

**LOCAL LAWS
OF
THE CITY OF NEW YORK
FOR THE YEAR 1994**

No. 17

Introduced by Council Members Berman, Abel, Ognibene and Stabile (by the request of the Mayor); also Council Members Harrison and Eristoff

A LOCAL LAW

In relation to the sale of delinquent real estate tax receivables in fiscal year 1994.

Be it enacted by the Council as follows:

Section 1. Legislative Intent. The council acknowledges that the city's fiscal 1994 budget contemplates the sale of the right to receive delinquent real estate taxes pursuant to the provisions of Section 99-s, General Municipal Law, which permits the city, acting through its commissioner of finance, to sell any portion of or all its interest in any or all of the city's delinquent real estate tax receivables, pursuant to authorization by the council. The council further acknowledges that the commissioner of finance has received a proposal for a negotiated sale of such receivables, pursuant to the provisions of Section 10, Chapter 261, Laws of New York, 1993. The council acknowledges that a sale of such receivables under the circumstances described below will enable the city to achieve the public purpose of accelerating the city's receipt of payments on account of its real estate taxes.

The council desires to authorize the sale of delinquent real estate tax receivables in the manner set forth below.

§2. Creation of Trust.

(a) The commissioner of finance is hereby authorized to cause a not-for-profit business trust to be organized under the laws of the state of Delaware (the "Tax Collections Trust"), for the public purpose of enabling the city to accelerate its receipt of payments on account of delinquent real estate taxes by purchasing, from the city, all or any portion of the city's delinquent real estate taxes in existence as of May 31, 1994, including interest and penalties accrued thereon (the "Receivables") and collections thereon from the date of such sale to no later than the third anniversary of the date of such sale, including the interest and penalties to accrue thereon (the "Collections"), for consideration consisting of (i) immediately available funds as described in Section 3(d) below and (ii) the Ownership Interest (as defined in the Declaration of Trust) (collectively, the "Purchase Price").

(b) An independent financial consultant to the Trust shall determine, on the date the Underwriting Agreement (as defined in Section 3(c) below) is executed, delivered and confirmed, that the Purchase Price is reasonable, in the context of the financing described

in Section 4 below and under the circumstances present in the market at the time the Notes (as defined in Section 4(a) below) are marked.

(c) The commissioner of finance is authorized to execute and deliver a Declaration and Agreement of Trust relating to Tax Collections Trust, by and between a financial institution, as trustee (the "Trustee"), and the city (the "Declaration of Trust"), in substantially the form submitted to the speaker of the council, together with such changes not adverse to the city or such other changes as may be necessary to provide for the sale of the Receivables and Collections in the manner contemplated hereby, in each case, as the commissioner of finance may determine are necessary and appropriate. Execution of the Declaration of Trust by the commissioner of finance shall be conclusive evidence of such determination.

(d) The city shall not receive any payments with respect to the Receivables, the Collections or the Notes, except pursuant to the Purchase and Servicing Agreement (as defined in Section 3(b) below), although, as holder of the Ownership Interest (as defined in the Declaration of Trust), the city shall be entitled to receive distributions by the Trustee from the assets of the Tax Collections Trust.

§3. Sale of Delinquent Real Estate Tax Receivables. (a) The commissioner of finance is authorized to negotiate to sell, by July 6, 1994, the Receivables and the Collections for the Purchase Price to the Tax Collections Trust; **provided, however**, that the revenues resulting from such sale shall be treated as fiscal year 1994 revenues for accounting purposes.

(b) In connection with the sale of the Receivables, the commissioner of finance is authorized to execute and deliver the Purchase and Servicing Agreement, between the Tax Collections Trust, as Issuer, and the city, as Seller and Servicer (the "Purchase and Servicing Agreement"), in substantially the form submitted to the speaker of the council, together with such changes not adverse to the city or such other changes as may be necessary to provide for the sale of the Receivables and Collections in the manner contemplated hereby, in each case, as the commissioner of finance may determine are necessary and appropriate. Execution of the Purchase and Servicing Agreement by the commissioner of finance shall be conclusive evidence of such determination.

(c) In connection with the sale of the Receivables pursuant to the provisions of the Purchase and Servicing Agreement, the commissioner of finance is authorized to confirm and accept the Tax Collections Trust, Series 1994 Tax Collections-Backed Notes, Underwriting Agreement (the "Underwriting Agreement"), in substantially the form submitted to the speaker of the council, together with such changes not adverse to the city or such other changes as may be necessary to provide for the sale of the Receivables and Collections in the manner contemplated hereby, in each case, as the commissioner of finance may determine are necessary and appropriate. Confirmation and acceptance of the Underwriting Agreement by the commissioner of finance shall be conclusive evidence of such determination.

(d) The commissioner of finance may enter into contractual arrangements with a firm or firms to provide credit support for the Notes, after determining, in conjunction with the determination pursuant to clause (i) of subdivision (f) below, that such credit support is in the best interests of the city.

(e) The cash portion of the Purchase Price shall consist of immediately available funds in the amount not lower than \$175,000,000 and not higher than \$225,000,000.

(f) In connection with execution and delivery of the Purchase and Servicing Agreement and the confirmation and acceptance of the Underwriting Agreement, the commissioner of finance shall: (i) evidence his determination that the sale of the Receivables provides maximum available financial benefits consistent with other objectives and requirements of the city and (ii) obtain the state comptroller's approval of the terms and conditions of such sale as required by said Section 10.

(g) The cash portion of the Purchase Price shall accrue strictly to the city, and the city's use of such cash portion shall not be restricted by the Tax Collections Trust or the Note Trustee (as defined in Section 4(a) below).

(h) The city shall treat the transfer of the Receivables and the Collections to the Tax Collections Trust as a sale pursuant to generally accepted accounting principles.

(i) The city shall not make any payments to the Tax Collections Trust in connection with the Receivables or the Collections except pursuant to the Purchase and Servicing Agreement.

(j) The city shall mark its appropriate records (which may be in the form of a computer tape, microfiche or other electronic or computer device) so that, from and after the time of sale of the Receivables, the city's records shall indicate the Tax Collections Trust's absolute ownership of the Receivables and that the Receivables have been pledged to the Note Trustee.

(k) The city intends that the transfer of the Receivables and the Collections to the Tax Collections Trust, pursuant to the Purchase and Servicing Agreement and this local law, be a sale and not a secured borrowing.

(l) The cash portion of the Purchase Price, as payments on account of real estate taxes, shall be deposited and retained in the general debt service fund to the extent required by section 9-a of the New York state financial emergency act for the city New York.

§4. Financing related to the Sale and Purchase of the Receivables. In order to finance the purchase of Receivables, the Tax Collections Trust is expected to issue its Series 1994 Tax Collections-Backed Notes (the "Notes") pursuant to an indenture between the Tax Collections Trust and a financial institution, as trustee (the "Note Trustee"), consistent with the provisions of the Declaration of Trust and the Purchase and Servicing Agreement and subject to the additional following terms:

(a) the city shall have no equity or other interest in, and shall not control, nor be controlled by, nor be under common control with, the Note Trustee;

(b) the city shall not make any payments to the Note Trustee or the holders of the Notes in connection with the Receivables or the Collections except pursuant to the Purchase and Servicing Agreement;

(c) the city shall not own any of the Notes;

(d) the interest rates on the Notes shall be agreed upon by the Tax Collections Trust and Chemical Securities Inc., based upon the current market rates for comparably rated receivables-backed securities, and the rate of return on the Notes shall not be based on the rate at which the city could obtain a secured loan; and

(e) the Notes shall not be required to be registered under the Securities Act of 1933, as amended but shall be "exempt securities" under Section 3(a)(2) thereunder.

§5. Further Authorization. The commissioner of finance is hereby authorized to take such other actions, including the execution of certificates, instruments and other documents, as are necessary and appropriate to effectuate the transaction contemplated by this local law.

§6. Sufficiency of Authorization. This local law shall, with said Section 99-s and said Section 10, constitute full and independent authority for all things herein authorized to be done.

§7. Effective Date. This local law shall take effect immediately.

THE CITY OF NEW YORK, OFFICE OF THE CITY CLERK, s.s.:

I hereby certify that the foregoing is a true copy of a local law of the City of New York, passed by the Council on May 25, 1994, and approved by the Mayor on June 10, 1994.

CARLOS CUEVAS, City Clerk, Clerk of the Council

CERTIFICATION PURSUANT TO MUNICIPAL HOME RULE LAW §27

Pursuant to the provisions of Municipal Home Rule Law §27, I hereby certify that the enclosed Local Law (Local Law 17 of 1994, Council Int. No. 346-A) contains the correct text and:

Received the following vote at the meeting of the New York City Council on May 25, 1994: 49 for, 0 against.

Was approved by the Mayor on June 10, 1994.

Was returned to the City Clerk on June 13, 1994.

JEFFREY D. FRIEDLANDER, Acting Corporation Counsel