New York Local Government Assistance Corporation

Proposed Mission Statement

Created on June 11, 1990, the New York Local Government Assistance Corporation's ("Corporation") mission consists of three main goals, which, when met, directly benefit the State, the City of New York and other local governments and school districts. The goals are identified as follows: 1) The issuance of up to $4.7 billion in long-term Corporation bonds to finance certain local assistance payments due from the State of New York (as well as certain other amounts necessary for the issuance of such LGAC bonds) to help eliminate the State's reliance on the annual issuance of intra-year tax and revenue anticipation notes (Spring Borrowing); 2) Manage a) the Corporation's debt portfolio through maturity in an attempt to achieve a balance between the lowest cost of funds and appropriate market risk levels while maintaining the exclusion of interest on LGAC debt from federal and State income taxation, b) the Corporation's operational costs efficiently and c) the investment of (i) funds until needed for debt service payments or operating expenses, (ii) monies in the Capital Reserve Fund, and (iii) any escrow funds; and 3) Beginning in 2004, certify on an annual basis through 2034, payments required to be made to the City of New York or its assignee from the Local Government Assistance Tax Fund.

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Proposed Measurements

Measurement of goal #1:

Q. 1. What is the total amount of bonds issued by the Corporation?

LGAC issued the last of the long-term bonds authorized by statute in SFY 1995-96. The bond proceeds were used for the statutorily authorized purposes. Therefore, LGAC has concluded this component of its mission.

Measurement of goal #2:

Q. 1. Has the Corporation ensured that debt service and related support payments relative to the Corporation's bonds have been made accurately and in a timely manner?

Q. 2. Has the Corporation assessed its portfolio and market conditions to determine if any actions (including, but not limited to conversions, liquidity facility replacement, or refundings) are needed to lower costs or manage risk?

Q. 3. Has the Corporation worked with Bond Counsel to insure that it took steps necessary to maintain the exclusion from income taxes of interest on Corporation debt?

Q. 4. Has the Corporation effectively managed the investment of its funds?

Q. 5. Has the Corporation ensured that its operations were run efficiently?

During fiscal year 2009-2010, the Corporation made all debt service and related portfolio support payments, as it has done in all previous years, accurately and in a timely manner.

The Corporation manages its existing debt portfolio to strategically minimize risk and maximize value while adhering to all notices and any other requirements of each bond series' underlying documents, which may include policies of municipal bond insurance. In the case of variable rate debt, this can also include adherence to liquidity facility, remarketing and/or broker-dealer agreements.

In June 2009 and August 2009, the Corporation completed two transactions to address certain expiring liquidity facilities, the increased cost of liquidity facilities and to reduce liquidity renewal risk. The transactions also provided the Corporation with greater flexibility relative to the management of its bond portfolio. As a result of the June transaction, the Corporation eliminated liquidity renewal risk and support costs for $284.995 million of bonds and also reduced swap counterparty exposure by 48.2 percent to a swap counterparty that by virtue of its rating would require daily collateral posting to the extent a payment would be owed the Corporation upon termination. As a result of the August transaction, the Corporation reduced interest rate expense by removing the FSA bond insurance from $40.885 million of its VRDBs. Due to the collapse of the municipal bond insurance industry, this insurance policy was driving up the interest costs associated with these bonds.

Additionally, in the first half of the fiscal year, the Corporation began negotiations with its broker-dealers to seek a reduction in the rate upon which the fee for services is calculated during any period where interest is calculated based upon a failed auction. The Corporation concluded negotiations with one of its broker-dealers to reduce its rate in the case of a failed auction, from the then current level of 25 basis points, to five basis points, an 80 percent reduction. The fee will not change for periods wherein interest is set after a successful auction.

With respect to each conversion or issuance of refunding debt the Corporation consults with Bond Counsel and its Financial Advisor to appropriately size the debt service reserve funds related to its bonds to insure that tax requirements are met. The Corporation also utilizes the services of a verification agent where necessary and an arbitrage rebate calculator to ensure that it complies with all rebate and yield restriction requirements. The Corporation also annually reviews available State funds to ensure that tax requirements are met.

The Corporation invests funds on hand until they are needed to make debt service payments or for other operational expenses in accordance with all applicable laws, rules and regulations and its own investment guidelines. The investments guidelines are reviewed and approved by the Board each year. In addition, the Corporation's independent auditor provides a report each year with respect to investment compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York. The Corporation's independent auditor issued an unqualified opinion on this matter for the Corporation's year ending March 31, 2009.

The Corporation's enabling act includes a provision that in order to reduce its operating expenses the Corporation shall, to the extent practicable, utilize existing employees of the state, hiring its own employees only if the necessary functions of the Corporation cannot be performed without the hiring of such employees. Currently, State officers and employees act as officers and staff of the Corporation and receive no compensation from LGAC for services provided to the Corporation. Additionally, in order to build on pre-existing efficiencies, the Corporation has always relied upon state employees to support the functions of the Corporation and has never hired its own employees.

Measurement of goal #3:

> **Q. 1. Has the annual payment due to the City of New York or its assignee, the Sales Tax Asset Receivable Corporation, from the Local Government Assistance Tax Fund been appropriately certified?**

The Corporation accurately and in a timely manner completed the required certification of the payment to be made to the Sales Tax Asset Receivable Corporation during fiscal year 2009-2010 and has done the same for all previous fiscal years, where required.

LGAC Drive/LGAC Board/Mission Statement