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THE PRESIDENT HAS SEEN....



THE VICE PRESIDENT
WASHINGTON

Agenda for the
Meeting with the President
Thursday, July 29, 1976, 2:00 p.m.

1. Political
2. National Security
3. New York City

TAB A

Mayor Beame, distracted somewhat by the SEC investigation of New York City's borrowing practices, seems to be on schedule in tailoring the City's 1976-77 Financial Plan to conform

- to the actions of the State Emergency Financial Control Board (chaired by Governor Carey), and
- to the requirements established by Secretary Simon in his July 1 credit and loan-renewal agreement.

SUMMARY

1. City on schedule in preparing August plans to comply with 1976-77 Financial Plan.
2. Mayor Beame goes to court on July 27 to stop Securities and Exchange Commission investigation of the City's fiscal practices.
3. Prospects for Federal transit, job, and capital aid brighten City outlook.
4. Kinzel Pension bill may be amended -- either at a special Legislative session, or in the 1977 Legislative session.
5. Slight improvements noted in economic health of City and State.
6. State Comptroller Levitt sells \$45 million of State General Obligation Bonds at 7.539%.
7. Arbitrator selected for settling Private Voluntary Hospital wage dispute.

July 28th Weekly Report on New York City

1. City on Schedule in Preparing August Plans to Comply with 1976-77 Financial Plan
 - A. Immediately prior to July 1, the City was instructed to prepare by August its detailed plans for saving \$50 million in 1976-77, plus a list of \$85 million of "standby" savings to be used if necessary to achieve its 1976-77 goal.
 - B. The City has completed its plan for saving \$50 million. The plan will be available to me later this week.
 - C. This plan includes cutbacks in expenditures equal to about one-half the \$50 million total; the remainder will come from increased revenues, primarily through increases in fees and charges -- such as pistol permits -- and improved collection procedures.
 - D. Comment. The City has lost no time in spelling out its program for complying with its agreement with Secretary Simon and with the Emergency Financial Control Board's requirements. In other words, the City seems to "mean business."

2. Mayor Beame Goes to Court on July 27 to Stop Securities and Exchange Commission Investigation of the City's Fiscal Practices
 - A. The Mayor and the City Comptroller have become increasingly disturbed by the six-month SEC investigation of the City's fiscal policies.
 - B. Apparently the SEC has some indication that the City may not have complied fully with all requirements of the law with regard to the issuance of its bonds and notes.
 - C. The Mayor contends that the SEC is violating the Constitutional protection of local governments, which, he claims, are adequately supervised by the State.
 - D. Both the Mayor and Comptroller Jay Goldin claim they are cooperating fully, but the SEC charges that Jay has ignored a subpoena.

E. Comment. This SEC investigation has been one of the best-kept secrets in a long time. Indications are that numerous persons in the banking and finance world have been questioned. Because no one is talking -- beyond the Mayor's legal action of July 27 -- it is difficult to know exactly what the situation is and how it may end up.

3. Prospects for Federal Transit, Job and Capital Aid
Brighten City Outlook

A. Secretary Coleman announced that New York City will get \$66.2 million in Federal Transit Aid for subway and bus modernization, including \$11 million for the 63rd Street Manhattan-Queens subway.

B. It is estimated that New York City will be eligible for

° \$75.9 million of aid under the new Federal Public Works Act, passed last week over the President's veto, for "maintaining basic services such as fire and police," and

° Share of \$250 million expected to be received by the State for capital improvement projects under the same act;

° Although the authorization has become law, appropriations have not been made.

C. Comment. While the transit aid was expected, the Federal Public Works Act aid was uncertain until the Congress overturned the President's veto. These funds are most welcome -- but will not solve the City's problems. The funds for maintaining basic services will help to prevent further layoffs, but the capital funds, while important, will not directly help close the 1976-77 operating budget gap of about \$675 million.

4. Kinzel Pension Bill May Be Amended -- Either at a Special Legislative Session, or in the 1977 Legislative Session

- A. Consideration is being given to an amendment to the 1976 Kinzel Pension bill, which made major public pension reforms, because the bill permits present employees to switch from the old plan to the new one.
- B. The incentive for switching is the new 70-year retirement age plus the cost-of-living escalation of benefits after an employee has retired.
- C. The immediate effect of this is to discourage an estimated 1,000 City employees from retiring this year, thus "costing" the City the sum of \$24 million over the next two years, a sum which it had hoped to gain by attrition.
- D. Comment. In my opinion this is not the major issue that it sometimes appears to be. The "1,000 City employees" is just an estimate; at least some of them are in vulnerable positions and would have to be replaced if they did retire. Certainly a maximum of \$12 million per year is not going to "make or break" the City.

5. Slight Improvements Noted in Economic Health of City and State

- A. Recent reports indicate some small increases in State manufacturing employment, slightly less unemployment, a narrowing of the gap between State and National growth rates and price levels, all of which suggest slow improvement in the State's economic health.
- B. Declines in employment in New York City appear to have "bottomed out."
- C. Further economic improvement may be promoted by such means as:
 - (1) 1976 legislation permitting (a) reduced real estate taxes on plant improvement and expansion, and (b) increased investment tax credits;
 - (2) Continued use of Job Development Authority low-cost second-mortgage loans for plant and equipment.

- D. Comment. Nothing fundamental has happened to restore New York's economic health, but the facts that it is getting greater attention than ever before and that slight progress is beginning to be made are somewhat encouraging.
6. State Comptroller Levitt Sells \$45 Million of State General Obligation Bonds at 7.539%
- A. On July 21, Comptroller Levitt sold \$45 million of "full faith and credit" State bonds at 7.539%.
- B. His last previous sale -- of \$59 million -- went at 7.3% on May 10.
- C. Comment. Arthur had hoped for a rate below 7.539%, but bond dealers pointed out that this increase since May is in line with the upward trend in the market. I believe that he did very well!
7. Arbitrator Selected for Settling Private Voluntary Hospital Wage Dispute
- A. The Federal Mediation and Conciliation Service has named Mrs. Margery F. Gootnick of Rochester, New York, as arbitrator of the wage dispute that led to the recent strike of nonmedical employees in the City's private voluntary hospitals.
- B. Mrs. Gootnick has practiced law for 24 years and is experienced in mediation and arbitration.
- C. No date has been set for the announcement of a decision.