21 September 1990

To:           
Board of Directors

From:        
Quentin B. Spector

Re:           
New Legislation

The Legislature of the State of New York amended the Corporation's issuance authority with legislation enacted in June and signed into law by the Governor on July 19, 1990. The legislation provides the Corporation with $1.5 billion in standby bonding authority, until July 1997, for transit and school capital projects should the City fail to issue its bonds for these purposes. The legislation necessitates a new bond resolution to incorporate certain fundamental changes with respect to debt issued under the new statute, including the elimination of the State moral obligation and the subordination of existing pledged revenues to First and Second General Resolution debt.

It is important to note that the legislation allows the Corporation to issue bonds, without limit, to refund its outstanding obligations issued under a new resolution or the existing resolutions. As such, the legislation enables the Corporation to provide low-cost capital to the City, if requested, as well as the continuance of our refunding program which has generated considerable savings for the City in the past.
AN ACT to amend the public authorities law, in relation to increasing the issuance authorization of the municipal assistance corporation for the city of New York, establishing payment provisions therefor, and adding certain enumerated purposes for such increased issuance authorization and to repeal certain provisions of such law relating thereto.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1. Section 1. Section 3031 of the public authorities law is amended by adding a new undesignated paragraph to read as follows:

The legislature further finds that it is in the interest of the state of New York and the city of New York that the long-term construction programs of the New York City transit authority and the New York city school construction authority continue to be fully funded, and that the remaining commitments of the municipal assistance corporation for the city of New York to provide funds for such capital programs be funded with the proceeds of debt obligations, including securities of the municipal assistance corporation for the city of New York, provided, however, that funding for such programs shall to the extent practicable be provided by the city of New York.

2. Section 3033 of the public authorities law is amended by adding a new subdivision 2-b to read as follows:

2-b. In addition to the authority provided in subdivisions two and two-a of this section, the corporation may, not later than June thirty-first, nineteen hundred ninety-seven issue bonds and notes in an aggregate principal amount not to exceed one billion five hundred million dollars (excluding any bonds or notes issued to fund the bond reserve fund established pursuant to section three thousand thirty-six-b of this title and any bonds or notes issued to refund outstanding bonds or notes) for the purpose of funding capital projects within the city pur-

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [ ] is old law to be omitted.
suant to section three thousand thirty-seven-a of this title; provided,
however, that such authority shall decrease from time to time by such
amounts as the city shall have made available to fund such capital
projects; and provided further, that the authority provided in this sub-
division shall be exercised pursuant to a memorandum of agreement among
the governor, the mayor and the chairman of the corporation, which
agreement shall provide that the corporation shall not issue such bonds
or notes in any fiscal year in the event and to the extent that the city
makes available proceeds from the issuance of its bonds to fund such
capital projects and which agreement shall also provide for certain
operating assistance to be made available by the corporation to the
city; and provided further, that bonds issued or to be issued to refund
bonds of the corporation shall be excluded from such limitation only if
the present value of the aggregate debt service on the refunding bonds
shall not have at the time of their issuance exceeded the present value
of the aggregate debt service on the bonds they were issued to refund,
such present value in each case being calculated by using the effective
interest rate of the refunding bonds, which shall be that rate arrived
at by doubling the semi-annual interest rate (compounded semi-annually)
necessary to discount the debt service payments on the refunding bonds
from the payment date thereof to the date of issue of the refunding
bonds and to the price bid therefor, or to the proceeds received by the
corporation from the sale thereof, in each case including estimated ac-
crued interest. The rate of interest on bonds which bear interest at a
variable rate which shall be used in determining such present values
shall be the rate at which such bonds bear interest on the date the
refund bonds are issued. Notwithstanding any other provision of law,
no such bond or note of the corporation shall mature more than nineteen
years from the date of the original issue of such bond or note and, in
any event, not later than July first, two thousand eight.
§ 3. Subdivision 3 of section 3033 of the public authorities law is
amended by adding a new paragraph (d) to read as follows:
(d) Whenever all or a portion of a series of bonds or notes of the
corporation is issued for a purpose set forth in section three thousand
thirty-seven-a of this title, the payment of the proceeds of such series
of bonds or notes to the city shall be evidenced by a bond or bonds of
the city issued in accordance with applicable provisions of the state
constitution and local finance law then in effect at the time any such
bond or bonds are issued; provided, however, that principal payments on
any such issue of city bonds shall in no event be scheduled to fall on a
date later than the date on which falls a corresponding amount of sched-
duled principal payments on the series of bonds of the corporation orig-
inally issued to provide such proceeds or issued to refund notes of the
corporation issued to provide such proceeds.
§ 4. Subdivision 5 of section 3033 of the public authorities law is
REPEALED.
§ 5. The public authorities law is amended by adding three new sec-
tions 3036-b, 3037-a and 3041 to read as follows:
§ 3036-b. Further payments to the corporation; additional funds of the
Corporation. 1. In addition to the total amount certified by such
chairman for such fiscal year, as referred to in subdivision one of
each of sections three thousand thirty-six and three thousand thirty-
six-a of this title, the chairman shall at the same time certify to the
state comptroller and to the mayor a schedule setting forth additional
cash requirements of the corporation which shall be equal to: (1) the
amounts required to be deposited in the bond payment fund of the cor-
portion to pay all interest and all payments of principal and redemption premium, if any, on bonds and notes payable from the sources hereinafter identified in this section and maturing or otherwise coming due during such fiscal year; (ii) the amounts required to be deposited in the operating fund of the corporation heretofore established, as determined by the corporation, to meet the operating requirements and other expenses of the corporation during such fiscal year to the extent not otherwise provided for; and (iii) the amounts required to be deposited in the bond reserve fund created and established pursuant to the agreements of the corporation made with the holders of its bonds or notes issued pursuant to subdivision two-b of section three thousand thirty-three of this title during such fiscal year in order to maintain the bond reserve fund at the level required in accordance with the agreements of the corporation made with the holders of its bonds or notes issued pursuant to subdivision two-b of section three thousand thirty-three of this title. If any increase shall occur in such additional cash requirements specified above, or if payments are required at a time or times earlier than previously certified or if the city shall, for any reason, fail to make timely payment of the principal and accrued interest due on any obligation issued by the city to the corporation and maturing within the same fiscal year, such chairman shall certify a revised schedule of such additional cash requirements for such fiscal year to the state comptroller and to the mayor. The schedule accompanying each certification, or revision thereof, shall provide for such payment dates as the corporation deems appropriate to assure that sufficient funds will be available from the sources identified below to enable it to meet its current obligations under this section as they come due. Upon receipt of such certification, or any revision thereof, the state comptroller shall pay such amount to the corporation for deposit in the appropriate funds referred to in this section, in accordance with such certification and subject to agreements with holders of outstanding bonds and notes of the corporation, from the special account established for the corporation in the municipal assistance state aid fund in accordance with subdivision one of section ninety-two-e of the state finance law and from the special account established for the corporation in the municipal assistance tax fund in accordance with subdivision one of section ninety-two-d of the state finance law, including any amount transferred to the municipal assistance tax fund from the stock transfer tax fund pursuant to subdivision four of section ninety-two-b of the state finance law. Any such payment shall be made within thirty days of receipt of the certification or at the time specified in the certification, whichever is later, provided that any such amounts shall have been first appropriated by the state for such purpose or shall have been otherwise made available. Any amount paid to the corporation from such municipal assistance state aid fund, in addition to the amount deducted pursuant to subdivision one of section three thousand thirty-six-a of this title, shall be deducted from the amount otherwise payable to the city as per capita aid pursuant to section fifty-four of the state finance law and shall not obligate the state to make, nor entitle the city to receive, any additional payments of per capita aid. Any amount so paid to the corporation from the municipal assistance tax fund, in addition to the amount deducted pursuant to subdivision one of each of section three thousand thirty-six or three thousand thirty-six-a of this title, shall be deducted from the amount otherwise payable to the city from the municipal assistance tax fund and shall not obligate the state.
to make, nor entitle the city to receive, any additional payments from such municipal assistance tax fund.

2. The provisions of subdivision four of section three thousand thirty-six and subdivision three of section three thousand thirty-six of this title shall not apply to any bonds or notes issued pursuant to subdivision two-b of section three thousand thirty-three of this title, including any bonds or notes issued to fund the bond reserve fund established pursuant to this section or to refund any such bond or note, and the principal of and interest on any such bond or note shall not be payable from or secured by the capital reserve funds established pursuant to sections three thousand thirty-six and three thousand thirty-six of this title.

2. The corporation shall create a bond payment fund.

§ 1037-a. Funding capital projects. The amounts paid to the city for purposes set forth in subparagraph (b) of section three thousand thirty-seven of this title, in addition to all other authorized amounts, shall include amounts required by the city (i) to fund eight hundred sixty-five million dollars of capital commitments to the New York city transit authority in accordance with the following schedule for the fiscal years ending on June thirtieth in the following years: nineteen hundred ninety, seventeen million dollars; nineteen hundred ninety-one, seventy million dollars; nineteen hundred ninety-two, seventy-five million dollars; nineteen hundred ninety-three, one hundred million dollars; nineteen hundred ninety-four, one hundred ten million dollars; and nineteen hundred ninety-five, four hundred forty million dollars; and (ii) to fund six hundred million dollars of capital commitments to the New York city school construction authority in eight equal annual installments of seventy-five million dollars beginning in the fiscal year ending on June thirtieth, nineteen hundred ninety. All such amounts shall be paid by the corporation to the city in accordance with the provisions of paragraph (d) of subdivision three of section three thousand thirty-three of this title.

§ 3041. Funds of the corporation. The municipal assistance corporation for the city of New York shall not hereafter enter into any memorandum of agreement with the governor of the state of New York and the mayor of the city of New York, other than the agreement to be entered into pursuant to subdivision two-b of section three thousand thirty-three of this title, providing for the disposition of such revenues of such corporation as may become available from time to time after providing for the payment of principal, interest, and redemption premium on its outstanding bonds and notes, its operating expenses and its commitments under existing agreements, and, subject to any other provision of law, agreements with holders of its bonds or notes, or memoranda of agreement, and on the approval of the board, all funds generated by future actions of the corporation shall either be made available to the city of New York as such funds become available or applied by the corporation to pay principal, interest and redemption premium on its outstanding obligations.

§ 6. Amounts made available to the city of New York pursuant to the provisions of this act to fund capital commitments to the New York city transit authority and to the New York city school construction authority shall be in addition to, and in no event shall be deemed to be in replacement of, any other amounts made or to be made available for such purposes by such city, excluding amounts made available from the municipal assistance corporation for the city of New York, pursuant to statute, local law, agreement, or by any other means, and nothing in this
1 act shall be deemed to affect any commitment of funds by such city for
2 such purposes or to reduce the amounts thereof.
3 § 7. This act shall take effect immediately.
27 April 1990

See Distribution

Maxine H. Gillman

Proposed Legislation

Enclosed is a draft of the proposed legislation for new issuance authority reflecting decisions made at Wednesday's meeting, with several minor amendments. Please review this draft carefully, as I hope that it is either final or near-final, and call with your comments ASAP.

Thank you.

Distribution:  Donald J. Robinson
               John J. Keohane
               Kent K. Reynolds
               Allen L. Thomas
               Saul H. Finkelstein

Enclosure

vww:110
AN ACT to amend the public authorities law, in relation to increasing the issuance authorization of the municipal assistance corporation for the city of New York, extending the final maturity date therefor, establishing payment provisions therefor, and adding certain enumerated purposes for such increased issuance authorization.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section three thousand and thirty-one of the public authorities law, as added by chapter one hundred sixty-nine of the laws of nineteen hundred seventy-five, is hereby amended by adding a new paragraph to read as follows:

The legislature further finds that due to increased economic pressures on the state and the city of New York it is necessary that the municipal assistance corporation for the city of New York be authorized to issue its obligations in order to assist the city of New York in providing for its capital needs within budgetary restrictions.

§2. Section three thousand thirty-three of the public authorities law, as amended by chapter five hundred sixty-one of the laws of nineteen hundred eighty, is amended by adding a new paragraph 2-b to read as follows:
2-b. In addition to the authority provided in subdivisions two and two-a of this section, the corporation may, not later than December thirty-first, 1995, issue bonds and notes in an aggregate principal amount not to exceed one billion five hundred dollars (excluding any bonds or notes issued to fund the reserve fund established pursuant to section three thousand thirty-six-b of this title and any bonds or notes issued to refund outstanding bonds or notes) for the purpose of funding capital projects of the City pursuant to section three thousand thirty-seven-a of this title. No such bond or note shall mature more than thirty years from the date of the original issue of such bond or note and, in any event, not later than July first, two thousand twenty.

§3. Subsection (c) of subdivision (3) of section three thousand thirty-three of such law, as amended by chapter seven hundred seventy-seven of the laws of nineteen hundred seventy-eight, is amended to read as follows:

(c) Whenever all or a portion of a series of notes or bonds of the corporation is issued for a purpose set forth in section three thousand [thirty-seven] thirty-seven-a of this [article] title, [to the extent that the payment
of the proceeds of such series is evidenced by a bond or bonds of the city, not more than one year following a scheduled payment of principal on any such city bond (including sinking fund installments), a substantially equal payment of principal (including sinking fund installments) shall be scheduled with respect to the notes or bonds included in such series of the corporation] the payment of the proceeds of such series to the city shall be evidenced by a bond or bonds of the city issued in accordance with the requirements of applicable provisions of the state constitution and local finance law at the time any such bond or bonds are issued; provided, however, that principal payments on any such issue of city bonds shall in no event be scheduled to fall on a date later than the date on which a corresponding amount of principal payments on the series of bonds of the corporation providing such proceeds falls.

§4. Subdivision (5) of section three thousand thirty-three of such law, as added by chapter two hundred one of the laws of nineteen hundred seventy-eight, is REPEALED.

§5. The public authorities law is amended by adding a new section 3036-b, to read as follows:

3036-b. Further payments to the Corporation;
additional funds of the corporation

1. In addition to the total amount certified by such chairman for such fiscal year, all as referred to in subdivision one of each of sections three thousand thirty-six and three thousand thirty-six-a, the chairman shall at the same time certify to the state comptroller and to the mayor a schedule setting forth additional cash requirements of the corporation which shall be equal to: (i) the amounts required to be deposited in the bond payment fund of the corporation to pay all interest and all payments of principal and redemption premium, if any, on notes and bonds payable from the sources hereinafter identified in this section and maturing or otherwise coming due during such fiscal year; (ii) the amounts required to be deposited in the operating fund of the corporation heretofore established, as determined by the corporation, to meet the operating requirements and other expenses of the corporation during such fiscal year to the extent not otherwise provided for; and (iii) the amounts required to be deposited in the reserve fund created and established pursuant to the agreements of the corporation made with the holders of its
bonds or notes issued pursuant to section three thousand thirty-three-two-b of this title (in this section called the reserve fund) during such fiscal year in order to maintain the reserve fund at the level required in accordance with the agreements of the corporation made with the holders of its bonds or notes issued pursuant to section three thousand thirty-three-two-b of this title. If any increase shall occur in such additional cash requirements specified above, or if payments are required at a time or times earlier than previously certified or if the city shall for any reason fail to make timely payment of the principal and accrued interest due on any obligation issued by the city to the corporation and maturing within the same fiscal year, such chairman shall certify a revised schedule of such additional cash requirements for such fiscal year to the state comptroller and to the mayor. The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the corporation deems appropriate to assure that sufficient funds will be available from the sources identified below to enable it to meet its current obligations under this section as they come due. Upon
receipt of such certification, or any revision thereof, the state comptroller shall pay such amount to the corporation for deposit in the appropriate funds referred to in this section, in accordance with such certification and subject to agreements with holders of outstanding bonds and notes of the corporation, from the special account established for the corporation in the municipal assistance state aid fund in accordance with subdivision one of section ninety-two-e of the state finance law and from the special account established for the corporation in the municipal assistance tax fund, in accordance with subdivision one of section ninety-two-d of the state finance law, including any amount transferred to the municipal assistance tax fund from the stock transfer tax fund pursuant to subdivision four of section ninety-two-h of the state finance law. Any such payment shall be made within thirty days of receipt of the certification or at the time specified in the certification, which ever is later; provided that any such amounts shall have been first appropriated by the state for such purpose or shall have been otherwise made available. Any amount paid to the corporation from such municipal assistance state
aid fund, in addition to the amount deducted pursuant to subdivision one of section three thousand thirty-six-a, shall be deducted from the amount otherwise payable to the city as per capita aid pursuant to section fifty-four of the state finance law and shall not obligate the state to make, nor entitle the city to receive, any additional payments of per capita aid. Any amount so paid to the corporation from the municipal assistance tax fund shall, in addition to the amount deducted pursuant to subdivision one of each of sections three thousand thirty-six or three thousand thirty-six-a, be deducted from the amount otherwise payable to the city from the municipal assistance tax fund and shall not obligate the state to make, nor entitle the city to receive, any additional payments from such municipal assistance tax fund.

2. The provisions of paragraph 4 of section three thousand thirty-six and paragraph 3 of section three thousand thirty-six-a of this title shall not apply to any bonds or notes issued pursuant to section three thousand thirty-three-two-b, including any bonds or notes issued to fund a reserve fund therefor or to refund any such bond or
note, and the principal of and interest on any such bond or
notes shall not be payable from or secured by any capital
reserve fund.

3. In computing the amount of the reserve fund for the
purposes of this section securities in which all or a
portion of such fund shall be invested shall be valued at
par or if purchased at other than par, at amortized value.

4. The corporation shall create a bond payment fund.

§6. The public authorities law is amended by adding a
new section 3037-a, to read as follows:

Notwithstanding any provision of law to the contrary, in the
event the mayor from time to time certifies to the
corporation an amount required by the city (i) to fund $865
million of capital commitments to the New York City transit
authority in accordance with the following schedule for the
fiscal years ending on June 30 in the following years:

1990, $70 million; 1991, $70 million; 1992, $75 million;
1993, $100 million; 1994, $110 million; and 1995, $440
million; (ii) to fund $600 million of capital commitments to
the New York City School Construction Authority in eight
equal annual installments of $75 million beginning in the
fiscal year ending on June 30, 1990, the Corporation shall
purchase from the city obligations issued by the city for
the purpose of funding such items in an amount equivalent to
such certified amount. Proceeds of any such sale by the
city pursuant to this section shall be used to make the
payment for which such moneys have been so certified.

vrw:123
Date: 17 April 1990

To: See Distribution

From: Maxine H. Gillman

Re: New Issuance Authorization

Attached is a copy of the draft legislation for new issuance authorization, amended to add a legislative findings paragraph and to reflect the program as currently proposed. We will need to add specific provisions for a new capital reserve fund when those specifics are formulated, including a statement that the State's "moral obligation" shall not attach to it.

Please let me have you comments ASAP. There is a possibility that we will move very quickly once the State budget is in place.

Thank you.

Distribution: Donald J. Robinson
             John J. Keohane
             Kent K. Reynolds
             Allen L. Thomas
             Saul N. Finkelstein

vrw:110
AN ACT to amend the public authorities law, in relation to increasing the issuance authorization of the municipal assistance corporation for the city of New York, extending the final maturity date therefor, establishing a capital reserve fund therefor, and adding certain enumerated purposes for such increased issuance authorization.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section three thousand and thirty-one of the public authorities law, as added by chapter one hundred sixty-nine of the laws of nineteen hundred seventy-five, is hereby amended by adding a new paragraph to read as follows:

The legislature further finds that due to increased economic pressures on the state and the city of New York it is necessary that the municipal assistance corporation for the city of New York be authorized to issue its obligations in order to assist the city of New York in providing for its capital needs within budgetary restrictions.

§2. Subdivision (2) of section three thousand thirty-three of the public authorities law, as amended by chapter five hundred sixty-one of the laws of nineteen hundred eighty, is amended to read as follows:
2. Subject to the provisions of any contract with noteholders or bondholders, the Corporation shall not issue bonds and notes in an aggregate amount exceeding [ten] eleven billion dollars, excluding (i) bonds and notes issued to refund outstanding bonds and notes; (ii) bonds and notes issued to make deposits into the capital reserve fund established pursuant to section three thousand thirty-three-two-a of this article; and (iii) notes issued for the purpose described in this paragraph (d) of section three thousand thirty-seven of [the] this article, provided however, that no bonds or notes shall be issued for any purpose other than [to pay for items which are permitted by law to be included in the city's capital budget] those purposes specified in section three thousand thirty-seven-a of this article or to make deposits into the capital reserve [funds] fund established pursuant to [sections three thousand and thirty-six and] subsection two (a) of section three thousand thirty-three-a of this article if at the time such bonds or notes are issued or as a result of their issuance the aggregate principal amount of bonds and notes issued by the corporation [, exclusive of bonds and notes issued for any purpose described in clause (i) or (ii) of this subdivision] for a purpose included within the eleven
billion dollar issuance limitation exceeds [eight] nine billion [eight] five hundred million dollars.

RIDER 2

§3. Subsection (a) of subdivision (3) of section three thousand thirty-three of such law, as amended by chapter two hundred one of the law of nineteen hundred seventy-eight, is amended to read as follows:

3. (a). No note or bond (i) shall mature more than thirty years from the date of the original issue of such note or bond and, in any event, not later than July first, two thousand [eight] twenty or (ii) shall be issued on a date later than December thirty-first, nineteen hundred [eighty-four] ninety-five, unless such note or bond is a renewal or refunding of an outstanding note or bond or is issued to make a deposit into the capital reserve fund established pursuant subsection two-a to section three thousand thirty-three of this article in order to comply with the provisions thereof or any contract with noteholders or bondholders.
§4. Subsection (c) of subdivision (3) of section three thousand thirty-three of such law, as amended by chapter seven hundred seventy-seven of the laws of nineteen hundred seventy-eight, is amended to read as follows:

(c) Whenever all or a portion of a series of notes or bonds of the corporation is issued for a purpose set forth in section [three thousand thirty-seven] three thousand thirty-seven-a of this article, [to the extent that the payment of the proceeds of such series is evidenced by a bond or bonds of the city, not more than one year following a scheduled payment of principal on any such city bond (including sinking fund installments), a substantially equal payment of principal (including sinking fund installments) shall be scheduled with respect to the notes or bonds included in such series of the corporation] the payment of the proceeds of such series to the city shall be evidenced by a bond or bonds of the city issued in accordance with the requirements of applicable provisions of the state constitution and local finance law at the time any such bond or bonds are issued; provided, however, that principal payments on any such issue of city bonds shall in no event be scheduled to fall on a date later than the date on which
a corresponding amount of principal payments on the series
of bonds of the corporation providing such proceeds falls.

§5. Subdivision (5) of section three thousand thirty-
three of such law, as added by chapter two hundred one of
the laws of nineteen hundred seventy-eight, is REPEALED.

§6. The public authorities law is amended by adding a
new section 3037-a, to read as follows:

Notwithstanding any provision of law to the contrary, in the
event the mayor from time to time certifies to the
corporation an amount required by the city (i) to fund $865
million of capital commitments to the new york city transit
authority in accordance with the following schedule for the
fiscal years ending on June 30 in the following years:
1990, $70 million; 1991, $70 million; 1992, $75 million;
1993, $100 million; 1994, $110 million; and 1995, $440
million; (ii) to fund $600 million of capital commitments to
the new york city school construction authority in eight
equal annual installments of $75 million beginning in the
fiscal year ending on June 30, 1990, the Corporation shall
purchase from the city obligations issued by the city for
the purpose of funding such items in an amount equivalent to
such certified amount. Proceeds of any such sale by the
city pursuant to this section shall be used to make the
payment for which such moneys have been so certified.