
2020	\$ 1,396,360	\$ 1,585,989	\$ 2,982,349	\$ 32,600	\$ 12,484	\$ 45,084	\$ 1,428,960	\$ 1,598,473	\$ 3,027,433
2021	1,547,940	1,527,419	3,075,359	34,100	11,758	45,858	1,582,040	1,539,177	3,121,217
2022	1,583,770	1,467,588	3,051,358	35,800	10,998	46,798	1,619,570	1,478,586	3,098,156
2023	1,602,140	1,406,076	3,008,216	37,500	10,200	47,700	1,639,640	1,416,276	3,055,916
2024	1,578,865	1,342,591	2,921,456	-	9,792	9,792	1,578,865	1,352,383	2,931,248
2025 to 2029	8,128,730	5,729,470	13,858,200	100,000	45,128	145,128	8,228,730	5,774,598	14,003,328
2030 to 2034	7,663,675	4,046,127	11,709,802	-	38,080	38,080	7,663,675	4,084,207	11,747,882
2035 to 2039	8,112,885	2,216,122	10,329,007	-	38,080	38,080	8,112,885	2,254,202	10,367,087
2040 to 2044	5,667,240	557,167	6,224,407	275,000	29,371	304,371	5,942,240	586,538	6,528,778
2045 to 2047	641,735	16,093	657,828	75,000	3,022	78,022	716,735	19,115	735,850
	<u>\$ 37,923,340</u>	<u>\$ 19,894,642</u>	<u>\$ 57,817,982</u>	<u>\$ 590,000</u>	<u>\$ 208,913</u>	<u>\$ 798,913</u>	<u>\$ 38,513,340</u>	<u>\$ 20,103,555</u>	<u>\$ 58,616,895</u>

(a) The variable interest rates used in this table were 1.57% on tax-exempt bonds, 2.18% on index bonds, and 1.85% on auction bonds.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**5. Long-Term Liabilities (continued)**

*Changes in Long-term Liabilities – BARBs*

As of June 30, 2019, the interest rates on the Authority’s outstanding fixed-rate BARBs ranged from 2.00% to 6.25% on tax-exempt bonds and 2.25% to 7.13% on taxable bonds.

In fiscal years 2019 and 2018, the changes in BARBs long-term debt were as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Due within one year
	(in thousands)				
Building Aid Revenue Bonds	\$ 7,448,505	\$ 2,455,485	\$ (2,288,610)	\$ 7,615,380	\$ 61,315
Build America Bonds	295,750	-	-	295,750	-
Qualified School Construction Bonds	200,000	-	-	200,000	-
<b>Total before premiums/discounts</b>	<b>7,944,255</b>	<b>2,455,485</b>	<b>(2,288,610)</b>	<b>8,111,130</b>	<b>61,315</b>
Premiums/(discounts)(net)	647,617	275,203	(89,196)	833,624	
<b>Total BARBs Debt</b>	<b>\$ 8,591,872</b>	<b>\$ 2,730,688</b>	<b>\$ (2,377,806)</b>	<b>\$ 8,944,754</b>	<b>\$ 61,315</b>

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due within one year
	(in thousands)				
Building Aid Revenue Bonds	\$ 7,385,885	\$ 2,083,255	\$ (2,020,635)	\$ 7,448,505	\$ 119,835
Build America Bonds	295,750	-	-	295,750	-
Qualified School Construction Bonds	200,000	-	-	200,000	-
<b>Total before premiums/discounts</b>	<b>7,881,635</b>	<b>2,083,255</b>	<b>(2,020,635)</b>	<b>7,944,255</b>	<b>119,835</b>
Premiums/(discounts)(net)	433,893	318,127	(104,403)	647,617	
<b>Total BARBs Debt</b>	<b>\$ 8,315,528</b>	<b>\$ 2,401,382</b>	<b>\$ (2,125,038)</b>	<b>\$ 8,591,872</b>	<b>\$ 119,835</b>

*Issuances - BARBs*

In both fiscal years 2019 and 2018, the Authority issued \$500 million of new money BARBs. The new money bond proceeds were used for the purpose of funding costs for the City school system’s five-year educational facilities capital plan.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### 5. Long-Term Liabilities (continued)

During fiscal year 2019, as further detailed below, the Authority issued \$2.0 billion of BARBs to refund \$2.2 billion of outstanding BARBs. The refunding resulted in an accounting loss of \$22.4 million. The Authority in effect reduced its aggregate debt service by \$348.4 million and obtained an economic benefit of \$326.5 million.

- On July 26, 2018, the Authority issued \$543.9 million of fixed-rate tax-exempt and taxable BARBs, Series 2019 S-2A&B. The proceeds from the sale of the 2019 S-2A&B bonds refunded \$613.4 million of outstanding BARBs. As a result of this transaction, the Authority reduced its debt service by \$121.0 million and obtained an economic gain of \$113.1 million.
- On October 25, 2018, the Authority issued \$1.4 billion of fixed-rate tax-exempt and taxable BARBs, Series 2019 S-3A&B. The proceeds from the sale of the 2019 S-3A&B bonds refunded \$1.6 billion of outstanding BARBs. As a result of this transaction, the Authority reduced its debt service by \$227.4 million and obtained an economic gain of \$213.4 million.

#### *Defeasances - BARBs*

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2019 and 2018, the Authority had BARBs refunded with defeasance collateral totaling \$4.0 billion and \$1.8 billion, respectively, of which \$431.5 million and \$220 million, respectively, are still to be paid from the defeasance collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

#### *Annual Requirements - BARBs*

Debt service requirements to maturity for BARBs at June 30, 2019 are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
			(in thousands)		
Year ending June 30,					
2020	\$ 68,290	\$	405,008	\$	473,298
2021	103,835		388,009		491,844
2022	109,350		384,575		493,925
2023	185,605		378,927		564,532
2024	281,955		368,700		650,655
2025 to 2029	1,677,095		1,612,004		3,289,099
2030 to 2034	2,091,895		1,141,807		3,233,702
2035 to 2039	2,280,495		566,468		2,846,963
2040 to 2044	1,010,335		178,484		1,188,819
2045 to 2048	302,275		18,764		321,039
Total	<u>\$ 8,111,130</u>	<u>\$</u>	<u>5,442,746</u>	<u>\$</u>	<u>13,553,876</u>

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**JUNE 30, 2019 AND 2018**

**5. Long-Term Liabilities (continued)**

*Variable Rate Demand Bonds – FTS*

As of June 30, 2019, the Authority had 44 series of Variable Rate Demand Bonds (“VRDBs”) outstanding that may be tendered at the option of their holders. (See below)

<b>Series</b>	<b>Outstanding Principal Amount</b>	<b>Provider</b>	<b>Expiration Date</b>
1999A-1	\$75,400,000	TD Bank	December 17, 2023
2001C	\$74,400,000	PNC	April 6, 2020
2003-1A	\$38,400,000	Helaba	December 14, 2020
2003-1C	\$28,400,000	JPMorgan Chase	November 1, 2022
2003-1D	\$22,900,000	Helaba	December 14, 2020
2003-1E	\$15,300,000	Sumitomo	November 27, 2020
2003-2A	\$34,900,000	Dexia Credit Local	November 1, 2022
2003-2B	\$21,000,000	Dexia Credit Local	November 1, 2022
2003-2E	\$20,600,000	Dexia Credit Local	November 1, 2022
2003-2F	\$13,100,000	Sumitomo	November 27, 2020
2003-3C	\$34,900,000	Dexia Credit Local	November 1, 2022
2003-3D	\$39,700,000	Dexia Credit Local	November 1, 2022
2003-3G	\$40,800,000	Bank of New York	October 1, 2021
2003A-2	\$175,000,000	MUFG Bank, Ltd	October 9, 2020
2003A-3	\$25,000,000	MUFG Bank, Ltd	October 9, 2020
2003A-4	\$100,000,000	TD Bank	October 15, 2019
2003C-2	\$37,500,000	Helaba	December 14, 2020
2003C-3	\$37,500,000	Dexia Credit Local	November 1, 2022
2003C-4	\$37,500,000	Helaba	December 14, 2020
2003C-5	\$37,500,000	Bank of America	November 29, 2021
2010F-5	\$148,500,000	Sumitomo	February 26, 2021
2010G-5	\$150,000,000	Barclays	June 3, 2020
2010G-6	\$100,000,000	Barclays	April 12, 2024
2011A-4	\$100,000,000	Barclays	April 12, 2024
2013A-4	\$50,000,000	JPMorgan Chase	August 10, 2021
2013A-5	\$50,000,000	U.S. Bank	August 27, 2021
2013A-6	\$100,000,000	State Street	August 19, 2020
2013A-7	\$150,000,000	State Street	August 19, 2020
2013C-4	\$100,000,000	JPMorgan Chase	November 29, 2019
2013C-5	\$148,000,000	Sumitomo	November 17, 2020
2014B-3	\$75,000,000	Barclays	March 29, 2024
2014D-3	\$100,000,000	Mizuho	April 21, 2020
2014D-4	\$100,000,000	Mizuho	April 21, 2020
2015A-3	\$100,000,000	Mizuho	July 21, 2020
2015A-4	\$100,000,000	Mizuho	July 21, 2020
2015-E3	\$100,000,000	JPMorgan Chase	April 21, 2023
2015-E4	\$90,000,000	Bank of America	April 22, 2022
2016A-4	\$100,000,000	Bank of America	September 27, 2022
2016-E4	\$150,000,000	JPMorgan Chase	February 24, 2023
2018C-6	\$100,000,000	Sumitomo	May 26, 2023
2019A-4	\$200,000,000	JPMorgan Chase	August 10, 2021
2019B-4	\$200,000,000	JPMorgan Chase	September 24, 2021
2019B-5	\$75,000,000	U.S. Bank	September 24, 2021
2019C-4	\$150,000,000	Barclays	April 12, 2024
Total	<u>\$3,646,300,000</u>		

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## NOTES TO FINANCIAL STATEMENTS

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### 5. Long-Term Liabilities (continued)

As of June 30, 2019 and 2018, the Authority had \$3.6 billion and \$3.0 billion, respectively, of FTS VRDBs outstanding. The VRDBs are remarketed by remarketing agents on a daily, two-day or weekly basis. Interest rates determined by such remarketing agents for such periods represent the lowest rate of interest that would cause the VRDBs to have a market value equal to par. Interest rates cannot exceed 9% on tax-exempt bonds. In fiscal years 2019 and 2018, the VRDBs rates averaged 1.57% and 1.15%, respectively, on tax-exempt bonds.

The VRDBs are backed by either a Standby Bond Purchase Agreement (“SBPA”) or a Letter of Credit (“LOC”), providing for the purchase of the VRDBs by a bank in the event they cannot be remarketed. In such case, the interest rate on the VRDBs would typically increase and would be determined by reference to specified index rates plus a spread (in some cases, with a minimum rate), up to a maximum rate of 25%. No VRDBs were held by such banks during the fiscal years ending June 30, 2019 or June 30, 2018. SBPAs and LOCs may be terminated by the respective banks upon the occurrence of specified events of default.

#### *Index Bonds*

As of June 30, 2019 and 2018, the Authority had \$590.0 million and \$892.8 million, respectively, of Index Rate Bonds outstanding, which were not publicly offered but were purchased by banks through direct placements. The Authority’s Index Rate Bonds pay interest based on a specified index. Some Index Rate Bonds continue to pay interest based on such index through maturity. Other Index Rate Bonds provide for an increased rate of interest commencing on an identified step-up date if such bonds are not converted or refunded in advance of such date. Such increased rate of interest is, in some cases, 9% and, in other cases, based on a specified index rate plus a spread. In fiscal years 2019 and 2018, interest rates on the Index bonds averaged 2.18% and 1.79%, respectively.

#### *Auction Bonds*

As of June 30, 2019 and 2018, the Authority had \$207.4 million and \$222.4 million, respectively, of Auction Rate Securities (“ARS”) outstanding. The interest rate on the ARS is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARS cannot exceed 12%. In fiscal years 2019 and 2018, the interest rate on the ARS averaged 1.85% and 1.30%, respectively.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 5. Long-Term Liabilities (continued)

#### *Retention Requirements*

As of June 30, 2019 and 2018, the Authority was required to hold in its debt service accounts the following:

	<u>June 30, 2019</u>			<u>June 30, 2018</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Required for FTS	\$ 176,645	\$ 435,104	\$ 611,749	\$ 197,220	\$ 380,486	\$ 577,706
Required for BARBs	68,290	405,008	473,298	126,810	384,754	511,564
Total	<u>\$ 244,935</u>	<u>\$ 840,112</u>	<u>\$ 1,085,047</u>	<u>\$ 324,030</u>	<u>\$ 765,240</u>	<u>\$ 1,089,270</u>

The Authority held \$2.3 billion and \$2.2 billion in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2019 and 2018, respectively. The Authority held \$2.8 million and \$22.4 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2019 and 2018, respectively.

### 6. Unrestricted Grants

In fiscal years 2019 and 2018, the Authority received unrestricted grants from the City in the amount of \$2.3 billion and \$2.2 billion, respectively. These City grants were used to fund future year's debt service requirements for FTS Bonds and reduced the amount of PIT retained for such purpose. The City grants are reported as assigned for debt service in the governmental funds balance sheets.

### 7. Administrative Costs

The Authority's management fee, overhead and expenditures related to carrying out the Authority's duties, including remarketing and liquidity fees not funded from bond proceeds or investment earnings, are funded from the personal income taxes, building aid revenue and grant revenue.

### 8. Subsequent Events

On August 15, 2019, the Authority issued \$1.35 billion, Fiscal 2020 Series A FTS Bonds, comprised of Subseries A-1, \$131 million of tax-exempt bonds; Subseries A-2, \$374 million of tax-exempt bonds; Subseries A-3, \$345 million of tax-exempt bonds; Subseries A-4, \$243 million of taxable bonds, and Subseries A-5, \$257 million of taxable bonds. The proceeds of the Fiscal 2020 Series A FTS Bonds will be used for the City's capital programs.

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