FOR IMMEDIATE RELEASE: Friday, May 30, 1980
CONTACT: Ms. Peggy Scott

PUBLIC NOTICE

THERE WILL BE A PUBLIC MEETING OF THE BOARD OF DIRECTORS
OF THE MUNICIPAL ASSISTANCE CORPORATION ON TUESDAY,
JUNE 3, 1980, at 9:30 A.M., AT THE OFFICES OF PAUL,
WEISS, RIFKIND, WHARTON & GARRISON, 345 PARK AVENUE,
ROOM 2811/12, NEW YORK CITY.

#  #  #
State of New York
Department of Audit and Control
Albany

Edward V. Regan
State Comptroller

May 30, 1980

Hon. Hugh L. Carey
Governor of the State of New York
State Capitol
Albany, New York 12224

Dear Governor Carey:

This letter expresses my concerns in regard to the long-term financing needs of the City of New York. I am writing a similar letter to the leadership of the Assembly and the Senate. Overall, despite the difficult obstacles which exist, I strongly believe that re-establishment of an independent City capability for capital borrowing and minimization of the reliance on State credit must be firmly established as our primary objectives. Our actions should be clearly consistent with those goals.

The need to finance and implement an effective capital program that can strengthen the businesses and neighborhood communities in New York City has never been more urgent. The City must in the next decade invest billions of dollars to maintain and renew its physical infrastructure. The slowdown in repair work on roads, bridges, sewers, and other capital facilities cannot continue.

Because of uncertainty over the City's borrowing prospects, Mayor Koch has now reduced the plan for public sales of City debt to $100 million in fiscal year 1981, and doubt over the attainment of full market access by fiscal year 1983, when the current financing program terminates, has intensified. Accordingly, the board of directors of the Municipal Assistance Corporation has announced its intention to request the Legislature to extend the Corporation's authorization to issue bonds through December 31, 1984, and to increase its issuance limitations from $8.8 billion to $10 billion. This expansion in borrowing authority would enable MAC, if necessary, to provide for the City's major capital requirements in fiscal years 1983 and 1984.
I offer my cautious but qualified support for the MAC proposal. The Corporation has performed admirably since 1975 and, under the leadership of Felix Rohatyn, its access to the capital markets is well established. The proposal for additional MAC borrowing, therefore, does indeed seem workable.

My concerns, however, stem from a perception that present consideration of financing arrangements in the post-1982 period lacks adequate emphasis both upon development of the City's own borrowing potential and upon the problems of further reliance on State credit. I believe these concerns should be thoroughly explored in any Legislative deliberation upon the MAC bill. We must be careful lest the availability of the MAC alternative unnecessarily delay the City's own market prospects or lead to a situation in which the State becomes the on-going financing agent for the City. Therefore, even though it may be necessary to create additional MAC capacity, I propose that we seek both to limit the use of that capacity and, by promoting the City's own efforts, to avoid still another extension of MAC after fiscal year 1984. My reasons for this position are twofold.

First, local governments in this State, reflective of the "home rule" principle, have traditionally conducted their own capital and seasonal borrowing. This arrangement continues to be most preferable. The management of debt issuance is a crucial element of municipal autonomy in that it helps to maintain local responsibility for desired capital improvements. Our goal should be to see control of this function placed firmly in the hands of New York City's elected officials at the soonest possible date.

Second, to function successfully MAC has relied upon the credit standing of the State. Upon the creation of MAC, the Legislature extended to it the "moral obligation" arrangement that had been developed for certain of the State's other public authorities. The State is committed—understanding the legally non-binding nature of that commitment—to replenish MAC's statutory and covenanted debt service funds, if necessary. Even though MAC's strong revenue stream makes it unlikely that this moral pledge would ever be tested, the commitment by the State on behalf of MAC remains substantial. Of the Statewide total of $15.6 billion in authorized public authority debt to which the moral obligation provision now applies, $8.8 billion, or 56.4 percent, is represented by the current MAC authorization.
The increase to the $10 billion level would represent a 7.6 percent increase in the Statewide total. As you know, my predecessor, Arthur Levitt, regarded the creation of any contingent liability of this kind as a threat to the integrity of State finances. My reservation about the growth of MAC debt reflects the same concern.

In recommending a focus upon the opportunities for a return to independent City borrowing, I think it crucial to recognize the unquestioned progress of the past five years. There is a substantial record of fiscal achievement that is clearly recognized. Most importantly, the City is expected in fiscal year 1981 to have a budget balanced in accordance with Generally Accepted Accounting Principles. Significant fiscal problems obviously remain, particularly the looming gap in 1982, and have been reported by my Special Deputy. In addition, Moody's maintains that three consecutive years of GAAP-balanced budgets will be necessary to win an investment-grade rating. The leadership in City Hall must clearly demonstrate the ability to manage within resource limits over time. On balance, however, I believe the City at this point has moved into a position in which investor acceptance, particularly with the right safeguards, can be effectively cultivated. It would be wrong to allow a simple reliance upon the solutions of 1975.

To move ahead, however, the City needs a concerted program to restore its credit rating and to explore new borrowing approaches. Ideally, the optimal situation is for the City to borrow through the normal mechanisms of the public market. To start, there should be an aggressive plan for the scheduled $100 million public sale in fiscal 1981. An organized and vigorous pursuit of City sales in the next two years could gradually open the market to increasing levels of borrowing in subsequent years.

But with the likelihood of investor resistance to large amounts of City debt, the City will probably need to develop methods of financing different from the General Obligation bonds that have traditionally been marketed. The thrust of this effort would be to structure City debt so that it carries measures of protection that offer extra assurance to potential investors. Several of these approaches — a number of which have already been advocated by City officials — are worthy of serious investigation. One such approach would be to create certain types of Revenue Bonds. Another method would be to expand the General Debt Service Fund to include an entire year of debt service coverage.
A third possible idea is to re-constitute a portion of the City real estate taxes as a State levy against which a new issue of bonds could be secured. Based upon my own discussions with leading members of the financial community, I believe that efforts to develop such alternative methods of City financing, if they are to be in place for the post-1982 period, must begin immediately.

Consequently, I strongly urge that Legislative approval of the MAC extension promote an emphasis upon City-managed financing so as to limit the use of State credit. Whether this involves meetings with the interested parties, special Legislative Findings, or new amendments is best left to the Legislative process. At any rate, the legislation should reflect the intent for MAC issuance in fiscal years 1983 and 1984 to occur only after methods of City borrowing are seriously explored and reasonably tested. This approach would constitute the proper balance of State and City roles.

Sincerely,

Edward V. Regan
State Comptroller

EVR/jh/jm

cc: Hon. Edward I. Koch
Hon. Felix A. Rohatyn
30 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding the receipt of moneys from the City of New York (the "City") pursuant to an agreement by and between the Municipal Assistance Corporation For The City of New York (the "Corporation") and the City dated May 14, 1979.

You were instructed to receive on June 2, 1980, $3,055,007.12 of interest due June 1, 1980 on $76,585,000 par value of City bond anticipation notes held by the Corporation pursuant to Paragraph 2 of the agreement dated May 14, 1979.

You were further instructed to deposit the amount, when received, in the Corporation's New York City BAN Interest Account.

Sincerely yours,

Harris A. Decker
Treasurer

HAD:jar

cc: John J. Keohane, Esq.
    William J. Lithgow
    Pat Santivasci
    Allen L. Thomas, Esq.
    Amy Vance, Esq.
30 May 1980

Mr. Bernard Rosen  
Associate Director  
Office of Management and Budget  
Municipal Building  
New York, New York  10007

Dear Bernie:

As we discussed on the telephone in early May, the Municipal Assistance Corporation For The City of New York has raised a total of $151,708,900 which is available to the City to fund expense items permitted to be included in the City's capital budget. To date the City has certified to and been paid $148,372,000. The balance, $3,336,900, remains available and can be paid to you upon presentation of a Section 3038 Certificate of the Mayor and Comptroller together with the customary documentation of capitalized expense items which have been voucheded.

Sincerely yours,

[Signature]

Harris A. Decker  
Treasurer

HAD: jar
30 May 1980

UNITED STATES TRUST COMPANY OF NEW YORK
130 John Street
New York, New York 19038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding investment of moneys available in the Capital Reserve and Capital Reserve Aid Funds established under the First and Second General Bond Resolutions, respectively.

You were instructed to purchase, with moneys available in the Capital Reserve Fund, on May 8, 1980, from Dean Witter Reynolds, Inc., for settlement on May 9, 1980, $10,000,000 par value of United States Treasury Bills due April 23, 1981, at a discount of 8.50% at a price of 91.7597222% of par.

You were further instructed to purchase, with moneys available in the Capital Reserve Aid Fund, on May 8, 1980, from Dean Witter Reynolds, Inc., for settlement on May 9, 1980, $5,000,000 par value of United States Treasury Bills due April 23, 1981, at a discount of 8.50% at a price of 91.7597222% of par.

The Corporation confirms that in issuing such instructions it has taken into consideration the dates and times when moneys in the Capital Reserve and Capital Reserve Aid Funds, established under the First and Second General Bond Resolutions, respectively, will be required so that the maturity or redemption date at the option of the holder of each such investment shall coincide as nearly as practicable with but in no event later than such times at which moneys in the Capital Reserve Aid Fund will be required.
28 May 1980

To: Robert F. Vagt

From: Andrew Decker

Re: Financing Program Fiscal Years 1981 to 1985

Attached is a schedule describing the financing requirements and sources of funds to support the City's capital program from fiscal years 1981 through the first half of fiscal year 1985. Aggregate City capital requirements for the period amount to $3.7 billion. MAC will require approximately $312 million to meet its capital reserve requirements.

As shown on the attached schedule, it is assumed that the standby guarantees are available and are utilized during fiscal years 1981 and 1982. MAC's private placements of $862 million are assumed to be available according to the existing schedule. In addition, the schedule anticipates MAC commencing a public issuance program of $100 million per quarter during the second quarter of fiscal year 1981 and continuing through fiscal year 1982. The proceeds of the seven quarters of issuances, $700 million, will be held in reserve to provide for the City's capital requirements during fiscal years 1983 through the first half of 1985. In addition, MAC will undertake public sales of approximately $600 million in each of 1983 and 1984 and $350 million in the first half of 1985. To the extent the City is able to issue its own debt in the public markets, the amounts required of MAC can be reduced.

As shown at the bottom of the schedule, MAC's total issuances pursuant to Section 3033(2) of the Public Authorities Law will exceed $9.9 billion by the end of the first half of fiscal year 1985.

HAD:jar
Attachment
### SOURCES OF FINANCING TO SUPPORT NEW YORK CITY CAPITAL PROGRAM 1981 TO 1985

($ In Millions)

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<td>City - Guaranteed</td>
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<td>- Public*</td>
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<td>400</td>
<td>600</td>
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<td>Issuances Pursuant to Section 3033(2)</td>
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<td>7,646</td>
<td>8,371</td>
<td>8,971</td>
<td>9,571</td>
<td>9,921</td>
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* To the extent the City is able to issue its own debt for current capital requirements, MAC's issuances in the latter years of the program will be reduced.
FINANCE COMMITTEE MEETING
Thursday, May 22, 1980
3:30 P.M.
LAZARD FRERES & COMPANY
One Rockefeller Plaza
New York, New York

AGENDA

1. Issuance Schedule
2. Report on Sinking Fund Operation
3. BAN Bond Call
4. Portfolio
5. Legislation
6. Structure of Financings

# #
Date: 22 May 1980
To: Finance Committee
From: Andrew Decker
Re: Preliminary Portfolio Report

Attached are two schedules which provide a summary of the current Capital Reserve and Capital Reserve Aid Funds portfolio positions. In addition, we have provided a folder containing a set of current reports relating to securities transactions, cash position, and anticipated cash flows. These reports were generated by MAC's portfolio data base system which is under development.

We are in the process of preparing a report for the Board with a set of proposed portfolio guidelines for their consideration.

HAD: jar
Attachments
### PRELIMINARY PORTFOLIO STATUS REPORT

**HOLDINGS AS OF APRIL 30, 1980**

($ In Thousands)

<table>
<thead>
<tr>
<th>Balance on Deposit</th>
<th>First Resolution</th>
<th>Second Resolution</th>
<th>Combined</th>
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<tr>
<td>Cash &amp; Money Market Securities (Amortized Cost)</td>
<td>40,675</td>
<td>12,666</td>
<td>53,341</td>
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<tr>
<td>Total</td>
<td>287,056</td>
<td>370,716</td>
<td>657,772</td>
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<tr>
<td>Market Value</td>
<td>262,856</td>
<td>334,802&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>597,658</td>
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<tr>
<td>Excess of Carrying Basis over Market Value</td>
<td>24,200</td>
<td>35,914</td>
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<tr>
<td>Estimated Annual Income</td>
<td>26,018</td>
<td>33,283</td>
<td>59,301</td>
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<td>Current Return (Amortized Cost Basis)</td>
<td>9.06</td>
<td>8.98</td>
<td>9.02</td>
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</table>

<sup>(1)</sup> Includes $39.7 million of U.S. Treasury Notes - State and Local Government Series carried at par.
PRELIMINARY PORTFOLIO STATUS REPORT
MATURITY STRUCTURE AS OF APRIL 30, 1980
($ In Thousands)

<table>
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<tr>
<th>Maturity (Par Value Weighted)</th>
<th>First Resolution</th>
<th>Second Resolution</th>
<th>Combined</th>
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<td>1980</td>
<td>45,674</td>
<td>17,665</td>
<td>63,339</td>
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<td>1981-1984</td>
<td>113,634</td>
<td>107,395</td>
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<td>1985-1989</td>
<td>116,421</td>
<td>165,063</td>
<td>281,484</td>
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<td>1990-1994</td>
<td>9,276</td>
<td>76,782</td>
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<td>Total</td>
<td>285,005</td>
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Average Life (Years)

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<th>First Resolution</th>
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<td>4.2</td>
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22 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding transfer of money on deposit in the Corporation's Operating Fund Account.

You were instructed to transfer on May 23, 1980, $23,000.00 from the Corporation's Operating Fund Account to the Corporation's Checking Account #29 0029 7 at the United States Trust Company of New York.

Sincerely,

[Signature]

Harris A. Decker
Treasurer

HAD: blg

cc: William J. Lithgow
Pat Santivasci
Date: 21 May 1980

To: Files

From: Andrew Decker

Re: Open Market Purchase Program to Satisfy July 1, 1980 Sinking Funds

Attached is a schedule prepared by the United States Trust Company of New York detailing the purchases of Series 1 through 4 and Series 8 and 9 Bonds in the open market to satisfy the July 1, 1980 sinking fund requirements. Schedule Two is a detailed description of the bonds purchased pursuant to tenders offered in response to MAC's published Solicitation of Tenders. Schedule Three summarizes the purchases for each series, average price and savings.

cc: Stephen J. Weinstein  
John G. Bove  
Robert F. Vagt  
Maxine Gillman  
William J. Lithgow  
Lorna Haan
MUNICIPAL ASSISTANCE CORPORATION

Distribution of Open Market Purchases

As of May 20, 1980

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<tr>
<th>Purchase Price as a % of Par</th>
<th>Series 1</th>
<th>Series 2</th>
<th>Series 3</th>
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### MUNICIPAL ASSISTANCE CORPORATION

**Distribution of Open Market Purchases**

*(In $ Thousands)*

**As of May 20, 1980**

**Page 4**

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| $7,770,000                  | $16,560,000 | $6,800,000 | $8,455,000 | $5,050,000 | 21,000,000 | $65,645,000 |

**Average Price** 92.4466

**Cost** $60,686,549.15

**Savings** 4,958,450.85
## Results of Solicitation of Tenders for Series 1 Through 4 (May 1, 1980)

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<td>3,335</td>
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<td>97.00</td>
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<tr>
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<td>1,185</td>
<td>97.00</td>
<td>1,149,450.00</td>
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</tr>
<tr>
<td>4</td>
<td>5</td>
<td>94.00</td>
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<td>300.00</td>
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<td>4</td>
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<tr>
<td></td>
<td>2,835</td>
<td>96.44</td>
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<td>7,770</td>
<td>97.04</td>
<td>7,539,821.50</td>
<td>230,178.50</td>
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Schedule of Open Market Purchases in Satisfaction of July 1, 1980 Sinking Fund Requirements

<table>
<thead>
<tr>
<th>Series</th>
<th>Principal Amount Required</th>
<th>Average Paid (% of Par)</th>
<th>Total Cost (excluding accrued interest)</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$ 7,770,000</td>
<td>95.88</td>
<td>$ 7,450,243.00</td>
<td>$ 319,757.00</td>
</tr>
<tr>
<td>2</td>
<td>16,560,000</td>
<td>96.38</td>
<td>15,960,831.75</td>
<td>599,168.25</td>
</tr>
<tr>
<td>3</td>
<td>6,800,000</td>
<td>96.37</td>
<td>6,552,887.50</td>
<td>247,112.50</td>
</tr>
<tr>
<td>4</td>
<td>8,465,000</td>
<td>96.29</td>
<td>8,151,167.25</td>
<td>313,832.75</td>
</tr>
<tr>
<td>8</td>
<td>5,050,000</td>
<td>87.80</td>
<td>4,433,839.40</td>
<td>616,160.60</td>
</tr>
<tr>
<td>9</td>
<td>21,000,000</td>
<td>86.37</td>
<td>18,137,580.25</td>
<td>2,862,419.75</td>
</tr>
<tr>
<td></td>
<td>$65,645,000</td>
<td>92.45</td>
<td>$60,686,549.15</td>
<td>$4,985,450.85</td>
</tr>
</tbody>
</table>
Date: 21 May 1980

To: Robert F. Vagt

From: Andrew Decker

Re: Continuation of Open Market Purchase Program

We have satisfied the July 1, 1980 sinking fund requirements through open market purchases. As detailed on the attached Schedule One, we have saved an aggregate of $4,958,450.85. Of this amount, $230,178.50 is attributable to the public Solicitation of Tenders while the balance was derived from the open market purchases made on our behalf.

The attached Schedule Two summarizes the response to our public Solicitation of Tenders. As shown in Schedule Two, 95% of the responses were from brokers, dealers and institutional holders. Of the 5% received directly from individuals, one tender accounted for 3.2% of the 5%, or over 60% of the individual response.

MAC is permitted under its statutory powers to purchase its own obligations in the open market at any time and without restriction as to purchase price. (To satisfy sinking fund requirements, MAC is permitted to purchase bonds only at or below par.) At present the Series 8 and 9 7-1/2% Bonds due July 1, 1992 are quoted 85-1/2 - 6-1/2 while the Series 1 through 4 8% Bonds due July 1, 1986 are quoted 98 - 100.

On July 1, 1981 MAC will be required to call for redemption $27.25 million of Series 8 and 9 Bonds. In anticipation of this sinking fund requirement, MAC should continue to purchase Series 8 and 9 Bonds in the open market. Such purchases at current prices produce an effective yield of approximately 21.8%. Series 1 through 4 Bonds should not be purchased at present, but if available at a price of approximately 97.92% of par could be purchased to produce an effective yield in excess of MAC's present investment alternatives.

If bond market prices deteriorate, returns on alternative investment opportunities rise but the effective yield to MAC of bonds purchased to satisfy the July 1, 1981 sinking fund requirements increases disproportionately. For example, assume that the rate of return on market investments rises from the 10% (assumed above) to 11%, or a 10% increase. Assume further that tax-exempt yields move a comparable 10%. This implies that the Series 8 or 9 Bond previously quoted at 85-1/2 - 6-1/2 (yielding 9.387% on the "ask" side) would decline in price to 80.71 to produce a yield of 10.326%, or 10% higher than the 9.387%. At a price of 80.70, the effective yield to MAC for sinking fund purposes is 29%, an increase of almost 33% over the comparable effective yield at the prior price level.
Of course the converse is also true -- as general market yields decline the effective yield to MAC of purchasing its own obligations for skinking fund purposes declines disproportionately.

I recommend that we continue our program of purchasing MAC bonds in the open market throughout the year provided the purchase price produces a return on MAC's investment comparable or better than alternative investments. MAC could at its next Board meeting announce the results of this year's program and indicate that we will be in the market on a permanent basis. In addition, we should continue the program of purchasing bonds offered into the open market through an undisclosed agent. This approach will achieve several objectives.

1. If interest rates have reached a new secular plateau, MAC will be able to implement a permanent program to achieve significant recurring savings through below par redemptions.

2. MAC will save additional amounts by avoiding the costly advertising required in conjunction with a mandatory sinking fund call. This will be particularly important as MAC has increasing numbers of sinking funds operating. (For example, in fiscal year 1989, MAC will be required to redeem over $420 million by mandatory sinking fund calls, requiring an aggregate of 23 pages of newspaper advertisements.)

3. MAC's constant and acknowledged presence in the market will provide additional depth and a degree of psychological support. The additional liquidity on the MAC market may reassure some skeptical institutional investors.

There are certain risks associated with an acknowledged open market purchase policy. Dealers may tend to play the market using MAC as a safety net -- although the risks to them clearly seem to outweigh the benefits. Further, certain substantial holders may believe they are entitled to preferential treatment with regard to the price or quantity of bonds to be purchased. A consistent policy of "best price" open market transactions is probably the strongest response to such demands as we would offer such purchasers the same opportunity as any other investor -- better the market.
### SCHEDULE ONE

Schedule of Open Market Purchases in Satisfaction of July 1, 1980 Sinking Fund Requirements

<table>
<thead>
<tr>
<th>Series</th>
<th>Principal Amount Required</th>
<th>Average Paid (% of Par)</th>
<th>Total Cost (excluding accrued interest)</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$7,450,243.00</td>
<td>$319,757.00</td>
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<td>2,862,419.75</td>
</tr>
<tr>
<td></td>
<td><strong>$65,645,000</strong></td>
<td><strong>92.45</strong></td>
<td><strong>$60,686,549.15</strong></td>
<td><strong>$4,985,450.85</strong></td>
</tr>
</tbody>
</table>
### SCHEDULE TWO

Response to Series 1 Through 4 Public Solicitation of Tenders

<table>
<thead>
<tr>
<th>Series</th>
<th>Principal Amount Required ($ in Thousands)</th>
<th>Amount Tendered ($ in Thousands)</th>
<th>Amount Tendered By Source ($ in Thousands)</th>
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<td>With Bonds</td>
<td>Guaranteed Delivery</td>
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<td>2</td>
<td>3,335</td>
<td>890</td>
<td>4,615</td>
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<td>1,185</td>
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<td>2,200</td>
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<tr>
<td>4</td>
<td>2,835</td>
<td>1,535</td>
<td>2,715</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,770</td>
<td>4,155</td>
<td>11,755</td>
</tr>
</tbody>
</table>
21 May 1980

Mr. Dan Rosen
Deputy Comptroller for
Financial Management
City of New York
Municipal Building
One Centre Street
New York, New York 10007

Dear Dan:

Enclosed are the schedules detailing the assets and liabilities related to MAC's outstanding indebtedness which you had requested. As you can see, the relationship from period to period is more stable using the approach we agreed to.

If you have any questions, please don't hesitate to call.

Sincerely yours,

Harris A. Decker
Treasurer

HAD:jar
Enclosures
May 20, 1980

Robert F. Vagt

Terri L. Posner

Budget Overview

The FY 1981 Executive Budget reflects a balance of revenues and expenditures after all PEG actions ($502m of City actions and $170m of Federal and State Aid) have been incorporated into the baseline. A balanced budget for FY 1981 depends on the receipt of the anticipated Federal and State aid for gap-closing purposes, the use of a substantial portion of the FY 1980 estimated State defined budgetary surplus (much of which has already been siphoned off to fund the FY 1980 labor reserve which will provide cash payments in FY 1981 and 1982), the achievement of the PEG cuts now included in the FY 1981 agency budgets, and the successful negotiation of a wage settlement not too far distant from the one recently offered by the City.

The Financial Plan for FYs 1981-84 submitted on May 12, 1980 reflects a balanced condition for FY 1981, and baseline gaps of $469m, $745m and $702m for FYs 1982-84, respectively. After application of incremental City PEG actions of $174m, $207m and $212m (which include further agency reductions as in the 1/16/80 plan), the remaining gaps to be closed by City, State and Federal actions for FYs 1982-84 are $295m, $538m and $490m, respectively.
I. PEG. The City PEG revenue program can reasonably be assumed to be attainable; however, the agency expenditure cuts now in the individual agency budgets will be difficult to monitor. Whether or not these cuts have been made may be masked by the recurring value of FY 1980 underspending (which is anticipated), and if such substitution takes place, the prospect of a balanced FY 1982 budget becomes more remote. In addition, the City's 5/12/80 plan submission includes the $170m of Federal and State gap-closing aid as a recurring revenue for FYs 1982-84. Inasmuch as only the $70m of State Aid can be currently identified, and it is not clear that even this portion would recur, the projected budget gaps for FYs 1982-84 are understated to the extent that some of this aid does not materialize.

II. Manpower. The FY 1980 projected workforce as of 6/30/80 expanded by 260 positions largely due to the Board of Education's increased needs. In addition, the BOE got a "rebate" on 875 positions planned to be cut as part of PEG as well as an additional 2122 positions to meet new needs in FY 1981. The 217 positions for revenue generating concerns within EPA, General Services and Transportation are expected to "pay for themselves". The increase in the City-funded workforce from the approved plan to the budget is not a good indication of the City's commitment to reduce its workforce as outlined in PEG.
III. Wage Settlement. The accumulation of cash in the FY 1980 labor reserve, as well as the possibility of excess cash as of 6/30/80 due to underspending, would probably be sufficient to fund a higher labor settlement than has been currently offered. The size of the wage settlement, and the extent to which the City has to dip into cash set aside for the FY 1982 cash payment, will have a more powerful effect on FY 1982 than FY 1981, when no budgetary surplus will be available as of June 1981 to prefund labor costs. There are some variables in Brigham's gap-closing scenario, such as the increased take-home pay (non-contributory pensions) and State funding of HHC labor costs through Medicaid rates, which would provide budgetary relief in FYs 1981 and 1982 if they are realized.

IV. Federal Aid. While the baseline estimates of Federal grants for FY 1981 generally take into account the current status of various programs in the preliminary Federal budget, the $100m of gap-closing aid is hardly assured. At this point, it does not appear as though any of this aid has been "committed". Likewise, for the FY 1982-84 plan, the inclusion of the $100m as recurring revenue understates projected gaps for those years, and the likelihood of additional Federal gap-closing aid to close remaining gaps diminishes in direct proportion to the City's ability to secure the $100m which has been assumed to be available and recurring.
V. State Aid. In order to preserve the City's State aid projections for FY 1981 after the loss of $100m of per capita aid, the State offered about $100m in "incremental" aid (such as $133m in additional education aid, $50m of the HHC Medicaid settlement, etc., offset by losses in other areas). There is an on-going dispute between the State and the City (which is currently affecting the manner in which the State will "make up" the loss of $90m of per capita aid in FY 1980 due to the Governor's cap on such aid) regarding whether certain types of aid (such as the HHC settlement) are truly gap-closing. Presently, there is great confusion as to the components of both the FY 1980 and the FY 1981 State gap-closing aid projections, but at least the $70m of State aid assumed in the City's FY 1981 budget will probably be realized, in one form or another.

REVENUE ASSUMPTIONS

The Executive Budget for FY 1981 incorporates as "anticipated revenues" the $175 million tax package (formerly included in PEG) and the PEG Federal and State Aid of $170 million. These amounts are reflected in the Plan as recurring through FY 1984.

City tax revenue estimates increased over the February approved Plan as follows: $76 million in FY 1981, $100 million in FY 1982 and $185 million in FY 1983. Miscellaneous revenues
increased slightly each year. Basic assumptions underlying these estimates are: (1) the economy will experience a mild recession in CY 1980 followed by a period of slow recovery; (2) both local prices and unemployment are expected to lag behind the national rates; and, (3) a strong economic recovery is expected in FY 1984.
### Four Year Financial Plan Revenues and Expenditures

**New York City**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenditures</th>
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<tbody>
<tr>
<td>1981</td>
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<td>$4,960</td>
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<tr>
<td>1982</td>
<td>$5,180</td>
<td>$4,960</td>
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<tr>
<td>1983</td>
<td>$5,180</td>
<td>$4,960</td>
</tr>
<tr>
<td>1984</td>
<td>$5,180</td>
<td>$4,960</td>
</tr>
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</table>

**Exhibit A-1**

- **State and Federal Grants**
- **Total City, State, and Inter-Fund Revenues**
- **District-Wide Agency General & Inter-Fund Revenues**
- **Less: Inter-City Revenue**
- **Inter-Fund Revenue**
- **State Aid**
- **Unrestricted Inter-Governmental Aid**
- **Miscellaneous Revenues**
- **Other Revenues**
- **General Property Tax**
- **Sales Tax**
- **Other Local Revenues**
- **General Revenues**

- **Financing**

**City Program to Close Gap**

- **Total Expenditures**

**Note:** The table above outlines the financial plan for New York City for the four-year period from 1981 to 1984, detailing revenues and expenditures. The financial plan aims to balance revenues with expenditures through various sources, including state and federal grants, and local revenues such as property tax and sales tax.
Possible Theme for MAC FY 1981 Budget Report

- Analysis of the FY 1981 budget should be looked at in the context of FY 1980 and FY 1982
  - FY 1980 budget is the last year of the non-GAAP "fiscal crisis" City budgets.
  - Through borrowing mechanisms, high growth in tax receipts, growth in intergovernmental aid, and a slow growth in expenditures, City was able to generate a large amount of cash surplus.
  - With approval of the City's auditors, this cash will be used to fund FY 81-82 expenditures (i.e., NPCP payments to labor)

- FY 1981 is a point of departure from City budgets of the past few years.
  - Cash surplus in FY 80 creates the illusion that a capacity exists to maintain an expenditure level which is in excess of the City's revenue base.
  - From FY 1976-1980, revenue growth exceeded expenditure growth - City's greatest post-crises success was in controlling expenditure growth.
  - From 1981 - 1984 - revenues level off, intergovernmental aid does not grow and expenditures explode.
The FY 1981 budget is proposed to be balanced by Federal/State aid not yet in place, local revenue increases, some underspending, but a wage settlement largely funded through 1980 cash. This establishes an expenditure floor that is recurring to be matched by a revenue stream insufficient to cover these costs.

FY 1981 can be balanced according to GAAP if all the pieces fall into place, however:

- The cash in FY 1980 does not make 1981 easy.
- PEG revenue increases and expenditure reductions are paramount for a balanced budget.
- New expenditure floor created by labor increases are not fully funded by recurring revenue and once 1980 cash is no longer available, a budget hole is created. Even using 1980 revenue to help fund a labor settlement does not allow anything more than a moderate wage package.
- HHC in FY 1981 is essentially "whole" thanks to the State (Medicaid appeals, new rates) not HHC.

If all pieces fall into place to balance FY 1981, the recurring value will still not balance 1982 and the City will not have the flexibility of a cash surplus in FY 1981 to roll forward to 1982.
The pattern of expenditure growth exceeding recurring revenue must be addressed in 1981. 1982 should not be balanced by the imposition of substantial local taxes because the long-run effect will be detrimental to the City. Rather the pattern of the growth in costs must be addressed in order to put the baseline budget into balance beyond 1981.
<table>
<thead>
<tr>
<th>City Actions</th>
<th>Approved Plan*</th>
<th>Executive Budget</th>
<th>△</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Reductions (1)</td>
<td>248</td>
<td>226</td>
<td>(22)</td>
</tr>
<tr>
<td>Transit, Housing &amp; Other misc cuts</td>
<td>9</td>
<td>18</td>
<td>9</td>
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<tr>
<td>HHC Subsidy Reductions (2)</td>
<td>20</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Energy Conservation Program</td>
<td>12</td>
<td>4</td>
<td>(8)</td>
</tr>
<tr>
<td>OTPS Cost Containment</td>
<td>10</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Improvements in Revenue Collection</td>
<td>33</td>
<td>28</td>
<td>(5)</td>
</tr>
<tr>
<td>Incr in taxes, fees &amp; user chrgs</td>
<td>175</td>
<td>175</td>
<td>--</td>
</tr>
<tr>
<td><strong>TOTAL City Actions (3)</strong></td>
<td>507</td>
<td>502</td>
<td>(5)</td>
</tr>
<tr>
<td>State Actions (4)</td>
<td>70</td>
<td>70</td>
<td>--</td>
</tr>
<tr>
<td>Federal Actions (5)</td>
<td>100</td>
<td>100</td>
<td>--</td>
</tr>
<tr>
<td><strong>TOTAL PEG</strong></td>
<td>677</td>
<td>672</td>
<td>(5)</td>
</tr>
</tbody>
</table>

*February 21, 1980

(1) Most of the $22 million reduction in PEG is due to the Mayor's "take-back" of $13 million in Board of Education (BoE) cuts previously planned, allowing for 875 BoE positions to be retained (largely for special education). In most cases however, planned PEG cuts have been fully absorbed into the agency budgets for FY 1981 ($226 million total PS and OTPS cuts).

(2) It is assumed that HHC's higher than anticipated revenue collections will continue through FY 1981, and that the entire Medicaid rate appeal settlement ($110 million total funds, of which $32 million represents the City's share) is received in FY 1981. In such case, with the achievement of savings of $26 million from the hospital closing plan, HHC revenues would be sufficient for the City to double their HHC subsidy reduction and still have HHC balanced for FY 1981.

(3) $502 million of PEG City Actions have been absorbed into the baseline of the FY 1981 Executive Budget.

(4) It appears as though $70 million in State Actions will be received in FY 1981, but there continues to be an ongoing dispute as to whether such actions (i.e., the HHC settlement) should be considered as "gap-closing aid".

(5) The Federal Budget continues to be highly volatile, and thus far none of the $100 million can be considered "firm". Presently it appears as though legislative, as opposed to administrative, actions will be required to achieve this needed aid, and such actions do not appear "bankable".
### APPENDIX II

**FY 1981**

**MANPOWER: City Funded**

<table>
<thead>
<tr>
<th></th>
<th>Approved Plan*</th>
<th>Executive Budget</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated workforce at 6/30/80</strong></td>
<td>168,689</td>
<td>168,949</td>
<td>(260)</td>
</tr>
<tr>
<td><strong>New Hires</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CETA Buy-Out</td>
<td>868</td>
<td>868</td>
<td>--</td>
</tr>
<tr>
<td>Essential Services (1)</td>
<td>1,987</td>
<td>4,315</td>
<td>(2328)</td>
</tr>
<tr>
<td>Revenue Generating</td>
<td>--</td>
<td>217</td>
<td>(217)</td>
</tr>
<tr>
<td>Reclassification from part-time to full-time</td>
<td>--</td>
<td>199</td>
<td>(199)</td>
</tr>
<tr>
<td><strong>Adjusted base workforce</strong></td>
<td>171,544</td>
<td>174,548</td>
<td>(3004)</td>
</tr>
<tr>
<td><strong>PEG Reductions (2)</strong></td>
<td>(7,695)</td>
<td>(6,669)</td>
<td>(1026)</td>
</tr>
<tr>
<td><strong>Estimated workforce at 6/30/81</strong></td>
<td>163,849</td>
<td>167,879</td>
<td>(4030)</td>
</tr>
</tbody>
</table>

*February 21, 1980

---

(1) The overall increased positions in essential services includes an increase in the Board of Education of 2122 positions; 3076 positions for increased funding of special education offset by a net reduction of 954 positions for Pupils with Special Education Needs (PSEN).

(2) Of the 1026 positions not now planned for cuts in the original PEG, the Board of Education accounts for 875 of this "add back" due to the decision to relieve the Board of $13 million of its planned FY 1981 PEG cuts.

---

*Source: Budget Message, p. 16*
APPENDIX III
FYs 1980 - 1983

Wage Settlement

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserve for Coll Bargaining (2/21/80 Plan)</th>
<th>Reserve for Coll Bargaining (5/12/80 Plan)*</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>188</td>
<td>301</td>
<td>113</td>
</tr>
<tr>
<td>1981</td>
<td>161</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>361</td>
<td>209</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>569</td>
<td>416</td>
<td></td>
</tr>
</tbody>
</table>

(1) The FY 1980 reserve will fund non-pensionable cash payments (NPCP) of $150 million in FYs 1981 and 1982, pursuant to prior years contracts. Any additional NPCP to be paid in FY 1981 will have to be funded out of the excess FY 1980 cash surplus, State aid, or from the $150 million set aside for FY 1982 (out of the FY 1980 reserve).

(2) The $140 million to fund a 4 percent wage increase on 10/1/80 is now incorporated into the agency budgets (it included pensions and fringe benefits). The remaining $21 million funds the increased labor costs of the HHC.

(3) The $152 million funds the annualized 4 percent wage increase on 10/1/80 and is included in the agency plan for FY 1982. The residual $209 million funds an additional 4 percent wage increase (on the FY 1980 base wage) payable 10/1/81 and the annualized HHC wage costs (about $59 million).

(4) Reflects the annualized 10/1/80 and 10/1/81 wage settlements as well as the annualized HHC costs, but does not provide for the wage settlement that will be payable on the new wage contract as of 10/1/82.

NEW YORK TIMES Article 5/15/80

Wage Offer

Salary increases
(Based on June 30, 1980 salary base)
10/1/80  5%
10/1/81  4%
7/1/80  7/1/81

NPCP (lump sum cash payment) in addition to prior year NPCP
($750 per annum or about 5% of average City employees salary)
7/1/80  2%
7/1/81  1%

NOTE: Neither lump sum cash payment would be incorporated into base pay, and thus, would not be reflected in any computation of pensions or fringe benefits. The City will also benefit from using a 6/30/80 salary base for calculating GAAP pension liabilities for FY 1981 as well as FY 1982.
# APPENDIX IV

## FY 1981

### FEDERAL AID

<table>
<thead>
<tr>
<th>Categorical Grants</th>
<th>Approved Plan</th>
<th>Executive Budget</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>CETA (1)</td>
<td>404</td>
<td>367</td>
<td>(37)</td>
</tr>
<tr>
<td>Community Development (2)</td>
<td>320</td>
<td>258</td>
<td>(62)</td>
</tr>
<tr>
<td>Welfare</td>
<td>1,095</td>
<td>1,101</td>
<td>6</td>
</tr>
<tr>
<td>Education (3)</td>
<td>356</td>
<td>315</td>
<td>(41)</td>
</tr>
<tr>
<td>Other</td>
<td>126</td>
<td>133</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL Grants</strong></td>
<td><strong>2,301</strong></td>
<td><strong>2,174</strong></td>
<td><strong>(127)</strong></td>
</tr>
</tbody>
</table>

### Unrestricted Revenues

| Federal Revenue Sharing (4)            | 296           | 287              | (9)  |

*February 21, 1980

---

(1) A Senate proposal to further reduce CETA funding in 1981 would merely reduce CETA-funded workforce (affecting the level of services but not the budget), however, a proposal to eliminate Federally funded unemployment benefits for CETA workers would increase City costs by $7 million.

(2) The Community Development Grant levels shown do not include the capital portions of such grants. Carryover CD funds from prior years will be added when they are identified.

(3) Losses in education aid include reflected cuts in Title I and Nutritional assistance, as well as impact aid elimination ($15 million).

(4) The decrease in Federal Revenue Sharing results primarily from the Feds discontinued practice of factoring in inflation (about $6 million), and also a slight change in the formula for distribution (about $3 million).

Source: Budget Message, pp. 30-31
APPENDIX V

FY 1981

State Aid

<table>
<thead>
<tr>
<th></th>
<th>Approved Plan*</th>
<th>Executive Budget</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Categorical Grants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Welfare</td>
<td>705</td>
<td>703</td>
<td>(2)</td>
</tr>
<tr>
<td>Education (1)</td>
<td>1,017</td>
<td>1,135</td>
<td>118</td>
</tr>
<tr>
<td>Higher Education</td>
<td>274</td>
<td>284</td>
<td>10</td>
</tr>
<tr>
<td>Health &amp; Mental Health</td>
<td>104</td>
<td>102</td>
<td>(2)</td>
</tr>
<tr>
<td>Other</td>
<td>91</td>
<td>94</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL GRANTS</strong></td>
<td>2,191</td>
<td>2,318</td>
<td>127</td>
</tr>
</tbody>
</table>

| **Unrestricted Aid**           |                |                  |     |
| State Per Capita Aid (2)       | 633            | 532              | (101)|
| Other State Aid (3)            | 51             | 46               | (5) |
| **TOTAL UNRESTRICTED AID**     | 684            | 578              | (106)|

*February 21, 1980

(1) Increased State Education Aid (net support) will be used to offset other losses in State aid when computing State FY 1981 gap-closing aid.

(2) The present State Budget caps per capita payments to NYC at the FY 1980 level (or $483 million) which would result in a loss of aid of $150 million.

For FY 1981, however, there will be a one-time payment of $49 million representing the roll-over of State Aid payments from prior years. Hence, the FY 1982-84 per capita aid amounts will be made at the FY 1980 level.

(3) Other State Aid includes those taxes shared by NYS and NYC (motor vehicle registration, highway maintenance and gasoline/motor fuel) which were cut by 2% in the State Executive Budget.
20 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding investment of moneys available in the Bond Service Fund established under the Second General Bond Resolution.

You were instructed to purchase on May 8, 1980, from Aubrey G. Lanston & Co., for settlement on May 9, 1980, $10,000,000 par value of Federal Home Loan Bank Discount Notes due June 27, 1980, at a discount of 8.80% and a price of 98.802222% of par. You were also instructed to purchase on May 8, 1980, from Aubrey G. Lanston & Co., for settlement on May 9, 1980, $10,000,000 par value of Federal Home Loan Bank Discount Notes due June 26, 1980, at a discount of 8.80% and a price of 98.8266667% of par.

You were further instructed to purchase on May 8, 1980, from First Boston Corp., for settlement on May 9, 1980, $10,000,000 par value of Federal Home Loan Bank Discount Notes due June 30, 1980, at a discount of 8.80% and a price of 98.728889% of par. You were also instructed to purchase on May 8, 1980, from First Boston Corp., for settlement on May 9, 1980, $5,000,000 par value of Federal Home Loan Bank Discount Notes due June 24, 1980 at a discount of 8.80% and a price of 98.8755556% of par.

The Corporation confirms that in issuing such instructions it has taken into consideration the dates and times when moneys in the Bond Service Fund established under the Second General Bond Resolution will be required so that the maturity or redemption date at the option of the holder of each such investment shall coincide as nearly as practicable with but
in no event later than such times at which moneys in the Bond Service Fund will be required for Second General Bond Resolution purposes. In addition, the Corporation has taken into consideration the maximization of return and the minimization of risks.

Sincerely,

[Signature]

Harris A. Decker
Treasurer

HAD:jar

cc:  John J. Keohane, Esq.
     William J. Lithgow
     Pat Santivasci
     Allen L. Thomas, Esq.
     Amy S. Vance, Esq.
     Stephen J. Weinstein, Esq.
19 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York  10038

Attention:  Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding investment of moneys available in the Capital Reserve and Capital Reserve Aid Funds established under the First and Second General Bond Resolutions, respectively.

You were instructed to purchase with moneys available in the Capital Reserve Fund, on May 8, 1980, from Salomon Brothers, for settlement on May 9, 1980, $20,000,000 par value of United States Treasury Bills due November 6, 1980 at a discount of 8.52% at a price of 95.716333% of par.

You were further instructed to purchase, with moneys available in the Capital Reserve Aid Fund, on May 8, 1980, from Salomon Brothers for settlement on May 9, 1980, $5,000,000 par value of United States Treasury Bills due November 6, 1980 at a discount of 8.52% at a price of 95.716333% of par.

The Corporation confirms that in issuing such instructions it has taken into consideration the dates and times when moneys in the Capital Reserve and Capital Reserve Aid Funds, established under the First and Second General Bond Resolutions, respectively, will be required so that the maturity or redemption date at the option of the holder of each such investment
shall coincide as nearly as practicable with but in no event later than such times at which moneys in the Capital Reserve Aid Fund will be required for Second General Bond Resolution purposes. In addition, the Corporation has taken into consideration the maximization of return and the minimization of risks.

Sincerely,

[Signature]

Harris A. Decker
Treasurer

HAD:bba

cc:  John J. Keohane, Esq.
     William J. Lithgow
     Pat Santivasci
     Allen L. Thomas, Esq.
     Amy S. Vance, Esq.
     Stephen J. Weinstein, Esq.
May 19, 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Dear Sir:

This is to confirm oral instructions issued to you regarding investment of moneys available in the Capital Reserve and Capital Reserve Aid Funds established under the First and Second General Bond Resolutions, respectively.

You were instructed to purchase, with moneys available in the Capital Reserve Aid Fund, on May 12, 1980, from Dean Witter Reynolds, Inc., for settlement on May 27, 1980, $1,000,000 par value of Federal Home Loan Bank Notes due March 26, 1984, with a coupon of 9.85% at a price of par.

You were further instructed to purchase, with moneys available in the Capital Reserve Fund, on May 12, 1980, from Merrill Lynch Government Securities, Inc. and Dean Witter Reynolds, Inc., for settlement on May 27, 1980, $3,000,000 and $1,000,000, respectively, par value of Federal Home Loan Bank Notes due March 26, 1984, with a coupon of 9.85% at a price of par.

The Corporation confirms that in issuing such instructions it has taken into consideration the dates and times when moneys in the Capital Reserve and Capital Reserve Aid Funds, established under the First and Second General Bond Resolutions, respectively, will be required so that the maturity or redemption date at the option of the holder of each such
investment shall coincide as nearly as practicable with but
in no event later than such times at which moneys in the
Capital Reserve Aid Fund will be required for Second General
Bond Resolution purposes. In addition, the Corporation has
taken into consideration the maximization of return and the
minimization of risks.

Sincerely,

Harris A. Decker
Treasurer

cc: John J. Keohane, Esq.
William J. Lithgow
Pat Santivasci
Allen L. Thomas, Esq.
Amy S. Vance, Esq.
Stephen J. Weinstein, Esq.
May 19, 1980

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
30 West Broadway
New York, New York 10015

Attention: Mr. Edwin F. McMichael
Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding the investment of moneys available in the Municipal Assistance Corporation For The City of New York Guaranty Fund (#M 95 78).

You were instructed to purchase on May 15, 1980 for cash settlement on May 15, 1980, from William E. Pollock Government Securities, Inc. $700,000 par value United States Treasury Bills due November 13, 1980 with a discount of 8.30% of par with moneys available in the Guaranty Fund.

Sincerely,

[Signature]
Harris A. Decker
Treasurer

HAD:bba

cc: G. William Miller
    James Beams
    William J. Lithgow
    Robert Mundheim, Esq.
    Allen L. Thomas, Esq.
May 14, 1980

To: Staff

From: Stephen J. Weinstein

Retirement System Membership

On April 30, 1980, the Corporation became a participating employer in the New York State Employees' Retirement System, effective with the pay period beginning May 1, 1980, which makes MAC employees eligible for membership as explained below.

The Retirement System is comprised of three separate programs -- Tier 1, Tier 2 and Tier 3 -- with differing retirement, death and disability benefits, as summarized on the attached schedule. All employees who are or choose to become members of the Retirement System will receive retirement credit retroactively to their respective dates of initial employment by the Corporation. Each employee qualifies for membership in only one of the three programs, as explained below.

Tier 1 and Tier 2

The Tier 1 program includes persons who first became members of the Retirement System before July 1, 1973:

John G. Bove
Lorna A. Haan
William J. Lithgow

Tier 2 includes those who first joined the system between July 1, 1973 and July 1, 1976:

Robert F. Vagt

Tier 1 and Tier 2 employees are not required to contribute to the cost of the program, which is paid fully by the Corporation. Tier 1 and Tier 2 membership is automatic and mandatory for these four employees.

Tier 3

Tier 3 program covers those employees who join the Retirement System for the first time after July 1, 1976. Present employees eligible for the Tier 3 program are:

Betty B. Alpern
Harris A. Decker
Linda S. Dinkin
Beatrice Gilling
Maxine H. Gillman
Francis N. Higgins
Terri Posner
Joan Reetz
Christopher H. Richmond
Peggy F. Scott
Adam Sherman
Stephen J. Weinstein
These persons are eligible but not required to join the System (with the exception of Ms. Scott, who is already a Tier 3 member by virtue of former employment), and may elect to join at any time until April 30, 1981. Tier 3 membership requires each employee who joins to contribute 3% of gross salary (to be withheld from each paycheck), in addition to the Corporation's contributions. All present employees eligible for Tier 3 membership will receive a salary adjustment effective May 1, 1980, equal to 3% of their salaries in effect on April 30, 1980.

While all present employees who join Tier 3 will receive retirement credit retroactive to their initial dates of employment by MAC, they will not be required to make retroactive contributions for any period prior to May 1, 1980. However, those eligible employees who exercise their option to join between May 1, 1980, and April 30, 1981, will be required to make their 3% contribution retroactive to May 1, 1980. Employee contributions are held for the account of each individual contributor, earn interest at the rate of 5% annually, and may be withdrawn in the event that the person leaves the employ of MAC prior to vesting and does not go to work for another employer who is a participant in the Retirement System. Those eligible who wish to join or obtain additional information should contact Bill Lithgow.

All new employees hired by MAC after May 1, 1980 must join the Retirement System as Tier 3 members.

Attachment
<table>
<thead>
<tr>
<th></th>
<th>TIER 1</th>
<th>TIER 2</th>
<th>TIER 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting Requirement</td>
<td>10 years' service credit, including at least 5 years' service for a participating employer.</td>
<td>Same as Tier 1.</td>
<td>Same as Tier 1.</td>
</tr>
<tr>
<td>Employee Contributions</td>
<td>Non-contributory.</td>
<td>Non-contributory.</td>
<td>Contributory (mandatory) 3% of annual wages.</td>
</tr>
<tr>
<td>Membership Eligibility</td>
<td>Employee joins or rejoining a public retirement system prior to 7/1/73.</td>
<td>Employee joins or rejoining a public retirement system after 7/1/73 but prior to 7/1/76.</td>
<td>Employee joins or rejoining a public retirement system after 7/1/76.</td>
</tr>
<tr>
<td>Membership Optional For MAC Employees?</td>
<td>Not applicable.</td>
<td>Not applicable</td>
<td>Yes, to employees employed before entry into retirement system. Otherwise, no.</td>
</tr>
<tr>
<td>Normal Retirement Age</td>
<td>60; optional at 55.</td>
<td>62; optional at 55; provided employee has at least five years' credited service after 7/1/73.</td>
<td>62; optional at 55; provided employee has at least five years' credited service after 7/1/76.</td>
</tr>
<tr>
<td>Normal Retirement Benefits</td>
<td>Pension equal to 1/60th Final Average Salary (&quot;FAS&quot;, generally average of three consecutive years' salary producing the highest average) times years of credited service; if employee rendered more than 20 years' credited service, fraction is 1/500th for all years, to a maximum of 75% FAS.</td>
<td>Same as Tier 1, subject to the following limitations: 60% of FAS from $15,300; 50% of FAS from $15,300 to $27,300, and 40% of FAS above $27,300.</td>
<td>Pension equal to 1/50th FAS times years of service up to 30 years, less 50% &quot;primary social security benefit&quot; equivalent; if employee has less than 20 years' credited service, the fraction is 1/60th.</td>
</tr>
<tr>
<td>Ordinary Death Benefit</td>
<td>Tier 1</td>
<td>Tier 2</td>
<td>Tier 3</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>1/12 final salary(&quot;FS&quot;) times years of credited service up to 36 years; or, if higher, three times FS up to $20,000.</td>
<td>Two options: A. 1/12 FS times years of credited service up to 36 years; B. Same as Tier 3; however, if employee last entered public employment after age 52, benefit is subject to increasing reductions for years of age over 52 at entry.</td>
<td>Assumes death occurs before age 60 and employee last entered public employment before age 53 (reduced benefit for those older than 52 at entry):</td>
<td></td>
</tr>
<tr>
<td>Eligibility: One year's credited service.</td>
<td>Eligibility: One year's credited service.</td>
<td>Years of credited service at death</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accidental Death Benefit</th>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension equal to to 50% FAS. (Beneficiary determined by law.)</td>
<td>Same as Tier 1. (Beneficiary determined by law.)</td>
<td>Same as Tier 1. (Beneficiary determined by law.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ordinary Disability Benefit</th>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumes disability occurs before age 60 and is subject to certain adjustments: Pension equal to 1/60th FAS times years of credited service, if pension as so computed exceeds 1/3 FAS. If less, then employee is given credit for years of service up to age 60 but not in excess of 1/3 FAS.</td>
<td>Same as Tier 1.</td>
<td>Same as Tier 1.</td>
<td>Pension equal to the greater of: A. 1/3 FAS and B. 2% FAS times years of credited service to 30 year:</td>
</tr>
<tr>
<td>Eligibility: 10 years' credited service.</td>
<td></td>
<td></td>
<td>A &amp; B less: 50% of primary social security benefit equivalent, and 100% of any workman's compensation benefits.</td>
</tr>
</tbody>
</table>

Eligibility: 5 years' credited service, and must qualify for primary social security disability benefit.
<table>
<thead>
<tr>
<th></th>
<th>TIER 1</th>
<th>TIER 2</th>
<th>TIER 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accidental Disability</strong></td>
<td>Pension equal to 75% FAS, less 100% of workman's compensation equivalent. No minimum service requirement.</td>
<td>Pension equal to maximum of 60% FAS, less 100% of workman's compensation equivalent. No minimum service requirement.</td>
<td>Pension equal to 2 FAS times years of credited service up to 30 years, less 50% of primary social security benefit equivalent and 100% of workman's compensation equivalent. No minimum service requirement.</td>
</tr>
<tr>
<td><strong>Unused Sick Leave Benefit</strong></td>
<td>A. Up to a maximum of 165 days added to credited service for computation of FAS.</td>
<td>Same as Tier 1.</td>
<td>Same as Tier 1.</td>
</tr>
<tr>
<td></td>
<td>B. Converted to pay health insurance premiums during retirement.</td>
<td>Same as Tier 1.</td>
<td>Same as Tier 1.</td>
</tr>
</tbody>
</table>
Date: May 14, 1980

To: BBA, HAD, LSD, BG, MHG, FNH, TP, JR, CHR, MFS, AS, SJW

From: RFV

Re: Retirement Benefit Salary Adjustment

The paycheck which you will receive today, for the period May 1-14, 1980, includes an increase equal to 3% of your salary which was in effect on April 30, 1980. This increase, effective May 1, 1980, is an adjustment to compensate those employees (listed above) who are eligible to join the New York State Retirement System only as Tier 3 members, which membership requires employee contributions.
May 13, 1980

Robert F. Vagt

Stephen J. Weinstein

Flow of Revenues

Obligations of the Corporation are payable out of revenues derived from the Special State Sales Tax imposed within New York City and the State Stock Transfer Tax for bonds and notes issued under the First General Bond Resolution, and those two sources plus State Per Capita Aid otherwise payable to the City for bonds issued under the Second General Bond Resolution.

State statutes specify the manner in which the State must hold each of those revenues -- the Comptroller in the case of the Sales Tax and Per Capita Aid and the Commissioner of Taxation and Finance in the case of the Stock Transfer Tax. However, it came to our attention yesterday that the actual treatment of those monies by the State apparently has not been in full compliance with the applicable laws, in that these three revenues have been commingled with one another and with other State funds. This memorandum sets forth the facts as reported to the Corporation, and the corrective measures currently being implemented by the State.

While the improper procedures followed by the State to date are serious deviations from the statutory scheme mandating segregated bank accounts for each of the revenue sources, it should be stressed that the State has maintained the requisite funds on an accounting basis. In addition, all of the Corporation's certifications of its cash requirements have been fully paid on time by the State Comptroller from the inception of the Corporation in June 1975 through its most recent certification and payment on April 12, 1980. Furthermore, we have been assured by the State Comptroller's office (the Department of Audit and Control) that proper procedures in full compliance with the statutes will be in operation within a week. It should also be stressed that the State's improper actions have not involved funds of the Corporation pledged to the payment of the Corporation's obligations.

Following is a brief review of: (1) the basic statutory mechanism for the flow of the Corporation's revenues; (2) the reported actual practice of the State to date; (3) the proposed corrective actions; and (4) the considerations posed to the Corporation by these developments.
Statutory Mechanism

For First Resolution Bonds, Section 3036(1) of the MAC Act requires the Corporation's Chairman to certify periodically to the State Comptroller as to its cash requirements by amount and date for debt service, capital reserve and operating purposes, and further requires the Comptroller to pay such amounts to the Corporation on the dates specified, from the Corporation's Special Account in the Municipal Assistance Tax Fund, including any amount transferred to that Fund from the Stock Transfer Tax Fund. The MAC Act further requires, in Sections 3036(3) and 3036 (7), that the Corporation establish Capital Reserve, Debt Service and Operating Funds, into which the Comptroller is to pay the respective amounts certified by the Corporation.

Section 92-d of the State Finance Law (in ¶-1) establishes "in the custody of the comptroller a special fund to be known as the municipal assistance tax fund" and further establishes within that fund a "special account for each municipal assistance corporation created ...." That section also requires (in ¶-4) that the State Commissioner of Taxation and Finance certify to the Comptroller monthly as to the amounts of revenues received during the preceding month from the Sales Tax and requires the Comptroller to deposit those certified Sales Tax revenues into the appropriate Special Account in the Municipal Assistance Tax Fund. The Comptroller is further required (in ¶-6) to make payments from the Corporation's Special Account in accordance with the Chairman's certification, and to pay to the City all revenues in the Special Account in excess of the amount certified by the Chairman quarterly -- on or before January 15, April 15, June 30 and October 15 of each year. To the extent that amounts in the Special Account are insufficient to pay the amounts certified to the Corporation, ¶-7 requires the Comptroller to request a payment of the deficiency from the Commissioner of Taxation and Finance into the Special Account from the Stock Transfer Tax Fund, which is established by Section 92-b of the State Finance Law in the custody of the Commissioner and consists of revenues derived from the State Stock Transfer Tax. Paragraph 5 of Section 92-d provides as follows:

5. Revenues in any special account in the municipal assistance tax fund shall be kept separate and shall not be commingled with any other moneys in the custody of the comptroller. All deposits of such revenues shall, if required by the comptroller, be secured by obligations of the United States or of the state having a market value equal
at all times to the amount of such deposits and 
all bank and trust companies are authorized to 
give security for such deposits. Any such revenues 
in such fund may, in the discretion of the comp-
troller, be invested in obligations of the United 
States or of the state or in obligations the 
principal of and interest on which are guaranteed 
by the United States or by the State. (Emphasis added.)

The First General Bond Resolution implements these statutory 
provisions. The Resolution requires (in Section 607) certifi-
cation by the Corporation to the State Comptroller for 
quarterly payments to be made by the Comptroller to the 
Corporation—on or before January 12, April 12, June 30 and 
October 12 of each year. The Resolution further establishes 
the Operating, Debt Service and Capital Reserve Funds 
(Section 602), requires the application of payments to the 
appropriate fund (Section 603), and pledges the Debt Service 
and Capital Reserve Funds to the payment of principal and 
interest on obligations issued by the Corporation under that 
Resolution (Section 601).

For Second Resolution Bonds, Section 3036-a of the MAC Act 
contains provisions parallel to those of Section 3036 with 
regard to periodic certification by the Corporation and 
payment by the Comptroller of amounts from the Special 
Account in the Municipal Assistance Tax Fund and the Stock 
Transfer Tax Fund for deposit in the Corporation's Capital 
Reserve Aid Fund, Bond Service Fund and Operating Fund, as 
appropriate. Section 3036-a further establishes similar 
procedures for certification and payment of monies from the 
Municipal Assistance State Aid Fund, and the Special State 
Aid Account therein, which Account consists of State Per 
Capita Aid appropriated by the State and otherwise payable 
to the City. The Municipal Assistance State Aid Fund is 
governed by Section 92-e of the State Finance Law, which 
contains provisions pertaining to that Fund regarding 
establishment, custody, investment and prohibition against 
commingling substantially the same as those contained in 
Section 92-d (applicable to the Municipal Assistance Tax 
Fund), as quoted above.

The Second General Bond Resolution (in Article VI) implements 
the statutory provisions regarding certifications, and 
establishes the Bond Service Fund and the Capital Reserve 
Aid Fund, and pledges those funds to the payment of the 
principal and interest on bonds issued by the Corporation 
thereunder, subordinate to the pledge of Sales Tax and Stock 
Transfer Tax revenues under the First Resolution.
In summary, the State Comptroller is mandated by statute to establish and maintain the Municipal Assistance Tax Fund, and the Corporation's Special Account therein, and the Municipal Assistance State Aid Fund, and the Corporation's Special State Aid Account therein, in the manner prescribed by the legislation — that is, as separate funds not to be commingled with any other monies held by the Comptroller, and to pay them to the Corporation to the extent duly certified by the Corporation, and to pay any excess to the City in accordance with the schedule set forth in the statutes. The State Commissioner of Taxation and Finance is mandated by statute to establish and maintain the Stock Transfer Tax Fund, and to pay it to the extent certified by the Comptroller to the Comptroller for deposit into the Municipal Assistance Tax Fund (and to pay any excess to the Stock Transfer Incentive Fund and to the City as prescribed in Section 92-i of the State Finance Law). There is no express statutory prohibition against commingling the Stock Transfer Tax Fund with other monies in the custody of the Commissioner, and no express investment authority conferred upon the Commissioner with regard to that Fund.

The Corporation's First and Second General Bond Resolutions provide that the failure of the State to maintain the existence of any of these three funds (and the appropriate special accounts) shall constitute an event of default, with respect to the Municipal Assistance Tax Fund and the Stock Transfer Tax Fund under Section 1202(g) of each of the Resolutions, and with respect to the Municipal Assistance State Aid Fund under Section 1202(h) of the Second Resolution. However, the Resolutions do not state that it shall be an event of default if the State fails to comply with the statutory restrictions regarding the manner in which it is required to hold and invest the monies in those funds and accounts.

The Corporation's offering documents and reports have described this funding structure and flow in varying degrees of detail, most succinctly in the "Flow of Revenues" chart contained in its most recent Annual Report and its Official Statements beginning with Series 19 (copy attached).

Actual Practice

The Department of Audit and Control reported to the Corporation on May 12, 1980, that each of the three funds and two special accounts described above was maintained by the Comptroller on an accounting basis. However, the Department further reported that the actual monies or securities comprising each such fund and account were on deposit in the "General Checking Account" of the State of New York maintained by the Comptroller at the Key Bank in Albany. This information was
communicated to me in a telephone conversation by C. Kevin O'Donoghue, Administrative Director of the Division of Audits and Accounts. He further reported that this checking account also included all monies of the State's General Fund, along with monies of 14 special funds (including the three funds relating to the Corporation). He stated that he believed that this had been the continuous practice of the Comptroller since the inception of the Corporation in June 1975, and believed that the practice had been implemented for the purposes of management and maximization of return on monies held by the Comptroller.

Additional inquiry was then made with regard to the Stock Transfer Tax Fund, inasmuch as it is by statute in the custody of the Commissioner of Taxation and Finance rather than the Comptroller. Both Mr. O'Donoghue of Audit and Control and Abram J. Cuttler of the Treasury Division of Taxation and Finance informed me that the monies in that Fund have been regularly transferred from the Commissioner to the Comptroller for investment purposes, pursuant to Section 98-a of the State Finance Law, which permits the Comptroller to invest "any monies in any fund or account of the state ... the investment of which is not otherwise authorized and which are not immediately required," in accordance with certain statutory investment specifications.

The actual flow of Sales Tax revenues was described to me with regard to collection by Mr. Cuttler and by Robert W. Bouchard, Deputy Commissioner and Treasurer of the Department of Taxation and Finance, and with regard to investment and payment by Mr. O'Donoghue. Upon receipt by the Department of Taxation and Finance, Sales Tax payments, which are submitted with returns which combine the general State sales tax, the Special State Sales Tax within New York City, and various other sales taxes imposed by localities throughout the State, are deposited into a non-interest-bearing "collection" account in one of eight banks around the state. These deposits, pursuant to Section 7 of the State Finance Law, constitute payments into the State treasury, from which monies can be paid out only on warrant of the Comptroller. Taxation and Finance furnishes the Comptroller a periodic certification of the amounts which are to be credited by the Comptroller to each account or fund -- e.g., the Municipal Assistance Tax Fund. The Comptroller periodically aggregates these eight accounts and other Taxation and Finance collection accounts into a single interest-bearing "State Revenue Account" in the State Bank of Albany. Out of that account, the Comptroller withdraws monies and directs them in one of three ways: (1) pays to each local government (other than New York City) the amount attributable to its share of the tax collections in the account; (2) deposits the State's own
portion of the tax collections into the State's General Checking Account in the Key Bank and enters that deposit on the Comptroller's books of account to the credit of the State's General Fund; and (3) deposits the amount attributable to the sales tax imposed within New York City into the same State General Checking Account and enters that deposit on the Comptroller's books of account to the credit of the Municipal Assistance Tax Fund and to the Special Account of the Corporation within that fund. Monies which the Comptroller receives from State Per Capita Aid otherwise payable to New York City and from the Stock Transfer Tax Fund in the custody of the Commissioner of Taxation and Finance are also deposited periodically by the Comptroller in the same General Checking Account, and entered on the Comptroller's accounts as credits to the Municipal Assistance State Aid Fund (and to the Special State Aid Account therein) and the Stock Transfer Tax Fund, respectively.

Corrective Actions

I emphasized to Mr. O'Donoghue that the reported treatment of the Sales Tax and Per Capita Aid revenues by the Comptroller appeared to be in direct contravention of the letter of the law which required discrete accounts to be kept for the Municipal Assistance Tax Fund and the Municipal Assistance State Aid Fund, and for each of the special accounts therein, and that the Stock Transfer Tax Fund should be similarly segregated.

Mr. O'Donoghue agreed that separate accounts were required, and stated that the Chief Deputy Counsel to the Comptroller, Calvin M. Berger, concurred in that judgment. Accordingly, we agreed upon a three-point approach to correcting the situation. First, the Department of Audit and Control will establish three separate bank accounts and will deposit in them the appropriate amounts now on deposit in the General Checking Account to the credit of the Special Account in the Municipal Assistance Tax Fund, the Special State Aid Account in the Municipal Assistance State Aid Fund, and the Stock Transfer Tax Fund in the custody of the Commissioner of Taxation and Finance, respectively. Mr. O'Donoghue agreed to do so as expeditiously as possible, and within one week at the latest. I stressed that these actions should be given the highest possible priority.

Second, Audit and Control will establish permanent procedures for prospective operation of the flow of the three revenues in accordance with the State statutes. I indicated that we would like to review those procedures, along with the related collection and transfer procedures of Taxation and
Finance, within the next two weeks, and that our review might involve the Corporation's independent accountants, Price Waterhouse & Co. He agreed that such a review would be appropriate, in light of the circumstances.

Third, Audit and Control will commence an accounting of each of the three funds, including the interest earnings thereon, from their inception, in order to determine whether all interest earnings were correctly credited to the appropriate fund for the benefit of the Corporation and the City. He pointed out that such an accounting would probably take some time, and I agreed that this undertaking should be given a lower priority than the other two steps.

Considerations

I have discussed these developments with Allen Thomas of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, and Donald Robinson and John Keohane of Hawkins, Delafield & Wood, Bond Counsel to the Corporation, as well as with you.

It was agreed that the past actions of the State Comptroller with regard to the special funds and accounts appeared to be a clear violation of the provisions of State law requiring segregation of monies, although that violation has never adversely impacted the payment of monies by the State Comptroller to the Corporation in full compliance with its periodic certifications of cash requirements. It was agreed that the procedure for correcting the situation outlined above appeared to be adequate, but that we would closely monitor its progress. It was agreed that there appeared to be no disclosure requirement at present, because corrective action was already under way and was expected to be completed within a few days, and because the Corporation was not currently circulating or preparing any official statement in connection with an offering. It was agreed that there was no requirement at present to notify the Trustee, inasmuch as the funds which were improperly handled by the Comptroller were not funds which were pledged to the payment of the bonds under our resolutions. It was also agreed that the Comptroller's actions did not appear to be a failure to maintain the special funds and accounts and thus did not constitute an event of default under the resolutions. Furthermore, even if it were argued that the State's actions constituted an event of default, it was agreed that the Trustee was authorized to proceed with one of the remedies prescribed in the resolutions only upon the "happening and continuance" (emphasis added) of an event of default, and steps were already under way to correct the conduct in question.
Finally, there appeared to be no issue relating to the Corporation's periodic financial reports raised by these developments, according to Harris A. Decker, our Treasurer, and therefore no requirement at present to notify Price Waterhouse & Co.

We should consider two additional and related points. First, the statutes governing the respective funds include investment powers and restrictions. As a part of the new procedures and periodic reporting on the funds, we may wish to specifically require information from the Comptroller as to investments in those funds, in order to ensure compliance with the statutory constraints.

Second, the statutes for the Municipal Assistance Tax Fund [in 92-d(5)] and the Municipal Assistance State Aid Fund [in 92-e(4)] proscribe commingling with any other monies, and provide a very limited range of investments (obligations of or guaranteed by the State of New York or the United States). However, the statute governing the Stock Transfer Tax Fund [92-b] does not proscribe commingling, and permits investments in accordance with certain of the Comptroller's general investment powers of Section 98, which are considerably broader (including obligations of certain State authorities and of local governments in the State). The reason for this difference appears to be historical; the statutes relating to the Stock Transfer Tax Fund on these points pre-date the establishment of the Corporation and the other two funds in 1975 and were not amended at that time to conform to the others in these two respects. Therefore, we should consider either a statutory amendment which would treat the Stock Transfer Tax Fund the same as the other two funds with regard to both commingling and investment, by adding a new paragraph to Section 92-b which would contain language parallel to that of Section 92-d (5) and 92-e(4), or an agreement by the Comptroller to hold and invest the Stock Transfer Tax Fund monies in accordance with such constraints. Either approach would require similar treatment by the Comptroller for all of the State funds which contain revenues available to the Corporation.

You indicated that you would advise the Deputy State Comptroller, R. Wayne Diesel, of the Corporation's extreme concern, and urge him to expedite the three-step plan of corrective action outlined above. You also said that you would inform the Chairman of the Corporation and the Chairman of the Finance Committee of these developments.

Attachment

cc: John G. Bove, Esq.
Maxine H. Gillman, Esq.
John J. Keohane, Esq.
Donald J. Robinson, Esq.
Allen L. Thomas, Esq.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by State Legislature
2. Upon certification by the Corporation
3. And operating expenses of the Corporation
4. After deduction of the amounts needed for First Resolution debt service and capital reserve funding and operating expenses
5. After payment of all amounts certified by the Corporation and after payment of rebates of the Stock Transfer Tax, and without flowing through the Corporation's Funds held by the Trustee.
9 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding transfer of money on deposit in the Corporation's Operating Fund Account.

You were instructed to transfer on May 12, 1980, $104,000.00 from the Corporation's Operating Fund Account to the Corporation's Checking Account #29 0029 7 at the United States Trust Company of New York.

Sincerely,

Harris A. Decker
Treasurer

cc: William J. Lithgow
    Pat Santivasci
May 7, 1980

MEMORANDUM FOR: John McLaughlin


SUBJECT: MAC Bond Purchase Agreement

Section 3.1(b) of the MAC Bond Purchase Agreement provides, as a condition precedent to the obligation of the parties there-to, that 90% of all guaranteed bonds scheduled to be purchased pursuant to the Guaranteed Bond Purchase Agreement must have been purchased unless the failure arises solely because of the credit elsewhere test and the Secretary shall so state. This provision may require the Secretary to make all the Guarantee Act findings except for the credit elsewhere finding in the event that purchases of the guaranteed bonds are scheduled in FY 1981 and 1982, even on a standby basis. In the event that they are not scheduled it may be possible to avoid making all the other findings. Alternatively, it may be appropriate to schedule the standby guarantees either contemporaneously with a MAC take-down since many of the findings are required under the Pension Fund Act, or in one shot late in the year to reduce the workload.

You should arrange to discuss this problem with MAC and the bank counsel so that a common approach could be developed.

CC: Mr. Altman
    Mr. Holander
Date: 7 May 1980

To: Robert F. Vagt

From: Andrew Decker

Re: Supplemental Information Relating to "Future Financing Alternatives" Memorandum dated April 30, 1980

Attached are two schedules which present certain supplemental information relating to the effects of Scenario One and Two financing plans as detailed in a memorandum to you dated April 30, 1980, titled "Future Financing Alternatives." Each schedule displays the aggregate (First and Second General Bond Resolutions) MAC debt issued for statutory purposes after each of fiscal years 1980 to 1985. Note that the present statutory issuance limitation is $8.8 billion. In addition, each schedule displays the estimated debt outstanding after each of fiscal years 1980 to 1985. The only present limitation on outstanding indebtedness is Section 4.3(a) of the MAC Bond Purchase Agreement which limits continued First and Second Resolution indebtedness to $8.8 billion. Each schedule also displays the estimated coverage ratios as shown in Appendices A and B of the memorandum.

Attachments
<table>
<thead>
<tr>
<th>Year</th>
<th>Limitation Present</th>
<th>Limitation Proposed</th>
<th>Debt Service</th>
<th>Debt Service Total</th>
<th>Net Revenues</th>
<th>All Revenues</th>
<th>Ratios</th>
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<tr>
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<td>8,000</td>
<td>10,634</td>
<td>7,737</td>
<td>6,376</td>
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<td>8,717</td>
<td>7,671</td>
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<td>6,668</td>
<td>6.41</td>
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<td>9,338</td>
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<td>6,668</td>
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<td>9,231</td>
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<td>7,819</td>
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<td>6.50</td>
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<td>1985</td>
<td>10,227</td>
<td>11,296</td>
<td>10,125</td>
<td>8,541</td>
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<td>8,541</td>
<td>6.50</td>
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<td>1986</td>
<td>11,012</td>
<td>11,796</td>
<td>10,966</td>
<td>8,735</td>
<td>8,735</td>
<td>8,735</td>
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<td>1987</td>
<td>11,796</td>
<td>12,404</td>
<td>11,634</td>
<td>8,928</td>
<td>8,928</td>
<td>8,928</td>
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<td>1988</td>
<td>12,581</td>
<td>13,120</td>
<td>12,274</td>
<td>9,115</td>
<td>9,115</td>
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<td>6.50</td>
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(In $ Millions)
<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Service</th>
<th>Total Mac</th>
<th>Reated to Sales Tax Only</th>
<th>1st Resolution Ratios</th>
<th>2nd Resolution Ratios</th>
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</thead>
<tbody>
<tr>
<td>1980</td>
<td>8,800</td>
<td>11,087</td>
<td>9,330</td>
<td>11,087</td>
<td>7,644</td>
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<td>13,359</td>
<td>12,276</td>
<td>12,276</td>
<td>10,296</td>
</tr>
<tr>
<td>1984</td>
<td>1984</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(\textit{In $ millions})

\textbf{SCENARIO TWO FINANCING PLAN}

Estimated Coverage

Paying each year

Issuance during Debt Outstanding

Redemptions

Issuance of debt after completion of debt service
Date: 6 May 1980

To: Malcolm J. Hood and Amy S. Vance

From: Stephen J. Weinstein

Re: Solicitation of Tenders

Enclosed for your review is a letter we have drafted to accompany unaccepted bonds to be returned by you to the persons who tendered them.

Enclosure
8 May 1980

Dear Sir or Madam:

The United States Trust Company of New York (the "Trust Company") is returning to you with this letter the bond(s) which you delivered in response to the Solicitation of Tenders of April 28, 1980, of the Municipal Assistance Corporation For The City of New York (the "Corporation"). The Corporation did not accept the bond(s) which you tendered.

For your information, the results of that Solicitation of Tenders, which was undertaken to satisfy mandatory sinking fund requirements for the Corporation's 8% 1975 Series 1 through 4 Bonds, are summarized below.

Bonds of those Series in the aggregate principal amount of $7,770,000 were required to complete the mandatory sinking fund installments totalling $39,595,000 for July 1, 1980. In response to the Solicitation of Tenders of April 28, 1980, Bonds totalling $15,940,000 principal amount were tendered to the Corporation, at prices ranging from $92.00
6 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding transfer of money on deposit in the Corporation's Operating Fund Account.

You were instructed to transfer on May 7, 1980, $9,500.00 from the Corporation's Operating Fund Account to the Corporation's Checking Account #29 0029 7 at the United States Trust Company of New York.

Sincerely,

Harris A. Decker
Treasurer

HAD: big

cc: William J. Lithgow
    Pat Santivasco
6 May 1980

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038

Attention: Malcolm J. Hood
Senior Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding investment of moneys available in the Capital Reserve and Capital Reserve Aid Funds established under the First and Second General Bond Resolutions, respectively.

You were instructed to purchase, with moneys available in the Capital Reserve Fund, on April 30, 1980, from Merrill Lynch Government Securities, Inc., for settlement on May 1, 1980, $4,000,000 par value of United States Treasury Notes due April 30, 1982, with a coupon of 11-3/8% at a price of 101.3125% of par, plus accrued interest.

You were further instructed to purchase, with moneys available in the Capital Reserve Aid Fund, on April 30, 1980, from Merrill Lynch Government Securities, Inc., for settlement on May 1, 1980, $2,000,000 par value of Federal Home Loan Bank Notes due October 25, 1983, with a coupon of 14.05% at a price of 108.5% of par, plus accrued interest.

The Corporation confirms that in issuing such instructions it has taken into consideration the dates and times when moneys in the Capital Reserve and Capital Reserve Aid Funds, established under the First and Second General Bond Resolutions, respectively, will be required so that the maturity or redemption date at the option of the holder of each such investment shall coincide as nearly as practicable with but in no event later than such times at which moneys in the Capital Reserve Aid Fund will be required for Second General
Bond Resolution purposes. In addition, the Corporation has taken into consideration the maximization of return and the minimization of risks.

Sincerely,

Harris A. Decker
Treasurer

HAD:jar

cc: John J. Keohane, Esq.
    William J. Lithgow
    Pat Santivasci
    Allen L. Thomas, Esq.
    Amy S. Vance, Esq.
    Stephen J. Weinstein, Esq.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

6 May 1980

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
30 West Broadway
New York, New York 10015

Attention: Mr. Edwin F. McMichael
Vice President

Gentlemen:

This is to confirm oral instructions issued to you regarding the investment of moneys available in the Municipal Assistance Corporation For The City of New York Guaranty Fund (#M 95 78).

You were instructed to purchase on May 1, 1980, for cash settlement on May 1, 1980, from William E. Pollock Government Securities, Inc. $100,000 par value United States Treasury Bills due July 31, 1980 with a discount of 10.26% of par with moneys available in the Guaranty Fund.

Sincerely,

Harris A. Decker
Treasurer

HAD: jar

cc: G. William Miller
    James Beams
    William J. Lithgow
    Robert Mundheim, Esq.
    Allen L. Thomas, Esq.
6 May 1980

Donald J. Robinson, Esq.
Hawkins, Delafield & Wood
67 Wall Street
New York, New York 10005

Dear Don,

In advance of our long sought meeting to discuss the ever popular issue of legal fees, I thought I would give you an opportunity to reflect upon the fee structure the Corporation proposes for your firm. The enclosed chart depicts the proposed hourly rates for various categories of professionals. It also projects the average or "effective" hourly rate the individual rates will yield. The assumptions on which effective rate is based are set out in the footnotes.

After you have had an opportunity to consider the proposal, Bobby and I would be happy to discuss it with you. Both he and I will be away the week of May 12. If it is not possible for us to meet this week, we will be available again beginning the week of the 19th.

Very truly yours,

John G. Bove
Counsel

JGB:jar
Enclosure
## Proposed Rates

<table>
<thead>
<tr>
<th>Present</th>
<th>Associates' Rates (1)</th>
<th>Partners' Rates</th>
<th>Effective Hourly Rate (2)</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>65 to 110</td>
<td>140 to 225</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>80 95 110</td>
<td>125</td>
<td>104.00</td>
<td>4.0%</td>
</tr>
<tr>
<td>1981</td>
<td>85 100 110</td>
<td>130</td>
<td>108.25 (3)</td>
<td>4.1%; 8.3% overall</td>
</tr>
</tbody>
</table>

(1) The proposed categories are based upon experience levels, i.e. less than 3 years experience, 3 to 4 years experience, and 5 or more years, respectively. Generally, associates will be eligible for consideration for partner during the 7th or 8th year.

(2) This rate is based on staffing patterns existing today, and takes into consideration the progression associates to higher rate categories. It also assumes that the time allocations among partners and associates will remain at 32% to 68%, respectively.

(3) This assumes that John Kechane will be a partner during all of the Corporation's 1981 fiscal year, and that the time billed at partner rates will increase to 42%, and that no associates billed at $110 per hour will be assigned to MAC after John's progress to partner. If John were not to progress and were billed at $110 per hour during all of FY 1981, the HDW effective hourly rate would be $108.00.
FOR IMMEDIATE RELEASE: Monday, May 5, 1980 a.m.

CONTACT: Stephen J. Weinstein,
        Deputy Executive Director

The Municipal Assistance Corporation For The City of New York announced today the successful completion of its Solicitation of Tenders to satisfy mandatory sinking fund requirements for the Corporation's 8% 1975 Series 1 through 4 Bonds.

Bonds of those Series in the aggregate principal amount of $7,770,000 were required to complete the mandatory sinking fund installments totalling $39,595,000 for July 1, 1980. In response to the Solicitation of Tenders of April 28, 1980, Bonds totalling $15,940,000 principal amount were tendered to the Corporation, which were offered at prices ranging from $92.00 per $100 to par.

The Corporation accepted tenders of Series 1 Bonds at prices up to $95.00 per $100, Series 2 Bonds at prices up to $99.00 per $100, Series 3 Bonds at prices up to $97.00 per $100, and Series 4 Bonds at prices up to $97.00 per $100. The average price for all Series 1 through 4 Bonds tendered which were accepted by the Corporation was $97.04 per $100.

Bonds which were tendered pursuant to guarantees of delivery must be delivered to the United States Trust Company of New York, 130 John Street (third floor), New York, New York 10038, by Noon, Eastern Daylight Time on Tuesday, May 6, 1980.

The settlement date for Bonds tendered, delivered and accepted will be Thursday, May 8, 1980, at which time checks for the purchase price of accepted Bonds, along with Bonds which were tendered but not accepted, will be either mailed or available for pick-up, in accordance with the instructions furnished by the persons submitting the tenders.

The Corporation also announced that it had completed its open market purchase program to fulfill the July 1, 1980 mandatory sinking fund requirements for its 7 1/2% 1977 Series 8 and 9 Bonds, aggregating $26,050,000. The Corporation reported that the debt service savings to the Corporation from its Solicitation of Tenders and its previous purchases of the Series 1 through 4 Bonds, together with the Series 8 and 9 Bonds, totalled approximately $4.5 million.

###
2 May 1980

PRICE WATERHOUSE & CO.
153 East 53rd Street
New York, New York 10022

Dear Sirs:

We confirm, to the best of our knowledge and belief, the information and opinions set forth below which we have given you with respect to the unaudited financial statements of the Municipal Assistance Corporation For The City of New York (the "Corporation") for the nine-month period ended March 31, 1980.

The representations made to you in our letter of July 27, 1979 are equally applicable to the unaudited financial statements for the nine-month period ended March 31, 1980 as regards:

1. Liabilities (direct or contingent), commitments and agreements at March 31, 1980, all of which of which we are aware, have been described in the financial statements. As a result of a review by the New York State Department of Audit and Control of certain printing charges for services rendered to the Corporation during prior fiscal years, the Corporation has determined that $105,359 of the amount which it had accrued for the payment of such expenses is not required and has adjusted the accounts accordingly.

2. Assets, all of which are described in the financial statements, except as described in paragraph 3.

3. As a result of certain exchanges and payments to the City of New York (the "City") the Corporation has received, and currently holds, certain City obligations as more fully described in Note 7 to the financial statements. At March 31, 1980, City notes held by the Corporation totalled $225 million and City bonds totalled $589 million.
4. During the quarter ended March 31, 1980, the Corporation received approximately $29.4 million from the City which represents interest due on City obligations which it held. Any amounts received as payment on City obligations have the effect of reducing the amounts to be funded from the Corporation's other sources. The Corporation, in making its certification for funds, is required to exclude from consideration any amounts it expects to receive as payment on City obligations until such amounts are received. Accordingly, the City obligations held have not been included in the accompanying Statement of Financial Position.

5. In connection with the issuance of Federally-guaranteed City obligations, a Guaranty Fund has been established by the Corporation. The moneys on deposit in the Guaranty Fund, up to a specified amount, are available for the benefit of the United States of America in the event the City is unable to meet debt service requirements on certain City obligations for which the payment of principal and interest is guaranteed by the United States of America. Such specified amount is presented as a liability of the Corporation ($40,594,019 at March 31, 1980). To the extent moneys on deposit in the Guaranty Fund exceed the amount required, the Corporation is entitled to withdraw such excess from the Guaranty Fund and the United States of America has no further claims on such moneys. At March 31, 1980, no claim has been asserted. Moneys on deposit in the Guaranty Fund are invested in direct obligation of the United States of America.

6. The Corporation, together with the City, has developed a four-year debt issuance plan to provide for the City's long-term financing requirements through 1982. Under the plan, the Corporation is expected to have issued approximately $1.8 billion of its bonds pursuant to an agreement among the Corporation, various commercial banks, savings banks, insurance companies and New York City Pension Funds during the fiscal years 1979 through 1982. Proceeds from these sales are expected to provide for a significant portion of the City's long-term financing requirements during the four-year period.
The Corporation has sold $948.5 million of its Second General Bond Resolution Bonds during the first nine months of fiscal year 1980 as follows:

(millions)

<table>
<thead>
<tr>
<th>Series</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>132.2</td>
</tr>
<tr>
<td>17</td>
<td>103.1</td>
</tr>
<tr>
<td>18</td>
<td>73.9</td>
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<tr>
<td>19</td>
<td>90.0</td>
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<tr>
<td>20</td>
<td>64.3</td>
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<td>21</td>
<td>209.7</td>
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<tr>
<td>22</td>
<td>150.3</td>
</tr>
<tr>
<td>23</td>
<td>125.0</td>
</tr>
<tr>
<td></td>
<td><strong>$948.5</strong></td>
</tr>
</tbody>
</table>

Another component of the Debt Issuance Plan is the Agreement to Guarantee which provides, subject to various terms and conditions, for the United States of America to guarantee the payment of principal and interest of up to $1.65 billion of City bonds which various City and State pension funds have agreed to purchase, also subject to various conditions. The agreement also provides that the Corporation will establish a Guaranty Fund. (See Note 5 above.)

7. The Corporation's responsibilities, pursuant to the requirements of the Act, for the oversight of the City's financial affairs are substantially similar to the responsibilities of the Office of Special Deputy Comptroller (the "OSDC") and the Financial Control Board (the "FCB"). To avoid duplication of efforts, the Corporation has contracted to reimburse the OSDC for the cost of providing certain oversight services of the City's financial affairs. Certain other oversight services are to be performed by the staff of the FCB at an annual cost to the Corporation not to exceed $1.2 million. The Corporation has been informed by the New York State Department of Audit and Control that approximately $91,000 of fringe benefit costs relating to the quarter ended March 31, 1978 may not have been properly reflected as chargeable to the operations of the OSDC. The Corporation may be liable for the reimbursement of a portion of that amount.
8. Investments in marketable securities of the Debt Service Fund are carried at cost. Securities in the Capital Reserve Fund are carried at amortized cost, which exceeded market value by approximately $104.9 million at March 31, 1980.

9. Minutes of the meetings of the Board of Directors made available to you in draft form through May 2, 1980 represent all minutes of such meetings for the period commencing July 1, 1979 and ending May 2, 1980.

The unaudited financial statements for the nine-month period ended March 31, 1980 have been prepared in conformity with generally accepted accounting principles applied for each such period on a basis consistent in all material respects with that followed in the preparation of financial statements for the year ended June 30, 1979 and we are not aware of any matters or occurrences up to the present time which would materially affect such statements.

Sincerely,

[Signature]

Robert P. Vagt
Executive Director

[Signature]

Harris A. Decker
Treasurer

RFV: HAD: bba
1 May 1980

CHAS. UNTRACHT & SONS
2605-9 Pitkin Avenue
Brooklyn, New York 11208

ATT: Charlie

Gentlemen:

Enclosed are the four (4) forms we discussed in our telephone conversation of today.

The 8-1/2" x 11" pages will total $27.50 each for 100 copies. The over-sized pages will total $90.00 for 100 copies each. Our total order will be $145.00.

This letter will also serve to reiterate MAC’s tax exempt status.

As we discussed, this order will be completed and returned to us the week of May 5.

Please do not hesitate to contact me if you have any further questions.

Cordially,

Linda D.

Linda S. Dinkin
Assistant to Executive Director

LSD/rjh

enclosures (4)
1 May 1980

Georgian Press, Inc.
175 Varick Street
New York, New York 10014

Attention: Mr. Stan Katcher

Gentlemen:

This letter is to authorize the printing services for publication of the Municipal Assistance Corporation's report for the quarter ended March 31, 1980, in accordance with specifications furnished to you by Ralph J. Kellner and Associates, Design consultant to the Corporation, and in accordance with your estimate of charges dated April 21, 1980, and attached hereto.

Sincerely,

[Signature]
Stephen J. Weinstein
Deputy Executive Director

SJV:blg
Attachment
**ESTIMATE**

**Date**
April 21, 1980

**TO** Municipal Assistance Corp. for the City of New York

One World Trade Center
New York, N.Y. 10048 Suite 8901

**ATTENTION**
Mr. Andrew Decker

**Quantity and Description**
6,000
Quarterly Report
Size 3 3/4 x 9

**Number of pages**
40 pgs.

**Composition**
You to supply

**Artwork and Copy**
You to supply

**Presswork**

**TEXT**
Four color process two sides.

**Paper Stock**

<table>
<thead>
<tr>
<th>INSIDE</th>
<th>70 lb. dull coated</th>
</tr>
</thead>
</table>

**Cover**
65 lb. white Torino Cover

**Finishing**
Score cover, bind with text with two saddle stitches.

**Delivery**
F.O.B., New York City

**Terms**

Price: $5,610.00

6,000 #10 envelopes on 24 lb. Crane's Crest...$499.00

**REMARKS**
We to submit two blueprints

**Very truly yours,**

THE GEORGIAN PRESS INC.

Stan Katcher

**COVER**
Two colors on front, one color on back.
1 May 1980

ATTORNEY'S PHOTO
11 Broadway
New York, New York 10004

ATT: Joe Keyes

Dear Joe:

Enclosed are the forms which we discussed this morning. Attached to each form is the number of copies necessary plus information as to whether or not we need the copies with holes punched.

This letter also reiterates MAC's tax exempt status for your records.

Please provide us with an invoice notation "Administrative" with the completed project. (Total cost $42.00.)

Please do not hesitate to call me if you need additional information.

Cordially,

Linda D.

Linda S. Dinkin
Assistant to the Executive Director

LSD/rjh

enclosures (6)
1 May 1980

To: Robert F. Vagt

From: Chris H. Richmond

Re: City Budget picture according to J. Brigham, OMB

1981 - Using Jim Brigham's assumptions

Plan: Baseline Revenues 13,255
      Baseline Expenditures 13,932
      PLAN Gap (677)

Additional Revenues:
  1980 carry-forward 20
  Real Estate 20
  Energy 5
  MAC 17
  HHC one shots 20
  HHC-fund wage settlement 18
  Fed aid to distressed cities 50

  150 + 13,255 = 13,405

Additional Expenditures:
  Wages 280

Less: non-contributory pensns (92)

  188 * 13,932 = 14,120

  gap (715)

  Planned PEG (total) 677 *

J. Brigham's remaining gap (38)

1981 is clearly tight, but can be done. If one assumes
the $50 million in aid to distressed cities is not real
(which is probable for 1981) then his budget gap becomes
$88 million. However, I think he has understated his tax
revenue growth substantially enough to offset the $88 million
budget hole.

* The planned PEG amount includes $100 in State
education aid - although not included in Jim's
assumptions, one must assume this amount to
reach J.B.'s ($38) budget hole. Otherwise the
hole would be ($138).
1982

Plan:  Baseline Revenues  13,421
       Baseline Expenditures  14,491
       PLAN Gap           (1,070)

Additional Revenues:

  1980 Carry-forward    20
  Real Estate           40
  Econ Sens Taxes       100
  State Educ aid       100
  Energy               18
  MAC                  17
  HHC one shots        --
  HHC wage settlement  59
  Fed aid to distressed cities  50
  Moynihan Bill        201
                       605

Additional Expenditures:

  Wages            677
  Less:  non-contri. pensions (162)
  Elimin. gen'l reserve (100)
                       415

Revenues: $605 + $13,421 = $14,026
Expenses: $415 + $14,491 = $14,906
          $   (880)

PEG          683

J. Brigham's remaining gap $(197)
MEMORANDUM
CHR/RFV
1 May 1980
Page Three

Another way to look at it: (using Brigham's assumptions on Federal and State aid).

Revenues: $254 + $13,421 = $13,675 (new F/S aid below line)
Expenses: $415 + $14,491 = $14,906
           $(1,231)
PEG Expenditure reductions 414
PEG new revenues (fees, taxes) 199
State aid carry-forward 70
          $(548)
Federal aid (Moynihan/impact) 251
State Education Aid 100
          $(197)

This scenario indicates he will have to do most of his PEG expenditure reductions and counts on new Federal aid of $251 million still leaving him a hole of $197 million.

If you assume full PEG Plan (F/S aid at $410 million and other actions at $660 million) then the budget hold looks like this:

Revenues: $254 + $13,421 = $13,675
Expenses: $415 + $14,491 = $14,906
           $(1,231)
F/S aid 410
City PEG Plan $660
           1070
           1,070
           $(161)

This assumes of course that all expenditure reductions are made, the State provides $170 million in aid, the Feds $240 million. Although he still has a relatively small hole, he takes care of a wage settlement similar to the Transit package.