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CITY OF NEW YORK
OFFICE OF CITY CONSTRUCTION CO-ORDINATOR
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December 29, 1954

Mr. Paul V. Betters
Executive Vice President
The United States Conference of Mayors
730 Jackson Place, N.W.
Washington 6, D. C.

Dear Paul:

Thanks for your letter about the bond issues. With the government controlling its market, and if the government is going to sell the bonds itself, there is a serious question as to whether or not tax exemption is needed. As you know, the 2-1/2% bonds of 78/37 are selling slightly below par right now.

We sold our Power Authority bonds, and the interest cost to us was 3.1886, which is much higher for a tax-exempt bond than we are used to paying. For example, our interest cost on Triborough Bridge and Tunnel Authority bonds, a \$215,000,000 issue sold in 1952, was under 2%, and the longest term bonds had a coupon of 2-1/8%.

I don't know how we can make recommendations or suggestions until we know exactly what General Clay's Committee has in mind. If he plans on guaranteeing the bonds of certain authorities, then it will be necessary, in my opinion, to provide that those bonds will be tax exempt. On the other hand, if he is going to recommend the sale of straight government bonds, for example, bonds that were to be amortized in ten years, then there is a real question as to whether the income should be exempt from taxation.

As to flooding the market, that is a serious problem. One suggestion that has been made is that the government sell the bonds to social security and other insurance funds which it holds. As soon as the plan is promulgated, I shall be glad to give you my views.

Cordially,

/s/ ROBERT MOSES
Co-Ordinator

cc: Gen. Clay, Mr. Hodgkiss
Mr. Moses' File, Co-Ord. File (Mr. Spargo)