NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
2012-13 Mission Statement and Measurements

Mission Statement:

Created on June 11, 1990, the New York Local Government Assistance Corporation's ("Corporation" or "LGAC") 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. (See Appendix A for the 2012-13 Mission Statement Measurements)

Measurements:

Goal #1: Issue 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).

Measurement of goal #1:

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

Response: 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.

Goal #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.

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?

Response: During fiscal year 2012-13, 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.

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?

Response: The Corporation manages its existing debt portfolio to strategically minimize risk and lower costs 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.

On June 1, 2012, the Corporation issued the Series 2012A Subordinate Lien Refunding Bonds (the Series 2012A Bonds) totaling $86.9 million, which when combined with premium generated from the bond sale and monies released from the Corporation's capital reserve fund were sufficient to refund $125.9 million of the Series 1995C and 1995E Senior Lien Variable Interest Rate Bonds. The Series 2012A Bonds have a true interest cost of 1.954360 percent and an all-in true interest cost of 1.992576 percent. The issuance of the Series 2012A Bonds under the Subordinate Lien resulted in a reduction in the Corporation's overall capital reserve requirement thereby allowing a release of capital reserve funds totaling $24,866,400. The refunding also allowed the Corporation to take advantage of low long-term fixed interest rates and the issuance of fixed rate refunding bonds allowed the Corporation to eliminate liquidity renewal risk and support costs for $125.9 million of bonds.

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?

Response: 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.

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

Response: 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, 2013.

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

Response: 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.

Goal #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.

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?

Response: 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 2012-13 and has done the same for all previous fiscal years, where required.