MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of the Annual Meeting of the Board of Directors

September 10, 1993

The Annual Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 11:00 a.m. on Friday, September 10, 1993, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Sixth Avenue, New York City.

The following Directors were present, constituting a quorum of the Board:

Felix G. Rohatyn, Chairman
John P. Campbell
Gedale B. Horowitz
Eugene J. Keilin
Dick Netzer
Andrew P. Steffan
Robert C. Weaver

Dr. Weaver participated in the meeting by telephone, in accordance with section 5.6 of the Corporation's By-Laws.

The following members of the staff were present:

Quentin B. Spector
Frances H. Jacobs
Bernard J. Kabak

Also present by invitation of the Board were: Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; John J. Keohane of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; John S. Tamagni of Lazard Freres & Company, Financial Advisor to the Corporation;
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Carol O’Cleireacain, the New York City Budget Director, and
Bernard Rosen, the First Deputy Budget Director; Michael Leinwand
of the New York City Comptroller’s Office; George Roniger,
Michael Gibbons, and Robert Horowitz of the Office of the State
Deputy Comptroller; Michael Zino and Jewel Douglas of the State
Financial Control Board; and Elizabeth McCaul of Goldman, Sachs &
Company.

Minute of Silence for George M. Brooker

At the start of the meeting, Mr. Rohatyn asked that everyone
rise for a minute of silence in memory of George M. Brooker, a
Director of the Corporation who had died on August 18.

Adoption of Minutes

Upon motion duly made, seconded, and unanimously adopted, it
was:

RESOLVED, that the Minutes of the
Annual Meeting of the Board of
Directors held on October 1, 1992
and of the Special Meeting of the
Board of Directors held on March 4,
1993, are hereby approved.

Mr. Rohatyn then welcomed Carol O’Cleireacain, the City’s
newly appointed Director of Management and Budget, to the
meeting.

Resolution in Memory of George M. Brooker

Mr. Rohatyn then read the following Resolution in memory of
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George M. Brooker:

WHEREAS, the late George M. Brooker served as a Director of the Municipal Assistance Corporation from 1977, in midst of New York City’s fiscal crisis, with unfailing warmth, humor, and common sense; and

WHEREAS, born in South Carolina and reared in Philadelphia, Mr. Brooker was part of a great tradition of talented and energetic people who exalt New York City by coming here to make their mark; and

WHEREAS, Mr. Brooker, trained in music, strove not only for a crescendo of improvement in the Harlem community where his business was headquartered but also for harmony among all the communities in this diverse City; and

WHEREAS, Mr. Brooker’s recent death at age sixty seven deprives the Municipal Assistance Corporation and the City of New York of a vigorous force for good,

NOW THEREFORE BE IT RESOLVED, that the Directors of the Municipal Assistance Corporation express their profound sorrow at the death of their esteemed colleague; and be it further

RESOLVED, that the Directors extend wishes of condolence to all the members of the Brooker family.

Directors
Kenneth J. Bialkin Eugene J. Keilin
John P. Campbell Andrew P. Steffan
Gedale B. Horowitz Robert C. Weaver
Dick Netzer

Felix G. Rohatyn, Chairman

Attest:
Secretary
this tenth day of September, 1993

Upon motion duly made and seconded, the Resolution was unanimously adopted, whereupon Mr. Rohatyn requested that Mr. Spector, the Corporation’s Executive Director, arrange for a copy of the Resolution, signed by the Chairman and bearing the seal of
the Corporation, to be presented to a representative of the Brooker family.

Resolution Honoring Dr. Robert C. Weaver

Mr. Rohatyn then read the following Resolution honoring Dr. Robert C. Weaver, who was retiring from service as a Director of the Corporation:

WHEREAS, Dr. Robert C. Weaver, as a Founding Director of the Municipal Assistance Corporation For The City of New York, has offered the Corporation wise counsel, fine judgment, and a steady guiding hand for nearly two decades; and

WHEREAS, Dr. Weaver’s contributions to the Corporation and to the City of New York are but the most recent expressions of a devotion to the public good that had earlier brought him to fashion visionary urban policies as the Secretary of the United States Department of Housing and Urban Development, to inspire generations of students as President of Bernard M. Baruch College and as Distinguished Professor of Urban Affairs Emeritus at Hunter College, and to do battle against racial and economic injustice on many fronts; and

WHEREAS, Dr. Weaver, at age eighty six, has many times over earned the privilege of devoting his attention to more private concerns,

NOW THEREFORE BE IT RESOLVED, that the Directors of the Municipal Assistance Corporation express their profoundest gratitude to their venerable colleague Dr. Robert C. Weaver for his invaluable contributions to the work of the Board of Directors and the achievements of the Corporation; and be it further

RESOLVED, that the Directors accede to Dr. Weaver’s retirement from the Board with an admixture of sadness at the departure of an esteemed friend and admiration for his lifetime of work well done; and be it further

RESOLVED, that the Directors, regarding Dr. Weaver as a "Director Emeritus," declare their intention to continue to call on Dr. Weaver as need for his guidance and counsel may arise from time to time.

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Kenneth J. Bialkin        Dick Netzer
John P. Campbell         Eugene J. Keilin
Gedale B. Horowitz       Andrew P. Steffan

Felix G. Rohatyn, Chairman

Attest:
Secretary
this tenth day of September, 1993

Upon motion duly made and seconded, the Resolution was adopted unanimously (except that Dr. Weaver did not participate in the vote), whereupon Mr. Rohatyn requested that Mr. Spector arrange for a copy of the Resolution, signed by the Chairman and bearing the seal of the Corporation, to be presented to Dr. Weaver.

At this point, Dr. Weaver excused himself from further participating in the meeting.

Review of the New York City Financial Plan

Mr. Rohatyn then called on Professor Netzer, as Chairman of the Corporation’s City Budget Committee, to summarize the Corporation’s report on the New York City Financial Plan. Mr. Netzer said there were two main points in the report. First, year-by-year the City had overcome serious obstacles to balance its budget, and this pattern was expected to hold true in fiscal year 1994. While things could go wrong with the City’s budget assumptions, the City had the capacity to make whatever adjustments might be necessary. The report’s second focus was
the need for the City to work to achieve structural balance. Mr. Netzer said that whereas the City had presented a well-articulated program for structural balance in its January 1992 Financial Plan, its January 1993 Plan seemed to retreat from that goal. The August 1993 Plan again shows improvement when looked at broadly, though he cautioned that the devil is in the details. Certainly, he said, the City cannot hope to achieve structural balance through an increase in federal aid.

Mr. Netzer concluded by pointing to a new aspect of the report. Over the years, he said, the Corporation had emphasized the importance of capital investment. Now the report identifies underspending on maintenance as a problem. In the end, it makes no sense to infuse capital funds when money is available, only to allow facilities to deteriorate in hard times.

Following Mr. Netzer’s presentation further discussion ensued. Mr. Horowitz contrasted the rate of inflation now prevailing, approximately three percent, with the double-digit inflation of the early ‘80’s. Mr. Netzer agreed that the inflation of the ‘80’s, along with a booming economy, had helped bail the City out. Mr. Campbell noted that the inflation had been a boon to the Corporation as well, since it boosted its sales tax revenue. Mr. Rohatyn observed that in the period 1975-1980 the Corporation and the Financial Control Board had capped City spending while inflation drove up municipal revenues. Ms. O’Cleireacain noted that among the consequences of holding down expenses was that maintenance had been reduced. Mr. Rohatyn
suggested that the City consider a maintenance covenant in its bonds. He also mentioned that the asbestos fiasco in the City’s schools recalled the Corporation’s earlier recommendation to assign the responsibility for school maintenance to the School Construction Authority, a proposal that was defeated in Albany. Responding to Mr. Campbell’s observation that the School Construction Authority’s Wicks Law exemption expired after 5 years, Mr. Rohatyn called for the exemption to be renewed. Ms. O’Cleireacain said the Mayor, too, has called for school maintenance to go the School Construction Authority. On the Corporation’s report overall, Ms. O’Cleireacain said it was fair, adding that though the City was aware of the problems identified in the report, it never hurts to hear it again. Mr. Rohatyn concluded by saying that corporate downsizing, the general lack of growth in the economy, and the greater freedom that advances in technology give to companies to move out of the City all make it clear that the economy will not bail the City out. The City must devote itself to finding ways of delivering good services at an acceptable cost.

Upon motion duly made, seconded, and unanimously approved it was:

RESOLVED, that the review of the New York City Financial Plan is accepted and approved for transmission to the City.

Corporation Fiscal Year 1994 Operating Budget

Professor Netzer, on behalf of the Corporation’s
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Administration Committee, next presented the proposed operating budget for the Corporation's fiscal year 1994. He said that the budget was smaller than the previous year's partly because fewer bond issuances were planned. He said that the budget was also reduced because of productivity improvements and other savings provided by staff. He pointed out that the Corporation had no control over those portions of its budget pertaining to the other oversight agencies or to State fees. Mr. Campbell expressed particular outrage at the State fees. Mr. Rohatyn said the real annual cost of administering the Corporation was $1.3 million.

Upon motion duly made, seconded, and unanimously adopted, it was:

RESOLVED, that the Corporation's Fiscal Year 1994 Operating Budget as presented by the Administration Committee is hereby approved.

Appointment of Officers

Mr. Spector stated that the Corporation's By-Laws called for the appointment of all Officers, other than the Chairman, at the Annual Meeting. He noted that a list of the proposed appointments had been circulated to the Board prior to the meeting.

Upon motion duly made, seconded, and unanimously adopted, it was:

RESOLVED, that the following named persons are hereby appointed to hold the following positions as
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Officers of the Municipal Assistance Corporation For The City of New York:

Executive Director
Deputy Executive Director and Treasurer
Counsel and Secretary

Quentin B. Spector
Frances H. Jacobs
Bernard J. Kabak

Annual Report

Mr. Spector presented for the Board’s review and for distribution after the meeting the Annual Report on the Corporation’s operations for its 1993 fiscal year, which had been prepared in accordance with statutory requirements under the guidance of the Board’s Audit Committee.

Upon motion duly made, seconded, and unanimously adopted, it was:

RESOLVED, that the Annual Report for the Corporation’s fiscal year 1993 is hereby approved.

Investment Report

Mr. Spector presented the proposed Investment Report for the Corporation’s fiscal year 1993, which had been prepared in accordance with statutory requirements under the guidance of the Board’s Investment Committee. Copies of the proposed Report had previously been circulated to the Board. Mr. Spector noted that the governing statute called for the transmission of the Investment Report to certain officials upon the Report’s adoption by the Board.
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Upon motion duly made, seconded, and unanimously adopted, it was:

RESOLVED, that the Investment Report for the Corporation's fiscal year 1993 is hereby approved.

Chairman's Resignation

Mr. Rohatyn distributed copies of his letter to the Governor by which he resigned from his position as Chairman of the Corporation. He also distributed copies of the Governor’s letter of acceptance. A copy of each letter is appended to these minutes.

Mr. Rohatyn said that there is never a good time to leave: when the City’s finances are weak, you stay on to help; and when they are strong, why leave? But he said this was a logical time for him to depart. For one, because of death, retirement, and the expiration of terms of service, there would be a turnover in the majority of the Corporation’s Board. It was desirable to have a Chairman who could look forward to years of service working with the new Board. Second, it is better to resign before the upcoming Mayoral election rather than afterwards, lest the resignation be misinterpreted as a lack of enthusiasm for the winner of the election. Mr. Rohatyn emphasized that the Chairman of the Corporation must work cooperatively with whoever is the Mayor of New York City.

Mr. Rohatyn said he was leaving with the Corporation in a solid position: the staff is good, the organization is in good shape, the credit rating is good, and the City’s finances were
not in crisis.

Mr. Rohatyn said he had make a recommendation to the Governor regarding his successor, while noting that the Governor had many able people available to him.

Mr. Rohatyn then took a look back at the success of the Corporation’s Board. Taking note that there had never been a split vote, he said that the Board’s biggest strength had been its loyalty and solidity, which he contrasted with the character of the Board of Education.

He also saw the Corporation’s political independence as a source of strength. He said the Corporation had great integrity, both in image and in reality. This, he said, was thanks to the staff, who run things right.

Mr. Rohatyn said he retained the view that New York is the greatest city in the world, and that he and Mrs. Rohatyn would spend the rest of their lives here.

He went on to express doubt that the City could deal with its social and economic problems by itself. What is needed is a restructuring of the City’s relationship with the State and the Federal Government. He is disappointed, he said, with the federal role in the cities. While acknowledging the federal deficit, he doubted the political will of a Federal Government that thinks a 4.3¢ a gallon gas tax is all the people can take.

Concluding his remarks, Mr. Rohatyn expressed thanks to the Corporation’s staff, to the Board, to Governors Carey and Cuomo, to the Mayor, to Phil Michael, Ms. O’Cleireacain’s predecessor as
Budget Director, with whom the Corporation had worked well, to City Comptroller Elizabeth Holtzman, who, Mr. Rohatyn said, has been competent in handling the City's credit and finances, to Jack Tamagni of Lazard Freres, the Corporation's Financial Advisor, "who's been with us from Day One," to Don Robinson of Orrick, Herrington & Sutcliffe, and to Paul, Weiss, the Corporation's General Counsel.

Mr. Keilin next spoke. He said that the only thing Mr. Rohatyn had failed at is in retiring. Mr. Rohatyn had been very generous to the staff and the Board. But, Mr. Keilin said, all had been low-level foot soldiers in the crusade Mr. Rohatyn had lead to restore the City's financial health. He said an appropriate time and an appropriate way would be found to thank Mr. Rohatyn for all he had done.

Ms. O'Cleireacain then read a statement on behalf of the Mayor. The Mayor praised Mr. Rohatyn for working first to envision and then to establish the institutional mechanisms for reestablishing order in the City's finances, giving a City facing the possibility of bankruptcy new life at a time in the 1970's when others had urged the City to "drop dead." In the '80's, Mr. Rohatyn had applied his hands, head, and heart to the improvement of the City's schools, housing, and transit. Calling Mr. Rohatyn "one of those rarities -- a friend when times are tough," the Mayor said that Mr. Rohatyn had always understood that more than being just numbers on a piece of paper a City budget has very real consequences for each and every New Yorker. Mr. Rohatyn had
thus shown that fiscal conservatism and social compassion are not mutually exclusive. A copy of the Mayor’s full remarks are appended to these minutes.

Adjournment

There being no further business before the Board, the meeting was, upon motion duly made, seconded, and unanimously carried, adjourned at 11:55 a.m.

[Signature]
Bernhard J. Kabak
Secretary
For Immediate Release:
Friday, September 10, 1993

STATEMENT BY MAYOR DAVID N. DINKINS ON THE RESIGNATION OF
FELIX ROHATYN AS CHAIR OF THE MUNICIPAL ASSISTANCE CORPORATION

This morning Felix Rohatyn will announce his intention to resign as Chairman of the Municipal Assistance Corporation. As Mayor and as one of his many, many friends, I very much regret his departure. But after providing so many years of dedicated service and sage counsel -- and all of it at no cost to the people of our City -- one cannot question his desire to seek new challenges. As was true of the challenges he faced so successfully as Chairman of the Corporation, there is no question in my mind that Felix will excel in meeting any and every challenge he takes on in the years ahead.

There are many people who take credit for rescuing the City of New York from bankruptcy in the 1970's and each and everyone is entitled to our lasting gratitude. But during the very dark days when our City teetered on the edge of fiscal collapse, very few worked as hard, as intelligently or as successfully to, first, envision and, then, establish the institutional mechanisms by which this City's fiscal affairs would be brought back into order. While a handful of others urged our City to drop dead, Felix gave it new life.

But he did not stop there. Once the final blueprints are (more)
drawn, many an architect walks away from the project. But this architect of our City's recovery did not quit once the ink was dry, but rolled up his sleeves and became one the major builders in its revival. Indeed, in the years since that terrible crisis was resolved and the municipal ledger sheet was restored to balance, again and again and again Felix has insured that the Municipal Assistance Corporation serves as an ally, not an adversary, of our City.

During the 1980's, Felix consistently and persuasively urged the use of surplus revenues generated by the Corporation to make much-needed improvements in our schools, our transit system and our housing stock. Ride an air-conditioned, graffiti-free subway car, visit a classroom with children hard at work at a computer terminal or greet a family moving into a newly-rehabilitated apartment. You will not find his name on any billboards or plaques, but you can be certain that in each and every instance you can be certain that the hands, the head and the heart of Felix Rohatyn were intimately involved.

Felix is my friend, and I have always prized his counsel. Much more importantly, however, Felix has been New York City's friend, mentor, and fiscal conscience for two decades. Friends are easy to come by when times are good. But Felix has been one of those rarities -- a friend when times are tough. His advice, his suggestion and, yes, his criticisms have always served me and served this City well.

(more)
Felix has always given of himself unstintingly. A private investment banker, he has always kept his eyes on the financial bottom line. But also an outstanding public citizen, he always has understood that a budget is more than just numbers on a piece of paper, that a budget has very real consequences for each and every New Yorker. And, in so doing, Felix has shown that fiscal conservatism and social compassion are not mutually exclusive, even in the most difficult of economic times.

While we will all sorely miss Felix in his role as Chairman of the Municipal Assistance Corporation, I know he will not disappear from the civic stage. Simply put, our City could not afford that. Having given so much, Felix Rohatyn still has much more to give. And in wishing our friend Felix well as he departs the Board after so many distinguished years of service, all New Yorkers ought to be grateful that giving still more is precisely what Felix intends to do.

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1993 ANNUAL MEETING

BOARD OF DIRECTORS
Friday, September 10, 1993, 11:00 A.M.
Paul, Weiss, Rifkind, Wharton & Garrison
1285 Sixth Avenue, New York City
Conference Room 2910-11 (Entrance on 28th Floor)

AGENDA

1. Adoption of Minutes of Meetings of October 1, 1992 and March 4, 1993

2. Resolution in memory of George M. Brooker

3. Resolution honoring Dr. Robert C. Weaver

4. Review of New York City Financial Plan

5. Appointment of Officers


7. Review of Annual Investment Report

8. Review of Corporation's FY 1994 Budget

9. Other business
September 10, 1993

The Honorable Mario Cuomo
Governor of the State of New York
State of New York
Executive Chamber
State Capitol
Albany, N.Y. 12224

Dear Governor Cuomo,

My eighteen years serving as Chairman of MAC has been an extraordinary experience for me. I feel privileged to have been afforded the opportunity and am proud of the very significant achievements we have, together, realized since those most trying days that brought about the establishment of MAC.

As you know, I have felt for quite some time that I should step down. Although there is no such thing as a perfect time, I believe that this is the appropriate time to do so.

Several factors influenced the timing of my decision. The untimely death of one of our Directors, the retirement of another and the forthcoming replacement of three Directors, who are nominees of the Mayor, will result in the turnover of a majority of the MAC Board. This, then, is an ideal opportunity to install a new Chairman who can look forward to several years of service with the new Board. Further, while, as you know, I support David Dinkins for re-election, I would not wish an announcement of my resignation, if it were to take place after the Election, to be misinterpreted as lack of enthusiasm for whoever is elected. The Chairman of MAC must work cooperatively with any duly-elected Mayor of New York. The timing of my resignation should not cause any misunderstanding on that score.

I can never adequately express how much the privilege of serving New York City and New York State that you and Governor Carey afforded me has meant to me. Public service carries many frustrations and disappointments, but, on balance, it has been a source of enormous personal fulfillment to me.

In addition to your consistent backing, I owe a great debt of gratitude to the Board and the Staff of MAC, who have been loyal and supportive through thick and thin these many years.

I hope that my resignation can be effective no later than October 15th, or such earlier date as you appoint my successor.

Sincerely yours,

Felix G. Rohatyn
Chairman
September 10, 1993

Mr. Felix G. Rohatyn, Chairman
Municipal Assistance Corporation
for the City of New York
One World Trade Center, Suite 8901
New York, New York 10048

Dear Felix:

On behalf of all the people of New York, I thank you for your superb service as Chairman of the Municipal Assistance Corporation. Few New Yorkers -- elected or appointed -- have equalled your efficacy and generosity as a public servant.

When the City of New York was threatened with fiscal disaster, you stepped forward to help lead the successful rescue effort. And when the immediate crisis passed, you stayed on to use your immense talents and energy to work tirelessly for the City's continued fiscal health.

You have sacrificed your time and shouldered the burden of public service not for any personal gain or glory, but because of your love for the City and State of New York and for our people.

I accept your resignation with regret and console myself with the knowledge that I will continue to talk to you often to seek your wise advice.

Sincerely,

/s/ Mario M. Cuomo
Governor
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drawn, many an architect walks away from the project. But this architect of our City's recovery did not quit once the ink was dry, but rolled up his sleeves and became one the major builders in its revival. Indeed, in the years since that terrible crisis was resolved and the municipal ledger sheet was restored to balance, again and again and again Felix has insured that the Municipal Assistance Corporation serves as an ally, not an adversary, of our City.

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Section 2925 of the Public Authorities Law of the State of New York requires that, effective January 1, 1984, the Corporation annually submit a report on its investments to the New York State Division of the Budget, with copies to the Senate Finance Committee and the Assembly Ways and Means Committee of the State of New York. The Corporation's Investment Guidelines adopted pursuant to this statute specify the annual reporting period as its fiscal year. The statute requires that the Annual Investment Report include:

1. The Investment Guidelines (Exhibit 1);
2. An explanation of the Guidelines and any amendments adopted during the year (Exhibit 2);
3. An annual audit report of the Corporation's investments by its independent accountants (Exhibit 3);
4. The investment income record of the Corporation (Exhibit 4); and
5. A list of amounts paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation during the year (Exhibit 5).

In addition to the submission required by the statute a description of each of the Corporation's funds is provided in Exhibit 6.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

INVESTMENT GUIDELINES

As Amended Through October 1, 1992

I. Purpose

A. Adoption. These Guidelines are adopted by the Board of Directors of the Municipal Assistance Corporation For The City of New York ("Municipal Assistance Corporation" or "Corporation"), effective as of January 1, 1984, pursuant to Section 2925 of the Public Authorities Law of the State of New York.

B. Scope. These Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Municipal Assistance Corporation on and after January 1, 1984. For purposes of these Guidelines, funds of the Corporation are all monies and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual. All such monies shall be invested at all times to the fullest extent practicable, and in accordance with the yield, maturity, and other requirements and restrictions set forth in these Guidelines. In unforeseen circumstances, the Executive Director, with the approval of the Investment Committee, shall have the right to waive those Guidelines which are not mandated by resolution or statute when in the best interest of the Corporation.

C. Review and Amendment. These Guidelines shall be reviewed and approved by the Board of Directors annually and may be amended by the Board of Directors from time to time.
D. **Investment Policy.** These Guidelines, which incorporate the Investment Guidelines For Public Authorities promulgated by the Office of the State Comptroller (appended hereto), constitute the investment policy of the Corporation.

II. **Permitted Obligations**

Monies in funds and accounts of the Corporation may be invested, subject to applicable provisions of the Second and 1991 General Bond Resolutions, in the following:

A. Direct obligations of the United States of America, direct obligations of the State of New York or obligations the principal of and interest on which are guaranteed by the United States of America or the State of New York;

B. Any bond, debenture, note, participation or other similar obligation issued by either of the following Federal agencies and backed by the full faith and credit of the United States of America: Government National Mortgage Association and Farmers Home Administration;

C. Time deposits or other interest bearing accounts secured by direct obligations of, or guaranteed by, the United States of America or repurchase agreements in accordance with the provisions of Section III (F) of these Guidelines.

III. **Conditions of Investment**

A. The monies of the Corporation shall be invested pursuant to the following conditions:

1. **Yields.** Investments are to be made in permitted obligations at yields equal to or greater than yields available on United
States Treasury obligations of comparable maturity, except when necessary to comply with restrictions or rebate requirements under Federal tax law.

2. **Maturities.** The maturity structure of investments are to reflect both current and anticipated market yields in an effort to maximize total returns over the investment horizon given the anticipated distribution of funds, and taking into consideration the dates and times when such monies will be required. No investment shall be made which has a maturity date subsequent to July 1, 2008.

3. **Reserve Funds.** An amount in each of the Reserve Funds equal to at least 50% of the total principal and interest payable during the following 12 month period under each respective resolution shall be invested in obligations which mature within five years.

**B. Sales of Securities.** A security may be sold, provided that:

1. If at a profit, at any time; or

2. If at a loss, if the incremental principal and income to be achieved through the reinvestment of the proceeds of such sale will be equal to or greater than the loss incurred in such sale during the remaining time to the maturity of the original investment; or

3. If at a loss, offsetting profits are realized through the sale of other obligations; or

4. If at a loss, the proceeds are invested in shorter or longer maturity investments in anticipation of significant changes in interest rates such that expected total rate of return on the purchased item will exceed that of the item sold over a one year period; or

5. If at a loss, if the resulting proceeds are invested in shorter maturities as a result of
(a) adjustments in the expected schedule of disbursements or (b) an effort to reduce the market impairment of the account.

6. Notwithstanding the standards set forth in Subsections (1) through (5) above, no security which is an investment in one of the Reserve Funds may be sold if as a result of such sale the aggregate amortized cost of the investments of any of the Reserve Funds would be reduced to an amount less than the respective Reserve Fund Requirement.

7. Notwithstanding any of the above, in the event that monies on deposit in any of the Reserve Funds are required in accordance with Section 605(2) of each of the respective resolutions, obligations may in all events be sold to the extent required in the following order:

a. Obligations in which the present market value exceeds the amortized cost carrying basis;

b. Obligations in which the present market value equals the amortized cost carrying basis;

c. Obligations in which the present market value is less than the amortized cost carrying basis.

C. **SLGS.** Investments may be made in United States Treasury Obligations—State and Local Government Series ("SLGS") to comply with the arbitrage regulations promulgated under Section 103(c) of the Internal Revenue Code as required.

D. **Competition.** Whenever prudent, securities transactions should be completed on a competitive bid basis.

E. **Parties.** The following are the standards for the qualifications of brokers, agents, dealers, investment advisers and custodians:
1. **Brokers, Agents, Dealers**
   
   a. **In Government Securities**: any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (included in the then current "List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York").

   b. **In Municipal Securities**: any broker, agent or dealer registered with the Municipal Securities Rulemaking Board.

2. **Investment Advisers**: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, any firm or person which is registered with the Securities and Exchange Commission under the Investment Adviser Act of 1940.

3. **Custodians**: any bank or trust company organized under the laws of any state of the United States of America or any national banking association.

**F. Repurchase Agreements**

1. The Corporation shall be limited to entering into repurchase agreements which require repurchase of securities purchased by the Corporation on the next business day by the dealer. The Corporation shall not enter into reverse repurchase agreements.

2. The Corporation shall not enter into repurchase agreements substantially in excess of $3 million at any one time, except, in order to ensure that all funds of the Corporation are as fully invested as practicable:
a. When suitable maturities are unavailable for a period of up to one week prior to a debt service deposit date, amounts in the Bond Service and Bond Payment accounts may be invested in repurchase agreements; or

b. When a dealer with whom the Corporation had agreed to purchase securities fails to deliver the securities as agreed the Corporation may invest monies made available for the purchase in a repurchase agreement with the Trustee until the failed transaction settles.

3. The Corporation may enter into repurchase agreements with the following commercial banks:

   Bank of America, NT&SA
   Chase Manhattan Bank, N.A.
   Chemical Bank
   J.P. Morgan Securities, Inc. (Morgan Guaranty Trust Company of New York)
   United States Trust Company (in an amount not to exceed $2,000,000)

4. Form: The Corporation shall engage in repurchase agreement transactions only with those commercial banks listed above which have executed master repurchase agreement contracts with the Corporation.

G. Payments. Payment for investments shall be made by the Corporation's custodian only upon presentation of the physical security accompanied by the necessary collateral in the case of time deposits and repurchase agreements. In the case of book entry form securities payment may be made only when credited for the custodian's account at the Federal Reserve Bank of the purchased securities received. The custodian may act on verbal instructions from an authorized person, such instructions to be confirmed in writing by an authorized officer.
IV. Reports

A. Quarterly. The Executive Director shall prepare and deliver to the Board of Directors once for each quarter of the Corporation's fiscal year a report setting forth a summary of all investments made during that quarter, the inventory of existing investments and the selection of investment bankers, broker, agents, dealers, custodians, investment advisers and auditors used by the Corporation in making or holding investments during such quarter.

B. Annually.

1. Audit Report. The Corporation's independent accountants shall prepare an annual audit report of the Corporation's investments for each fiscal year of the Corporation and submit such report to the Board of Directors at the time its annual audit of the financial reports and books and records is made.

2. Investment Report. Annually, the Executive Director shall prepare and the Board of Directors shall review and approve an Investment Report, covering the fiscal year of the Corporation, which shall include:

   a. The Investment Guidelines;

   b. An explanation of the Guidelines and any amendments made since the date of the immediately preceding Investment Report;

   c. The independent audit report required by Subsection (1) above;

   d. The investment income record of the Corporation for the fiscal year; and

   e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment associated services to the Corporation during the fiscal year.
The Investment Report shall be submitted to the New York State Division of the Budget, and copies shall be sent to the New York State Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee of the State of New York. Copies of the annual report shall also be made available to the public upon reasonable request.

V. **Applicability.** These Guidelines shall govern all investments initiated by the Municipal Assistance Corporation on and after January 1, 1984 and shall not apply to any investments initiated by the Corporation prior to January 1, 1984. Amendments to these Guidelines shall govern all investments initiated by the Corporation on or after the respective dates of their adoption. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

No amendments were made to the Investment Guidelines during fiscal 1993.
Report of Independent Accountants

August 9, 1993

To the Board of Directors of
Municipal Assistance Corporation
For The City of New York

We have audited the financial statements of Municipal Assistance Corporation For The City of New York (the "Corporation") as of and for the year ended June 30, 1993, and have issued our report thereon dated August 9, 1993. Our audit was made in accordance with generally accepted auditing standards.

The management of the Corporation is responsible for compliance with the Corporation's investment guidelines, as amended through October 1, 1992, the Investment Guidelines for Public Authorities issued by the Office of the State Comptroller, State of New York, dated July 24, 1987 and the provisions of Section 2925 of the Public Authorities Law (collectively, the "Investment Guidelines"). In connection with our audit referred to above, we made a study and evaluation of the Corporation's significant internal accounting controls relating to investment transactions and we selected and tested transactions and records to determine the Corporation's compliance with provisions of the Investment Guidelines, including provisions for the safeguarding of investment assets, for the maintenance of a system of internal accounting control, noncompliance with which could have a material effect on the financial statements of the Corporation. Our study and evaluation and our tests were made in accordance with generally accepted auditing standards and the standards for financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. For purposes of our study and evaluation, we classified the significant internal accounting controls into the following categories: purchase of investments, custody of investments, sale of investments and investment income.

The results of our tests indicate that for the transactions and records tested, the Corporation complied with those provisions of the Investment Guidelines noncompliance with which could have a material effect on the financial statements of the Corporation. With respect to the transactions and records that were not tested by
August 9, 1993
To the Board of Directors of
Municipal Assistance Corporation
For The City of New York
Page 2

us, nothing came to our attention to indicate that the Corporation had not complied with the provisions of the Investment Guidelines noncompliance with which could have a material effect on the financial statements of the Corporation.

Our study and evaluation and our tests made for the limited purpose described in the second paragraph of this report would not necessarily disclose all instances of noncompliance with provisions of the Investment Guidelines. Accordingly, we do not express an opinion on the Corporation’s overall compliance with the Investment Guidelines. However, our study and evaluation and our tests disclosed no condition that we believed to be a material weakness in relation to the Corporation’s investments as of June 30, 1993.

This report is intended solely for the use of the audit committee, board of directors, management, the Office of the State Comptroller, State of New York, the Division of Budget, State of New York, the Senate Finance Committee, State of New York and the Assembly Ways and Means Committee, State of New York, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]
Price Waterhouse

Report of Independent Accountants

August 9, 1993

To the Board of Directors of
Municipal Assistance Corporation
For The City of New York

We have made a study and evaluation of the system of internal accounting control of Municipal Assistance Corporation For The City of New York (the "Corporation") in effect for the year ended June 30, 1993. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

The management of the Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that it may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal accounting control of the Corporation in effect for the year ended June 30, 1993, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial statements.

This report is intended solely for the information and use of the audit committee, board of directors, management, and others within the Corporation.

Price Waterhouse
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Record of Investment Income
for the Fiscal Year Ended June 30, 1993
($ thousands)

<table>
<thead>
<tr>
<th>Category</th>
<th>For the Quarter Ended</th>
<th>For the Fiscal Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt and Bond Service Funds</td>
<td>$ 5,085</td>
<td>$ 3,048</td>
</tr>
<tr>
<td>Reserve Funds</td>
<td>12,166</td>
<td>12,139</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>$ 17,265</td>
<td>$ 15,202</td>
</tr>
</tbody>
</table>

**Note:** Investment income stated here is net of the Corporation's estimated federal rebate liability.
### Payments for Investment Associated Services

for the Fiscal Year Ended June 30, 1993

<table>
<thead>
<tr>
<th>Company</th>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank of New York</td>
<td>Investment Advisor</td>
<td>$12,000</td>
</tr>
<tr>
<td>U.S. Trust Co.</td>
<td>Transaction Processing</td>
<td>$7,860</td>
</tr>
</tbody>
</table>

#### Comments:

1. The Bank of New York was selected as investment advisor through a competitive process for an initial contract period from April 1, 1986 - June 30, 1987. Subsequently, the contract has been renewed for two year periods most recently from July 1, 1991 to June 30, 1993, for which period compensation was fixed at $12,000 annually. Representatives from the Bank meet with Corporation staff to review investment performance and to make recommendations on a variety of investment issues, including economic outlook, yield curve configurations, investment strategy and dealer credentials. They also meet with the Investment Committee on such occasions deemed necessary.

2. Transaction processing costs in accordance with the current agreement with U.S. Trust Co., the Trustee, are charged for investment transactions executed at the direction of the Corporation.
Reserve Funds

Second Capital Reserve Fund

The Second Capital Reserve Fund was established pursuant to the Second General Bond Resolution for the purpose of creating a reserve for the payment of principal and interest on Second Resolution bonds. The required funding level is the succeeding calendar year’s debt service on Second Resolution bonds. The fund is to be used to pay debt service on Second Resolution bonds any time the available State sales tax, stock transfer tax and per capita aid are not sufficient to pay such debt service. Monies on deposit in the fund have been derived from proceeds of the issuance of bonds and State revenues available to the Corporation, along with retained interest earnings. Amounts in excess of the required funding level are transferred periodically to the Bond Service Fund and used to pay debt service on Second Resolution bonds.

1991 Bond Reserve Fund

The 1991 Bond Reserve Fund was established pursuant to the 1991 General Bond Resolution for the purpose of creating a reserve for the payment of principal and interest on 1991 Resolution bonds. The required funding level is one half the maximum annual debt service. The fund is to be used to pay debt service on 1991 Resolution bonds any time the available State sales tax, stock transfer tax and per capita aid are not sufficient to pay such debt service. Monies on deposit in the fund have been derived from proceeds from the issuance of bonds. Amounts in excess of the required funding level are transferred periodically to the Bond Payment Fund and used to pay interest on 1991 Bond Resolution bonds.
Debt Service Funds

Bond Service Fund

The Bond Service Fund was created under the Second General Resolution for the purpose of paying debt service on Second Resolution bonds.

Monies for the payment of debt service are available from the following sources: (i) payments made by the State Comptroller to the Corporation of State sales tax, stock transfer tax and per capita aid pursuant to periodic certifications of the Corporation; (ii) transfers of excess amounts on deposit in the other funds or accounts; and (iii) interest earnings on monies held in this fund. Monies for the payment of debt service are transferred from the Bond Service Fund to payment accounts on the business day prior to a payment date.

Bond Payment Fund

The Bond Payment Fund was created under the 1991 General Bond Resolution for the purpose of paying debt service on 1991 Resolution bonds.

Monies for the payment of debt service are available from the following sources: (i) payments made by the State Comptroller to the Corporation of State sales tax, stock transfer tax and per capita aid pursuant to periodic certifications of the Corporation; (ii) transfers of excess amounts on deposit in the other funds or accounts; and (iii) interest earnings on monies held in this fund. Monies for the payment of debt service are transferred from the Bond Payment Fund to payment accounts on the business day prior to a payment date.

Unpledged Revenues Account

The Unpledged Revenues Account consists of monies which are not pledged to secure any obligation of the Corporation. These monies are available for general corporate purposes.
Monies in this Account are derived from (i) principal and interest payments on New York City bonds held by the Corporation in exchange for proceeds of the Corporation's bonds issued for City capital purposes; and (ii) interest earnings retained on amounts on deposit in this Account.

Periodic transfers are made to the and Bond Service and Bond Payment Funds for the payment of debt service on Second Resolution and 1991 Resolution bonds. Such transfers reduce the amount of State revenues needed to make such payments.

In addition, monies in this Account are used to make open market purchases of the Corporation's bonds in satisfaction of mandatory sinking fund requirements.

Bond Proceeds Account

Proceeds of the sale of bonds by the Corporation are held in the Bond Proceeds Account until applied to the purposes for which they were raised and invested pending expenditures. Earnings on such investments are used to pay debt service under the respective resolutions.

Operating Fund

The Operating Fund was created under the First General Bond Resolution and is currently held by the Trustee under the Second General Bond Resolution and the 1991 General Bond Resolution (due to the defeasance of the First General Bond Resolution), to pay the operating expenses of the Corporation which, for the purposes of the Operating Fund, include the expenses of the Office of the State Special Deputy Comptroller and those of the State Financial Control Board. Monies for this fund are obtained from payments made by the State Comptroller to the Corporation in accordance with the Corporation's periodic certification of needs.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of the Annual Meeting of the Board of Directors

October 1, 1992

The Annual Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 10:00 A.M. on Thursday, October 1, 1992, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of the Americas, New York City.

The following Directors were present, constituting a quorum of the Board:

Felix G. Rohatyn, Chairman
Kenneth J. Bialkin
John P. Campbell
Gedale B. Horowitz
Eugene J. Keilin
Andrew P. Steffan

Messrs. Bialkin, Campbell and Steffan participated in the meeting by telephone, in accordance with Section 5.6 of the Corporation's By-Laws.

The following Representatives were present:

Joel B. Mounty
Carl Pforzheimer III

The following members of the staff were present:

Quentin B. Spector
Frances Higgins Jacobs
Lynnette Kelly

Also present by invitation of the Board were: Allen L. Thomas and Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; John J. Keohane of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Gary Schaffer from the City of New York Law Department; Bernard Kabak and Robert Horowitz of the Office of the State Deputy
Minutes  
October 1, 1992  
Page 2

Comptroller; Mark Levinson of District Council 37; Michael Zino and Jewel Douglas of the New York State Financial Control Board and Arthur M. Miller and Richard Coleman of Goldman, Sachs & Co.

Adoption of Minutes

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Minutes of the Special Meeting of the Board of Directors held on August 26, 1992, be and hereby are approved.

By-Laws

Ms. Kelly presented the proposed revised By-Laws, copies of which had been circulated to the Board September 23, 1992. She stated that the amendments to the By-Laws were necessitated by the adoption of the revised City Charter and recently adopted State legislation.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the revised By-Laws be and hereby are approved and adopted.

The Board directed that a copy of the revised By-Laws be appended to the minutes of the Meeting.

Appointments

Mr. Spector stated that the agenda of the Annual Meeting included the appointment of officers of the Corporation and committees of the Board. He noted that a list of the proposed appointments had been circulated to the Board prior to the meeting.
Minutes
October 1, 1992
Page 3

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the following named persons be and hereby are appointed to hold the following positions as officers of the Municipal Assistance Corporation For The City of New York and that the following named Directors be and hereby are appointed to serve on the following committees of the Board of Directors of the Municipal Assistance Corporation For The City of New York:

Vice Chairman
Executive Director
Deputy Executive Director and Treasurer
Counsel and Secretary
(Vacancy)
Quentin B. Spector
Frances H. Jacobs
Lynnette Kelly

Administration Committee
Robert C. Weaver, Chairman
Dick Netzer
John P. Campbell
Audit Committee
Andrew P. Steffan, Chairman
Kenneth J. Bialkin
George M. Brooker

City Budget Committee
Dick Netzer, Chairman
Andrew P. Steffan
(Vacancy)
Finance Committee
Eugene J. Keilin, Chairman
Felix G. Rohatyn
(Vacancy)

Investment Committee
Vice Chairman of the Board (Vacancy)
Eugene J. Keilin
Andrew P. Steffan
Gedale B. Horowitz

Professional Services

Mr. Spector recommended that the Board reappoint the professional firms currently serving the Corporation in the capacities of General Counsel, Bond Counsel, Financial Advisor, Investment Advisor and Independent Accountants. He noted that the fee schedule for the Independent Accountants was in the process of negotiation and that the existing fee schedules for the other professionals would remain in effect for an additional year.
Minutes
October 1, 1992
Page 4

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the professional firms serving the Corporation in the capacities of General Counsel, Bond Counsel, Financial Advisor, Investment Advisor and Independent Accountants, be and hereby are reappointed for an additional one-year period.

Reports

Mr. Spector stated that reports on investments, procurement contracts, and prompt payments, covering these aspects of the Corporation's operations during the 1992 fiscal year, all required by State statute to be prepared and transmitted to various State officials, were before the Board for consideration.

(1) Investment Report

Mr. Spector presented the proposed fiscal year 1992 Investment Report, copies of which had been previously circulated to the Board, noting that it had been reviewed and recommended for adoption by the Investment Committee. He stated that the content of the report, mandated by State statute and regulations promulgated by the State Comptroller, included the Investment Guidelines in effect for the 1992 fiscal year, an audit report from Price Waterhouse, a summary of fiscal year 1992 investment income, a list of payments to providers of investment-related services, and an explanation of the Corporation's various funds.

Mr. Spector informed the Board that minor amendments had been incorporated into the Investment Guidelines to remove references to the First General Bond Resolution as a result of
Minutes
October 1, 1992
Page 5

the redemption of all remaining obligations outstanding under
that Resolution and to remove Manufacturers Hanover Trust Company
from the list of commercial banks with which the Corporation may
enter into repurchase agreements, as a result of its merger with
Chemical Bank.

Upon motion duly made, seconded and unanimously carried, it
was:

RESOLVED, that the Corporation's fiscal year
1992 Annual Investment Report be and hereby
is approved.

The Board directed that a copy of the fiscal year 1992
Annual Investment Report be appended to the minutes of the
Meeting.

(2) Procurement Contract Report

Mr. Spector presented the proposed fiscal year 1992
Procurement Contract Report, copies of which had previously been
circulated to the Board. He stated that the report had been
reviewed and recommended for adoption by the Administration
Committee.

Upon motion duly made, seconded and unanimously carried, it
was:

RESOLVED, that the Corporation's fiscal year
1992 Annual Procurement Contract Report be
and hereby is approved.

The Board directed that a copy of the fiscal year 1992
Procurement Contract Report be appended to the minutes of the
Meeting.
Minutes
October 1, 1992
Page 6

(3) **Prompt Payment Report**

Mr. Spector presented the proposed fiscal year 1992 Prompt Payment Report, copies of which had previously been circulated to the Board. He stated that the report had been reviewed and recommended for adoption by the Administration Committee.

Upon motion duly made, seconded and unanimously carried, it was:

**RESOLVED, that the Corporation's fiscal year 1992 Prompt Payment Report be and hereby is approved.**

The Board directed that a copy of the fiscal year 1992 Prompt Payment Report be appended to the minutes of the Meeting.

**Annual Report**

Mr. Spector presented the Corporation's fiscal year 1992 Annual Report prepared for public release following the meeting. He stated that the Annual Report had been reviewed and recommended for adoption by the Audit Committee. Mr. Rohatyn noted that the Annual Report reflects the strong financial position of the Corporation, its strong coverage ratios and its high ratings.

Upon motion duly made, seconded and unanimously carried, it was:

**RESOLVED, that the Corporation's fiscal year 1992 Annual Report be and hereby is approved.**

The Board directed that a copy of the fiscal year 1992 Annual Report be appended to the minutes of the Meeting.
Minutes
October 1, 1992
Page 7

Internal Control Guidelines

Ms. Kelly presented the Internal Control Guidelines, copies of which had previously been circulated the Board. She stated that the Guidelines constitute the policies and procedures of the Corporation intended to assure that the Corporation's operations are being conducted in an effective, economical and efficient manner, in accordance with the requirements of law and duly established managerial policies.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Internal Control Guidelines be and hereby are approved.

The Board directed that a copy of the Internal Control Guidelines be appended to the minutes of the Meeting.

Other Business

Mr. Rohatyn reported that there had been no discussions on the $200 million in surplus funds of the Corporation and that it was his recommendation that any such discussions occur after the City concludes its labor negotiations.

Adjournment

There being no further business before the Board, the meeting was, upon motion duly made, seconded and unanimously carried, adjourned at 10:37 A.M.

Lynnette Kelly
Secretary
A Memorial Service
In Celebration of the Life Of
George W. Brummer
May 2, 1926 - August 18, 1993
The Cathedral of St. John The Divine
1047 Amsterdam Avenue
New York City
Tuesday, September 21, 1993
6:00 P.M.
WHEREAS, the late George M. Brooker served as a Director of the Municipal Assistance Corporation for the City of New York from 1977, in midst of the City's fiscal crisis, with unfailing warmth, humor, and common sense; and

WHEREAS, born in South Carolina and reared in Philadelphia, Mr. Brooker was part of a great tradition of talented and energetic people who exalt New York City by coming here to make their mark; and

WHEREAS, Mr. Brooker, trained in music, strove not only for a crescendo of improvement in the Harlem community where his business was headquartered but also for harmony among all the communities in this diverse City; and

WHEREAS, Mr. Brooker’s recent death at age sixty-seven deprives the Municipal Assistance Corporation and the City of New York of a vigorous force for good.

NOW THEREFORE BE IT RESOLVED, that the Directors of the Municipal Assistance Corporation express their profound sorrow at the death of their esteemed colleague; and be it further

RESOLVED, that the Directors extend their wishes of condolence to all the members of the Brooker family.

Directors
Kenneth J. Builkin
John P. Campbell
Gedale B. Horowitz
Dick Netzer
Eugene J. Keelin
Andrew P. Steffan
Robert C. Weaver

John G. Roback, Chairman

Attest:
Secretary
this tenth day of September, 1993
WHEREAS, Dr. Robert C. Weaver, as a Founding Director of the Municipal Assistance Corporation for The City of New York, has offered the Corporation wise counsel, fine judgment, and a steady guiding hand for nearly two decades; and

WHEREAS, Dr. Weaver's contributions to the Corporation and to the City of New York are but the most recent expressions of a devotion to the public good that had earlier brought him to fashion visionary urban policies as the Secretary of the United States Department of Housing and Urban Development, to inspire generations of students as President of Bernard M. Baruch College and as Distinguished Professor of Urban Affairs Emeritus at Hunter College, and to do battle against racial and economic injustice on many fronts; and

WHEREAS, Dr. Weaver, at age eighty-six, has many times over earned the privilege of devoting his attention to more private concerns.

NOW THEREFORE BE IT RESOLVED, that the Directors of the Municipal Assistance Corporation express their profoundest gratitude to their venerable colleague Dr. Robert C. Weaver for his invaluable contributions to the work of the Board of Directors and the achievements of the Corporation; and be it further

RESOLVED, that the Directors accede to Dr. Weaver's retirement from the Board with an admixture of sadness at the departure of an esteemed friend and admiration for his lifetime of work well done; and be it further

RESOLVED, the Directors, regarding Dr. Weaver as a "Director Emeritus," declare their intention to continue to call on Dr. Weaver as need for his guidance and counsel may arise from time to time.

Directors
Kenneth J. Bialkin
John P. Campbell
Godula B. Horowitz
Dick Netzer
Eugene J. Kohn
Andrew P. Stefkin

Felix G. Rohatyn, Chairman

Secretary
this tenth day of September, 1983
Appointment of Officers

The Corporation's By-Laws provide that all Officers of the Corporation, other than the Chairman, shall be appointed by the Board of Directors at the Corporation's Annual Meeting for terms of one year. Accordingly, the following officerships are proposed for appointment by the Board of Directors at the Corporation's September 10, 1993 Annual Meeting:

Quentin B. Spector as Executive Director
Frances H. Jacobs as Deputy Executive Director and Treasurer
Bernard J. Kabak as Counsel and Secretary
Date: 10 September 1993
To: Board of Directors
From: Administration Committee
Re: Fiscal Year 1994 Operating Budget

Attached for your review is the proposed budget for the fiscal year ending June 30, 1994. The table below provides an overview:

<table>
<thead>
<tr>
<th>FY 1993 Budget ($ millions)</th>
<th>Proposed FY 1994 Budget</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAC Operations</td>
<td>$ 3.38</td>
<td>$ 2.72</td>
</tr>
<tr>
<td>Oversight Agencies</td>
<td>4.79</td>
<td>5.18</td>
</tr>
<tr>
<td>State Fees</td>
<td>5.43</td>
<td>4.51</td>
</tr>
<tr>
<td>$13.60</td>
<td>$12.41</td>
<td>-8.7%</td>
</tr>
</tbody>
</table>

The Corporation's proposed FY 1994 budget, which provides for MAC's operating expenses, the budgets of the oversight agencies and the fees assessed by the State on its debt-issuing public authorities, is projected to decrease by 8.7%. The amounts recommended for the Corporation's own operations and the State fees reflect a decline of 19.4% and 16.8%, respectively, over the budgets for the preceding year. The budgets of the oversight agencies reflect an increase of 8%. The decrease in the planned expense for the Corporation's operations is partly because fewer bond issuances are budgeted, but also because of several savings measures included in the budget. The projected drop in State fees is also attributable to the expected reduction in bond issuances.

FY 1993 Experience in Summary
During FY 1993, actual expenditures for the operations of the Corporation, the oversight agencies and the fees to the State totalled $9.97 million or 26.6% less than budget. Of the $3.4 million budgeted for the Corporation's operations, approximately $2.07 million, or 38.7% less than that budget, was expended. This underspending was due in part to the completion of only one bond issuance during FY 1993 rather than the expected three issuances. But, as described below, it was also the result of operational economies, of unexpected savings when office and staff were temporarily relocated following the terrorist bombing of the World Trade Center and of lagging presentations of bearer bonds.

Of the monitors, the Financial Control Board expended 99% of its $2.1 million budget during the year whereas the Office
of the State Deputy Comptroller spent its entire budget of $2.66 million. Of $5.4 million budgeted for State cost-recovery fees assessed against debt-issuing public authorities, $3.13 million, or approximately 60% of budget, was expended. As a major component of these State fees is based on the amount of debt issued, the below-budget experience in this category occurred because fewer bonds were issued than expected. The other component of the State fees is based on outstanding debt rather than new issuances. Each authority's share of the authority-wide amount the State expects to recover is based on that authority's proportion of total public authority debt. The Corporation's share was reduced in the course of the year because of its diminished share of overall public authority debt.

FY 1994 Proposed Budget
The FY 1994 budget assumes two debt issuances, which reduces resources needed for legal, printing, and ratings services. This modest issuance assumption derives from MAC's relatively high present value savings threshold, which limits refunding opportunities, rather than from an expectation that opportunities will vanish owing to rising interest rates.

Financial printing expense includes printing of official statements, bond purchase agreements, production of closing volumes, bonds and other issuance-related documents. Although last year's experience, when per issuance financial printing costs were halved, is not expected again, the budget for FY 1994 projects only a small increase: $51,000 per issuance versus $49,000. The lower costs result from a highly competitive market for printing services and streamlining the printing process.

Debt Administration
Debt Administration expenditures includes the expense of trustee and registrar services performed by U.S. Trust, of paying agency services for bearer bonds performed by Citibank, Chase Manhattan Bank and to a minor extent, by U.S. Trust, and of public notices required by the bond resolutions. Expenses for Debt Administration services in FY 1993 were $499,000, or 34.8% below budget, and in FY 1994, $655,000 is budgeted, or a decrease of 13.2%.

Trustee expense is relatively stable, as the major portion of billings is a fixed account-management fee. FY 1993 expenditures exceeded budget by a small amount because of an extra bondholder mailing. At $350,000 in FY 1994, a small fee increase should be offset by reduced registered bond
payments, resulting in a return to previous expenditure levels.

The low Paying Agent expenditures in FY 1993, at $101,000 or 53% below budget, reflect delays by bondholders in surrendering bearer coupons and bonds. The normal lag has probably been exacerbated by the unusually large number of bearer bonds called pursuant to early redemptions in addition to those called pursuant to sinking funds. As of July 1, 1993, every bond series issued in bearer form, except for $20 million of Series JJ Bonds and $20.9 million of Series 45 Bonds, has been called. Therefore, although the expense for paying agent fees in FY 1994 should have nearly disappeared, the unspent amount from FY 1993 is rebudgeted to accommodate the lagging presentations.

The FY 1993 Public Notice expenditures, at $40,000, were significantly below the budget of $200,000, partly because of a rebate that is accruable to the preceding year, and which will not reoccur. It is also because of a more efficient, and hence less expensive, organization of the notice text, which will reoccur. The rapid retirement of outstanding bearer bonds will also have a profound impact on the cost of notices for sinking fund calls, as the Corporation can discontinue the relatively expensive advertisements in the Wall Street Journal while satisfying its notice requirements with low cost advertising in less expensive publications. These factors combine in a recommended budget of $100,000 for Public Notice in FY 1994, which is 50% of the FY 1993 level.

**Legal Services**

Legal Services expenditures for FY 1993, at $121,000, are 72.5% below budget. This is largely due to fewer issuances than expected. The proposed legal services budget for FY 1994 is $335,000, a decrease of 23.9%, again because of fewer expected issuances.

**Investment Management**

Expense for investment management services in FY 1993 was less than half the amount budgeted, largely due to greatly reduced trading and resultant lower transaction costs. The Investment Management budget for FY 1994 is recommended to be unchanged from FY 1993.

**Accounting**

Accounting expenditures for FY 1993 are $145,900, or 12.6% below budget, as both audit expense and the expense of verifying the Corporation's rebate estimates were less than expected. In FY 1994, the expense for independent
accountants, at $150,000, is expected to repeat the favorable experience of last year, despite somewhat higher billing rates. However, rebate verification services in FY 1994 are budgeted at $25,000, or 108.3% more than that for FY 1993. The rebate liability for several bond series of bonds will be calculated twice during the fiscal year: once for the annual audit, and once to determine actual payments. In addition, the Corporation will examine alternative valuation methodologies permitted under new amendments to the federal arbitrage rebate regulations. The new methodologies offer the prospect of significant reductions to rebate payments.

**General Administration**

The General Administration expense for FY 1993 is $1.17 million, or 20.1% below budget. Payroll expenditures of $613,900 were 24% below budget. This was due largely to the lack of an in-house counsel for part of the year and also to the reduced working schedules of some other staff members. The Payroll budget for FY 1994, at $685,500, is 15.2% less than that for FY 1993.

The cost of report production has been reduced by $15,000 to $20,000 by training secretarial staff to typeset reports with desktop publishing software instead of contracting out for this service. In FY 1993, report production, at $160,500, was 27.7% below budget largely for this reason. The FY 1994 budget for report production, at $172,000, reflects a decrease of 22.5%.

Office Services, at $337,000, were 11.5% below budget. The nearly 50% savings achieved by renegotiating the Corporation’s lease was already in the budget. However, some unplanned savings occurred during the month the Corporation was displaced following the terrorist bombing and was not charged rent. Expenditures for office materials and data processing are relatively unchanged in FY 1994. The total General Administration budget for FY 1994 is $1.3 million, a decrease of 13.4%.

**Oversight Agencies**

The combined budget of both Oversight Agencies for FY 1994 is $5.2 million, or 8% more than for FY 1993. These amounts are appropriated in the State budget process.

**State Fees**

The Corporation’s allocable share of the State Cost Recovery fee has not yet been assessed for FY 1994. The Corporation’s assessment is likely to drop again because the Corporation’s outstanding debt relative to total public
authority debt should go down. However, lacking the actual assessment, the budget recommends $2.7 million, the same amount paid in FY 1993. The other $1.8 million of State fees budgeted for FY 1994 is based on expected issuances during the year.
## SUMMARY BUDGET
### FISCAL YEAR 1994

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Review of New York City Financial Plan

Overview
The City's Financial Plan for FYs 1994 through 1997 (Attachment A) presents a mixed picture. On the one hand, the City has made important strides in containing costs, improving productivity and renewing its earlier commitment to structural reform. On the other hand, the City still faces daunting long-term fiscal problems.

The Plan, since first submitted in May, has evolved to become a more realistic blueprint of the City's finances. This evolution culminated in the Plan submitted to the Financial Control Board August 6th and the issuance of details of the City's savings program August 12th.

The August 6th Plan provides reasonable assurance that the budget for FY 1994 is balanced and can remain in balance. Nevertheless, this balance is based on several assumptions that may prove too optimistic, increasing the likelihood that major adjustments to the priorities expressed in the budget will be necessary in the course of the year for balance to be maintained. Moreover, the Plan's use of many one-shot revenues to balance the FY 1994 budget shows that the City has solved only its immediate budgetary problems; long-term solutions to its structural deficit remain to be fully developed and then implemented.

The Local Economy
The Financial Plan assumes the local economy (Attachment B) will underperform a national economy that is itself expected to experience only faltering growth. Even so, there is reason to be concerned that this key forecast may not be realized. The Office of the State Deputy Comptroller for the City of New York (OSDC) points out that the City's forecast may have been superseded by fresh data indicating that growth is even more anemic than previously thought.1 The City's economic forecasts are not so optimistic that its budget revenues are called into serious question. However,

it is more likely that actual economic performance will be unfavorable than favorable, even though the trend to lower interest rates should benefit the City in the long run.

Revenues
The City expects non-property tax revenues, of which receipts of Personal Income ($3.4 billion), General Corporation ($1.1 billion) and Sales ($2.4 billion) taxes constitute nearly three quarters of the total, to yield $9.4 billion in FY 1994, an increase of 4.7%. This rate of growth exceeds expected inflation by 1%, largely because of relatively high rates of growth estimated for Personal Income and General Corporation tax receipts. The FCB staff analysis estimates that $40 million of this amount is at risk, while the OSDC analysis places the risk at $80 million. The FCB staff felt the Financial Plan has not fully allowed for changes in taxpayer behavior in anticipation of increases in federal tax rates. This concern seems reasonable in light of the forecasting difficulties that bedeviled state and local tax estimators for several years following the Tax Reform Act of 1986.

The City's real property tax, which produces nearly half of the City's tax revenues, is expected to drop by nearly $270 million (3.4%) in FY 1994, after which it is projected to grow by about 2% a year in the remaining years of the Plan. This growth rate, which is not even half of the projected rate of inflation during this period, assumes that delinquencies in paying the tax have stabilized and will begin to drop. However, the actual year-end delinquency rate just released for FY 1993 is higher than had been expected, which suggests that delinquencies are still rising, albeit slowly. Should the delinquency rate remain at the current level of about 4.13% instead of declining to 3.82% as the City projects, collections of this tax will fall by another $25 million in FY 1994.

The current Financial Plan provides for levels of State and federal aid that are more realistic than those included in earlier versions of the Plan. The City and State are working toward an agreement on a package of measures with a combined value to the City of $80 million in FY 1994, considerably more attainable than the $280 million package budgeted earlier by the City. The City also scaled back earlier estimates of additional federal aid from $250 million a year to $150 million annually. Despite the recent adoption of a federal budget that is more likely to accommodate the City's revised assumption, receipt of the funds is by no means assured, since the White House and
Congress intend to consider additional spending cuts this fall.

Expenditures
The principal concerns about expenditures budgeted in FY 1994 are funding for overtime and support for the Health and Hospitals Corporation (HHC). As the other monitors have amply documented, the estimates of underbudgeting for overtime range from $50 million to $100 million a year, while the additional subsidy expected to be needed for HHC in FY 1994 is between $120 million and $150 million and between $50 million and $107 million in each of the remaining years of the Plan.

The Plan also relies on an ambitious attrition program, which poses significant implementation challenges. Since the attrition process has a large random component at the level of particular office units or work sites, the effects on services are difficult to predict. As a result, the City has been unable to achieve its workforce reduction targets in the past when actual attrition threatened operations. The City's flexibility in managing attrition is hampered by its inability to negotiate less restrictive work rules. Management of an attrition program would be greatly facilitated, if, for example, the City could more easily reassign personnel to other work sites or similar work bearing different job classifications. Unfortunately, the municipal unions have succeeded in obtaining an attrition program (as opposed to layoffs) while holding fast to workrules. A possible exception is the United Federation of Teachers (UFT). In the proposed agreement just announced, the teachers appear to have granted several workrule concessions, including increasing management flexibility in special education staffing assignments.

Personal-service (PS) costs are budgeted to increase by $315 million, $759 million, $546 million and $333 million in FYs 1994-1997, respectively. These projected increases average 3.05% annually, a rate significantly below the average projected inflation rate (3.97%), but which is also significantly above the average projected rate of revenue growth (2.41%).

Between FYs 1995 and 1997, PS growth averages $548 million annually. This growth occurs despite the planned attrition program, which offsets higher costs attributable to an expanded police force. One quarter of the PS growth is driven by higher fringe benefit costs which are expected to exhibit double-digit growth rates primarily because of
increases in the cost of health insurance. Indeed, health insurance cost increases, when combined with expected increases in Medicaid and other health-related expenses, account for nearly a third of the growth in all expenditures in the final three years of the Plan. The fast growth in these expenses is caused by forces largely outside the City’s control. This trend underscores the seriousness of the national health care debate for the City’s finances. It also points up how other City services could be crowded out if health care costs cannot be contained.

The other three-quarters of the growth in PS costs is to finance raises for employees covered both by agreements reached in January for terms through mid-FY 1995 and by the new pact with the UFT, as well as for employees with whom agreements have not yet been reached (primarily police and fire fighters). For the latter employees, the City assumes raises patterned on the January agreements. The proposed agreement with the UFT roughly conforms with that pattern, but its duration at 48½ months is 9½ months longer. Further analysis is needed to determine whether the final raise increase in the UFT pact is fully funded. However, the City provides no funding for further wage increases for the remainder of the Plan. This zero-cost assumption suggests a replay of the City’s most recent collective bargaining strategy that has so far produced no significant productivity initiatives whose benefits would be shared between the City and its employees.

Even though the City is justifiably proud that the January and UFT agreements resulted in raises below inflation, it has not succeeded in its plan to finance those raises through gain-sharing. Additionally, the City and the unions have still not settled upon the six productivity initiatives scheduled to be in place by June 30, as promised when the January agreements were announced. These developments, aside from calling into question the raise assumptions in the Plan, constitute a setback in achieving, in cooperation with the unions, a smaller, more productive and better paid workforce.

On August 12th, the City specified how it plans to fulfill its promise made in July to the Standard & Poor’s Corporation in order to avoid a downgrade in its credit rating. These actions are intended to increase the City’s contingency reserves in FY 1994 by $131 million, from $150 million to $281 million, and to reduce gaps in the outyears with recurring savings of $404 million, $454 million and $546 million in FYs 1995 through 1997, respectively.
Portions of the City's detailed plans for meeting these targets are still in development. The Plan now requires the Board of Education (BOE) to reduce its costs by $50 million in FY 1994 and by $90 million in each of the subsequent three years. On August 25th, the City's Office of Management and Budget reached agreement on the FY 1994 increment of the expected savings. Also in development, the proposed deferrals in capital spending, amounting to 25% on average, have not been identified, nor have initiatives attributed to the City Comptroller, valued at $60 million annually beginning in FY 1995. The City has incorporated the value of these future, but unspecified actions, into the baseline of the Financial Plan. Inclusion of these less certain measures in the baseline may understate the magnitude of the out-year gap problems.

Capítulo Program and Infrastructure Maintenance

In long championing the City's capital spending program, the Corporation has urged the City to make up for years of neglecting its infrastructure, particularly in schools and transit, even though this policy would require a heavy debt burden. Consequently, it is with reluctance that we now concede the necessity of deferring capital projects as proposed in the Plan to ease the structural deficit. Indeed, the results of the City's annual maintenance survey suggest that the City should consider cutting back its capital spending plan for new projects still further. This could free up resources for taking better care of infrastructure the City already has, whether that care is rehabilitation financed in the capital budget or the more routine maintenance financed in the operating budget.

The maintenance survey evaluated both the capital investment required to return or keep existing capital assets in a state of good repair and the appropriate level of operating spending for major and preventative maintenance of these same capital assets. The survey, summarized in Attachment C, compares budgeted versus recommended resources for both capital and operating spending.

Care must be taken in interpreting the maintenance survey, particularly the half dealing with capital investment. For example, the survey does not differentiate between assets that the City intends to replace and those it does not. Similarly, the survey excludes from its purview a number of

2 "Asset Condition and Maintenance Schedules for Major Portions of the City's Capital Plant", May 1993
major activities, such as asbestos removal.

Nevertheless, the pattern of budgeted spending reflected in the table is revealing. On the operating side, only 39% of the funds needed for recommended maintenance of the City's capital plant has been budgeted. Roads and bridges, the Fire Department's emergency communications systems and a few other assets seem to be well provided for in the budget. But other infrastructure assets have been allocated only a small proportion of the resources recommended to maintain them, in many cases nothing at all.

The survey is required by the recent City Charter revision to provide higher visibility for the crucial activity of maintaining the City's infrastructure. With the underfunding now evident, more of the City's limited resources should be devoted to keeping the City's existing capital plant safe and functional. The survey's findings also support reexamining the merits of assigning school maintenance to the School Construction Authority, as MAC had proposed when the Authority was created in 1988, and as recently proposed by the Mayor. In addition, consideration should be given to a maintenance covenant in City bonds, particularly bonds secured by revenues of municipal enterprises, such as water and sewer revenue bonds and those of possible new bridge or sanitation authorities.

**Structural Balance**

Despite the City's initiatives outlined August 12 to strengthen the Financial Plan, the structural shortfall between expenditures and revenues, which was inherited from earlier City Administrations, stubbornly persists. Given the poor outlook for the local economy and the risks to the spending and revenue estimates contained in the Plan, there is reason to expect this structural imbalance to continue. The August 12th initiatives notwithstanding, the City's progress in addressing this problem has been slowing, as the promising momentum established in the January 1992 Financial Plan Modification has not been maintained. Since that time proposed initiatives have become less specific and have been scheduled to occur later in the Plan.

The slowed momentum in the drive toward structural balance is also manifested in the City's continued reliance on one-shot actions to balance the budget. During the economic freefall in FYS 1990 and 1991, such actions were appropriate as stop-gap measures, necessary to facilitate a transition to a more permanent solution. Now that the local economy has stabilized, however, the need to use nearly $600 million
(by the City's count), or over $1 billion (by the monitors' count), of one-shots is no longer so compelling. Having adroitly managed the crisis with short-term budget actions, the City should now make lasting reforms to its long-term finances with a program that steadily brings spending in line with recurring revenues.

The Mayor's recently formed panel charged with identifying at least $1 billion in recurring gap-closing measures offers the opportunity for the City to recover momentum in striving toward structural balance. In a report to the Financial Control Board at its August 12th meeting, Donald Kummerfeld, one of the panel's three members, said that many good ideas for correcting structural imbalance had been presented over the years but had foundered because of implementation difficulties. Therefore, he said, the panel's goal was to concentrate on removing barriers to implementation of the best ideas that had surfaced in the past. This is a sensible approach, as the experience with the January 1992 Financial Plan Modification illustrates. That modification provided a credible program for reducing the structural deficit. But the campaign bogged down in the implementation stage, as exemplified by the troubled attempt to privatize the collection of fines at the Parking Violations Bureau. The panel will provide an invaluable contribution if its report illuminates a pathway through the thicket of obstacles that prevent the realization of good ideas.

Conclusion
The budget for FY 1994 is balanced, but even with the latest improvements, the budget includes uncertainties that are likely to necessitate budget adjustments in the course of the year to maintain that balance. But minimizing the likelihood of mid-year disruptions, like maintaining budgetary balance, is also an important objective. A well-balanced budget should provide strong assurance that its promises as to services can be fulfilled, and that it contributes to the provision of stable, affordable services in the future.

Many of the problems facing the City had their roots in the period leading up to the fiscal crisis of the seventies or were inherited from the eighties. Problems that evolved over such a long time cannot be remedied overnight. But they must be addressed in a consistent fashion. The City, which demonstrated enormous skill in managing its finances during the recent economic downturn and which then charted a credible attack on the structural deficit in January 1992, needs to make more progress in reversing these deeply rooted
10 September 1993
Review of NYC Financial Plan
Page 8

problems. Having proven its ability to balance the budget in the short term (half the battle), the City must demonstrate the ability to follow through with the long-term solutions to these problems.
## NEW YORK CITY FINANCIAL PLAN

As Submitted to Financial Control Board August 6, 1993

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Service</td>
<td>$15,285</td>
<td>$15,600</td>
<td>16,359</td>
<td>$16,905</td>
<td>$17,238</td>
</tr>
<tr>
<td>Other Than Personal Service</td>
<td>13,575</td>
<td>13,249</td>
<td>13,708</td>
<td>14,068</td>
<td>14,597</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,974</td>
<td>2,177</td>
<td>2,775</td>
<td>3,006</td>
<td>3,210</td>
</tr>
<tr>
<td>MAC Debt Service Funding</td>
<td>370</td>
<td>554</td>
<td>59</td>
<td>277</td>
<td>313</td>
</tr>
<tr>
<td>General Reserve</td>
<td>40</td>
<td>281</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$31,244</td>
<td>$31,861</td>
<td>$33,051</td>
<td>$34,406</td>
<td>$35,508</td>
</tr>
<tr>
<td>Less: Intra-City Expenses</td>
<td>(591)</td>
<td>(610)</td>
<td>(658)</td>
<td>(664)</td>
<td>(670)</td>
</tr>
<tr>
<td><strong>Net Total Expenditures</strong></td>
<td>$30,653</td>
<td>$31,251</td>
<td>$32,393</td>
<td>$33,742</td>
<td>$34,838</td>
</tr>
</tbody>
</table>

### GAP TO BE CLOSED

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>0</td>
<td>($1,277)</td>
<td>($1,778)</td>
<td>($2,028)</td>
<td></td>
</tr>
</tbody>
</table>

### GAP-CLOSING PROGRAM

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City Actions</td>
<td>0</td>
<td>0</td>
<td>287</td>
<td>564</td>
<td>645</td>
</tr>
<tr>
<td>State Actions Incl. Mandate Relief</td>
<td>0</td>
<td>0</td>
<td>175</td>
<td>325</td>
<td>475</td>
</tr>
<tr>
<td>Federal Actions</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>789</td>
<td>200</td>
</tr>
<tr>
<td>Other Actions</td>
<td>0</td>
<td>0</td>
<td>815</td>
<td>789</td>
<td>708</td>
</tr>
<tr>
<td><strong>TOTAL GAP-CLOSING PROGRAM</strong></td>
<td>0</td>
<td>0</td>
<td>1,277</td>
<td>1,778</td>
<td>2,028</td>
</tr>
</tbody>
</table>
### U.S. ECONOMY

#### Economic Activity and Income

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP ($billions of 1987 dollars)</td>
<td>5,075.5</td>
<td>5,243.8</td>
<td>5,382.1</td>
<td>5,501.9</td>
<td>5,637.1</td>
</tr>
<tr>
<td>Percent Change</td>
<td>3.1</td>
<td>3.3</td>
<td>2.6</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Pre-tax Corporate Profits ($ billions)</td>
<td>442.2</td>
<td>479.3</td>
<td>458.7</td>
<td>470.2</td>
<td>507.3</td>
</tr>
<tr>
<td>Percent Change</td>
<td>19.0</td>
<td>8.4</td>
<td>(4.3)</td>
<td>2.5</td>
<td>7.9</td>
</tr>
<tr>
<td>Personal Income ($ billions)</td>
<td>5,327.6</td>
<td>5,633.7</td>
<td>5,980.4</td>
<td>6,276.9</td>
<td>6,580.5</td>
</tr>
<tr>
<td>Percent Change</td>
<td>5.3</td>
<td>5.7</td>
<td>6.2</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Nonagricultural Employment (millions)</td>
<td>109.8</td>
<td>112.4</td>
<td>115.3</td>
<td>117.3</td>
<td>119.3</td>
</tr>
<tr>
<td>Change From Prior Year</td>
<td>1.4</td>
<td>2.6</td>
<td>2.8</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.9</td>
<td>6.2</td>
<td>5.7</td>
<td>5.8</td>
<td>5.7</td>
</tr>
<tr>
<td>CPI-All Urban (1982-84=100)</td>
<td>144.7</td>
<td>149.3</td>
<td>154.4</td>
<td>159.6</td>
<td>164.9</td>
</tr>
<tr>
<td>Percent Change</td>
<td>3.1</td>
<td>3.2</td>
<td>3.4</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>3 Month T-Bill Rate</td>
<td>3.0</td>
<td>3.3</td>
<td>3.8</td>
<td>3.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

### CITY ECONOMY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income ($billions)</td>
<td>181.3</td>
<td>189.9</td>
<td>198.9</td>
<td>207.2</td>
<td>215.7</td>
</tr>
<tr>
<td>Percent Change</td>
<td>4.3</td>
<td>4.8</td>
<td>4.7</td>
<td>4.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Nonagricultural Employment (thousands)</td>
<td>3,273.3</td>
<td>3,282.1</td>
<td>3,290.9</td>
<td>3,297.6</td>
<td>3,305.6</td>
</tr>
<tr>
<td>Change From Prior Year</td>
<td>(12.9)</td>
<td>9.9</td>
<td>8.8</td>
<td>6.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Real Gross City Product ($ billions of 1987 dollars)</td>
<td>223.8</td>
<td>227.2</td>
<td>228.5</td>
<td>230.7</td>
<td>233.3</td>
</tr>
<tr>
<td>Percent Change</td>
<td>1.6</td>
<td>1.5</td>
<td>0.6</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>CPI-All Urban NY-NJ Area (1982-84=100)</td>
<td>155.6</td>
<td>161.6</td>
<td>168.4</td>
<td>174.9</td>
<td>181.8</td>
</tr>
<tr>
<td>Percent Change</td>
<td>3.7</td>
<td>3.9</td>
<td>4.2</td>
<td>3.9</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: OMB model for the City economy. August 12, 1993
## Survey of City's Budgeted vs Recommended Maintenance by Funding Source

### Capital Needs by Funding Source

<table>
<thead>
<tr>
<th>Source Description</th>
<th>Budgeted</th>
<th>Needs</th>
<th>%</th>
<th>Budgeted</th>
<th>Needs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Dept. - Emergency Comm. Systems</td>
<td>3,180</td>
<td>13,500</td>
<td>24%</td>
<td>1,750</td>
<td>1,750</td>
<td>100%</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridges &amp; Tunnels</td>
<td>1,087,154</td>
<td>1,969,611</td>
<td>55%</td>
<td>47,172</td>
<td>52,553</td>
<td>90%†</td>
</tr>
<tr>
<td>Streets &amp; Highways</td>
<td>856,595</td>
<td>1,106,840</td>
<td>77%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td>2,104</td>
<td>34,234</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dept. of Sanitation - Piers &amp; Bulkheads</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of General Services - Buildings</td>
<td>46,995</td>
<td>75,437</td>
<td>62%</td>
<td>4,233</td>
<td>8,466</td>
<td>50%</td>
</tr>
<tr>
<td>Human Resources Administration</td>
<td>9,939</td>
<td>22,131</td>
<td>45%</td>
<td>1,314</td>
<td>2,919</td>
<td>45%</td>
</tr>
<tr>
<td>Health &amp; Hospitals Corporation</td>
<td>13,262</td>
<td>89,819</td>
<td>15%</td>
<td>5,117</td>
<td>12,183</td>
<td>42%</td>
</tr>
<tr>
<td>City University</td>
<td>903</td>
<td>13,156</td>
<td>7%</td>
<td>1,084</td>
<td>2,711</td>
<td>40%</td>
</tr>
<tr>
<td>Department of Corrections - Buildings</td>
<td>10,290</td>
<td>40,624</td>
<td>25%</td>
<td>2,061</td>
<td>5,888</td>
<td>35%</td>
</tr>
<tr>
<td>Department of Health</td>
<td>2,679</td>
<td>5,091</td>
<td>53%</td>
<td>220</td>
<td>879</td>
<td>25%</td>
</tr>
<tr>
<td>Department of Juvenile Justice</td>
<td>59</td>
<td>1,025</td>
<td>6%</td>
<td>175</td>
<td>700</td>
<td>25%</td>
</tr>
<tr>
<td>Police Department</td>
<td>9,081</td>
<td>32,515</td>
<td>28%</td>
<td>615</td>
<td>3,077</td>
<td>20%</td>
</tr>
<tr>
<td>NY Public Library</td>
<td>1,984</td>
<td>3,341</td>
<td>59%</td>
<td>20</td>
<td>196</td>
<td>10%</td>
</tr>
<tr>
<td>Department of Sanitation - Buildings</td>
<td>6,889</td>
<td>24,141</td>
<td>29%</td>
<td>138</td>
<td>1,722</td>
<td>8%</td>
</tr>
<tr>
<td>Board of Education</td>
<td>224,309</td>
<td>981,174</td>
<td>23%</td>
<td>3,191</td>
<td>63,815</td>
<td>5%</td>
</tr>
<tr>
<td>Department of Parks &amp; Recreation - Buildings</td>
<td>34,027</td>
<td>189,686</td>
<td>18%</td>
<td>214</td>
<td>4,283</td>
<td>5%</td>
</tr>
<tr>
<td>Queens Public Library</td>
<td>385</td>
<td>537</td>
<td>72%</td>
<td>3</td>
<td>64</td>
<td>5%</td>
</tr>
<tr>
<td>Dept. of Parks &amp; Rec. - Special &amp; Non-Bldg. Systems</td>
<td></td>
<td></td>
<td></td>
<td>118</td>
<td>2,367</td>
<td>5%</td>
</tr>
<tr>
<td>Brooklyn Public Library</td>
<td>39</td>
<td>39</td>
<td>100%</td>
<td>26</td>
<td>524</td>
<td>5%</td>
</tr>
<tr>
<td>Department of Cultural Affairs</td>
<td>17,172</td>
<td>51,260</td>
<td>33%</td>
<td>0</td>
<td>4,779</td>
<td>0%</td>
</tr>
<tr>
<td>Department of Business Services - Buildings</td>
<td>16,463</td>
<td>103,272</td>
<td>16%</td>
<td>0</td>
<td>4,567</td>
<td>0%</td>
</tr>
<tr>
<td>Dept. of Business Services - Piers &amp; Bulkheads</td>
<td>0</td>
<td>279</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire Department - Buildings</td>
<td>1,926</td>
<td>3,250</td>
<td>59%</td>
<td>0</td>
<td>201</td>
<td>0%</td>
</tr>
<tr>
<td>Dept. of General Services - Piers &amp; Bulkheads</td>
<td>0</td>
<td>61</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dept. of Corrections - Piers</td>
<td>0</td>
<td>13</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total                                                        | 2,345,435| 4,760,683| 49%| 67,591   | 174,162| 39%|

† Of $101 thousand estimated pier & bulkhead maintenance needs, nothing, or 0%, is funded.

Of $14.111 million estimated bridge maintenance needs, $8.831 million, or 63%, is funded. (East River Bridges are 84% funded).

Of $37 million estimated streets lighting & traffic signal system maintenance needs all, or 100%, is funded.

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Report of Independent Accountants

August 9, 1993

To the Board of Directors of
Municipal Assistance Corporation
For The City of New York

We have made a study and evaluation of the system of internal accounting control of Municipal Assistance Corporation For The City of New York (the "Corporation") in effect for the year ended June 30, 1993. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

The management of the Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that it may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal accounting control of the Corporation in effect for the year ended June 30, 1993, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial statements.

This report is intended solely for the information and use of the audit committee, board of directors, management, and others within the Corporation.
Report of Independent Accountants

August 9, 1993

To the Board of Directors of
Municipal Assistance Corporation
For The City of New York

We have audited the financial statements of Municipal Assistance Corporation For The City of New York (the "Corporation") as of and for the year ended June 30, 1993, and have issued our report thereon dated August 9, 1993. Our audit was made in accordance with generally accepted auditing standards.

The management of the Corporation is responsible for compliance with the Corporation’s investment guidelines, as amended through October 1, 1992, the Investment Guidelines for Public Authorities issued by the Office of the State Comptroller, State of New York, dated July 24, 1987 and the provisions of Section 2925 of the Public Authorities Law (collectively, the "Investment Guidelines"). In connection with our audit referred to above, we made a study and evaluation of the Corporation’s significant internal accounting controls relating to investment transactions and we selected and tested transactions and records to determine the Corporation’s compliance with provisions of the Investment Guidelines, including provisions for the safeguarding of investment assets, for the maintenance of a system of internal accounting control, noncompliance with which could have a material effect on the financial statements of the Corporation. Our study and evaluation and our tests were made in accordance with generally accepted auditing standards and the standards for financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. For purposes of our study and evaluation, we classified the significant internal accounting controls into the following categories: purchase of investments, custody of investments, sale of investments and investment income.

The results of our tests indicate that for the transactions and records tested, the Corporation complied with those provisions of the Investment Guidelines noncompliance with which could have a material effect on the financial statements of the Corporation. With respect to the transactions and records that were not tested by
August 9, 1993
To the Board of Directors of
Municipal Assistance Corporation
For The City of New York
Page 2

us, nothing came to our attention to indicate that the Corporation had not complied with the provisions of the Investment Guidelines noncompliance with which could have a material effect on the financial statements of the Corporation.

Our study and evaluation and our tests made for the limited purpose described in the second paragraph of this report would not necessarily disclose all instances of noncompliance with provisions of the Investment Guidelines. Accordingly, we do not express an opinion on the Corporation’s overall compliance with the Investment Guidelines. However, our study and evaluation and our tests disclosed no condition that we believed to be a material weakness in relation to the Corporation’s investments as of June 30, 1993.

This report is intended solely for the use of the audit committee, board of directors, management, the Office of the State Comptroller, State of New York, the Division of Budget, State of New York, the Senate Finance Committee, State of New York and the Assembly Ways and Means Committee, State of New York, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

March 4, 1993

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 10:00 A.M. on Thursday, March 4, 1993, at the offices of Lazard Frères & Company, One Rockefeller Plaza, New York City.

The following Directors were present, constituting a quorum of the Board:

Felix G. Rohatyn, Chairman
George M. Brooker
John P. Campbell
Gedale B. Horowitz
Eugene J. Keillin
Andrew P. Steffan

The following Representatives were present:

Jerome Belson
Joel B. Mounty
Carl H. Pforzheimer III

The following members of the staff were present:

Quentin B. Spector
Frances H. Jacobs

Also present by invitation of the Board were: Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Donald J. Robinson and Doris Varlese of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Stephen J. Weinstein of Policy Planning Initiatives, Consultant to the Corporation; Pasquale V. Santivasci and H. William Weber of United States Trust Company of New York; Robert
Minutes  
March 4, 1993  
Page 2

Horowitz and Bernard Kabak of the Office of the State Deputy Comptroller; Michael Zino, Jewel Douglas and Namita Kansal of the State Financial Control Board; Elizabeth McCaul and Arthur Miller of Goldman, Sachs & Company and John G. Bove of Mudge, Rose, Guthrie, Alexander & Ferdon, Counsel to the Underwriters.

Mr. Spector noted that the draft minutes of the Board Meeting of October 1, 1992 were at the Corporation's offices at One World Trade Center. Due to the bombing on February 26 and the subsequent limited access to the building, the minutes were not available for distribution.

Professional Services

Mr. Spector informed the Board that the Finance Committee had adopted a resolution authorizing a revised fee schedule for the independent accountants, and asked the full Board to ratify such action.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Resolution of the Finance Committee dated April 1, 1993 authorizing a revised fee schedule for independent accountants effective from July 1, 1992 until June 30, 1994, be and hereby is ratified.

Proposed Financing

Mr. Spector outlined the proposed sale of $132,135,000 million of Series C Bonds to refund the Corporation's outstanding Series 56 Bonds, which bear interest at the rate of 8.25%. He stated that the proceeds of the Series C Bonds, together with
releases of funds from the Second Resolution Capital Reserve Fund and the Bond Service Fund, would be sufficient to refund the Series 56 Bonds. Mr. Spector stated that the Series C Bonds would consist of annual maturities from July 1, 1994 to July 1, 2008, at rates ranging from 2.50% to 5%, as shown on the cover of the proposed Official Statement. He stated that the proposed sale would produce net cash debt service savings of approximately $33 million. The present value savings was $23.5 million or 11.768%. This is the highest percentage of present value realized on any of the Corporation's refundings. Mr. Spector reported that the Corporation had received ratings of "A" from Moody's Investors Service, "A" from Standard & Poor's Corporation and "AA" from Fitch Investors Service, Inc.

Mr. Robinson summarized the principal provisions of the proposed Series C Resolution. He stated, among other things, that such resolution, with maturities and interest rates as set forth therein, would authorize the sale of the Series C Bonds to an underwriting group headed by Goldman Sachs and Company, at a price equal to a discount from the initial public offering prices equal to 0.087% of the principal amount of the Series C Bonds, to refund the outstanding Series 56.

The Directors expressed their appreciation for the efforts of the staff, General Corporate Counsel, Bond Counsel and the Underwriters in bringing the financing to market.

Mr. Horowitz suggested that, barring legal constraints, the Corporation consider using non-callable bonds to attain
additional savings. Mr. Spector replied that the Corporation was obligated by statute to have a 10-year call provision on its bonds. He acknowledged, however, that the cost of call options was becoming a more important issue and that this cost was closely monitored. He reported that for the Series C Bonds the call option was very inexpensive.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Series C Resolution substantially in the form presented to the meeting, with such non-substantive changes as General Counsel and Bond Counsel may, in their discretion, require, be and hereby is adopted.

Adjournment

There being no further business before the Board, the meeting was, upon motion duly made, seconded and unanimously carried, adjourned.

Frances H. Jacobs
Deputy Executive Director
and Treasurer