NEW ISSUE SERIAL BONDS **RATINGS: See "RATINGS" herein**
RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Bond Counsel, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), and the accuracy of certain representations made by the City, interest on the Bonds and Notes is excluded from gross income of the owners thereof for Federal income tax purposes, and is not an "item of tax preference" for purposes of the Federal alternative minimum tax imposed on individuals and corporations; interest on the Bonds and Notes is, however, included in "adjusted current earnings" for purposes of calculating the Federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that under existing statutes interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). No opinion is expressed regarding other Federal or State tax consequences arising with respect to the Notes. See "TAX MATTERS" herein.

The Bonds and Notes will be designated by the City as "qualified tax-exempt obligations" pursuant to the provisions of Section 265 of the Code.

CITY OF NEWBURGH
ORANGE COUNTY, NEW YORK

$1,185,240
PUBLIC IMPROVEMENT SERIAL BONDS, SERIES 2018 A
(the "Bonds")

Date of Issue: Date of Delivery **Maturity Dates: August 1, 2019 -28**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **MUNICIPAL ASSURANCE CORP.**

SAMCO CAPITAL MARKETS

and

$5,297,245
2.75% BOND ANTICIPATION NOTES, SERIES 2018A (RENEWAL)
(*Reoffered @ 2.05%)*
(the "Notes")

TD SECURITIES (USA) LLC

Date of Issue: **Date of Delivery** **CUSIP # 650818 DZ7** **Maturity Date**: **August 2, 2019**

The Bonds and Notes will be general obligations of the City of Newburgh, Orange County, New York (the "City"), and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds and Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the City, subject to the applicable provisions of Chapter 97 of the Laws of 2011 of the State of New York. **See "TAX LEVY LIMITATION LAW," herein.**

The Bonds will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof, except for one necessary odd denomination maturing in 2019. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the City to DTC from the Special Debt Service Fund established by the City and maintained with the Office of the State Comptroller pursuant to Chapter 223 of the New York Laws of 2010 (the "Act"). See "Payment and Security for the Bonds" — "Special Debt Service Fund" herein. Pursuant to its terms, the Act is in full force and effect until August 30, 2025 when the Act shall be deemed repealed. Accordingly, principal of the Bonds maturing in the years 2026 to 2028 together with accrued interest on such Bonds payable on or after February 1, 2026 will be paid by the City to DTC directly from its General Fund. DTC will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. (See "Book-Entry-Only System" herein).

The Bonds will be dated their Date of Delivery, will bear interest from such date payable on February 1, 2019, August 1, 2019 and semiannually thereafter on each February 1 and August 1 until maturity and will mature on August 1 in the years and amounts as set forth on the inside cover page hereof. The Bonds will not be subject to optional redemption prior to maturity.

The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and a 360 day year.

The Notes will be issued in registered book-entry form registered in the name of Cede & Co., as nominee of DTC.

The Notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of $5,000 or integral multiples thereof, except for one necessary odd denomination. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to the purchaser at such interest rate. Principal of and interest on said Notes will be paid in federal funds by TD Bank, National Association, Newburgh, New York, as Paying Agent for the City (the "Paying Agent") to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes as described herein. (See "Book-Entry-Only System" herein.)

See "Risk Factors" herein for certain events that could affect the risk of investing in the Bonds and Notes.

The Bonds and Notes are offered when, as and if issued by the City and accepted by the purchasers and subject to the receipt of the final approving opinions of Harris Beach PLLC, White Plains, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the City in connection with the issuance of the Bonds and Notes. It is anticipated that the Bonds and Notes will be available for delivery in New York, New York or as otherwise agreed with the purchasers on or about August 2, 2018.

FOR A DESCRIPTION OF THE CITY'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AND NOTICES OF MATERIAL EVENTS FOR THE BONDS AND NOTES AS DESCRIBED IN SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, SEE "DISCLOSURE UNDERTAKING FOR THE BONDS" AND "DISCLOSURE UNDERTAKING FOR THE NOTES" HEREIN.

Dated: July 19, 2018

Municipal Assurance Corp. (“MAC”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading “Bond Insurance” and “APPENDIX E - Municipal Bond Insurance and Specimen Policy”.

The Bonds mature on August 1 in each year as set forth below:

Date	Amount	Interest Rate	Yield	CUSIP Number
2019	$100,240	3.00%	1.69%	650818 DP9
2020	105,000	3.00	1.82	650818 DQ7
2021	110,000	3.00	2.00	650818 DR5
2022	110,000	3.00	2.12	650818 DS3
2023	115,000	3.00	2.32	650818 DT1
2024	120,000	3.00	2.49	650818 DU8
2025	125,000	3.00	2.71	650818 DV6
2026	130,000	3.00	2.87	650818 DW4
2027	135,000	3.00	2.99	650818 DX2
2028	135,000	3.25	3.15	650818 DY0

CITY OF NEWBURGH
ORANGE COUNTY, NEW YORK

Torrance Harvey
Mayor

CITY COUNCIL

Anthony Grice....................Councilmember

Jonathan Jacobson....................Councilmember

Karen Mejia....................Councilmember

Ramona Monteverde....................Councilmember

Hillary Rayford....................Councilmember

Patricia Sofokles....................Councilmember

Michael G. Ciaravino....................City Manager

Kathryn Mack....................Director of Finance and Comptroller

Vickiana De Mora....................Tax Collector

Lorene Vitek....................City Clerk

Michelle Kelson, Esq. ....Corporation Counsel

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INDEPENDENT AUDITOR

PKF O'Connor Davies, LLP
Harrison, New York

BOND COUNSEL

Harris Beach PLLC
White Plains, New York

MUNICIPAL ADVISOR

CMA
CapitalMarketsAdvisors,LLC

Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(845) 227-8678

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No dealer, broker, salesperson or other person has been authorized by the City of Newburgh to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer, solicitation or sale. The information estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Newburgh since the date hereof.

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OFFICIAL STATEMENT

CITY OF NEWBURGH
ORANGE COUNTY, NEW YORK

relating to

$1,185,240*
PUBLIC IMPROVEMENT SERIAL BONDS, SERIES 2018A
(the "Bonds")

and

$5,297,245
BOND ANTICIPATION NOTES, SERIES 2017A (RENEWAL)
(the "Notes")

This Official Statement, which includes the cover page and appendices attached hereto, presents certain information relating to the City of Newburgh, in Orange County, in the State of New York (the "City," "County," and "State," respectively), in connection with the sale of $1,185,240* Public Improvement Serial Bonds, Series 2018A (the "Bonds") and $5,297,245 Bond Anticipation Notes, Series 2017A (Renewal) (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds and Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes and such proceedings.

THE CITY

The City, which was incorporated in 1865, is located in the northeastern part of the County on the west bank of the Hudson River approximately 60 miles north of New York City. According to 2015 U.S. Census estimates, the population of the City is 28,290 and it has a land area of 3.8 square miles. The City is largely residential in character but has many light industries. For additional information on the City refer to Appendix A herein.

INTRODUCTION

The New York State Legislature enacted Chapter 223 of the Laws of 2010, as amended by Chapter 350 of the Laws of 2011 (the "Act"), authorizing the City to finance the projected deficits in the General Fund, Special Revenue Fund and Capital Project Fund existing at the close of the fiscal year ending December 31, 2010. In a letter dated February 28, 2012, the Office of State Comptroller certified the deficit at $6,093,846 and on June 27, 2012, the City issued $6,090,000 General Obligation Deficit Liquidation Serial Bonds, Series 2012B (the "Deficit Bonds") to liquidate the deficit in the City's General Fund.

The Act, and the deficit bond resolution of the City Council adopted on July 26, 2010, (the "Resolution") provides the purchasers of the City's debt obligations, including the Bonds and Notes, with special enforcement rights and remedies not usually afforded to the holders of general obligation debt of most other municipalities in the State. (See "FINANCIAL FACTORS", "Summary Results of Operations – FY Ended December 31, 2013-2017" in Appendix A hereto, and Appendix D hereto).

The Bonds and Notes are general obligations of the City for which the City has pledged its faith and credit. The City has the power to levy ad valorem taxes on all taxable real property within the City for the payment of principal and interest on the Bonds and Notes, subject to applicable statutory limitations (see "TAX LEVY LIMITATION LAW" in Appendix A hereto). A percentage of all City ad valorem real property taxes, together with any portion of State Aid and such additional amounts of ad valorem real property taxes as the State Comptroller determines necessary to ensure sufficient moneys are available to make scheduled debt service payments, must be deposited, as received, into the Special Debt Service Fund maintained with the State Comptroller. The Special Debt Service Fund is to be maintained until the Act is deemed repealed on August 30, 2025. Key Bank serves as depository bank for the Special Debt Service Fund. Only the State Comptroller may direct the distribution of monies in the Special Debt Service Fund. Funds in the Special Debt Service Fund may be used only to pay principal of and interest on bonds of the City, required principal amortization of outstanding bond anticipation notes of the City and accrued interest on note obligations of the City. With respect to tax anticipation notes, interest due at maturity is paid from the Special Debt Service Fund to the City's paying agent and principal due at maturity is paid from the Special Debt Service Fund to the City's paying agent to the extent receipt of delinquent taxes have been collected and will be paid directly by the City to the Special Debt Service Fund. The balance of any maturing tax anticipation notes, being equal to the amounts of taxes uncollected as of the maturity date, generally may be funded from the proceeds of renewal tax anticipation notes or funds on hand. The City does not have any tax anticipation notes outstanding (See "Operating Purposes" under "Short-Term Indebtedness" herein).

THE BONDS

Description

The Bonds will be dated the Date of Delivery, will bear interest from such date payable February 1, 2019, August 1, 2019 and semiannually thereafter on February 1 and August 1 in each year until maturity and will mature on August 1 in the years and amounts as set forth on the inside cover page hereof. The Series 2018 A Bonds are not subject to optional redemption prior to maturity.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof, except for one necessary odd denomination maturing in 2019. Purchasers will not receive certificates representing their ownership interest in the Bonds.

Principal of and interest on the Bonds will be paid by the City to DTC from the Special Debt Service Fund established by the City and maintained with the Office of the State Comptroller pursuant to the Act. See "Payment and Security for the Bonds" - "Special Debt Service Fund" herein. Pursuant to its terms, the Act is in full force and effect until August 30, 2025 when the Act shall be deemed repealed. Thereafter, principal of and interest on the Bonds will be paid by the City to DTC from its General Fund. DTC will in turn remit such principal of and interest on to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners of the Bonds as described herein under "Book-Entry-Only System." The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the City referred to therein.

THE RECORD DATE FOR PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE THE FIFTEENTH DAY OF THE CALENDAR MONTH PRECEDING EACH INTEREST PAYMENT DATE.

Authority for and Purpose of the Bonds

Authorization. The Bonds are being issued pursuant to the Constitution and statutes of the State, including among others, the Local Finance Law and the Act, and the bond resolution adopted by the City Council as detailed below.

Purpose. The proceeds received from the sale of the Bonds, together with current funds of $338,235, will be applied to redeem a $1,523,475 portion of the City's outstanding $7,140,141 Bond Anticipation Notes, Series 2017A (Renewal) maturing on August 3, 2018.

Date Authorized	Original Issue Date	Purpose	Amount Outstanding	Note Paydowns	Amount of The Bonds
01-28-13	08-07-13	Various Equipment	$232,997	232,997	$ 0
01-28-13	08-07-13	Building Repairs	256,463	20,000	236,463
01-28-13	08-07-13	Parking Meter Replacement	30,000	30,000	0
01-28-13	08-07-13	Paving	244,454	20,000	224,454
01-28-13	08-07-13	Fire Department – Pumper Truck	355,000	15,000	340,000
01-28-13	08-07-13	Sanitation Truck	179,561	15,238	164,323
01-28-13	08-07-13	Waste Water Treatment Plant	225,000	5,000	220,000
			$1,523,475	$338,235	$1,185,240

THE NOTES

Description

The Notes will be dated and will mature as described on the cover page hereof. The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered book-entry form registered to Cede & Co., as the partnership nominee for DTC.

The Notes will be issued in registered book-entry form, such notes ("DTC Notes") will be delivered to DTC, which will act as securities depository for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of $5,000 or integral multiples thereof, except for one necessary odd denomination. A single note certificate will be issued for those DTC Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes.

Principal of and interest on the Notes will be paid by TD Bank, Newburgh, New York, as Paying Agent for the City (the "Paying Agent") to DTC, which will in turn remit such principal and interest to its Participants for subsequent distribution to the Beneficial Owners of the Notes (see "Book-Entry-Only System" herein).

Authority for and Purpose of the Notes

The Notes are issued pursuant to the Constitution and statutes of the State, including among others, the Local Finance Law and the Act, and two bond resolutions of the City Council adopted on their respective dates authorizing various capital improvements as described below.

The proceeds received from the sale of the Notes, together with current funds of $319,421, will be applied to redeem a $5,616,666 portion of the City's outstanding $7,140,141 Bond Anticipation Notes, Series 2017A (Renewal) maturing on August 3, 2018.

Date Authorized	Original Issue Date	Purpose	Amount Outstanding	Note Paydowns	Amount of The Notes
02-22-16	08-04-16	Bridges - Lake Dr & Walsh Rd	$ 800,000	$ 25,000	$ 775,000
02-22-16	08-04-16	Bridge – Mill St	200,000	5,000	195,000
02-22-16	08-04-16	Muchattoes Lake Dam	400,000	5,000	395,000
02-22-16	08-04-16	Police Vehicles	106,666	53,338	53,328
02-22-16	08-04-16	Water System Improvements	2,885,000	25,000	2,860,000
02-22-16	08-04-16	Demolition – Brown's Pond House	150,000	83,583	66,417
02-22-16	08-04-16	Sewer System Improvements	625,000	10,000	615,000
04-11-16	08-04-16	Demolition of Various Buildings	450,000	112,500	337,500
			$5,616,666	$319,421	$5,297,245

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC will act as securities depository for the Notes issued as book-entry-only (hereinafter in this section referred to as the "DTC Securities"). The DTC Securities will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for each such note bearing the same rate of interest and CUSIP number in the aggregate principal amount of such note, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds and DTC Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and DTC Securities on DTC's records. The ownership interest of each actual purchaser of each Bond and DTC Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and DTC Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and DTC Securities , except in the event that use of the book-entry system for the Bonds and DTC Securities is discontinued.

To facilitate subsequent transfers, all Bonds and DTC Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and DTC Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and DTC Securities ; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and DTC Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the bonds and notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and Notes unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments (MMI) Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and DTC Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and DTC Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and DTC Securities at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond and note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SECURITY OWNER.

PAYMENT AND SECURITY FOR THE BONDS AND NOTES

General

Each Bond and Note when duly issued and paid for will constitute a contract between the City and the owner thereof. Under current law, provision is made for contract creditors, including bond and noteholders of the City, to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

The Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State also provides that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such revenues at the suit of any holder of any such obligations.

The Bonds and Notes will be general obligations of the City and will be secured by a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to taxation by the City, subject to applicable statutory limitations. See "TAX LEVY LIMITATION LAW," in Appendix A hereto.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and Notes and the State is specifically precluded from restricting the power of the City to levy taxes on real estate to pay debt service on obligations issued prior to the effective date of any such State legislation. However, the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limitation Law. See "TAX LEVY LIMITATION LAW," in Appendix A hereto.

The Bonds and Notes will be entitled to certain benefits of the provisions of the Act including certain rights of the State Comptroller and City bondholders and noteholders to require the City to carry out any of it obligations under the Act or enjoin any acts or things which may be unlawful or in violation of the obligations imposed on the City under the Act. Pursuant to the Act the State Comptroller has specific monitoring and enforcement functions. (See "FUNCTIONS OF THE STATE COMPTROLLER" herein and Appendix D).

Special Debt Service Fund

Pursuant to the Act, the Special Debt Service Fund (as hereinafter defined in Appendix D), established by the City pursuant to the Act and the Resolution, shall be maintained by the City with the State Comptroller for the purpose of paying Special Debt Service until August 30, 2025. "Special Debt Service" means, with respect to a fiscal year, the amounts required for the timely payment of (i) all principal due or becoming due and payable in said year with respect to any serial bonds, tax anticipation notes, capital notes or budget notes of the City, and all principal amortization for said year required by law with respect to bond anticipation notes or other securities of the City not specifically mentioned, (ii) all interest due or becoming due and payable in said year with respect to any serial bonds, bond anticipation notes, tax anticipation notes, revenue anticipation notes, capital notes, budget notes or other securities of the City not specifically mentioned herein, and (iii) all sinking fund contributions required in said year with respect to any sinking fund bonds.

It should be noted as to tax anticipation notes issued in anticipation of the receipt of taxes for prior, and the current, fiscal years that the principal due thereon is not included in the calculations as to required principal amortization for the fiscal year inasmuch as the extent of receipt of said amounts is not knowable at the beginning of the City's fiscal year. With respect to tax anticipation notes, the principal due at maturity will be paid from the Special Debt Service Fund to the City's paying agent to the extent receipt of delinquent taxes have been collected and will be paid directly by the City to the Special Debt Service Fund. The balance of maturing tax anticipation notes, being equal to the amounts of taxes uncollected as of the maturity date of tax anticipation notes are expected to be funded from the proceeds of renewal tax anticipation notes for a statutory limited number of years, or from cash on hand.

The State Comptroller shall deposit and pay into the Special Debt Service Fund any portion of state aid as the State Comptroller determines necessary to ensure sufficient moneys are available to make scheduled Special Debt Service payments over the succeeding twelve month period taking account of the City's receipt of City taxes and State aid during such twelve month period and the availability of other amounts appropriated or set aside by the City to make such payments. Other than the initial deposit required to open the Special Debt Service Fund, it has not been necessary to utilize state aid to fund this account as property taxes have been sufficient to fully fund the account.

In addition to state aid, a percentage of the City's ad valorem real property taxes shall be deposited in the Special Debt Service Fund beginning not later than the first day of each fiscal year after issuance of deficit bonds or deficit notes, as follows.

The percentage of all ad valorem real property taxes collected by the City, determined according to the following formula and calculated at the commencement of each fiscal year:

$$\frac{\text{Total Appropriation for Special Debt Service}}{\text{Total City Ad Valorem Real Property Tax Levy } \textit{less} \text{ reserve for uncollected taxes}} = \text{Debt Service Percentage}$$

Immediately upon receipt of any payment during such fiscal year of or on account of any City real property taxes, the City, its collecting officer and the agent receiving the same shall remit such payment to the State Comptroller. Of each sum received, the State Comptroller shall deposit and pay into the Special Debt Service Fund the portion thereof equal to the Debt Service Percentage, and shall deposit and pay into the Special Debt Service Fund additional amounts as the State Comptroller determines necessary to ensure sufficient moneys are available to make scheduled Special Debt Service Payments from the Special Debt Service Fund over the succeeding twelve month period taking account of the timing of the City's receipt of City taxes and state aid during such twelve month period and the availability of other amounts appropriated or set aside by the City to make such payments. Thereafter, the State Comptroller shall as soon practicable, pay over the remainder of such sum to the City Comptroller for use by the City in the manner provided by law.

The Special Debt Service Fund has been fully funded since its inception in December 2010. The table on the following page sets forth the pro forma funding of the Special Debt Service Fund for the 2017 and 2018 fiscal years.

Pro Forma - Special Debt Service Fund
Actual January 2017 – April 2018, Estimated for May 2018 – December 2018

Month	Deposit to SDSF (a)	Debt Service Payments	Balance in SDSF (b)	Debt Service Coverage (c)	Transfer to General Fund (d)
January 2017	$ 444,331	$153,041	$791,365		
February 2017	1,514,396	236,453	2,069,308	3.35	
March 2017	377,018	0	2,446,325	NA	
April 2017	1,571,821	333,447	3,684,700	7.34	
May 2017	137,253	602,575	3,219,378	6.11	
June 2017	961,270	1,659,875	2,520,773	1.94	
July 2017	304,269	813,642	2,011,401	3.10	
August 2017	1,227,805	1,103,617	2,135,589	1.82	
September 2017	186,651	0	2,322,240	NA	
October 2017	219,557	1,178,415	1,363,382		1,178,415
November 2017	22	21,825	1,341,579	62.47	
December 2017	16	599,000	742,596	2.24	
January 2018	282,040	270,367	754,269	1.85	
February 2018	2,214,584	8,663	2,960,190	87.07	
March 2018	361,765	0	3,321,955	NA	
April 2018	1,042,719	337,912	4,026,761	9.83	
May 2018	262,036	606,825	3,681,973	6.64	
June 2018	1,015,196	1,694,000	3,003,169	2.17	
July 2018	304,269	802,184	2,505,254	3.74	
August 2018	1,227,805	1,031,624	2,701,436	2.43	
September 2018	25	338,663	2,362,798	7.98	
October 2018	25	0	2,362,823	NA	
November 2018	25	13,050	2,349,798	181.06	
December 2018	25	571,625	1,778,198	4.11	

(a) Deposits are subject to modification by OSC.
(b) Does not include interest to be earned on Special Debt Service Fund investments.
(c) Debt Service Coverage is based on the balance in the Special Debt Service Fund as of the last day of the month prior to Debt Service Payment.
(d) Represents transfer from Special Debt Service Fund to General Fund as the Special Debt Service Fund was fully funded to cover debt service through end of fiscal year..

The Act provides that money or securities in or payable to the Special Debt Service Fund are City property devoted to essential governmental purposes and accordingly, shall not be applied to any purpose other than as provided in the Act and shall not be subject to any order, judgment, lien, attachment, execution, setoff or counterclaim by any creditors of the City other than a creditor for whose benefit the Special Debt Service Fund is established. (See, however, "Special Rights and Remedies" for a discussion of the effect on the Special Debt Service Fund of the filing of a petition by or on behalf of the City under the Federal Bankruptcy Code or subsequently enacted law governing creditor's rights).

FUNCTIONS OF THE STATE COMPTROLLER

The Special Debt Service Fund has been established by the City to be maintained with the State Comptroller for the purpose of paying the City's Special Debt Service. Pursuant to the Act, the State Comptroller shall deposit into the Special Debt Service Fund any portion of state aid as the State Comptroller determines is necessary to ensure sufficient monies are available to make scheduled Special Debt Service payments over the succeeding twelve month period taking account of the City's receipt of City taxes and State aid during such twelve month period and the availability of other amounts appropriated or set aside by the City to make such payments. In addition the City is required to remit to the State Comptroller any City real property taxes levied and received by the City. The State Comptroller is required to deposit in the Special Debt Service Fund the Debt Service Percentage of such tax receipts and additional amounts of such tax receipts as the State Comptroller determines necessary to ensure sufficient moneys are available to make scheduled debt service payments, and then pay the remainder over to the City Comptroller for the general use of the City.

The State Comptroller is required to withdraw from the Special Debt Service Fund from time to time all amounts needed for the payment of all Special Debt Service as it becomes due and payable.

During the effective period of the Act (which currently extends to August 30, 2025), the City Comptroller shall notify the State Comptroller at least fifteen days prior to the issuance of any bonds or notes or entering into any installment purchase contract and the State Comptroller may review and make recommendations regarding the affordability to the City of any such proposed issuance or contract. The Act provides for the issuance of deficit bonds in an amount not exceeding the amount of deficits as certified by the State Comptroller. The Act authorizes the private sale of such deficit bonds, any bonds issued to refund deficit bonds and any other bonds to be issued on or before December 31, 2012 subject to approval by the State Comptroller of the terms and conditions of such sales.

On August 30, 2010, the City issued the $12,000,000 Deficit Notes – 2010B based on then current estimates of such projected deficit. Based on calculations provided by the City's external auditor, on August 29, 2011, the City issued $9,000,000 Bond Anticipation Deficit Notes – 2011B, which together with $3,000,000 of current funds were used to redeem at their maturity on August 30, 2011 the $12,000,000 Bond Anticipation Deficit Notes – 2010B. In a letter dated February 28, 2012, the Office of State Comptroller certified the deficit at $6,093,846. The Deficit Bonds, together with $2,910,000 of funds on hand were used to redeem at their maturity on August 29, 2012 the $9,000,000 Bond Anticipation Deficit Notes – 2011B.

During the effective period of the Act, the City shall submit the proposed budget for each fiscal year beginning with the 2011 Fiscal Year to the State Comptroller no later than thirty days before the date scheduled for the City Council's vote on the adoption of the final budget or the last date on which the budget may be adopted, whichever is sooner. The State Comptroller shall examine such proposed budget and make such recommendations as deemed appropriate thereon to the City prior to the adoption of the budget, but no later than ten days before the date scheduled for the City Council's vote on the adoption of the final budget or the last date on which the budget must be adopted, whichever is sooner. Such recommendations shall be made after examination into the estimates of revenues and expenditures of the City. The City Council, no later than five days prior to the adoption of the budget, shall review such recommendations and make adjustments to the proposed budget consistent with any recommendations by the State Comptroller. The City shall prepare along with the proposed budget for the next succeeding fiscal year, a three-year financial plan covering the next succeeding fiscal year and the two fiscal years thereafter. The financial plan shall also identify actions necessary to achieve and maintain long-term fiscal stability. (See "Fiscal Recovery Plan" in Appendix A and City of Newburgh Fiscal Recovery Act in Appendix D hereto).

SPECIAL RIGHTS AND REMEDIES

In the event that the City shall fail to comply with provisions of the Act, and such non-compliance continues for a period of 30 days, (1) State Comptroller acting alone, or (2) a duly appointed representative of the holders of at least 25% in aggregate principal amount of (i) any series of deficit bonds or notes, (ii) any series of bonds issued to refund such deficit bonds or deficit notes, or (iii) any other series of notes or bonds issued by the City during the effective period of the Act, by instrument or instruments filed in the office of the Clerk of Orange County and proved or acknowledged in the same manner as a deed recorded may bring an action or commence a proceeding in accordance with the civil law and rules to (A) require the City to carry out any of its obligations under the Act or (B) enjoin any acts or things which may be unlawful or in violation of the obligations imposed on the City under the Act. In addition, the duly appointed representative of the holders of any such series of notes or bonds may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Act does not purport to create any priority for holders of such bonds or notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of bonds or notes to receive interest and principal payments from the City could be aversely affected by the restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the City (including the Bonds and Notes) to payment from monies retained in the Special Debt Service Fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all City creditors generally. Judicial enforcement of the City's obligations to make payments into the Special Debt Service Fund, of the State Comptroller's obligation to retain certain monies in the Special Debt Service Fund, of the rights of holders of the bonds and notes of the City to monies in the Special Debt Service Fund and of the obligations of the City under certain covenants of the City and the State under certain covenants of the State, may, under certain circumstances, be within the discretion of the court.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. Title 6-A of the Local Finance Law provides that a municipality in the State or its emergency control board may file any petition with any United States district court or court of bankruptcy under provision of the laws of the United States now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

In prior years, events and legislation in the State affecting bondholders' remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, it cannot now be ascertained whether future events and legislation and any litigation arising therefrom would or would not be held by a court of final jurisdiction to render the rights of bondholders subject to the emergency and police powers of the State to deal with various financial crises as they may occur in the State and in municipalities of the State and to assure the continuation of essential services therein.

RISK FACTORS

There are various forms of risk associated with investing in the Bonds and Notes. The following is a discussion of certain events that could affect the risk of investing in the Bonds and Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

General

The financial condition of the City as well as the market for the Bonds and Notes could be affected by a variety of factors, some of which are beyond the City's control. It should be noted there can be no assurance that adverse events in the State or any other state, including, for example, the seeking of remedies by a municipality pursuant to the Federal Bankruptcy Code or otherwise will not occur, thereby affecting the market price of and the market access for the Bonds and Notes or renewal notes, if any. If a significant default or other financial crisis should occur in the affairs of the State or one of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds and Notes, could be adversely affected.

The City's expenditures may increase substantially in the future. For example, the City could be required to make substantial operating expenses (i.e., legal judgments) or could be required to refund substantial tax revenues as a result of adverse tax certiorari proceedings (See "LITIGATION," herein). There can be no assurance that the City will not be required to issue additional debt to generate funds to pay these expenditures and that the City's real property taxes and other revenues will be sufficient to pay the Bonds and Notes and additional debt. See "Multi-Year Financial Plan" herein.

Revenues

Sales tax has been an important source of revenue for local governments, as a portion of the sales tax receipts generated within a jurisdiction is ultimately retained there. There have been intermittent and sustained downturns in the amounts of sales taxes realized from year to year. For the 2017 fiscal year (UNAUDITED), the City's General Fund recorded $10,530,863 or 23.2% of all revenue from this source, while $9,650,242 was budgeted. The amount of sales tax received by the City is dependent upon general economic conditions. See "FINANCIAL FACTORS" herein. The adopted budget for 2018 includes $10,000,000, to be received from sales taxes.

The City's local revenues are also generated in part from aid provided by the State. For fiscal years 2016 and 2017, Federal, State and Local aid comprised 12.8% and 11.3% (UNAUDITED) respectively of General Fund revenues. The City's 2018 budges includes 13.1% of General Fund revenues generated from Federal and State aid. There can be no assurance that this aid will continue or that it will be available in any particular amount or, to extent such aid is available, that there will be no delay in the City's receipt of those funds.

The largest single source of revenue for the City is derived from real property taxes and there can be no assurance that such tax revenues over time will be maintained at any level or that such revenues will be received by the City by their scheduled due dates. General economic conditions affecting the City, including, for example, unemployment and inflation, and unusual or unexpected events such as the termination of major commercial operations within the City or a natural catastrophe could adversely affect both the assessed value of the properties within the City and the ability of taxpayers to make timely payments of their taxes. The City received $18,874,929 or 44.8% of its General Fund revenues from real property taxes in fiscal 2013; $19,359,115 or 45.5% in 2014; $19,145,201 or 44.0% in 2015; $19,667,304 or 45.1% in 2016; and $20,380,585 or 44.9 in 2018 (UNAUDITED). See Appendix B hereto.

Employee Benefits

The City participates in certain employee benefit programs through two different State Retirement Systems (the Employees' Retirement System and the Police and Fire Retirement System) and also provides health care benefits to retired employees. The retirement systems in New York State, as with most pension systems, suffered substantial declines in asset values in the recent financial markets downturn. It is not entirely clear what the implication will be for the City's budget and required contributions on behalf of its employees, whether it will be afforded a different means to amortize contributions in excess of some predetermined portion of payroll, as has been done in past downturns, or will be supplied with other alternatives to smooth the impact. These liabilities are discussed further in Appendix A. See "Pension Systems" and "Postemployment Health Care Benefits" herein.

Market

If and when a holder of the Bonds and Notes elects to sell a Bond or Note prior to maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of the Bonds and Notes. In addition, the price or principal value of the Bonds and Notes is dependent on the prevailing level of interest rates. If interest rates increase, the price of a bond or note would normally decline causing the Noteholder to incur a capital loss upon the sale of such Note.

Amendments to the Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt including the Bonds and Notes and other debt issued by the City. Any such future legislation would have an adverse effect on the market value of the Bonds and Notes (See "TAX MATTERS" herein).

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the City, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the City, could have an impact upon the market price for the Bonds and Notes. See "TAX LEVY LIMITATION LAW," herein.

Executive Order on Sanctuary Cities

On January 25, 2017, President Trump signed an executive order (the "Executive Order") directing the Attorney General and the Secretary of Homeland Security to ensure that state and local jurisdictions that refuse to (i) inquire into the nationality and/or immigration status of individuals held in their custody, and (ii) honor written requests by the U.S. Immigration and Customs Enforcement to detain foreign nationals already in custody for an additional 48 hours after the individual would otherwise be released, will not be eligible to receive federal grants except as deemed necessary for law enforcement purposes. On April 25, 2017, U.S. District Judge William H. Orrick in San Francisco enjoined enforcement of the Executive Order nationally except in very limited circumstances. Notwithstanding the effect of Judge Orrick's decision (which may be appealed by the Trump Administration), it is the City's position that controlling legal authority limits funding reductions to grants directly related to federal immigration law enforcement and would mount a vigorous legal challenge if implementation of the executive order was to be permitted by the federal courts and such implementation would result in the reduction of federal aid to the City. However, there can be no guarantee that implementation of the executive order will not result in a significant reduction or delay in the receipt of such aid by the City. The Special Debt Service Fund maintained by the City with the State Comptroller pursuant to the Act is not funded with deposits of federal aid to the City. See "PAYMENT AND SECURITY FOR THE BONDS – Special Debt Service Fund" herein.

THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM AND COMPLIANCE REVIEWS

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the City as "No Designation." See http://www.osc.state.ny.us/localgov/fiscalmonitoring/.

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

The financial affairs of the City are subject to periodic compliance reviews by OSC to ascertain whether the City has complied with the requirements of various State and federal statutes. The last audit conducted by OSC was released on October 25, 2012. The purpose of such audit was to examine the City's financial operations for the period January 1, 2010, to June 21, 2011. The complete report can be obtained from the OSC's website.

The City's budget is subject to annual review to determine whether the significant revenue and expenditure projections in the City's proposed budget are reasonable. The last budget review conducted by OSC was released on November 14, 2017. The review found that the significant revenue and expenditure projections in the proposed budget are reasonable. The City faces potential increased salary costs when one of its expired collective bargaining agreements is settled. The City continues to budget minimal amounts for contingencies, which provides limited flexibility to address revenue shortfalls or unforeseen expenditures. The City's proposed budget complies with the tax levy limit. Key recommendations included City officials should consider the potential financial impact of the settlement of collective bargaining agreements. The City should review the adequacy of contingency appropriations. The complete report can be obtained from OSC's website.

LITIGATION

The City is subject to a number of lawsuits and claims in the ordinary conduct of its affairs. In the opinion of the Corporation Counsel for the City, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims pending which, if determined against the City, are likely to have a material adverse effect on the financial condition of the City. The City maintains a self-insured retention in the amount of $250,000.00 per occurrence for general liability claims and $500,000.00 per occurrence for police liability claims. The City also maintains an excess general liability insurance policy providing additional coverage up to $750,000.00 per occurrence and $4,000,000 in the aggregate and an excess police liability insurance policy providing additional coverage up to $500,000.00 and $4,000,000.00 in the aggregate.

Certain property owners have filed tax certiorari petitions which allege that property values as presently determined are excessive and request assessment reductions for one or more years and, in most actions, a refund of property taxes previously paid. Any such refunds resulting from adverse settlements will be provided for when determinable. It is difficult to predict at this time the outcome of current cases, however, pursuant to State law; the City may issue debt to pay tax certiorari refunds should the amount of such refunds exceed the amount on hand therefore. The City is a defendant in numerous tax certiorari proceedings, the result of which cannot be determined at this time. Any future refunds resulting from adverse settlements will be funded in the year the payments are made.

The Department of Environmental Conservation ("DEC") conducted a preliminary site assessment of the Former City landfill which characterized the waste present at the site and identified "Company A" as a potentially responsible party. The Environmental Protection Agency ("EPA"), on referral of the DEC, conducted a drum removal action at the site to address approximately 450 barrels of waste material. The EPA identified the City and "Company B" as potentially responsible for the removal action. The City has asserted that Company A is primarily responsible since the barrels containing waste materials were disposed of by them and/or their predecessors which owned and operated the neighboring manufacturing facility and former landfill. In January 2012, the City and the two companies signed a Settlement and Access Agreement for the companies to clean up the site. The City is also seeking a "No Ability to Pay" determination from the EPA, but determination remains outstanding. The drum removal clean-up is completed. At this time, this matter will have no impact on the City's 2017 financial statements.

On May 2, 2016, the City of Newburgh discontinued the use of Washington Lake as the City's primary water supply due to the discovery of Perfluorooctane Sulfonate (PFOS). The detected levels of PFOS were below the provisional health advisory published by the Environmental Protection Agency ("EPA") at the time the water supply was sampled and the PFOS detected. The City took immediate action to access back-up water supplies. The Department of Environmental Conservation ("DEC") has undertaken construction of improvements to the City's water filtration plant for the purpose of removing PFOS from the City's primary water supply at Washington Lake. A motion to file late notices of claim against the City for personal injuries allegedly resulting from exposure to PFOS was denied in New York State Supreme Court. A second motion to file late notices of claim was granted in part dismissing property damage claims and denied in part as to personal injuries. As it applies to personal injury claims, the decision determined that the time to file a notice of claim runs from the date an individual receives notice of blood test results of elevated levels of PFOS thereby making many of the notices of claim filed to date untimely. A DEC investigation into the source of the PFOS contamination determined that the PFOS originated at facilities within Stewart Airport, formerly Stewart Air Force Base, by activities conducted by the US Department of Defense. The City has not been identified as a potentially responsible party and no evidence of causation between the PFOS and any of the claimants' injuries has been presented. At this time, this matter will have no effect on the City's 2017 financial statements.

TAX MATTERS

In the opinion of Harris Beach PLLC, White Plains, New York, Bond Counsel to the City, based on existing statutes, regulations, administrative rulings and court decisions and assuming compliance by the City with certain covenants and the accuracy of certain representations, interest on the Bonds and Notes is excluded from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the date of issue of the Bonds and Notes in order that interest on the Bonds and Notes, as applicable, will be and remain excluded from gross income for Federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Bonds and Notes, as applicable, and in certain circumstances, payment of amounts in respect of such proceeds to the United States. Failure to comply with the requirements of the Code may cause interest on the Bonds and Notes, as applicable, to be includable in gross income for purposes of Federal income tax, possibly from the date of issuance of the Bonds and Notes. In the Arbitrage and Use of Proceeds Certificates of the City, to be executed in connection with the issuance of the Bonds and Notes, the City will covenant to comply with certain procedures and make certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect to the Bonds and Notes, as applicable. The opinion of Bond Counsel assumes compliance with such covenants and the accuracy, in all material respects, of such representations and certificates.

Bond Counsel is of the further opinion that interest on the Bonds and Notes is not an "item of tax preference" for purposes of Federal alternative minimum tax on individuals, and for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations, interest on the Bonds and Notes is, however, included in "adjusted current earnings", for purposes of calculating the Federal alternative minimum tax imposed on certain corporations, with respect to tax years beginning prior to January 1, 2018. Corporate purchasers of the Bonds and Notes should consult with their tax advisors concerning the computation of any alternative minimum tax.

Prospective purchasers of the Bonds and Notes should be aware that ownership of the Bonds and Notes, and the accrual or receipt of interest thereon, may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences of their ownership of the Bonds and Notes and their accrual or receipt of interest thereon. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

The Bonds and Notes <u>will</u> be designated as "qualified tax-exempt obligations" within the meaning of, and pursuant to Section 265(b)(3) of the Code.

In the opinion of Bond Counsel, interest on the Bonds and Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance and delivery of the Bonds and Notes may affect the tax status of interest on the Bonds and Notes.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Bonds and Notes to be subject to Federal or State income taxation, or otherwise prevent Noteholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Bonds and Notes for audit examination, or the course or result of any Internal Revenue Service examination of the Bonds and Notes or of obligations which present similar tax issues, will not affect the market price or marketability of the Bonds and Notes. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding the foregoing matters.

All summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE BONDS AND NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE BONDS AND NOTES.

LEGAL MATTERS

Legal matters incident to the authorization, sale and issuance of the Bonds and Notes will be subject to the final approving opinions of Harris Beach PLLC, Bond Counsel, White Plains, New York. Such legal opinions will state that in the opinion of Bond Counsel (i) the Bonds and Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and Notes and interest thereon, subject to the applicable statutory limitations of Chapter 97 of the Laws of 2011 of the State of New York; provided, however, that the enforceability (but not the validity) of the Bonds and Notes, as applicable, may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights.

Such legal opinions will also state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and such certifications thereof; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds and Notes has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the City together with other legally available sources of revenue, if any, will be sufficient to enable the City to pay the principal of and interest on the Bonds and Notes as the same respectively become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the City, would materially affect the ability of the City to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the City, in connection with the sale of the Bonds and Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING FOR THE BONDS

In accordance with the requirements of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the City has agreed to provide, or cause to be provided,

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement of the City relating to the Bonds under the headings "LITIGATION" and in Appendix A under the headings "THE CITY," "FINANCIAL FACTORS," "REAL PROPERTY TAXES," "CITY INDEBTEDNESS," and "ECONOMIC AND DEMOGRAPHIC DATA" and in APPENDIX B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended December 31, 2018, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ended December 31, 2018; such audit (prepared in accordance with the accounting principles the City may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the City of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the City of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter for the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (iv) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the City does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, notice of a failure to provide the annual financial information and operating data and such audited financial statement by the date specified.

The City's Undertaking with the respect to the Bonds shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the City, and no person or entity, including a Holder of such Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the City to comply with the Undertaking will not constitute a default with respect to the Bonds.

The City reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

DISCLOSURE UNDERTAKING FOR THE NOTES

At the time of the delivery of the Notes, the City will provide an executed copy of its "Undertaking to Provide Notice of Certain Material Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

> (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (iv) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the City, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the City to comply with the Undertaking will not constitute a default with respect to the Notes.

The City reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in consultation with nationally recognized bond counsel in a manner consistent with Rule 15c2-12 as then in effect.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Hopewell Junction, New York, (the "Municipal Advisor") is an independent municipal advisor registered with the SEC and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the City in connection with this transaction.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the City. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds and Notes.

RATINGS

S&P Global Ratings Service is expected to assign the Bonds an insured rating of "AA" (stable outlook) based upon a municipal bond insurance policy to be issued by Municipal Assurance Corp. ("MAC") simultaneously with the delivery of the Bonds.

Moody's Investors Service, Inc. ("Moody's") has assigned a "Baa2" rating to the Bonds and to the outstanding bonded debt of the City.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such rating should be obtained from such rating agencies at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and S&P Global Ratings Service, 55 Water Street, New York, New York 10041. There can be no assurance that such ratings will continue for any specified period of time or that such ratings will not be revised or withdrawn, if in the judgment of Moody's or S&P circumstances so warrant. Any such change or withdrawal of such ratings may have an adverse effect on the market price of the Bonds and Notes or the availability of a secondary market for the Bonds and Notes.

The Notes are not rated.

BOND INSURANCE

As noted herein, the scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Municipal Assurance Corp. ("MAC"). Information concerning MAC is included in Appendix E, herein. (See "APPENDIX E – MUNICIPAL BOND INSURANCE AND SPECIMEN POLICY" herein.) The City has not made any independent investigation of MAC or its policy and reference should be made to Appendix E for a description thereof.

In the event that MAC is unable to make payments of principal of and interest on the Bonds for which its policy has been issued, as such payments become due, the Bonds are payable solely from City moneys.
The insured ratings on the Bonds are dependent on the claims paying ability of MAC. MAC's current claims paying ability is predicated upon a number of factors which could change over time and could result in a downgrading of the insured ratings on the Bonds. Such a downgrade could adversely affect the market price for, and marketability of, the Bonds. MAC is not contractually bound to maintain its present claims paying ability in the future. (See "RATINGS" herein.)

ADDITIONAL INFORMATION

Additional information may be obtained from Kathryn Mack, Director of Finance and Comptroller, City Hall, 83 Broadway, Newburgh, New York 12550, (845) 569-7322, e-mail: kmack@cityofnewburgh-ny.gov or from the City's Municipal Advisor, Capital Markets Advisors, LLC, 1075 Route 82 – Suite 4, Hopewell Junction, New York 12533, (845) 227-8678.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the original purchasers or any subsequent holders of any of the Bonds and Notes.

Harris Beach PLLC expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the City for use in connection with the offer or sale of the Bonds and Notes, including this Official Statement. This Official Statement has been prepared only in connection with the sale of the Bonds and Notes by the City and may not be reproduced or used in whole or in part for any other purpose

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement is submitted only in connection with the sale of the Bonds and Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

CITY OF NEWBURGH
ORANGE COUNTY, NEW YORK

By: /s/ Kathryn Mack
Kathryn Mack
Director of Finance and Comptroller

DATED: July 19, 2018

APPENDIX A

THE CITY

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THE CITY

General Information

The City, which was incorporated in 1865, is located in the northeastern part of the County on the west bank of the Hudson River approximately 60 miles north of New York City. According to 2017 U.S. Census estimates, the population of the City is 28,363 and it has a land area of 3.8 square miles. The City is largely residential in character but has many light industries.

Form of Government

The City has the powers and responsibilities inherent in the operation of a municipal government including independent taxing and debt issuance authority. Subject to the provisions of the State Constitution, the City operates under a charter adopted on May 21, 1917, as amended, and in accordance with other statutes including General City Law, General Municipal Law, the Local Finance Law and the Real Property Tax Law, to the extent that these statutes apply to a city operating with a charter. In its charter, the City has elected to have a managerial form of government. The City Manager, who is appointed by and serves at the pleasure of the City Council, serves as the chief executive officer of the City. The City Council is vested with all legislative authority.

The City Council is the legislative body of the City and consists of four members elected at large to serve four-year terms, plus the Mayor. It is the responsibility of the City Council to approve all legislation, including resolutions, ordinances and local laws, adopt and modify as required, operating and capital budgets, levy real property taxes and authorize the issuance of all indebtedness. In 2012, the City amended its Charter to expand the City Council to seven members, effective for the November elections in 2013. As a seven-member City Council it would take the four votes to pass the budget and five votes to enact a local law in order to override of the Tax Levy Limitation Law.

The Mayor and members of the City Council are elected at a general election for a four-year term and there is no restriction on the number of terms that may be served. As a member of the City Council, the Mayor presides over this body and is eligible to vote on all matters.

As noted above, the City Manager is appointed by the City Council and serves at its pleasure. The City Manager is the chief administrative and executive officer and responsible for the City's day-to-day operations. The City Manager is also an ex-officio, non-voting member of the Council. The City Manager appoints all department heads. Under the City's Charter, the City Manager is designated as the City budget officer responsible for preparing annual operating budgets.

The City Director of Finance and Comptroller is appointed by and serves at the pleasure of the City Manager, however the City Manager may assume the duties and powers of the Director of Finance. The duties of these positions include: the collection of taxes and other revenues and the investment thereof; the disbursement of moneys for payrolls and accounts payable; the maintenance of the City's accounting records; the coordination of debt issuance and the analysis of financial and operational matters. The Director of Finance and Comptroller assists the City Manager with the preparation of the annual operating budget and the administration of the City's employee benefit programs.

Key City Management Positions

City Manager. Michael G. Ciaravino was appointed City Manager of Newburgh on May 19, 2014. With more than 22 years of municipal experience, he has a broad range of expertise which includes: Budget and Sustainable Financial Planning; Regional Purchasing and Public Bidding; Collective Bargaining; Chief Legal Counsel to Police, Fire and Specialized Safety Forces; Lead Advisor for Municipal Government Litigation and Strategy; Employment Law; Public Record Law and Training for Directors and Staff; Special Legal Counsel for Mortgage Fraud Task Force; Criminal Prosecutions; Municipal Initiative Referendum; Statewide Training Seminars for Building Officials; Mayor's Court Administration, Best Practices and Training; Management of a Municipal Transportation System (Maple Heights R.T.A.).

As the former Mayor of the City of Maple Heights, Ohio, Mr. Ciaravino was the Chief Executive Officer overseeing 250 municipal employees and a $35 million dollar annual budget. He was directly responsible for all city services including Police, Fire, Public Works, Parks, Recreation, Streets, Sewers, Sanitation, Housing, Human Services, Human Resources, Legal Affairs, and Finance and Economic Development. Mr. Ciaravino had many notable accomplishments as Mayor, including: Financial Crisis Management; Community Based Diversity Programs; Regional Purchasing; and creation of a Minority Business Incubator.

Mr. Ciaravino was admitted to practice law before the United States Court of Appeals, Sixth Circuit and the United States District Court, Northern District of Ohio. In addition to his general legal practice, he has advised municipalities and law enforcement agencies regarding mortgage fraud investigations. He received his Juris Doctorate Degree in 1988 at Case Western Reserve University, School of Law (ABA Accredited).

Director of Finance and Comptroller: Kathryn Mack was appointed Director of Finance and Comptroller in July 2016 after serving as Acting Director of Finance and Comptroller for May and June 2016. Ms. Mack has 14 years of financial experience of which the last 8 years were spent in the City of Newburgh as a Senior and Junior Accountant. Ms. Mack previously held the Acting Director of Finance position for the City in 2013. Ms. Mack has a Bachelor of Science degree from Empire State College and earned an Associates Degree in Accounting from Rockland County Community College.

Corporation Counsel. Michelle Kelson, Esq. was appointed in April 2011. From May 2001 through April 2011, Ms. Kelson served as Assistant Corporation Counsel for the City of Newburgh. From 1998 through 2001, Ms. Kelson was associated with the law firm of Gorlick, Kravitz & Listhaus in New York, NY. She began her legal career as an attorney with the Federal Labor Relations Authority from 1991 through 1998. Ms. Kelson is a graduate of Emory Law School and received her undergraduate degree from Cornell University.

Services

The City provides a full range of municipal services. These services include public safety (police and fire), public works (sanitation, highway and public improvements), park and recreational facilities, public parking, economic development and community development, and general administrative services necessary to serve the citizens of the City. The City also owns and maintains two reservoirs, four water storage tanks with a 5.5 million gallon capacity, a City-wide water distribution system, a sewage treatment plant and a sewage collection system.

Public education is provided by the City School District of the City of Newburgh (the "District"), which serves the City and certain areas outside the City. The District has a separately elected governing body and has independent taxing and debt authority.

Employees

The City provides services through approximately 254 full-time and part-time employees.

Employee Organization	Employees	Contract Expiration Date
Civil Service Employees' Assoc.	123	12/31/21
Policemen's Benevolent Assoc.	58	12/31/21
Police Superior Officers Assoc.	15	12/31/21
International Assoc. of Fire Fighters	68	12/31/17

In addition, the City has a non-bargaining unit for 33 exempt employees that has its terms of employment imposed by the City Manager.

Employee Benefits

Substantially all employees of the City are members of the New York State and Local Employees Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS") (ERS and PFRS are referred to collectively hereinafter as the "Retirement System" where appropriate). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. Members hired on or after January 1, 2010 must contribute three or more percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides, among other things, for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee pension contributions throughout employment.

Police officers and firefighters who are members of PFRS are divided into four tiers. As with ERS, retirement benefit plans available under PFRS are most liberal for Tier 1 employees. The plans adopted for PFRS employees are noncontributory for Tier 1 and Tier 2 employees. Police officers and firefighters that were hired between July 1, 2009 and January 8, 2010 are currently in Tier 3, which has a 3% employee contribution rate by members. There is no Tier 4 in PFRS. Police officers and firefighters hired after January 9, 2010 are in Tier 5 which also requires a 3% employee contribution from members. Police officers and firefighters hired after April 1, 2012 are in Tier 6, which also originally had a 3% contribution requirement for members for FY 12-13; however, as of April 1, 2013, Tier 6 PFRS members are required to contribute a specific percentage of their annual salary, as follows, until retirement or until the member has reached 32 years of service credit, whichever occurs first: $45,000.00 or less contributes 3%; $45,000.01 to $55,000.00 contributes 3.5%; $55,000.01 to $75,000.00 contributes 4.5%; $75,000.01 to $100,000.00 contributes 5.75%; and more than $100,000.00 contributes 6%.

Beginning July 1, 2013, a voluntary defined contribution plan option was made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn $75,000 or more on an annual basis.

The New York State Retirement System allows municipalities to make employer contribution payments in December of each year, at a discount, or the following February, as required. The City generally opts to make its pension payments in December in order to take advantage of the discount and this payment was made in December 2015 for the current year.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contributions for the State's Retirement System continued to be higher than the minimum contribution rate established by Chapter 49. Legislation was enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. The legislation also requires those local governments and school districts that amortize their pension obligations pursuant to the regulation to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The City does not currently amortize any pension payments.

In Spring 2013, the State and ERS approved a Stable Contribution Option ("SCO"), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage spikes in Actuarially Required Contribution rates ("ARCs"). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. The City pays its ERS and PFRS contributions on a pay as you go basis and does not expect to participate in the SCO in the foreseeable future.

For State Fiscal Year 2016-17, the average contribution rates decreased for the third year in a row. ERS decreased by 2.7% of payroll, from 18.2% to 15.5% and the average contribution rate for PFRS decreased by approximately .4% of payroll from 24.7% to 24.3%. For the State Fiscal Year 2017-18 the contribution rates for ERS and PFRS remain unchanged at the 2016-17 levels. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers

ERS and PFRS Contributions. The current retirement expenditures presented in the City's financial statements for each of the last five years, unaudited 2017 and the amounts budgeted for the most recent fiscal year are shown in the following table:

Fiscal Year Ended December 31:	ERS	PFRS
2012	$1,204,206	$2,632,195
2013	1,314,909	3,120,028
2014	1,295,192	3,313,823
2015	1,077,491	2,963,157
2016	1,305,643	2,575,207
2017 (Unaudited)	1,120,111	3,117,449
2018 (Budget)	1,204,720	2,775,315

Source: Audited Financial Statements and Adopted Budgets.

Other Postemployment Benefits

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the City account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every two years for the City. The City's funding policy is to contribute the current annual premium (net of employee contributions) for retired participants (i.e. pay-as-you-go). Current New York State law does not permit municipalities to pre-fund medical benefit obligations. For the 2017 (Unaudited) fiscal year the City contributed $4,112,713.

The City is in compliance with the requirements of GASB 45. The City has determined that its unfunded actuarial accrued liability ("UAAL") for OPEB as of January 1, 2017 (Unaudited) was $155,211,752 and its ARC was $14,480,637. The City's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the City's finances and could force the City to reduce services, raise taxes or both.

Economic Development Activities

Prior Public and Private Investment

Since 2011, the City of Newburgh, its non-profit organizations and public-private partnerships have been successful in obtaining over $14 million in Regional Economic Development Council ("REDC") awards for the purposes of economic development, including investments in arts and educational facilities, housing and mixed-use properties, public infrastructure, and planning. REDC-funded projects such as Mount Saint Mary College's campus revitalization, the stabilization and rehabilitation of the historic Ritz Theater, and planned $4 million Performing Arts Academy for the Boys and Girls Club have been leveraged with other ongoing public and private investments to begin the transformation of the downtown. These investments include:

- educational and cultural investments like the completed $85 million expansion of SUNY Orange's campus and the ongoing $4 million restoration of the Tower of Victory at Washington's Headquarters State Historic Site;

- over $7 million in New York State Office of the Attorney General mortgage settlement funding to the Newburgh Community Land Bank as a conduit for vacant property rehabilitation;

- housing investments such as RUPCO, Inc.'s $16.5 million East End Apartment development, creating 45 downtown residential units by the summer of 2018;

- over $3 million in recent private investment into Newburgh's emerging craft food and beverage sector via the establishment of production facilities by Newburgh Brewing Company, Graft Cider, and ECO Shrimp Garden; and

- the $2 million redevelopment of an abandoned warehouse by Atlas Industries into a furniture manufacturing facility and rentable artist and maker space.

Potential for Adaptive Reuse of Developable Properties

Newburgh's history as a regional downtown has left an organized footprint that offers much to be desired by both public and private investors. The area is defined by a physically well-organized business district with some of the best architecture preserved in one of the largest historic districts in the State, with dozens of areas ripe for adaptive reuse. This has encouraged Safe Harbors of the Hudson, a $22 million LITC(Low Income Tax Credit) project, to invest an additional $8 million in the development of two commercial spaces, a half-acre park space, and a performing art space which will support the SUNY Performance and Fine Arts Education center and the Boys and Girls Club's Performing Arts Academy. This property, known as the Ritz Theater, will result in 30 full-time jobs for entrepreneurial artistic residents. The overall scope will create a social hub and link downtown activities through arts and culture. Three blocks away, Baxter Development group is investing $2.7 million in the redevelopment of a former industrial building into a live-work space with food-hall-style restaurants, the Boys and Girls Club is investing in a $4 million Performing Arts Academy. Planned investments also include Regal Bag's $40 million redevelopment project of a former industrial building to anchor the northern end of the waterfront, and other projects embedded in the Rhinebeck Bank's $3 million Creative Neighborhood Loan Fund.

Existing Trail of Historical and Cultural Landmarks

Newburgh's downtown is dotted by a trail of prominent historical and cultural landmarks which can serve to drive local tourism and help to merge centers of place. This trail includes the nation's first publicly owned historic site, Washington's Headquarters. The site served as the headquarters for General Washington as the American

Revolution was nearing completion and is where Washington famously rejected an American monarchy. The site just underwent a $4 million restoration project for its "Tower of Victory", which was built for the centennial of the Revolutionary War, and which offers unprecedented views of the Hudson River and the Hudson Highlands from its restored viewing deck. Washington's Headquarters is central on Liberty Street, which is becoming a highly concentrated area of investment defined by new shops and restaurants.

The downtown is also home to one of Thomas Edison's first electrical power plants, which served to make Newburgh one of the first electrified cities in the United States. Other sites include 93 Liberty Street (Alsdorf Hall) which served as a stop on the underground railroad, Colonial Terraces (Built by Henry Wright) which served to house workers at Newburgh's Shipyard during World War I, Downing Park (designed in memoriam to Andrew Jackson Downing by Olmstead and Vaux), Newburgh Heritage Center (Former Orange County Courthouse), and the Dutch Reformed Church at 134 Grand Street which is designated as a National Historic Landmark and has tremendous potential for cultural redevelopment.

Public Infrastructure Improvements

The City has partnered with local businesses and not-for-profits to enable the development of almost $80 million in infrastructure planning and improvement projects. This includes the receipt of over $14 million in REDC awards that have targeted façade, roadway, water, sewer, recreation and artistic initiatives. This is highlighted by the completion of over $2.5 million in funding for the improvement of the Broadway corridor, $1.25 million in lighting improvements, $12.1 million in water infrastructure improvements, over $40 million in housing improvement projects and ongoing planning projects that will revitalize the waterfront district through the development of a deep-water port and pier at Newburgh Landing. Once complete, those studies will outline a plan for the reconstruction of the City's public dock to accept the Newburgh/Beacon Ferry, cruise ships and day vessels; all while providing direct public access to the Hudson River. Moreover, Habitat for Humanity has served to rehabilitate over 90 properties for the purposes of homeownership and live/work housing.

Investment in Arts, Culture and Entrepreneurship

Newburgh is home to an ever-growing arts scene which is fostering the development of entrepreneurship via mixed-use spaces that house resident artists, galleries, performing arts centers, cultural tours, and public festivals. Examples of this growing scene can be found in development of the Thornwillow Institute and Makers Village, which seeks to promote and perpetuate the art of the printed arts and bookbinding by providing opportunities to entrepreneurs through fellowships, artists and writers in residency, educational workshops and master classes, job and career training, artistic exhibitions, publications, providing access to specialized equipment, the restoration of historic structures and community outreach activities. The Institute, which was founded in 2015, is making craft production a catalyst for Newburgh's overall revitalization.

Atlas Industries offers another example of Newburgh's burgeoning artistic, cultural and entrepreneurship scene at 11 Spring Street; where their factory houses 45 businesses which range from architecture and development firms, technology companies, and artist and maker spaces. Cultural activities include furniture making workshops, a rotating gallery space, and live performances at the Queen of the Hudson theater space.

The Ritz Theater project, led by Safe Harbors of the Hudson, is providing for the adaptive reuse of the last remaining historic theater in Newburgh, consisting of $8 million in improvements which will result, a multi-use performing arts space to supplement the already completed $22 million arts and housing redevelopment project, which includes 128 units of affordable housing, an art gallery, performing arts venue, 2 vibrant commercial spaces, a half-acre urban park, and 8 artist studio spaces.

Moreover, SUNY Orange is planning to expand programming from their existing campus to three iconic buildings along Grand Street. (American Legion Building, YMCA and Masonic Temple) Their plan is to offer unique arts and culture-based programming that will help entrepreneurs learn arts and restoration, culinary, and hospitality skills so they can appeal to a broad range of employers upon graduation. These ongoing projects are serving to increase civic engagement, establish a community identity, attract outside investment, drive tourism and build essential workforce skills by offering new educational opportunities to local youth.

Newburgh's local arts scene has also benefited from a $2 million grant from a local, private foundation, and $663,000 in planned New Market Tax Credits, as the Boys & Girls Club of Greater Newburgh has purchased and is renovating a long underutilized 21,000 square foot multi-story building in the center of the downtown to establish a new Center for Arts & Education. This facility houses an early childhood education center for 100 children in grades K-2 and also the Newburgh Performing Arts Academy. The Boys & Girls Club of Newburgh's arts program serves over 800 youth and adults each week.

FINANCIAL FACTORS

Budgetary Procedure

The budget process begins mid-year at which time department heads prepare estimates of revenue and expenditures for the following year. Departmental estimates must be submitted to the City Manager on or about August 15. Subsequently, the City Manager reviews each department's requests, conducts departmental hearings and assembles the preliminary budget.

A preliminary budget is submitted to the Mayor and City Council, generally no later than the second Tuesday in October. The City Council reviews the budget and may make changes or revisions that are not inconsistent with the law. After review of the proposed budget, public sessions are held by the City Council during the months of October and November.

A summary of the budgets for the 2017 and 2018 fiscal years may be found in Appendix B hereto.

A public hearing is held by the City Council on the budget in November at which members of the public may express their views on the budget. Following the public hearing, the City Council may make whatever additional revisions it deems necessary.

See also "Functions of the State Comptroller" herein regarding the State Comptroller's annual examination into the estimates of revenues and expenditures of the City in the proposed budget, making of recommendations as deemed appropriate thereon to the City prior to the adoption of the budget, and the requirement for the City Council to review such recommendations and make adjustments to the proposed budget consistent with such recommendations.

Not later than November 20, the Director of Finance receives the revised budget from the City Council and proceeds to prepare the final version for adoption. On or before the last Monday of November, the operating budgets are legally enacted through adoption of an ordinance by the City Council. The budget is not subject to referendum.

Once the budget has been approved, in order to amend the budget during the fiscal year, the City Manager is authorized to transfer budgeted amounts within a department. Further, upon recommendation of the City Manager, the City Council may transfer amounts from one department to another department and from one fund to another or it may decrease the budget appropriations through City Council resolutions.

The City Comptroller may not disburse money in excess of appropriated amounts. Except for personal services and related employee benefits, department heads may transfer budgeted amounts within major objects of expenditures or expense with the approval of the City Manager. Transfers between departments and modifications to personal service related appropriations or the total budget must be authorized by the City Council.

Encumbrance accounting is used to control the budget. Under this method, unfilled purchase orders, contracts or other commitments are recorded in order to reserve that portion of the applicable appropriations. At the end of the year, all appropriations lapse including any amount encumbered. Outstanding encumbrances at year end are recorded as a reservation of the fund balance since they do not constitute current expenditures or liabilities. The budget in the following year is amended to provide the authority to complete these transactions at the proper time.

The Act – Budgetary Monitoring. Pursuant to the Act, as well as generally applicable statutory requirements, the City must present a balanced budget to the State Comptroller (See "Appendix D - City of Newburgh Fiscal Recovery Act".) The Act requires the State Comptroller to examine the City's proposed budget and make recommendations thereon to the City prior to the adoption of the budget by the City Council. The City Council is required to make adjustments to the proposed budget consistent with any such recommendations. In addition, while the City is limited by the Tax Levy Limitation Law (the "Law") to the amount that the tax levy may increase for its succeeding fiscal year, the Law does set forth certain exclusions to the real property tax levy limitation of the City, including the ability of the governing board of the City to adopt a budget that exceeds the tax levy limit for the coming fiscal year.

For each fiscal year during the effective period of the Act, the City Comptroller shall monitor the City's budget and prepare a quarterly report of summarized budget data depicting overall trends of actual revenue and budget expenditures for the entire budget rather than individual line items. Such reports shall compare revenue estimates and appropriations as set forth in such budget with the actual revenues and expenditures to date. All quarterly reports shall be accompanied by a recommendation by the City Manager setting forth any remedial action necessary to resolve any unfavorable budget variances including the over estimation of revenues and the underestimation of appropriations, and shall be completed within thirty days of the end of each quarter. The above quarterly budgetary reports and quarterly trial balances shall be prepared in accordance with applicable accounting principles incorporated in the uniform system of accounts prescribed by the State Comptroller. These reports shall be submitted to the City Manager, the Mayor, the City Council, the State Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee, and the Chair of the Senate Finance Committee.

In 2012, the City amended its Charter to expand the City Council to seven members, effective for the November elections in 2013. As a seven member City Council it takes four votes to pass the budget and five votes to enact a local law in order to override of the Tax Levy Limitation Law.

Reference is directed to the Act contained herein and the definitive form thereof. (See Appendix D – "City of Newburgh Fiscal Recovery Act").

Financial Statements and Accounting Procedures

The City maintains its financial records in accordance with the Uniform System of Accounts for Cities prescribed by the State Comptroller. Summary Balance Sheets and the Analysis of Fund Balance and Statements of Revenues and Expenses of the General Fund, the Water Fund and the Sewer Fund for the years 2013 through 2016, which are presented in Appendix B, have been compiled from audited financial information. Information for 2017 is unaudited. However, such presentation has not been audited.

The financial records of the City are audited by independent accountants. The City retained the services of PKF O'Connor Davies, LLP to perform the audits for the fiscal years ending 2013 through 2017. These services also include an A-133 Single Audit to ascertain whether the City has complied with the requirements of various State and Federal statutes. The last completed audit made available for public inspection covers the fiscal year ending December 31, 2016. (See Appendix C "General Purpose Financial Statements" independent auditors report, page 1). In addition, the financial affairs of the City are subject to periodic compliance reviews by the Office of the State Comptroller. See "The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews" herein.

Beginning with the fiscal year ending December 31, 2004 the City has issued its financial statements in accordance with The Government Accounting Standards Board (GASB) Statement No. 34, as required by law. The financial statements include a Management Discussion and Analysis plus Government-Wide Financial Statements that include all City assets and all long-term obligations of the City using the accrual basis of accounting. All current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Investment Policy

Pursuant to Section 39 of the State's General Municipal Law, the City has an investment policy applicable to the investment of all moneys and financial resources of the City. The responsibility for the investment program has been delegated by the City Council to the Comptroller who is required to establish written operating procedures consistent with the City's investment policy guidelines. According to the investment policy of the City, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return.

Authorized Investments. The City has designated four banks or trust companies which are located and authorized to conduct business in the State and any financial institution specified in the Newburgh Fiscal Recovery Act. to receive deposits of money. The City is permitted to invest in special time deposits or certificates of deposit.

In addition to bank deposits, the City is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the City include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the City (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the City, but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The City may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the City, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State. Reverse repurchase agreements are not allowed under State law.

Collateral Requirements. All City deposits in excess of the applicable insurance coverage provided by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the "eligible securities" eligible surety bonds, or "eligible letters of credit" as described in the Law.

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. The City's security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection of such deposits in the event of a default. Securities not registered or inscribed in the name of the City must be delivered, in a form suitable for transfer or with an assignment in blank, to the City or its designated custodial bank. The custodial agreements used by the City provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

An eligible irrevocable letter of credit may be issued, in favor of the City, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 140% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

An eligible surety bond must be underwritten by an insurance company authorized to do business in the State which has claims paying ability rated in the highest rating category for claims paying ability by at least two nationally recognized statistical rating organizations. The surety bond must be payable to the City in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

Summary Results of Operations –FY Ended December 31, 2013–2017

The following tables summarize the results of operations for the City's General Fund. As of December 31, 2017 (Unaudited) the City showed a fund balance of $11,442,886, including an unassigned balance of $4,973,868.

	2013	2014	2015	2016	Unaudited 2017 (1)
Revenues & Transfers In	$42,343,266	$43,000,718	43,600,853	44,187,908	58,200,359
Proceeds of Obligations	0	0	0	0	0
Expenditures & Transfers Out	(41,144,606)	(42,388,274	(43,188,480)	(44,591,395)	(56,619,144)
Excess(Deficiency) of Revenues Over Expenditures	1,198,660	612,444	412,373	(403,487)	1,581,215
Fund Balance – Beginning of Year	8,041,681	9,240,341	9,852,785	0,265,158	9,861,671
Prior Year Adjustments	0	0	0	0	0
Fund Balance – End of Year	$9,240,341	$9,852,785	10,265,158	9,861,671	11,442,886

(1) Revenues and Transfers In includes Refunding Bonds Issued of $11,669,878 and Expenditures and Transfers Out includes Payment to Refunded bond Escrow Agent of $11,625,731.

Fund Balance - End of Year
Composed of:

	2013	2014	2015	2016	Unaudited 2017
Nonspendable, Restricted, and Assigned	$5,540,186	$5,887,866	6,560,341	6,500,381	6,469,018
Unreserved/Unassigned	3,700,155	3,964,919	3,704,817	3,361,290	4,973,868

Fiscal Year 2018 Budget

The General Fund budget adopted in November 2017 for 2018 included expenditures of $44,650,901; revenues of $44,038,945 and appropriated fund balance of $611,956, producing a balanced budget. The balanced budget was accomplished with a tax levy increase that was within the confines of the Tax Levy Limitation Law. The budget in its entirety is available on the City's web site:
https://www.cityofnewburgh-ny.gov/sites/newburghny/files/pages/2017_12_01_13_13_01.pdf

The required review of the State Comptroller of the City's fiscal year 2018 budget can be found at
http://www.osc.state.ny.us/localgov/audits/cities/2017/newburgh-br.htm

Fiscal Year 2017 Budget

The General Fund budget adopted in November 2016 for 2017 included expenditures of $44,410,286; revenues of $43,622,546 and appropriated fund balance of $787,740, producing a balanced budget. The balanced budget was accomplished with a tax levy increase that was within the confines of the Tax Levy Limitation Law. The budget in its entirety is available on the City's web site
http://www.cityofnewburgh-ny.gov/sites/newburghny/files/u771/2017_budget_council_adopted.pdf.

The required review of the State Comptroller of the City's fiscal year 2017 budget can be found at
http://www.osc.state.ny.us/localgov/audits/cities/2016/newburgh_br.htm.

Fiscal Recovery Plan

The Deficit Bonds. Pursuant to the Act, the City was authorized to issue deficit notes and bonds in the aggregate principal amount not to exceed $15,000,000. On August 30, 2010, the City issued $12,000,000 Bond Anticipation Deficit Notes - 2010B based on then current estimates of such projected deficit. Based on calculations provided by the City's external auditor, on August 29, 2011, the City issued $9,000,000 Bond Anticipation Deficit Notes – 2011B, which together with $3,000,000 of current funds were used to redeem at their maturity on August 30, 2011 the $12,000,000 Bond Anticipation Deficit Notes – 2010B. In a letter dated February 28, 2012, the Office of State Comptroller certified the deficit at $6,093,846. The Deficit Bonds, together with $2,910,000 of funds on hand were used to redeem the $9,000,000 Bond Anticipation Deficit Notes – 2011B at their maturity on August 29, 2012.

The Fiscal Recovery Plan. The City has implemented strict controls over financial management to prevent future deficits through a fiscal recovery plan. As of the 1st Quarter 2018 Update and the Multiyear Financial Plan dated March 31, 2018 the City is projecting balanced operations in 2018, 2019 and 2020. (see "Multiyear Financial Plan" herein). Prior Multiyear Financial Plans included anticipated multi-million dollar deficits for the 2012 - 2014 fiscal years which the City was able to eliminate in order to introduce balanced budgets during the 2013 - 2015 budget process. The fiscal recovery plan included, but was not limited to, the following:

- Imposed a hiring freeze except for critical management or public safety positions, resulting in a decrease of approximately 80 full time and 56 part-time employees from 2010 to 2011.
- Instituted a purchase order system from a voucher system to more closely monitor expenses.
- Instituted a system of checks and balances, including multi-person review and signs off on.
- City Council is provided with monthly cash flow statements.
- Quarterly reporting to State Comptroller on the status of the city as required by the Act.
- Engaged the services of an independent certified public accountant as a City consultant to assist in the City's efforts to bring its financial records current and to review the City's operations for potential opportunities for financial improvement.

Multiyear Financial Plan. The Act requires the City Manager to prepare a three (3) year financial plan covering the next succeeding fiscal year and two fiscal years thereafter, which would at a minimum contain; projected employment levels; projected annual expenditures; reserve fund accounts; estimated annual revenues; and the proposed use of onetime revenue sources. In addition, the financial plan would identify actions necessary to achieve and maintain long-term fiscal stability, including, but not limited to, improved management practices, initiatives to minimize or reduce operating expenses, and potential shared services agreements with other municipalities. The City Manager is required to update the financial plan consistent with the adopted budget and quarterly budget reports. The most recent Multiyear Financial Plan is dated March 31, 2018 and includes projections for the fiscal years ending December 31, 2018, 2019 and 2020.

The City has identified and initiated significant actions necessary to achieve and maintain long-term fiscal stability. For the fiscal years ending December 31, 2012, 2013, 2014, and 2015 the City achieved general fund operating surpluses of, $10.0 million (including $6,090,000 in proceeds from deficit bonds), $1.2 million, $612,444 and $412,373, respectively. For fiscal year ending December 31, 2016 the City had an operating deficit of ($403,487). Unaudited 2017 results estimate a surplus of $$1,581,215.

Revenues

The City derives its principal revenues from real property taxes, sales taxes and State aid. A summary of revenues and other financing sources for the 2013 - 2017, fiscal years may be found under the Statements of Revenues, Expenditures and Changes in Fund Balance in Appendix B hereto. Also, see "Summary Results of Operations – Fiscal Years Ended December 31, 2013–2017." See also "Tax Levy Limitation Law," herein.

Real Property Taxes. The City receives a significant portion of its revenues from real property taxes and assessments. In 2016 and 2017 (Unaudited), property taxes received were $19,667,304 and $20,380,585 comprising 45.1% and 44.9% of total General Fund Revenues, respectively. Budgeted 2018 real property taxes are $19,904,325 or 45.3% of General Fund Revenues. See also "Tax Levy Limitation Law," herein.

The proceeds of real property taxes are to be deposited directly into the Special Debt Service Fund held by the State Comptroller for the purpose of paying Special Debt Service until August 30, 2025. Such Special Debt Service Fund was established in December 2010 upon the first issuance of deficit notes in August 2010 and will be maintained by the City with the State Comptroller through August 30, 2025. (See "Special Debt Service Fund" herein.)

Real Property Taxes as a % of General Fund Revenues

	General Fund Revenues	Real Property Taxes Collected	Tax as % GFR
2012	$41,049,397	$17,519,568	42.7%
2013	42,130,653	18,874,929	44.8
2014	42,587,280	19,359,115	45.5
2015	43,499,859	19,145,201	44.0
2016	43,560,404	19,667,304	45.1
2017 (Unaudited)	45,362,960	20,380,585	44.9
2018 (Budget)	45,362,960	19,904,325	45.3

(1) General Fund.
Source: Audited Financial Statements and Adopted Budgets of the City. Summary itself not audited.

Sales Tax Distribution from County. In 2016 and 2017 (Unaudited) sales tax revenues were $10,022,413 and $10,530,683 comprising 23.0% and 23.2% of total General Fund revenues, respectively. For the 2018 fiscal year, sales tax revenues are budgeted at $10,000,000 or 22.7% of the City's total General Fund revenues.

Sales Tax as a % of General Fund Revenues

	General Fund Revenues	Sales Tax	Sales Tax as % of GFR
2012	$41,049,397	$9,548,145	23.3%
2013	42,130,653	9,771,414	23.2
2014	42,587,280	9,845,167	23.1
2015	43,499,859	9,950,242	22.9
2016	43,560,404	10,022,413	23.0
2017 (Unaudited)	45,362,960	10,530,683	23.2
2018 (Budget)	43,982,798	10,000,000	22.7

(1) General Fund.
Source: Audited Financial Statements and Adopted Budgets of the City. Summary itself not audited.

State Aid. The City received 5,513,355 and $5,112,287 state aid during 2016 and 2017 (Unaudited) which comprised 12.7% and 11.3% of total General Fund revenues. The budget for 2018 includes 5,752,752 (13.1%) to be received in State Aid. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid.

State aid, in an amount deemed necessary by the State Comptroller to ensure sufficient moneys are available to make Special Debt Service payments, will be deposited directly into the Special Debt Service Fund by the State Comptroller for the purpose of paying Special Debt Service. Such Special Debt Service Fund will be established and maintained by the City Council with the State Comptroller pursuant to the Act.

State Aid as a % of General Fund Revenues

	General Fund Revenues	State Aid	State Aid as % GFR
2012	$41,049,397	$5,176,200	12.7%
2013	42,130,653	5,472,890	12.5
2014	42,587,280	5,079,757	11.9
2015	43,499,859	5,930,747	13.6
2016	43,560,404	5,513,355	12.7
2017 (Unaudited)	45,362,960	5,112,287	11.3
2018 (Budget)	43,982,798	5,752,752	13.1

(1) General Fund.
Source: Audited Financial Statements and Adopted Budgets of the City. Summary itself not audited.

Expenditures

The major categories of expenditure for the City are General Government, Public Safety, Public Works, Community Services, Culture and Recreation and Debt Service. For the fiscal years 2013 to 2017, total General Fund expenditures increased from $37,814,782 to $44,572,081 an increase of 17.9%. A summary of the expenditures for the 2013-2017 may be found in Appendix B hereto. Also, see "Summary Results of Operations – FY Ended December 31, 2014–2017.

Unaudited Results FY Ended December 31, 2017

The following table shows unaudited preliminary result of operations of the City's General, Water and Sewer Funds based on information provided by the City's Director of Finance and Comptroller. Such data is preliminary and subject to audit adjustments, if any.

UNAUDITED Fund Balance	General Fund
Ending Balance at 12-31-16 (audited)	$ 9,861,671
Revenues (1)	58,200,359
Expenditures (1)	(56,619,144)
Operating Surplus	1,1581,215
Ending Balance at 12-31-16 (unaudited)	11,442,886
Consisting of:	
Non-Spendable	4,090,239
Unassigned	1,114,319
Assigned	1,264,460
,Restricted	4,973,868
Total Fund Balance	$11,442,886

(1) Revenues includes Refunding Bonds Issued of $11,669,878 and Expenditures includes Payment to Refunded bond Escrow Agent of $11,625,731.

REAL PROPERTY TAXES

Constitutional Tax Margin
Fiscal Year Ending December 31:

	2017	2018
Tax Limit	$19,737,421	$17,925,072
Total Tax Levy	19,462,564	19,904,325
Total Exclusions	4,730,926	5,576,039
Tax Levy Subject to Limit	14,731,638	14,328,286
Constitutional Tax Margin	3,656,531	3,596,786
Percentage of Unused Taxing Power	18.51%	20.07%

Tax Collection Procedures

The City is responsible for the collection of its own taxes and for the collection of County taxes, both current and delinquent (for taxes levied on property which is located within the City) and delinquent taxes of the District (for taxes levied on property which is located within the City). In addition, commencing with the 1998 tax year, the City has levied delinquent water and sewer bills.

City and County taxes are levied simultaneously, payable in four installments. The first installment is due in February, the second installment is due in May, the third installment is due in June and the final installment is due in August. If an installment payment is not paid in full by the due date, there is a 5% penalty until paid. Tax enforcement is accomplished through judicial foreclosure.

Delinquent County and Newburgh Enlarged City School District (the "District") taxes are paid by the City to the County and District, respectively, as collected or prior to foreclosure. With respect to District taxes, the District notifies the City by April 15 each year of the amount of uncollected taxes owed to the District. The City must then forward such uncollected taxes by April 30 or pay an interest penalty. Such uncollected taxes were paid by the City on April 30, 2014 to the District. Any uncollected District taxes received by the City between May 1 and October 31 will be paid with interest and fees that are retained by the City. The City is required to pay the District in full within two years after the return of the statement of unpaid taxes. Under the City Charter, the County Levy must be paid in full by October 10th of the levy year.

Tax Rates, Levies and Collection Record

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
City Tax Levy	$19,910,699	$19,462,521	$19,462,521	$19,462,521	$19,904,325
Relevied Amounts (a)	2,573,510	2,654,778	2,848,651	2,233,365	1,933,243
County Taxes	3,622,432	3,444,435	3,403,047	3,328,399	3,371,214
Total to be Collected	26,106,641	25,561,734	25,459,567	25,024,285	25,208,782
Amount Collected (b)	24,313,406	24,313,406	23,486,270	23,470,950	Not Available
% Collected (b)	93.1%	95.12	92.25%	93.79	Not Available
Tax Rates per $1,000 Of Assessed Valuation:					
Homestead	$18.47	$19.23	$19.52	$19.64	$19.56
Non-Homestead	24.62	25.39	25.93	26.13	26.41

(a) Includes uncollected City, County and District taxes from previous years.
(b) As of the end of each respective fiscal year

Major Taxpayers

Selected Listing of Large Taxable Properties
2017 Assessment Roll for 2018 Taxes

Name	Type	Assessed Valuation	% of Assessed Value (1)
Central Hudson Gas & Electric	Utility Company	$41,250,624	4.65%
Mid-Hudson Film LLC	Manufacturing/Storage	9,268,100	1.04
Chadwick Gardens Assoc	Apartment Complex	8,930,000	1.01
Verizon New York Inc	Telephone Company	6,437,926	0.73
CSX Transportation Inc	Railroad	6,027,440	0.68
*RBG Newburgh, LLC	Marina/Parking Lot	4,566,000	0.51
**IDA City of Newburgh	IDA / County	4,301,800	0.49
Newburgh Commercial	Shop Ctr/WHs/Retail	4,251,100	0.48
Newburgh Metals Inc	Manufacturer	3,995,000	0.45
Riverfront Realty	Restaurants/Office	3,699,100	0.42
		$92,727,090	10.45%

(1) Total assessed value for 2018 is $886,924,727.
(2) City of Newburgh IDA is leased by Orange County and is billed to c/o Orange County DPS.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers (which are affected indirectly by applicability to their respective city). It also applies to independent special districts and to city and county improvement districts as part of their parent municipalities' tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 16, 2020 unless certain legislation is extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit", are used and they are not tautological. That is what the words say and that is what courts have held they mean."

Article 8 Section 12 of the State Constitution specifically provides as follows:

> "It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, City, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted."
>
> On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:
>
> "So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such legal challenge cannot be predicted.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts were eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government were eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must have complied in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have had their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must have been within the tax cap limits set by the Tax Levy Limit Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions included counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which were indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit were set forth in Chapter 59 in order for the tax cap to qualify as one which would have provided the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount was increased in the second year if compliance occurred in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrated "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts were required to provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limit Law. The City complied with the provisions of Chapter 59 and its taxpayers received the rebates provided in 2015 and 2016.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015 which generally extends the provisions of the program through 2019 and includes continued tax cap compliance.

CITY INDEBTEDNESS

Constitutional Requirements

The State Constitution limits the power of the City (and other municipalities and city school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and its obligations include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose financed by such indebtedness, or in the alternative, the weighted average period of probable usefulness of the several purposes for which the City is issuing debt, as determined by statute. No installment may be more than fifty per centum in excess of the smallest prior installment unless the City Council determines to issue debt amortizing on the basis of substantially level or declining annual debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds or such required annual installments on its notes.

Subsequent to the issuance of any deficit bonds or deficit notes, pursuant to the Act, the City Council shall establish and thereafter maintain a Special Debt Service Fund with the State Comptroller for the purpose of paying the Special Debt Service due or becoming due in subsequent fiscal years. Such fund was established in December 2010. (See "Special Debt Service Fund" herein.) Such Special Debt Service Fund shall be discontinued upon the expiration of the Act.

General. The City is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers. As has been noted under "Payment and Security for the Notes", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limitation Law. See "TAX LEVY LIMITATION LAW," herein.

Debt Limit. The City has the power to contract indebtedness for any City purpose provided the aggregate principal amount of such indebtedness, excluding certain specified types of obligations, shall not exceed seven percent of the average full valuation of the taxable real estate located in the City and subject to certain enumerated exclusions and deductions such as debt contracted to provide water, self-liquidating facilities, certain sewer facilities and cash or appropriations for principal of debt. Pursuant to constitutional and statutory methods, average full valuation is determined by taking the assessed valuation of taxable real estate for the last five assessment rolls and applying thereto the ratio (equalization rate) which such assessed valuation bear to the full valuation, as determined by the NYS Department of Taxation & Finance – Office of Real Property Tax Service ("ORPTS").

The ORPTS annually establishes State equalization rates for the City and all localities in the State which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aid and are used by many localities in the calculation of debt contracting and real property taxing limitations. The debt contracting and real property taxing limitations are based on a percentage amount of average full valuation.

Preparation of the City assessment roll is the statutory responsibility of the City under the Real Property Tax Law of the State. The ORPTS establishes the assessed valuation of special franchises and the taxable ceiling of railroad property. Special franchises include assessment on certain specialized equipment of utilities under, above, upon or through public streets or public places. Assessments are made on certain properties which are taxable for school purposes but which the City exempts for general municipal purposes.

Statutory Procedure

In general, the State Legislature, by enactment of the Local Finance Law, has authorized the powers and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law, subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the General Municipal Law of New York State and the City Charter. See "TAX LEVY LIMITATION LAW," herein.

Pursuant to the Local Finance Law, the City authorizes the issuance of bonds by the adoption of a resolution, approved by at least two-thirds of the members of the City Council, the finance board of the City. Customarily the City has delegated to the Director of Finance and Comptroller, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides an estoppel procedure whereby a bond resolution, or a summary thereof, is published. The passage of 20 days from the date of such publication effective estops legal challenges to the validity of the obligations authorized by such bond resolution except for alleged constitutional violations. Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the Notes subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes, and provided that such renewals do not (with certain exceptions) extend five years beyond the original date or borrowing. However, notes issued in anticipation of bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued.

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes.

Constitutional Debt-Contracting Limitation

Pursuant to Article VIII of the New York State Constitution, the debt limit of the City is as follows:

Computation of Constitutional Debt Contracting Limitation
As of July 2, 2018

Tax Levy Year Ending December 31:	Assessed Valuation	State Equalization Rate	Full Valuation
2014	$951,251,924	100.00	$951,251,924
2015	894,550,846	100.00	894,550,846
2016	877,358,881	100.00	877,358,881
2017	871,181,620	100.00	871,181,620
2018	886,924,727	100.00	886,924,727
Total Five Year Full Valuation			4,481,267,998
Average Five Year Full Valuation			896,253,599
Debt Limit - 7% of Average Full Valuation			$62,737,751

Statutory Debt Limit and Net Indebtedness

Statement of Debt Contracting Power
As of July 2, 2018

	Amount	Percentage of Debt Limit
Debt Contracting Limitation:	$62,737,751	100.00%
Gross Indebtedness:		
Serial Bonds	50,145,397	79.93
Bond Anticipation Notes (1)	19,980,286	31.85
Total Gross Indebtedness	70,125,683	111.78
Less Deductions and Exclusions:		
Water Debt	14,943,445	23.82
Unexpended Appropriations	928,480	1.48
Total Exclusions	15,871,925	25.30
Net Indebtedness	54,253,758	86.48
Debt Contracting Margin	$8,483,994	13.52

(1) Includes outstanding short-term financing with New York State Environmental Facilities Corporation (EFC) comprised of $9,975,000 for the West Trunk sewer and $2,865,145. At long term financing both loans will be comprised of 50% of the project at market rate financing and 50% at 0% financing.
The City is in the process of applying for an exemption for all current and future sewer related debt from its municipal debt limit.

Short-Term Indebtedness

Pursuant to the Local Finance Law, the City is authorized to issue short-term indebtedness, in the form of notes as specified by such statute, to finance both capital and operating purposes.

Capital Purposes. Bond anticipation notes may be sold to provide moneys for capital projects once a bond resolution has been adopted. Generally, bond anticipation notes are issued in anticipation of the sale of bonds at some future date and may be renewed from time to time up to five years from the date of the first note. Notes may not be renewed after the second year unless there is a principal payment on such notes from a source other than the proceeds of bonds. In no event may bond anticipation notes be renewed after the sale of bonds in anticipation of which the notes were originally issued.

The City currently has outstanding $7,140,141 Bond Anticipation Notes, 2017 (Renewals) Series A which mature August 3, 2018, which will be redeemed from proceeds of the Notes and $2,736,332 of funds on hand.

Date Authorized	Original Issue Date	Purpose	Amount Outstanding
01-28-13	08-07-13	Various Equipment	$232,997
01-28-13	08-07-13	Building Repairs	256,463
01-28-13	08-07-13	Parking Meter Replacement	30,000
01-28-13	08-07-13	Paving	244,454
01-28-13	08-07-13	Fire Department – Pumper Truck	355,000
01-28-13	08-07-13	Sanitation Truck	179,561
01-28-13	08-07-13	Waste Water Treatment Plant	225,000
02-22-16	08-04-16	Bridges - Lake Dr & Walsh Rd	800,000
02-22-16	08-04-16	Bridge – Mill St	200,000
02-22-16	08-04-16	Muchattoes Lake Dam	400,000
02-22-16	08-04-16	Police Vehicles	106,666
02-22-16	08-04-16	Water System Improvements	2,885,000
02-22-16	08-04-16	Demolition – Brown's Pond House	150,000
02-22-16	08-04-16	Sewer System Improvements	625,000
04-11-16	08-04-16	Demolition of Various Buildings	450,000
			$7,140,141

Operating Purposes. The City is also authorized by law to issue tax anticipation notes and revenue anticipation notes to provide cash to pay operating expenditures. Borrowings for these purposes are restricted by formulas contained in the Local Finance Law and Regulations issued under the U.S. Internal Revenue Code. Such notes may be renewed from time to time generally not beyond three years in the case of revenue anticipation notes and five years for tax anticipation notes.

Budget notes may be issued to finance current operating expenditures for which there is no appropriation or the amount so appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year.

In common with other cities in the State, the City finds it necessary from time to time to borrow in anticipation of the receipt of its real property taxes. The City has not issued revenue or tax anticipation notes in the last 5 fiscal years and does not plan to issue revenue or tax anticipation notes in the current fiscal year.

Cash Management/Cash Flow. The Director of Finance is empowered by the City Charter to invest all monies not immediately required and is empowered by the City Council resolution to borrow monies as needed for the uninterrupted operation of the City, subject to the limitation of the Local Finance Law.

Summaries of cash receipts and cash disbursements provide the basis for establishing borrowing needs. Prior year experience shows that disbursements are fairly consistent for the twelve months of the fiscal year. Real property taxes may be paid in four installments in February, May, June and August without penalty.

Environmental Facilities Corporation

The City is in the process of financing the following projects through EFC.

- $8,978,790 outstanding in short term financing comprised of $4,489,395 at 0% financing and $4,489,395 at market rate financing for the West Trunk sewer.

- $2,381,600 total current approved project amount, with a grant of $600,375, balance of $1,781,225 outstanding in a short-term loan from the EFC comprised of $890,612 at 0% financing and $890,612 at market rate financing for the Grand and Liberty Streets sewer. The City expects to apply for an additional $1,800,000 of EFC financing for this project.

- $12,500,000- total approved project amount, with a grant of $3,100,000, balance of $9,400,000 to be issued through EFC for a long-term control project for storm water and sewer separation.

The City is in the process of applying for an exemption for all current and future sewer related debt from its municipal debt limit.

Trend of Capital Debt

The following table provides information relating to direct indebtedness outstanding for the last five fiscal years.

	Fiscal Year Ending December 31:				
	2013	2014	2015	2016	2017
Debt Outstanding End of Year					
Bonds	$47,925,000	$45,685,000	$43,460,000	41,150,000	$39,345,000
Loans Payable	15,915,359	15,587,807	17,604,390	17,233,908	14,161,327
Bond Anticipation Notes	3,009,677	2,840,677	2,324,471	9,876,473	19,980,286
Total Debt Outstanding	$66,850,036	$64,113,484	$63,388,861	$68,260,381	$73,486,613

The City also had Other Non-Current Liabilities at December 31, 2017 consisting of an energy performance contract totaling $770,534.

Overlapping and Underlying Debt

The real property taxpayers of the City are responsible for a proportionate share of outstanding debt obligations of the County and the school districts situated in the City. Such taxpayers' share of this overlapping debt is based upon the amount of the City's equalized property values taken as a percentage of each separate units' total values. The following table presents the amount of overlapping debt and the City's estimated share of this debt. Authorized but unissued debt has not been included.

Statement of Direct and Overlapping Indebtedness
As of July 2, 2018

Gross Direct Indebtedness	$70,125,683
Exclusions and Deductions	15,871,925
Net Direct Indebtedness	$54,253,758

Overlapping Units	Date of Report	Net Indebtedness	Percentage Applicable	Applicable Net Indebtedness
County of Orange	12-07-17	$309,511,763	2.81%	$ 8,697,281
Newburgh City School District	06-30-17	67,550,000	22.49	15,191,995
Totals				$23,889,276

Sources: MSRB Electronic Municipal Market Access system.

Debt Ratios

The following table sets forth certain ratios relating to the City's direct and overlapping capital indebtedness as of July 2, 2018.

Net Direct and Overlapping Indebtedness

	Amount	Per Capita (a)	% of Full Value (b)
Gross Direct Debt	$70,125,683	$2,472	7.91%
Net Direct Debt (c)	54,253,758	1,913	6.12
Net Direct & Overlapping Debt	78,143,034	2,755	8.81

(a) The population of the City is 28,363 (2017 estimate).
(b) The estimated full valuation of real property in the City for 2018 is $886,924,727.
(c) Excludes water fund debt (self-supporting) and budgetary appropriations.

Authorized But Unissued Debt

The City has no authorized and unissued debt. The City does issue annually to fund its capital improvement program.

Debt Service Schedule

The following table shows the annual debt service requirements to maturity on the City's outstanding general obligation bonded indebtedness, inclusive of the Bonds.

Year Ending Dec 31	Outstanding Bonded Debt: Principal	Interest	Total	% of Principal Paid
2017 (1)	$2,908,447	$1,621,761	$4,530,208	6.08
2018	2,905,412	1,524,112	4,429,524	12.15
2019	2,992,377	1,591,019	4,583,396	18.40
2020	2,509,341	1,504,119	4,013,460	23.64
2021	2,586,306	1,414,794	4,001,100	29.04
2022	2,603,271	1,328,056	3,931,327	34.48
2023	2,675,236	1,231,856	3,907,092	40.07
2024	2,557,201	1,126,181	3,683,382	45.41
2025	2,649,166	1,021,944	3,671,110	50.95
2026	2,081,131	929,719	3,010,850	55.29
2027	2,073,096	853,681	2,926,777	
2028	2,150,061	775,613	2,925,674	
2029	2,222,026	694,006	2,916,032	
2030	2,303,991	607,319	2,911,310	
2031	2,395,956	515,044	2,911,000	
2032	2,315,000	418,156	2,733,156	
2033	2,420,000	315,313	2,735,313	
2034	2,345,000	205,288	2,550,288	
2035	2,450,000	94,869	2,544,869	
2036	725,000	25,375	750,375	
Totals	$47,868,018	$17,798,225	$65,666,243	

Year Ending Dec 31	Outstanding Bonded Debt: Principal	Interest	Total	% of Principal Paid
2017 (1)	$2,908,447	$1,621,761	$4,530,208	6.08
2018	2,905,412	1,524,112	4,429,524	12.15
2019	2,992,377	1,591,019	4,583,396	18.40
2020	2,509,341	1,504,119	4,013,460	23.64
2021	2,586,306	1,414,794	4,001,100	29.04
2022	2,603,271	1,328,056	3,931,327	34.48
2023	2,675,236	1,231,856	3,907,092	40.07
2024	2,557,201	1,126,181	3,683,382	45.41
2025	2,649,166	1,021,944	3,671,110	50.95
2026	2,081,131	929,719	3,010,850	55.29
2027	2,073,096	853,681	2,926,777	
2028	2,150,061	775,613	2,925,674	
2029	2,222,026	694,006	2,916,032	
2030	2,303,991	607,319	2,911,310	
2031	2,395,956	515,044	2,911,000	
2032	2,315,000	418,156	2,733,156	
2033	2,420,000	315,313	2,735,313	
2034	2,345,000	205,288	2,550,288	
2035	2,450,000	94,869	2,544,869	

2036	725,000	25,375	750,375	
Totals	$47,868,018	$17,798,225	$65,666,243	

Year Ending Dec 31	Outstanding Bonded Debt: Principal	Interest	Total	% of Principal Paid
2018	$3,135,412	$1,686,165	$4,821,577	5.88%
2019	3,288,855	1,835,746	5,124,601	12.04
2020	2,814,341	1,743,916	4,558,257	17.32
2021	2,896,306	1,649,159	4,545,465	22.75
2022	2,913,271	1,455,566	4,368,837	28.21
2023	2,995,236	1,454,357	4,449,593	33.82
2024	2,882,201	1,342,114	4,224,315	39.23
2025	2,979,166	1,230,913	4,210,079	44.81
2026	2,421,131	1,131,328	3,552,459	49.35
2027	2,418,096	1,047,419	3,465,515	
2028	2,500,061	961,119	3,461,180	
2029	2,437,026	870,163	3,307,189	
2030	2,523,991	777,903	3,301,894	
2031	2,620,956	679,481	3,300,437	
2032	2,545,000	575,931	3,120,931	
2033	2,655,000	465,960	3,120,960	
2034	2,580,000	348,351	2,928,351	
2035	2,690,000	230,095	2,920,095	
2036	970,000	152,382	1,122,382	
2037	250,000	118,417	368,417	
2038	255,000	109,484	364,484	
2039	260,000	100,200	360,200	
2040	270,000	90,575	360,575	
2041	275,000	80,442	355,442	
2042	280,000	69,992	349,992	
2043	285,000	59,242	344,242	
2044	290,000	47,911	337,911	
2045	300,000	36,380	336,380	
2046	305,000	24,452	329,452	
2047	310,000	12,326	322,326	
Totals	$53,346,049	$20,387,489	$73,733,538	

(1) As of July 2, 2018, the City has paid $2,015,412 in principal and $928,038 in interest due on serial bonds for the fiscal year ending December 31, 2018.

Principal Amortization by Purpose

Fiscal Years Ending December 30:	Outstanding Bonds General	Water	Sewer	Sanitation	Total
2018	$ 1,969,689	$ 757,782	$ 401,129	$ 6,812	$ 3,135,412
2019	2,105,179	769,981	392,668	21,027	3,288,855
2020	1,712,574	675,126	404,582	22,058	2,814,341
2021	1,777,127	682,111	413,895	23,174	2,896,306
2022	1,780,042	688,457	421,229	23,543	2,913,271
2023	1,845,485	694,115	430,974	24,661	2,995,236
2024	1,721,366	710,442	424,566	25,828	2,882,201
2025	1,797,822	718,871	435,477	26,996	2,979,166
2026	1,214,275	727,302	451,388	28,166	2,421,131
2027	1,180,072	745,161	463,476	29,387	2,418,096
2028	1,230,233	760,108	479,751	29,969	2,500,061
2029	1,189,169	769,057	466,968	11,832	2,437,026
2030	1,239,812	785,242	486,418	12,519	2,523,991
2031	1,300,456	801,371	505,925	13,205	2,620,956
2032	1,353,841	650,661	526,552	13,945	2,545,000
2033	1,427,711	662,201	550,298	14,790	2,655,000
2034	1,491,581	507,469	565,316	15,635	2,580,000
2035	1,558,191	525,989	589,286	16,533	2,690,000
2036	725,000		245,000		970,000
2037			250,000		250,000
2038			255,000		255,000
2039			260,000		260,000
2040			270,000		270,000
2041			275,000		275,000
2042			280,000		280,000
2043			285,000		285,000
2044			290,000		290,000
2045			300,000		300,000
2046			305,000		305,000
2047			310,000		310,000
	$28,619,625	$12,631,446	$11,734,898	$360,080	$53,346,049

ECONOMIC AND DEMOGRAPHIC DATA

The following tables present certain comparative demographic and statistical information regarding the City, the County, the State and the United States.

Population

The table below shows population statistics for the City for the last four censuses, with comparable information for the County and State.

Population

Year	City	County	State
1980	23,438	259,603	17,558,165
1990	26,454	307,647	17,990,778
2000	28,259	341,367	18,976,457
2010	28,866	372,813	19,378,102
2016	28,406	376,242	19,697,457[

Source: U.S. Department of Commerce, Bureau of the Census (American FactFinder).

Income

Per Capita Money Income

	2010	2016	% Change
City	$15,897	$16,126	1.4%
County	28,944	31,023	7.2
State	30,948	34,212	10.5

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimates).

Employment

The table below shows the annual average employed labor force for the City, County and State.

Average Employed Civilian Labor Force
2000-2017

				% Change	
	2000	2010	2017	2000-2010	2010-2017
City	10,800	11,600	11,600	7.4%	0.0%
County	155,800	166,800	173,200	7.1	3.8
State	8,718,700	8,769,700	9,249,200	0.6	5.5

Source: New York State Department of Labor.

Average Unemployment Rates

Year	City	County	State	United States
2012	10.1%	7.9%	8.5%	8.1%
2013	8.8	6.8	7.7	7.4
2014	6.9	5.5	6.3	6.2
2015	6.0	4.7	5.3	5.3
2016	5.6	4.1	4.8	4.9
2017	5.9	4.6	4.7	4.4
2018: (1)				
Jan	6.6	5.0	5.1	4.5
Feb	6.9	5.3	5.1	4.4
Mar	6.2	4.8	4.8	4.1
Apr	5.9	4.4	4.3	3.7
May	5.5	3.9	3.7	3.6

(1) Monthly rates.
Source: New York State Department of Labor and U.S. Bureau of Labor Statistics.

Major Non-Governmental Employers in the County
(300+ Employees)

Name	Type	Approx. No. of Employees
United States Military Academy at West Point	College & Technical Institute	3,120
Orange Regional Medical Center	Hospital	2,524
Crystal Run Healthcare	Physician Specialty Practice	1,800
Access: Supports for Living	Rehabilitation Services	1,289
St. Luke's/Cornwall Hospital	Hospital	1,247
Elant Inc.	Senior Health and Housing	1,200
Mount Saint Mary College	College	1,000
C&S Wholesale Grocers Inc.	Distribution Center	800
Empire Blue Cross / Blue Shield	Health Insurance	795
AHRC	Services for Development Disabilities	750
Spectrum Enterprise	Communications	750
Amscan Inc.	Distribution	525
Kolmar Laboratories Inc.	Cosmetics / Personal Care Manufacturing	500
Horizon Family Medical Group	Health Care	500
Bon Secours Community Hospital	Hospital	490
Staples Inc.	Distribution Center - Office Supplies	460
Verla International Ltd.	Cosmetics Manufacturing	445
YRC	Cargo & Freight	435
United Natural Foods	Food Manufacturer	400
Adecco	Staffing Service	400
Times Herald Record	Publishing	395
Crystal Run Village, Inc.	Mental Health Services	391
Cardinal Health	Distribution Center	380
St. Anthony Community Hospital	Hospital	370
U.S. Postal Service	Mail Delivery	359
Precision Pipeline Solutions	Utilities	350
IBM Business Continuity & Resilience Services	Services	350
Superior Pack Group Inc.	Packaging & Labeling	325
Coach USA	Transportation	300

Source: 2017 official statement for Orange County dated November 10, 2017.

Housing Data

Median Housing Values and Rents
2016

	% Constructed 2010-2016	Median Value Owner Occupied Units	Median Rents Renter Occupied Units	Occupancy Status Owner Occupied	Renter Occupied	Vacant
City	0.6%	165,900	1,094	25.4%	54.7%	19.9%
County	2.0	258,700	1,157	61.0	28.5	10.5
State	1.3	286,300	1,159	47.5	41.2	11.3

Source: U.S. Department of Commerce, Bureau of the Census.

Educational, Cultural and Medical Institutions

Education. There are several colleges and universities located in the area of the City. Mt. Saint Mary's College, a liberal arts college, is located in the City. It serves not only as an institution of higher learning, but also as a civic and cultural center. Orange County Community College maintains a campus in the City. Other colleges and universities in the area include the United States Military Academy at West Point, Vassar College and Marist College in Poughkeepsie, State University of New York at New Paltz, and the main campus of Orange County Community College in MiddleCity.

Cultural. Library services are provided to the residents by the City School District. The library has books, periodicals and other materials in excess of 200,000 volumes. Also located in the City is the Crawford House (1829), a Cityhouse once owned by sea captain David Crawford, which provides an example of Greek revival style architecture. Of historical significance, General George Washington used a site, now a national historic monument, within the City as a headquarters during the Revolutionary War. At the same time, General Washington's troops were encamped at the nearby New Windsor Cantonment.

Medical. Hospital services are provided by St. Luke’s Hospital (“St. Luke’s”) located in the City. St. Luke’s is a 242-bed facility with more than 900 employees including a medical staff of 115 professionals.

Financial Institutions

The following commercial banks serve City residents: Banc of America, Citizens Bank, Key Bank and TD Bank NA.

Transportation

The City enjoys the benefits of a favorable transportation system. Two interstate highways, the New York State Thruway (I-87), and Interstate 84 serve the City; while the Newburgh-Beacon Bridge spans the Hudson River. Other major arteries include State highways 9W, 17K, 207, and 32. There is also local and interstate bus service. Commercial and passenger air transportation is conveniently located in the City of Newburgh at Stewart International Airport and the City is also located just two hours from the three major airports that serve the New York City area (Kennedy, LaGuardia, and Newark).

Utilities

Electricity and natural gas are supplied to the City by CH Energy Group, Inc. Telephone service is provided by Time Warner Cable and Verizon. The City provides sewer facilities and water supply and distribution to its residents, and is responsible for financing the construction, operation and maintenance of these systems. The City bills its residents directly for these services.

Communications

The City is served by the major New York metropolitan area newspapers, radio and television stations. In addition, the City has two local weekly newspapers and one radio station. Time Warner Cable Company and Verizon provide telephone, internet and cable television service within the City.

END OF APPENDIX A

APPENDIX B

SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

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CITY OF NEWBURGH
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION

	AS OF DECEMBER 31:				
					UNAUDITED
	2013	2014	2015	2016	2017
ASSETS					
Cash and Equivalents	$ 6,198,665	$ 8,454,501	$ 9,138,136	$ 7,245,299	$ 11,451,577
Accounts Receivables (Net)	480,419	554,396	769,169	1,133,198	648,129
Note Receivables	0	0	0	0	0
Taxes Receivables (Net)	6,421,927	5,759,724	6,997,759	7,580,766	6,424,686
State and Federal Aid Receivables	0	0	0	0	0
Due From Other Governments	3,576,555	3,280,523	4,240,058	3,810,178	3,490,862
Due From Other Funds	0	0	0	0	0
Due From Affiliates	0	0	0	0	0
Other Assets	0	0	0	0	0
Inventory	0	0	0	0	0
Prepaid Items	1,046,027	964,630	879,989	850,497	966,903
Total Assets	$ 17,723,593	$ 19,013,774	$ 22,025,111	$ 20,619,938	$ 22,982,157
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	$ 1,887,360	$ 1,787,756	$ 653,004	$ 670,002	$ 542,460
Accrued Liabilities	0	0	717,603	529,897	594,432
Due To Component Unit	416,716	416,716	416,716	416,716	416,716
Security Deposits	0	0	0	0	0
Due To Other Governments	48,033	17,415	12,665	26,289	4,696
Due To School Districts	961,129	885,171	885,171	1,126,245	1,194,105
Due To Other Funds	1,341,370	2,594,564	4,925,122	3,722,672	5,519,102
Bond Anticipation Note Payable	0	0	0	0	0
Tax Anticipation Note Payable	0	0	0	0	0
Compensated Absences	0	0	0	0	0
Overpayments	165,807	146,418	123,022	171,965	180,919
Deferred Tax Revenues	2,841,041	2,545,940	3,157,150	3,317,199	2,419,184
Unearned Revenues	821,796	767,009	869,500	777,282	667,657
Total Liabilities	8,483,252	9,160,989	11,759,953	10,758,267	11,539,271
Fund Equity:					
Nonspendable	3,921,384	3,784,407	3,999,337	4,510,797	4,090,239
Restricted	812,756	1,176,624	1,480,112	558,215	1,114,319
Assigned	806,046	926,835	1,080,892	1,431,369	1,264,460
Unassigned	3,700,155	3,964,919	3,704,817	3,361,290	4,973,868
Total Fund Equity	9,240,341	9,852,785	10,265,158	9,861,671	11,442,886
Total Liabilities and Fund Equity	$ 17,723,593	$ 19,013,774	$ 22,025,111	$ 20,619,938	$ 22,982,157

The financial data presented on this page has been excerpted from the audited financial statements of the City.
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CITY OF NEWBURGH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

	YEARS ENDED DECEMBER 31:				
					UNAUDITED
	2013	2014	2015	2016	2017
REVENUES:					
Real Property Taxes	$ 18,874,929	$ 19,359,115	$ 19,145,201	$ 19,667,304	$ 20,380,585
Other Tax Items	1,312,135	1,506,269	1,420,754	1,179,032	1,358,459
Non-property taxes	11,223,891	11,503,316	11,676,463	11,597,389	12,189,290
Departmental Income	1,084,617	932,240	967,995	1,109,328	1,186,542
Intragovernmental Charges	2,790,266	2,902,966	2,811,953	2,687,048	3,244,143
Intergovernmental Charges	192,125	183,363	166,420	168,950	166,263
Use of Money and Property	81,099	143,471	184,279	187,005	177,892
Licenses And Permits	220,596	221,043	208,713	325,364	476,614
Fines and Forfeitures	612,109	588,700	549,097	596,688	753,155
Sale of Property and					
Compensation For Loss	0	0	0	0	0
Interfund Revenues	0	0	0	0	0
Federal Aid, State Aid and Local Aid	5,580,387	5,122,535	5,957,780	5,555,055	5,112,287
Miscellaneous	158,499	124,262	411,204	487,241	317,730
Total Revenues	42,130,653	42,587,280	43,499,859	43,560,404	45,362,960
EXPENDITURES:					
Current:					
General Government Support	6,406,993	6,765,636	7,772,844	7,936,855	8,318,051
Public Safety	25,364,899	26,060,268	25,527,813	26,331,247	26,755,613
Transportation	2,576,467	2,607,206	2,763,738	2,504,678	2,066,017
Home and Community Services	324,891	363,466	332,087	397,844	415,885
Culture And Recreation	889,538	990,178	1,052,966	1,262,824	1,353,977
Employee Benefits	1,863,355	1,785,918	1,960,681	2,264,458	2,283,475
Debt Service	3,571,191	3,636,533	3,437,686	3,438,219	3,379,063
Total Expenditures	40,997,334	42,209,205	42,847,815	44,136,125	44,572,081
Excess of Revenues					
Over Expenditures	1,133,319	378,075	652,044	(575,721)	790,879
OTHER FINANCING SOURCES (USES):					
Premiumns on Obligations	0	81,654	0	0	0
Insurance Recoveries	212,613	279,087	93,665	627,504	971,892
Refunding Bonds Issued	0	2,746,590	0	0	11,669,878
Payment to refunded bond escrow agent	0	0	0	0	#########
Bonds Issued	0	0	0	0	171,129
Payment to refunded bond escrow agent	0	(2,756,659)	0	0	0
Sale of Property	0	52,697	0	0	24,500
Transfers - In	0	0	7,329	0	0
Transfers - Out (a)	(147,272)	(169,000)	(340,665)	(455,270)	(421,332)
Total Other Financing Sources (Uses)	65,341	234,369	(239,671)	172,234	790,336
Excess (Deficiency) of Revenues					
and Other Sources Over					
Expenditures and Other Uses	1,198,660	612,444	412,373	(403,487)	1,581,215
Fund Equity - Beginning of Year	8,041,681	9,240,341	9,852,785	10,265,158	9,861,671
Adjustment	0	0	0	0	0
Fund Equity - End of Year	$ 9,240,341	$ 9,852,785	$ 10,265,158	$ 9,861,671	$ 11,442,886

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CITY OF NEWBURGH
WATER AND SEWER FUNDS
BALANCE SHEET
UNAUDITED PRESENTATION

	AS OF DECEMBER 31:				
	2013	2014	2015	2016	UNAUDITED 2017
ASSETS					
Current Assets:					
Cash and Equivalents	$ 7,151,139	$ 6,858,655	$ 5,410,511	$ 14,664,194	$ 13,972,283
Restricted Cash	7,260,152	6,981,615	8,994,528	8,769,049	5,802,825
Accounts Receivable	4,037,764	3,905,187	4,038,064	4,105,738	3,576,553
Due From Other Governments And Agencies	816,101	331,051	527,424	176,104	102,466
Due From Other Funds	2,890,598	4,596,436	6,386,602	5,573,094	6,984,509
Prepaid Items	69,073	60,773	55,794	43,608	34,849
Noncurrent Assets:					
Capital Assets (net)	52,006,635	51,903,038	51,907,735	51,462,383	52,470,665
Total Assets	$ 74,231,462	$ 74,636,755	$ 77,320,658	$ 84,794,170	$ 82,944,150
DEFERRED OUTFLOWS OF RESOURCES	0	0	200,126	0	421,288
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 406,884	$ 283,769	$ 285,187	$ 1,255,270	$ 2,360,638
Accrued Liabilities	0	0	92,692	38,906	44,042
Bond Anticipation Notes Payable				6,190,000	3,885,000
Accured Interest	271,755	94,879	90,501	90,534	90,570
Retained Percentages	252,669	42,750	46,881	0	0
Deferred Revenues	0	0	0	0	0
Due To Other Governments And Agencies	0	0	0	0	0
Due To Other Funds	0	0	0	0	0
Compensated Absences	34,300	35,000	0	0	0
Current Maturities of Bonds Payable	552,126	526,300	0	0	0
Unearned Revenues	467,360	434,720	402,080	369,440	336,800
Noncurrent Liabilities:					
Due within one year	236,500	236,500	235,000	923,305	1,190,511
Due in more than one year	327,552	509,093	0	33,150,745	29,385,726
Total Liabilities	2,549,146	2,163,011	1,152,341	42,018,200	37,293,287
DEFERRED INFLOWS OF RESOURCES	0	0	30,329	158,883	140,953
NET POSITION					
Net Investment in Capital Assets	31,040,660	32,100,642	31,776,292	31,970,919	33,922,827
Unreserved:					
Designated for Ensuing Year's Budget	0	0	0	0	0
Unrestricted	9,087,035	9,609,101	10,668,686	11,560,434	12,408,396
Total Net Position	40,127,695	41,709,743	42,444,978	43,531,353	46,331,223
Total Liabilities and Net Position	$ 42,676,841	$ 43,872,754	$ 43,597,319	$ 85,549,553	$ 83,624,510

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CITY OF NEWBURGH
WATER AND SEWER FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
UNAUDITED PRESENTATION

	YEARS ENDED DECEMBER 31:				UNAUDITED
	2013	2014	2015	2016	2017
OPERATING REVENUES:					
Metered Sales	$ 10,639,627	$ 10,910,621	$ 11,083,362	$ 11,736,355	$ 10,787,699
Penalty Income	557,066	498,028	522,222	332,545	464,753
Reimbursement from Town	225,016	353,431	174,507	174,210	174,232
State Aid	0	0	0	2,400,000	5,549,331
Federal Aid	16,249	0	0	0	0
Miscellaneous	255,980	59,466	49,149	82,109	79,102
Total Operating Revenues	11,693,938	11,821,546	11,829,240	14,725,219	17,055,117
OPERATING EXPENSES:					
Personal	1,393,814	1,466,040	1,350,876	1,433,527	1,449,412
Depreciation	911,816	906,397	1,117,205	1,125,436	1,177,080
Supplies	703,190	374,491	390,296	275,580	540,317
Utilities	329,952	437,782	346,714	367,123	353,656
Insurance	413,000	412,300	393,022	368,060	356,800
Contractual	2,326,526	3,041,515	3,254,146	6,239,596	5,886,350
Fees for Service	1,825,204	1,922,004	1,862,582	1,838,123	2,305,459
Employee Benefits	1,269,139	1,183,007	1,313,681	1,378,865	1,543,037
Total Operating Expenses	9,172,641	9,743,536	10,028,522	13,026,310	13,612,111
OPERATING INCOME	2,521,297	2,078,010	1,800,718	1,698,909	3,443,006
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	2,809	1,673	1,557	2,867	9,175
Refunding bond issuance costs	0	0	0	0	(48,734)
Interest Expense	(856,330)	(497,635)	(633,403)	(615,401)	(602,577)
Transfers In	140,252	108,636	143,285	137,243	148,602
Transfers Out	(140,252)	(108,636)	(143,285)	(137,243)	(148,602)
Total Non-Operating Revenues (Expenses)	(853,521)	(495,962)	(631,846)	(612,534)	(642,136)
Change in Net Position	1,667,776	1,582,048	1,168,872	1,086,375	2,800,870
Total Net Position - Beginning	38,459,919	40,127,695	41,709,743	42,444,978	43,531,353
Change in Accouting Principle	0	0	(75,935)	0	0
Adjustments	0	0	(357,702)	0	0
Total Net Position - Ending	$ 40,127,695	$ 41,709,743	$ 42,444,978	$ 43,531,353	$ 46,332,223

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CITY OF NEWBURGH
2017 OPERATING BUDGET

	General Fund	Water Fund	Sewer Fund	Self Insurance Fund	Sanitation Fund	Total 2017 Budget
ESTIMATED REVENUES:						
Real Property Taxes	$ 19,462,564	$ 0	$ 0	$ 0	$ 0	$ 19,462,564
Real Property Tax Items	1,520,586	0	0	0	200,000	1,720,586
Non-Property Tax Items	11,578,939	0	0	0	0	11,578,939
Departmental Income	970,766	5,849,881	4,817,602	0	3,004,500	14,642,749
Intergovernmental Charges	179,166	0	670,000	0	0	849,166
Use Of Money And Property	175,000	10,600	1,000	0	0	186,600
Licenses And Permits	262,667	0	23,000	0	5,830	291,497
Fines And Forfeitures	670,007	0	0	0	0	670,007
Sale Of Property And						0
Compensation For Loss	230,000	0	0	0	0	230,000
State and Federal Aid	5,517,656	0	0	0	0	5,517,656
Interfund Revenues	2,820,195	148,602	0	2,230,000	0	5,198,797
Miscellaneous	235,000	16,308	151,792	0	21,300	424,400
Total Estimated Revenues	43,622,546	6,025,391	5,663,394	2,230,000	3,231,630	60,772,961
APPROPRIATIONS:						
General Government Support	5,800,397	579,529	282,813	975,000	6,487	7,644,226
Public Safety	15,317,885	0	0	0	0	15,317,885
Transportation	1,942,819	0	0	0	0	1,942,819
Culture & Recreation	975,815	0	0	0	0	975,815
Home & Community Services	273,924	2,125,111	3,403,308	0	1,924,699	7,727,042
Employee Benefits	14,403,644	898,751	292,609	1,810,000	701,924	18,106,928
Debt Service	3,889,502	1,034,127	474,203	0	49,384	5,447,216
Total Appropriations	42,603,986	4,637,518	4,452,933	2,785,000	2,682,494	57,161,931
Excess (Deficiency) Of Estimated Revenues Over Appropriations	1,018,560	1,387,873	1,210,461	(555,000)	549,136	3,611,030
OTHER FINANCING SOURCES (USES):						
Operating Transfers - In	0	0	0	0	0	0
Operating Transfers - Out	(1,806,300)	(1,387,873)	(1,422,988)	0	(579,136)	(5,196,297)
Total Other Financing Sources (U:	(1,806,300)	(1,387,873)	(1,422,988)	0	(579,136)	(5,196,297)
Excess (Deficiency) of Estimated Revenues and Other Financing Sources Sources Over Appropriations and Other Financing Uses	(787,740)	0	(212,527)	(555,000)	(30,000)	(1,585,267)
Appropriation of Fund Balanc	$ 787,740	$ 0	$ 212,527	$ 555,000	$ 30,000	$ 1,585,267

CITY OF NEWBURGH
2018 OPERATING BUDGET

	General Fund	Water Fund	Sewer Fund	Self Insurance Fund	Sanitation Fund	Total 2018 Budget
ESTIMATED REVENUES:						
Real Property Taxes	$ 19,904,325	$ 0	$ 0	$ 0	$ 200,000	$ 20,104,325
Real Property Tax Items	1,480,051	0	0	0	0	1,480,051
Non-Property Tax Items	11,664,800	0	0	0	0	11,664,800
Departmental Income	1,034,150	5,869,881	5,000,306	0	3,005,100	14,909,437
Intergovernmental Charges	174,525	0	670,000	0	0	844,525
Use Of Money And Property	161,600	33,139	12,736	0	927	208,402
Licenses And Permits	322,150	0	27,500	0	5,000	354,650
Fines And Forfeitures	638,200	0	0	0	0	638,200
Sale Of Property And						0
Compensation For Loss	0	0	0	0	0	0
State and Federal Aid	5,772,752	0	0	0	0	5,772,752
Interfund Revenues	2,505,055	154,220	0	2,328,403	0	4,987,678
Miscellaneous	325,190	44,388	257,679	0	28,675	655,932
Total Estimated Revenues	43,982,798	6,101,628	5,968,221	2,328,403	3,239,702	61,620,752
APPROPRIATIONS:						
General Government Support	6,143,646	527,257	293,411	986,903	6,588	7,957,805
Public Safety	14,650,085	0	0	0	0	14,650,085
Transportation	2,257,304	0	0	0	0	2,257,304
Culture & Recreation	997,327	0	0	0	0	997,327
Home & Community Services	271,879	2,368,770	3,395,590	0	1,850,308	7,886,547
Employee Benefits	14,495,906	976,793	314,527	1,896,500	713,188	18,396,914
Debt Service	3,995,316	1,150,712	756,899	0	35,618	5,938,545
Total Appropriations	42,811,463	5,023,532	4,760,427	2,883,403	2,605,702	58,084,527
Excess (Deficiency) Of Estimated Revenues Over Appropriations	1,171,335	1,078,096	1,207,794	(555,000)	634,000	3,536,225
OTHER FINANCING SOURCES (USES):						
Operating Transfers - In	56,147	0	0	0	0	56,147
Operating Transfers - Out	(1,839,438)	(1,078,096)	(1,424,877)	0	(634,000)	(4,976,411)
Total Other Financing Sources (U	(1,783,291)	(1,078,096)	(1,424,877)	0	(634,000)	(4,920,264)
Excess (Deficiency) of Estimated Revenues and Other Financing Sources Sources Over Appropriations and Other Financing Uses	(611,956)	0	(217,083)	(555,000)	0	(1,384,039)
Appropriation of Fund Balanc	$ 611,956	$ 0	$ 217,083	$ 555,000	$ 0	$ 1,384,039

CITY OF NEWBURGH
2018 GENERAL FUND BUDGET VARIANCE REPORT
January 1 Through April 30, 2018

	YTD Adopted Budget	YTD Modified Budget	Actual as of April 30, 2018	YTD Budget Variances 1	% to Budget
REVENUES:					
Appropriated Fund Balance	$ 611,956	$ 611,956	$ -	$ (611,956)	0.00%
Real Property Taxes	19,904,325	19,904,325	10,600,424	(9,303,901)	53.26%
Real Property Tax Items	1,480,051	1,480,051	528,533	(951,518)	35.71%
Non-Property Tax Items	11,664,800	11,664,800	3,098,672	(8,566,128)	26.56%
Departmental Income	1,034,150	1,034,150	335,173	(698,977)	32.41%
Charges for Svcs to Other Govt's	174,525	174,525	60,000	(114,525)	34.38%
Use of Money & Property	161,600	161,600	62,094	(99,506)	38.42%
Licenses & Permits	322,150	322,150	112,521	(209,629)	34.93%
Fines and Forfeitures	638,200	638,200	304,514	(333,686)	47.71%
Miscellaneous	381,337	381,337	94,438	(286,899)	24.76%
Interfund Revenue	2,505,055	2,505,055	958,331	(1,546,724)	38.26%
State Funding	4,892,752	4,892,752	38,333	(4,854,419)	0.78%
State Aid-Transportation	860,000	860,000	0	(860,000)	0.00%
Federal Aid-Public Safety	20,000	20,000	37,262	17,262	186.31%
Total Revenues	$44,650,901	$44,650,901	$ 16,230,295	$ (28,420,606)	36.35%
APPROPRIATIONS					
General Government Support	6,143,646	6,092,101	1,642,881	(4,449,220)	26.97%
Public Safety	14,650,085	14,675,941	4,361,293	(10,314,648)	29.72%
Transportation	2,257,304	2,335,589	512,950	(1,822,639)	21.96%
Culture and Recreation	983,217	983,162	212,413	(770,749)	21.61%
Home and Community Services	280,179	329,123	76,412	(252,711)	23.22%
Employee Benefits	14,501,716	14,501,716	4,392,997	(10,108,719)	30.29%
Debt Service	3,995,316	3,995,316	287,314	(3,708,002)	7.19%
Interfund Transfers	1,839,438	1,839,438	1,839,438	0	100.00%
Total Appropriations	$44,650,901	$44,752,386	$ 13,325,698	$ (31,426,688)	29.78%
Appropriations/Revenue	$ -	$ (101,485) [1]	$ 2,904,597	$ 3,006,082	

[1] Represents 2017 encubrances/PO brought forward in 2018

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APPENDIX C

INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Can be accessed on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board ("MSRB") at the following link:

https://emma.msrb.org/ES1082253-ES845645-ES1246774.pdf

The audited financial statements referenced above are hereby incorporated into the attached Official Statement.

*** Such Financial Statements and opinion are intended to be representative only as of the date thereof. PKF O'Connor Davies, LLP has not been requested by the City to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.**

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APPENDIX D

CITY OF NEWBURGH FISCAL RECOVERY ACT

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S T A T E O F N E W Y O R K

8367

I N S E N A T E

June 25, 2010

Introduced by Sen. STEWART-COUSINS -- (at request of the Governor) -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

AN ACT to authorize the city of Newburgh, in the county of Orange, to issue bonds for the purpose of liquidating certain deficits and imposing standards and requirements as to budgetary operations and fiscal management designed to restore such city to fiscal integrity; and providing for the repeal of such provisions upon expiration thereof

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Short title. This act shall be known and may be cited as the "city of Newburgh fiscal recovery act".

S 2. Legislative findings. The legislature hereby finds and declares that the fiscal condition of the city of Newburgh has severely deteriorated in recent years as a result of serious local economic and demographic challenges, the city's inability to ensure proper financial accounting procedures, improvident budgeting and taxing practices, and significant turnover in positions responsible for the management of city finances. These factors have led to a substantial structural imbalance between revenues and expenditures, with a projected cumulative deficit of approximately one-quarter of the city's budgeted revenues. The ability of the city to regain fiscal stability is impaired by a recent decline in the city's tax base and continuing weakness in the local economy. These circumstances have caused an independent bond rating service to lower the city's bond rating below investment grade, thereby making the city's ability to access the credit market uncertain.

It is hereby found and declared that the city of Newburgh is in a state of fiscal crisis, and that a combination of enhanced budgetary discipline and short-term budgetary relief is necessary to assist the city in returning to fiscal and economic stability, while ensuring adequate funding for the provision of essential services.

It is hereby acknowledged that a home rule message recommended by the city manager of the city of Newburgh, approved by the city council and endorsed by the mayor of the city, requests the enactment of all of the

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

LBD12292-03-0

S. 8367 2

provisions of this act as necessary and in the public interest to accomplish the objective of improving market reception for the necessary sale of bonds and other obligations of the city by establishing standards and requirements as to budgetary operations and fiscal management to restore the city to fiscal integrity while retaining the city's right to operate independently as a municipal corporation of the state of New York.

S 3. Exclusivity of act. Based upon the foregoing findings, the legislature through this act hereby imposes on the city certain requirements as to budgetary operations and fiscal management, including the elimination of accumulated deficits of the city, and hereby declares that to the extent the provisions of this act are inconsistent with any general, special or local law, this act shall apply.

S 4. Definitions. As used in this act, the following words and terms shall have the following meanings respectively, unless the text shall indicate another or different meaning or intent:

(a) "Budget" means a current operating budget of the city prepared or adopted pursuant to general, special or local law, being the annual budget and estimate of expenditures to be made during a fiscal year for the general support and current expenses of the government of the city to be paid from taxes or assessments or other current revenues of the city for such year.

(b) "City" means the city of Newburgh, in the county of Orange.

(c) "City comptroller" means the comptroller of the city.

(d) "City council" means the city council of the city.

(e) "City manager" means the city manager of the city.

(f) "City taxes" means and includes all taxes on real property levied and assessed by the city, based on valuation thereof and shall not mean any rent, rate, fee, special assessment or other charge based on benefit or use.

(g) "Collecting officer" means the officer empowered to collect and receive city taxes.

(h) "Deficit bonds" means the bonds authorized to be issued by section five of this act.

(i) "Deficit notes" means bond anticipation notes issued in anticipation of the issuance of deficit bonds.

(j) "Financial plan" means the three-year financial plan required by section eleven of this act.

(k) "Fiscal year" means the fiscal year of the city.

(l) "Mayor" means the mayor of the city.

(m) "Outstanding", when used with respect to obligations of the city as of any particular date, means all obligations of the city theretofore issued and thereupon being issued except any obligation theretofore paid and discharged or for the payment of the principal of and interest on which money is held by or on behalf of the city, in trust solely and in all events only for the purpose and sufficient to pay in full the principal and redemption premium, if any, of and interest on such obligations.

(n) "Special debt service" means, with respect to a fiscal year, the amounts required for the timely payment of (i) all principal due or becoming due and payable in said year with respect to any serial bonds, tax anticipation notes, capital notes or budget notes of the city, and all principal amortization for said year required by law with respect to bond anticipation notes or other securities of the city, and not specifically mentioned in paragraph (ii) of this subdivision, (ii) all interest due or becoming due and payable in said year with respect to any serial bonds, bond anticipation notes, tax anticipation notes, revenue

anticipation notes, capital notes, budget notes or other securities of the city not specifically mentioned herein, and (iii) all sinking fund contributions required in said year with respect to any sinking fund bonds.

(o) "Special debt service fund" means the fund which is held by the state comptroller and is described and provided for in section fifteen of this act.

(p) "State aid" means all aid and incentives for municipalities pursuant to section 54 of the state finance law, any successor type of aid and any new aid appropriated by the state as local government assistance for the benefit of the city.

(q) "State comptroller" means the comptroller of the state, pursuant to his or her authority to supervise the accounts of any political subdivision of the state.

Unless the context specifically provides otherwise, any terms used in this act such as revenues, expenditures or expenses shall be construed as such term is construed under applicable accounting principles incorporated in the uniform system of accounts prescribed by the state comptroller.

S 5. Deficit bond and deficit note issuance authorization. The city is hereby authorized to issue bonds, subject to the provisions of this act, on or before December 31, 2011, in an aggregate principal amount not to exceed fifteen million dollars ($15,000,000) (exclusive of the costs and expenses incidental to the issuance of the bonds authorized to be issued by this section) for the specific object or purpose of liquidating actual deficits in its general fund, the special revenue fund, and the capital projects fund existing at the close of its 2010 fiscal year. In anticipation of the issuance of such bonds, deficit notes are hereby authorized to be issued.

S 6. Period of probable usefulness established. It is hereby determined that the financing of the deficits described in section five of this act is an object or purpose of the city for which indebtedness may be incurred, the period of probable usefulness of which is hereby determined to be fifteen years, computed from the date of such deficit bonds or from the date of the first deficit notes, whichever date is earlier. Such deficit bonds and deficit notes shall be general obligations of the city, to which the faith and credit of the city is pledged, and the city shall make an annual appropriation sufficient to pay the principal of and interest on such obligations as the same shall become due.

S 7. Certification of deficit. No deficit bonds may be issued unless and until the state comptroller shall first review and confirm the existence of the deficits described in section five of this act, as well as certify the amount of the deficits. As soon as practicable after the effective date of this act, but in no event prior to the close of the city's 2010 fiscal year, the city shall prepare a report detailing the amount and cause of the deficit and submit to the state comptroller such report, together with the independent audit report for its last completed fiscal year and such other information as the state comptroller may deem necessary. Within thirty days after receiving all necessary reports and information, the state comptroller shall:

(a) perform such reviews as may be necessary;

(b) confirm the existence and certify the amount of the deficits; and

(c) provide notification to the city manager, the city comptroller, the mayor and the city council as to the existence and amount of any such deficits.

S 8. Limit on amount of deficit bonds. Deficit bonds may not be issued in an amount exceeding the amount of such deficits as certified by the state comptroller. If the city issues deficit notes prior to a determination by the state comptroller pursuant to section seven of this act in an amount in excess of the amount of such deficits as confirmed by the state comptroller, the city shall, from funds other than proceeds of bonds or bond anticipation notes, either redeem such deficit notes in the amount by which the amount of such deficit notes exceeds the amount of such deficits as confirmed by the state comptroller or deposit a sum equal to the amount by which such deficit notes exceed the amount of such deficits as confirmed by the state comptroller into the special debt service fund.

S 9. Quarterly budget reports and trial balances. For each fiscal year during the effective period of this act, the city comptroller shall monitor budgets of the city and, for each budget, prepare a quarterly report of summarized budget data depicting overall trends of actual revenues and budget expenditures for the entire budget rather than individual line items. Such reports shall compare revenue estimates and appropriations as set forth in such budget with the actual revenues and expenditures made to date. All quarterly reports shall be accompanied by a recommendation by the city manager setting forth any remedial action necessary to resolve any unfavorable budget variance including the over-estimation of revenues and the underestimation of appropriations, and shall be completed within thirty days of the end of each quarter. The city comptroller shall also prepare, as part of such report, a quarterly trial balance of general ledger accounts. The above quarterly budgetary reports and quarterly trial balances shall be prepared in accordance with applicable accounting principles incorporated in the uniform system of accounts prescribed by the state comptroller. These reports shall be submitted to the city manager, the mayor, the city council, the state director of the budget, the state comptroller, the chair of the assembly ways and means committee, and the chair of the senate finance committee.

S 10. Budget review by state comptroller. During the effective period of this act, the city manager shall submit the proposed budget for the next succeeding fiscal year to the state comptroller no later than thirty days before the date scheduled for the city council's vote on the adoption of the final budget or the last date on which the budget may be finally adopted, whichever is sooner. The state comptroller shall examine such proposed budget and make such recommendations as deemed appropriate thereon to the city prior to the adoption of the budget, but no later than ten days before the date scheduled for the city council's vote on the adoption of the final budget or the last date on which the budget must be adopted, whichever is sooner. Such recommendations shall be made after examination into the estimates of revenues and expenditures of the city. The city council, no later than five days prior to the adoption of the budget, shall review any such recommendations and make adjustments to the proposed budget consistent with any recommendations made by the state comptroller.

S 11. Multiyear financial plans. During the effective period of this act, the city manager shall prepare, along with the proposed budget for the next succeeding fiscal year, a three-year financial plan covering the next succeeding fiscal year and the two fiscal years thereafter. The financial plan shall, at a minimum, contain projected employment levels, projected annual expenditures for personal service, fringe benefits, non-personal services and debt service; appropriate reserve fund amounts; estimated annual revenues including projection of property tax

rates, the value of the taxable real property and resulting tax levy, annual growth in sales tax and non-property tax revenues; and the proposed use of one-time revenue sources. The financial plan shall also identify actions necessary to achieve and maintain long-term fiscal stability, including, but not limited to, improved management practices, initiatives to minimize or reduce operating expenses, and potential shared services agreements with other municipalities. Within thirty days following the adoption by the city council of the budget for the next succeeding fiscal year and upon the completion of each quarterly budget report pursuant to section nine of this act, the city manager shall update the financial plan consistent with such adopted budget or such quarterly budget report. Copies of the financial plan and any update shall be provided to the city comptroller, the mayor, the city council, the state director of the budget, the state comptroller, the chair of the assembly ways and means committee, and the chair of the senate finance committee.

S 12. State comptroller to comment on further debt issuance. During the effective period of this act, the city comptroller shall notify the state comptroller at least fifteen days prior to the issuance of any bonds or notes or entering into any installment purchase contract, and the state comptroller may review and make recommendations regarding the affordability to the city of any such proposed issuance or contract.

S 13. Private sale of bonds authorized. To facilitate the marketing of (a) deficit bonds, (b) any bonds issued to refund such deficit bonds, and (c) any other bonds to be issued on or before December 31, 2012, the city may, notwithstanding any limitation on the private sales of bonds provided by law and subject to the approval of the state comptroller of the terms and conditions of such sales:

(1) arrange for the underwriting of such bonds at private sale through negotiated fees or by sale of such bonds to an underwriter; or

(2) arrange for the private sale of such bonds through negotiated agreement, with compensation for such sales to be provided by negotiated agreement and/or negotiated fee, if required.

The cost of such underwriting or private placement shall be deemed to be a preliminary cost for purposes of section 11.00 of the local finance law.

S 14. Exceptions to the local finance law. Except as provided in this act, all proceedings in connection with the issuance of such deficit bonds or deficit notes shall be had and taken in accordance with the provisions of the local finance law, provided, however, that any resolution or resolutions authorizing the issuance of such bonds or bond anticipation notes shall not be subject to (a) any mandatory or permissive referendum, (b) the provisions of section 107.00 of the local finance law with respect to any requirements for a down payment and (c) the provisions of section 10.10 of the local finance law.

S 15. Special debt service fund. (a) Upon the issuance of any deficit bonds or deficit notes, the city council shall establish and thereafter maintain a special debt service fund with the state comptroller for the purpose of paying the special debt service due or becoming due in subsequent fiscal years. Such special debt service fund shall be discontinued upon the expiration of the effectiveness of this act, and any balance remaining in the special debt service fund at that time shall be paid by the state comptroller to the city comptroller for use by the city in the manner provided by law.

(b) The state comptroller shall deposit and pay into the special debt service fund any portion of state aid as the state comptroller deter-

mines necessary to ensure sufficient moneys are available to make scheduled special debt service payments from the special debt service fund over the succeeding twelve month period taking account of the city's receipt of city taxes and state aid during such twelve month period and the availability of other amounts appropriated or set aside by the city to make such payments. Thereafter, the state comptroller shall, as soon as practicable, pay over the remainder of any such state aid to the city comptroller for use by the city in the manner provided by law.

(c) Not later than the first day of each fiscal year beginning after issuance of any deficit bonds or deficit notes, the city comptroller shall certify to the state comptroller the percentage obtained by dividing the balance obtained by subtracting the amount of the appropriation for such year for a reserve for uncollected taxes from the total amount of city taxes levied and assessed for such year, into the total appropriation in the budget of such year for special debt service, and the percentage so certified shall constitute the debt service percentage for such fiscal year. Immediately upon receipt of any payment during such fiscal year of or on account of any city taxes, the city, its collecting officer and any agent receiving the same shall remit such payment to the state comptroller. Of each sum so received, the state comptroller shall deposit and pay into the special debt service fund the portion thereof equal to the debt service percentage of the total sum, and shall deposit and pay into the fund such additional amounts as the state comptroller determines necessary to ensure sufficient moneys are available to make scheduled special debt service payments from the special debt service fund over the succeeding twelve month period taking account of the timing of the city's receipt of city taxes and state aid during such twelve month period and the availability of other amounts appropriated or set aside by the city to make such payments. Thereafter, the state comptroller shall, as soon as practicable, pay over the remainder of such sum to the city comptroller for use by the city in the manner provided by law.

(d) The moneys in the special debt service fund shall be invested in the manner provided by section 11 of the general municipal law, provided, however, that the investments shall be made for and on behalf of the city by the state comptroller upon instructions from the chief fiscal officer of the city which shall be consistent with the city's investment policy adopted pursuant to section 39 of the general municipal law.

(e) The state comptroller shall from time to time during each fiscal year withdraw from the special debt service fund all amounts required for the payment as the same becomes due of all special debt service of such fiscal year and cause the amounts so withdrawn to be applied to such payments as and when due.

(f) The special debt service fund and all monies or securities therein or payable thereto in accordance with this section is hereby declared to be city property devoted to essential governmental purposes and accordingly, shall not be applied to any purpose other than as provided herein and shall not be subject to any order, judgment, lien, execution, attachment, setoff or counterclaim by any creditor of the city other than a creditor for whose benefit such fund is established and maintained and entitled thereto under and pursuant to this act.

S 16. Agreement with the state. (a) The state does hereby pledge to and agree with the holders of any bonds, notes or other obligations issued by the city during the effective period of this act and secured by such a pledge that the state will not limit, alter or impair the

rights hereby vested in the city to fulfill the terms of any agreements made with such holders pursuant to this act, or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other obligations until such bonds, notes or other obligations together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. The city is authorized to include this pledge and agreement of the state in any agreement with the holders of such bonds, notes or other obligations. Nothing contained in this act shall be deemed to (i) obligate the state to make any payments or impose any taxes to satisfy the debt service obligations of the city, (ii) restrict any right of the state to amend, modify, repeal or otherwise alter (A) section 54 of the state finance law or any other provision relating to state aid, or (B) statutes imposing or relating to taxes or fees, or appropriations relating thereto, or (iii) create a debt of the state within the meaning of any constitutional or statutory provisions. The city shall not include in any resolution, contract or agreement with holders of such bonds, notes or other obligations any provision which provides that an event of default occurs as a result of the state exercising its rights described in paragraph (ii) of this subdivision.

(b) Any provision with respect to state aid shall be deemed executory only to the extent of moneys available, and no liability shall be incurred by the state beyond the moneys available for that purpose, and any such payment by the state comptroller of state aid shall be subject to annual appropriation of state aid by the state legislature.

S 17. Rights of the state comptroller and bondholders. (a) In the event that the city shall fail to comply with any provision of this act, and such non-compliance shall continue for a period of 30 days, (1) the state comptroller acting alone, or (2) a duly appointed representative of the holders of at least 25 per centum in aggregate principal amount of (i) any series of deficit bonds or deficit notes, (ii) any series of bonds issued to refund such deficit bonds or deficit notes, or (iii) any other series of notes or bonds issued by the city during the effective period of this act, by instrument or instruments filed in the office of the clerk of Orange county and proved or acknowledged in the same manner as a deed to be recorded, may bring an action or commence a proceeding in accordance with the civil practice law and rules to (A) require the city to carry out any of its obligations under this act or (B) enjoin any acts or things which may be unlawful or in violation of the obligations imposed on the city under this act. In addition, the duly appointed representative of the bondholders of any such series of notes or bonds may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

(b) The supreme court in the county of Orange shall have jurisdiction of any action or proceeding by the state comptroller or the representative of such bondholders.

S 18. Severability clause. If any clause, sentence, paragraph, section or part of this title shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section or part involved in the controversy in which such judgment shall have been rendered. The provisions of this act shall be liberally construed to assist the effectuation of the public purposes furthered hereby.

S 19. This act shall take effect immediately; and shall remain in full force and effect until the fifteenth anniversary of the date of first issuance of deficit bonds or deficit notes pursuant to this act, when upon such date the provisions of this act shall be deemed repealed; and provided, however, that the state comptroller shall notify the legislative bill drafting commission upon the occurrence of this act in order that the commission may maintain an accurate and timely effective data base of the official text of the laws of the state of New York in furtherance of effectuating the provisions of section 44 of the legislative law and section 70-b of the public officers law.

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- This bill is not active in this session.

Bill No.: A07442 Search

Summary Actions Votes Memo Text (Printer friendly text)

A07442 Summary:

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BILL NO    A07442A

SAME AS    Same as S 4938-A

SPONSOR    Kirwan

COSPNSR

MLTSPNSR

Amd S5, Chap 223 of 2010

Authorizes the city of Newburgh to issue deficit bonds and notes until December
31, 2012 pursuant to the city of Newburgh fiscal recovery act.
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A07442 Actions:

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BILL NO    A07442A

05/04/2011 referred to cities
05/24/2011 amend and recommit to cities
05/24/2011 print number 7442a
06/16/2011 reported referred to ways and means
06/17/2011 reported referred to rules
06/20/2011 reported
06/20/2011 rules report cal.485
06/20/2011 substituted by s4938a
           S04938  AMEND=A  LARKIN
           05/02/2011 REFERRED TO LOCAL GOVERNMENT
           05/23/2011 AMEND AND RECOMMIT TO LOCAL GOVERNMENT
           05/23/2011 PRINT NUMBER 4938A
           06/06/2011 1ST REPORT CAL.992
           06/07/2011 2ND REPORT CAL.
           06/13/2011 ADVANCED TO THIRD READING
           06/14/2011 HOME RULE REQUEST
           06/14/2011 PASSED SENATE
           06/14/2011 DELIVERED TO ASSEMBLY
           06/14/2011 referred to cities
           06/20/2011 substituted for a7442a
           06/20/2011 ordered to third reading rules cal.485
           06/20/2011 home rule request
           06/20/2011 passed assembly
           06/20/2011 returned to senate
           07/22/2011 DELIVERED TO GOVERNOR
           08/03/2011 SIGNED CHAP.350
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A07442 Text:

S T A T E   O F   N E W   Y O R K

7442--A

2011-2012 Regular Sessions

I N A S S E M B L Y

May 4, 2011

Introduced by M. of A. KIRWAN -- read once and referred to the Committee on Cities -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the city of Newburgh fiscal recovery act, in relation to extending the final authorized date of issuance of deficit bonds and notes by such city

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Section 5 of chapter 223 of the laws of 2010, constituting the city of Newburgh fiscal recovery act, is amended to read as follows:

S 5. Deficit bond and deficit note issuance authorization. The city is hereby authorized to issue bonds, subject to the provisions of this act, on or before December 31, [2011]2012, in an aggregate principal amount not to exceed fifteen million dollars ($15,000,000) (exclusive of the costs and expenses incidental to the issuance of the bonds authorized to be issued by this section) for the specific object or purpose of liquidating actual deficits in its general fund, the special revenue fund, and the capital projects fund existing at the close of its 2010 fiscal year. In anticipation of the issuance of such bonds, deficit notes are hereby authorized to be issued.

S 2. This act shall take effect immediately, provided that the amendments to the city of Newburgh fiscal recovery act, made by section one of this act, shall not affect the expiration and repeal of such act, and shall expire and be deemed repealed therewith.

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

LBD11048-03-1

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APPENDIX E

MUNICIPAL BOND INSURANCE AND SPECIMEN POLICY

MUNICIPAL BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Municipal Assurance Corp. ("MAC") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York or Connecticut insurance law.

MUNICIPAL ASSURANCE CORP.

MAC is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of the shareholders or affiliates of AGL, other than MAC, is obligated to pay any debts of MAC or any claims under any insurance policy issued by MAC.

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

MAC's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA"). Each rating of MAC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of MAC in its sole discretion. In addition, the rating agencies may at any time change MAC's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by MAC. MAC only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by MAC on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 12, 2018, KBRA announced it had affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed MAC's financial strength rating of "AA" (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

For more information regarding MAC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of MAC

As of March 31, 2018, MAC's policyholders' surplus and contingency reserve were approximately $506 million and its unearned premium reserve was approximately $235 million, in each case, determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to MAC are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018).

All financial statements of MAC and all other information relating to MAC included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Municipal Assurance Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding MAC included herein under the caption "MUNICIPAL BOND INSURANCE – Municipal Assurance Corp." or included in a document incorporated by reference herein (collectively, the "MAC Information") shall be modified or superseded to the extent that any subsequently included MAC Information (either directly or through incorporation by reference) modifies or supersedes such previously included MAC Information. Any MAC Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

MAC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading "MUNICIPAL BOND INSURANCE".

MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

MUNICIPAL ASSURANCE CORP. ("MAC"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of MAC, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which MAC shall have received Notice of Nonpayment, MAC will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by MAC, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in MAC. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, MAC shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless MAC shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to MAC which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

MAC may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to MAC to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of MAC, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Ltd.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100