

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2019

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the 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). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "Tax Matters" herein.

The Notes WILL NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.

**CITY OF MIDDLETOWN
ORANGE COUNTY, NEW YORK**

\$4,763,571

**BOND ANTICIPATION NOTES, 2019 SERIES B
(the "Notes")**

Date of Issue: October 22, 2019

Maturity Date: October 22, 2020

The Notes are general obligations of the City of Middletown, 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 Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the City, subject to applicable statutory limitations. See "Nature of Obligation" and "Tax Levy Limitation Law," herein.

The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser(s), the Notes will be issued in (i) certificated registered form registered in the name of the successful bidder(s) or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rates(s). Principal of and interest on such Notes will be payable in Federal Funds by the City to the registered owner(s).

If the Notes are issued in book-entry-only form, such 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 which includes \$8,571. 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 such purchaser(s) at such interest rate(s). Principal of and interest on said Notes will be paid in federal funds by the City to Cede & Co., as nominee for 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. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" herein.)

The Notes are offered when, as and if issued and received by the purchaser(s) subject to the receipt of the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or as otherwise agreed with the purchaser(s) on or about October 22, 2019.

THIS OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. FOR A DESCRIPTION OF THE CITY'S AGREEMENT TO PROVIDE NOTICE OF EVENTS AS DEFINED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Dated: October __, 2019

**CITY OF MIDDLETOWN
ORANGE COUNTY, NEW YORK**

**Joseph M. DeStefano
Mayor**

**J. Miguel Rodrigues
Common Council President**

Joseph G. Masi..... Alderman First Ward
Thomas Burr Alderman First Ward
Andrew Green..... Alderman Second Ward
Gerald P. Kleiner Alderman Second Ward
Kate Ramkissoo..... Alderman Third Ward
Paul Johnson Alderman Third Ward
Jude A. Jean-Francois Alderman Fourth Ward
Sparrow Tobin Alderman Fourth Ward

Donald Paris..... City Treasurer
John C. Naumchik..... City Clerk
Alex Smith City Attorney

INDEPENDENT AUDITOR

**RBT CPA's, LLP
Newburgh, New York**

BOND COUNSEL

**Orrick, Herrington & Sutcliffe LLP
New York, New York**

MUNICIPAL ADVISOR



**Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(516) 570-0340**

No person has been authorized by the City of Middletown to give any information or to make any representations, 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 to sell or the solicitation of an offer to buy any of the Notes any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. 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 Middletown since the date hereof.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
THE NOTES	1	MONITORING SYSTEM AND COMPLIANCE	
Description	1	REVIEWS	10
Authority for and Purpose of the Notes	1	LITIGATION	11
Book-Entry-Only System	2	TAX MATTERS	11
NATURE OF OBLIGATION	4	LEGAL MATTERS	12
Tax Levy Limitation Law	6	DISCLOSURE UNDERTAKING	12
SPECIAL PROVISION AFFECTING REMEDIES		Compliance History.....	13
UPON DEFAULT	6	MUNICIPAL ADVISOR	13
Cybersecurity.....	9	RATING	14
MARKET FACTORS	10	ADDITIONAL INFORMATION	14
THE STATE COMPTROLLER'S FISCAL STRESS			

APPENDIX A

	<u>Page</u>		<u>Page</u>
THE CITY	A-1	Constitutional Debt-Contracting Limitation	A-10
General Information	A-1	Debt Limit and Net Indebtedness.....	A-11
Form of Government.....	A-1	Bond Anticipation Notes.....	A-12
Services	A-1	Downtown Revitalization Initiative	A-12
Employees.....	A-1	Tax and Revenue Anticipation Notes.....	A-12
Employee Benefits	A-1	Energy Performance Contract.....	A-13
Other Post Employment Benefits	A-3	Trend of Capital Debt	A-13
FINANCIAL FACTORS	A-3	Overlapping and Underlying Debt	A-13
Budgetary Procedure.....	A-3	Debt Ratios	A-13
Independent Audits	A-4	Authorized But Unissued Debt	A-14
Investment Policy.....	A-4	Debt Service Schedule	A-14
Revenues.....	A-5	Principal Amortization by Fund.....	A-15
Expenditures.....	A-6	ECONOMIC AND DEMOGRAPHIC DATA	A-15
REAL PROPERTY TAXES	A-7	Population.....	A-15
Property Tax Limit.....	A-7	Income	A-16
Tax Collection Procedures	A-7	Employment.....	A-16
Tax Levies and Collection Record	A-8	Economic Development/Urban Renewal	A-17
Ten of the Largest Taxpayers	A-8	Cultural and Educational Facilities	A-17
CITY INDEBTEDNESS	A-8	Transportation.....	A-18
Constitutional Requirements	A-8	Utilities	A-18
Statutory Procedure.....	A-9	Parks and Recreation.....	A-18

APPENDIX B – UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

APPENDIX C – LINK TO INDEPENDENT AUDITOR’S REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

APPENDIX D – FORM OF BOND COUNSEL’S OPINION

**OFFICIAL STATEMENT
CITY OF MIDDLETOWN
ORANGE COUNTY, NEW YORK**

**relating to
\$4,763,571
BOND ANTICIPATION NOTES, 2019 SERIES B
(the “Notes”)**

This Official Statement (the “Official Statement”), which includes the cover page and appendices hereto, presents certain information relating to the City of Middletown, in the County of Orange, in the State of New York (the “City,” “County,” and “State,” respectively), in connection with the sale of \$4,763,571 Bond Anticipation Notes, 2019 Series B (the “Notes”).

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

THE NOTES

Description

The Notes will be dated and will mature as reflected 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 form registered to Cede & Co, as the partnership nominee for DTC. The City will act as Paying Agent for the Notes. The City contact information is as follows: Donald Paris, Treasurer, City Hall, 16 James Street, Middletown, New York 10940, (845) 346-4153, e-mail: dparis@middletown-ny.com.

Authority for and Purpose of the Notes

The Notes are issued pursuant to the State Constitution and statutes of the State, including among others, the City Charter and the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State of New York, and other proceedings and determinations thereto including bond resolutions duly adopted by the Common Council as specified in the following chart.

(The remainder of this page was intentionally left blank.)

The proceeds of the Notes, will be used to provide \$4,763,571 of original financing for various capital purposes in and for the City as shown in the table below.

Original Issue Date	Date Authorized	Purpose	Amount Outstanding	Note Pay downs	New Money	Amount To Notes
10/22/19	09/17/19	2019 Ford Utility Interceptor			\$ 43,578	\$ 43,578
10/22/19	09/17/19	Utility Interceptor 2019 Ford			54,882	54,882
10/22/19	09/17/19	Utility Interceptor 2019 Ford			54,882	54,882
10/22/19	09/17/19	Computers To Support Backup			30,000	30,000
10/22/19	09/17/19	2019 Ram 3500 Crew Cab w/ Plow			48,595	48,595
10/22/19	09/17/19	Playground Equipment Amchir Park			68,770	68,770
10/22/19	09/17/19	Playground Equipment Academy Ave. Park			63,393	63,393
10/22/19	09/17/19	Massey Ferguson Broom Attachment			5,500	5,500
10/22/19	09/17/19	Massey Ferguson Snow Blade			2,750	2,750
10/22/19	09/17/19	Bauman Drop Spreader			4,800	4,800
10/22/19	09/17/19	Ferris Self-Propelled Blower			12,000	12,000
10/22/19	09/17/19	Welcome Signage			15,000	15,000
10/22/19	09/17/19	Paramount Sound System			250,000	250,000
10/22/19	09/17/19	East Main St. to Orchard St. Pathway			250,000	250,000
10/22/19	09/17/19	Fire Department Apparatus Purchase (2)			27,257	27,257
10/22/19	09/17/19	Tools for Apparatus			96,930	96,930
10/22/19	09/17/19	Fire Police Van			44,000	44,000
10/22/19	09/17/19	2020 Jeep Cherokee			24,082	24,082
10/22/19	09/17/19	Land Acquisition for Water Source Protection			1,500,000	1,500,000
10/22/19	09/17/19	TR-5 F350 Pick-Up			49,505	49,505
10/22/19	09/17/19	Mason Dump Truck			114,000	114,000
10/22/19	09/17/19	Vaccon Combination Jet			491,147	491,147
10/22/19	09/17/19	Sewer Camera			150,000	150,000
10/22/19	09/17/19	Vehicle Code Department			25,000	25,000
10/22/19	09/17/19	Excavator			257,500	257,500
10/22/19	08/20/19	Hazardous Clean-Up Bolles Avenue			1,080,000	1,080,000
Totals:			<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,763,571</u>	<u>\$ 4,763,571</u>

Book-Entry-Only System

If book-entry-only format is chosen, the Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes. Such Notes 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 note bearing the same rate of interest and CUSIP and 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each note (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes 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 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, 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, 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 INFORMATION CONTAINED IN THE ABOVE SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SAMPLE OFFERING DOCUMENT LANGUAGE SUPPLIED BY DTC, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. IN ADDITION, THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE NOTES OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEOWNERS.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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 PARTICIPANTS 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 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 THE REGISTERED HOLDER OF THE NOTES.

NATURE OF OBLIGATION

Each Note, when duly issued and paid for, will constitute a contract between the City and the holder thereof. Holders of any series of notes or bonds of the City 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 Notes will be general obligations of the City and will contain 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 such taxation by the City, subject to applicable statutory limitations. See "Tax Levy Limitation Law" herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). 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 local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

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 Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in

the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “Tax Levy Limitation Law,” herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State 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 this is what the courts have held they mean. ...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 and 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 political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977), the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the noteholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, 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 appropriation, 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 an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (as amended, 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 school districts in New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter of which are affected indirectly by applicability to their respective city). It also applies to independent special districts and to town 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. 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).

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 the 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 a statutory tax levy limitation is not clear.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors’ Provision. Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. 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 certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the counties, cities, towns and villages, recourse to the protection of a Federal Court for the purpose of adjusting

outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt, including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the 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 Notes to receive interest and principal from the City could be adversely 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 Notes) to payment from monies retained in any 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 creditors generally.

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.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law, as described below, enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in the county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title

6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims against the municipality, including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which, upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims, including debt service due or overdue, must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution, which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation,

assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities, and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene, such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The City has not applied to the FRB and does not reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “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. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of 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 obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State, require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

No Past Due Debt. No principal of or interest on City indebtedness is past due. The City has never defaulted in the payment of the principal of and interest on any indebtedness.

Cybersecurity

The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the City

invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

MARKET FACTORS

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any 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 Notes, could be adversely affected.

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefor. (See "State Aid" herein).

Should the City fail to receive monies expected from the State in the amounts and at the times expected, the City is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

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

The enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, including the City, school districts, and fire districts in the State could have an impact upon operations of the City and as a result, the market price for the Notes. (See "Tax Levy Limitation Law," 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, for 2017 data, of the State Comptroller designates the City as “No Designation” with a fiscal score of 5.0% and an environmental score of 23.3%.

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

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. It is the opinion of the City’s Corporation Counsel that adverse decisions in such suits, either individually or in the aggregate, are not likely to have a materially adverse effect on the financial condition of the City and that the verdicts in any pending lawsuits will not exceed the available insurance coverage.

There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City, threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the City. See “Notes to the Financial Statements, Note 4, Contingencies.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The City has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. 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 of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond

Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, certain legislative proposals in recent years have been made that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Tax reform legislation is presently under consideration in Congress.

Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix D.

DISCLOSURE UNDERTAKING

This Official Statement is in a form "deemed final" by the City for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). 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; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a

"financial obligation" of the City (as defined in the Rule), if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect security holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the City, if any such event reflects financial difficulties.

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 as then in effect.

Compliance History

Since 2007, there have been in excess of 50 rating actions reported by Moody's Investors Service, S&P Global Ratings and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the City. Due to widespread knowledge of these rating actions, material event notices were not filed by the City in each instance.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Hopewell Junction, New York, (the "Municipal Advisor") is an independent municipal advisor registered with the United States Securities and Exchange Commission 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 Notes.

RATING

The City did not apply for a rating of the Notes.

The City's underlying rating by Moody's Investors Service ("Moody's") is "A1."

Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained only from Moody's at the following address: 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained from Donald Paris, City Treasurer, 16 James Street, Middletown, New York 10940, (845) 346-4153, or from the City's Municipal Advisor, Capital Markets Advisors, LLC, 11 Grace Avenue Suite 308, Great Neck, New York 11021 (516) 570-0340.

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 holders of any of the Notes.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the City management's beliefs as well as assumptions made by, and information currently available to the City's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City files with the EMMA system. or MSRB. When used in City documents or oral presentations, the words "anticipate," "believe," "intend," "plan," "foresee," "likely," "estimate," "expect," "objective," "projection," "forecast," "goal," "will," or "should," or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the City, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the City, as to which no representation can be made.

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 Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

CITY OF MIDDLETOWN
ORANGE COUNTY, NEW YORK

By: /s/ _____
Donald Paris
City Treasurer

DATED: October __, 2019

APPENDIX A

THE CITY

THE CITY

General Information

The City, which was incorporated in 1888, is located in the west-central part of Orange County about 65 miles northwest of New York City. The City has a land area of 4.7 square miles, or about 3,000 acres. Middletown enjoys a diverse economic base, being the retail trading center for the surrounding rural-suburban area as well as the site of certain significant industrial, governmental and educational establishments.

Form of Government

The City has a Mayor-Common Council form of city government. The Common Council consists of the President of the Common Council and eight Alderpersons. Alderpersons are elected by the ward system for two-year terms; the Mayor and the President of the Common Council are elected at-large for four-year terms. The Chief Fiscal Officer of the City is the City Treasurer, who is appointed by the Mayor.

Services

The City provides sanitary sewer facilities and water supply and distribution to its residents and is responsible for financing the construction, operation and maintenance of these systems. Police and fire protection are provided by full-time paid employees of the City in their respective departments.

Employees

The City provides services through approximately 232 full-time employees and 49 part-time employees. Some of such employees are represented by organized labor, as follows:

<u>Employee Organization</u>	<u>Term of Contract</u>	<u>Employees</u>
Middletown PBA (Police)	12/31/22	66
CSEA	12/31/21	99
Middletown Paid Firemen's Assoc.	12/31/20	26

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 2017 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 continue 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 the State Fiscal Year 2017-18 the contribution rates for ERS and PFRS remain unchanged at the 2016-17 levels. For the State Fiscal Year 2018-19, the average contribution rates decreased. ERS decreased from 15.3% of payroll to 14.9% and the average contribution rate for PFRS decreased from 24.4% to 23.5% of payroll. 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.

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ERS and PFRS Contributions. The City’s contributions to the ERS and PFRS for each of the past five audited fiscal years ended December 31 and the amounts budgeted for the current fiscal year, are as follows:

Fiscal Year Ended December 31:	ERS	PFRS
2014	\$1,563,733	\$2,254,645
2015	1,508,422	1,839,495
2016	1,278,029	1,954,939
2017	1,253,820	2,112,254
2018	1,257,584	2,149,597
2019 (Budget)	1,192,449	2,259,042

Other Postemployment Benefits

For the year ended December 31, 2018, the City implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement replaces the requirement of Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and Statement 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans, for OPEB. GASB 75 requires the liability of employers and non-employer contribution entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of OPEB plan’s fiduciary net position (if any). There were also other corrections for prior year’s expenses and revenues. The City’s net position has been restated as follows:

Net Position Beginning of Year	<u>\$20,417,379</u>
GASB 75 Implementation:	
Reversal of Net OPEB Liability under Statement 45	37,000,000
Reversal of Total OPEB Liability under Statement 75	<u>(110,702,764)</u>
Net change in Net Position for Statement 75 Implementation	(73,702,764)
Timing adjustments to revenues and receivables	749,197
GASB 75 Implementation	(69,066)
Adjustment to grant revenue deferral	<u>(5,310,000)</u>
	<u>(78,332,633)</u>
Net Position Beginning of the year, as restated	<u><u>\$(57,915,254)</u></u>

FINANCIAL FACTORS

Budgetary Procedure

The Board of Estimate and Apportionment (the “Board”) (which consists of the Mayor, the President of the Common Council and the Chairman of the Finance Committee) prepares the Tentative Budget and holds public hearings thereon. After making revisions deemed necessary and appropriate, but no later than December 1 of each year, the Board presents the Tentative Budget to the Common Council and the Common Council votes on the budget prior to December 15. The Common Council may make internal revisions to said budget or reduce it, but it may not increase the total amount of the budget. The budget is not subject to referendum.

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Independent Audits

The City retained the firm of RBT CPAs, LLP, Certified Public Accountants, to audit its financial statements for the fiscal year ending December 31, 2018. Appendix B, attached hereto, presents excerpts from the City's most recent audited reports covering the last five fiscal years. Appendix C contains a link to the last fiscal year audit.

In addition, the City is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. See "The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews" herein.

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 Board to the Chief Financial Officer who was 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 six banks or trust companies located and authorized to conduct business in the State 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 permitted 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 letter 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.

Revenues

The City derives its revenues primarily from real property taxes and special assessments, State aid and departmental fees and charges. A summary of such revenues for the years 2014-2018 is presented in Appendix B, hereto. Information for said fiscal years has been excerpted from the City’s audited financial reports, however, such presentation has not been audited.

Property Taxes. The City derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B). Property taxes accounted for 50.70% of total general fund and other governmental funds revenues for the fiscal year ended December 31, 2018.

The following table sets forth total fund revenues and real property taxes received for each of the past five audited fiscal years and the amounts budgeted for the current fiscal year.

Fund Revenues & Real Property Taxes⁽¹⁾

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u>	<u>Taxes to Revenues</u>
2014	\$33,541,036	\$16,745,558	49.93%
2015	35,075,435	18,161,500	51.78
2016	36,760,140	18,430,880	50.14
2017	38,472,995	18,563,858	48.25
2018	37,586,374	19,057,323	50.70
2019 (Budget)	40,679,703	19,634,971	48.27

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

State Aid. The City receives financial assistance from the State. State Aid accounted for approximately 8.86% the total general fund revenues of the City in the 2018 fiscal year. A substantial portion of the State aid received is directed to be used for specific programs. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in any year or future years, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the City, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City, requiring either a counterbalancing

increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also “MARKET FACTORS,” herein.)

The following table sets forth total fund revenues and State aid revenues received for each of the past five audited fiscal years and the amounts budgeted for the current fiscal year.

Fund Revenues & State Aid Revenues ⁽¹⁾

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2014	\$33,541,036	\$3,226,819	9.62%
2015	35,075,435	3,388,096	9.66
2016	36,760,140	3,176,737	8.64
2017	38,472,995	5,611,696	14.58
2018	37,586,374	3,329,864	8.86
2019 (Budget)	40,679,703	3,563,746	8.76

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

Sales Tax. The City receives a share of the County sales tax. The County presently imposes a sales and use tax of 3 3/4%, in addition to the 4% tax imposed by the State and 3/8% for the Metropolitan Transportation Authority, for a countywide sales tax rate of 8 1/8%. Such sales and use tax collections are administered by the State Tax Commission and paid at least monthly to the County. The County, pursuant to a Sales Tax Sharing Agreement, shares the proceeds of the County’s 3 3/4% sales and use tax with the three cities, twenty towns and nineteen villages within the County. Under the terms of the Agreement, the County retains 73.616% of the sales tax revenues with the balance disbursed quarterly to the municipalities on a formula basis. The cities, in turn, agree not to levy a City sales tax for the term of the Agreement.

The following table sets forth total fund revenues and sale taxes received for each of the past five fiscal years and the amounts budgeted for the most recent and current fiscal years.

General Fund Revenues & Sales Tax ⁽¹⁾

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Sales Tax</u>	<u>Sales Tax to Revenues</u>
2014	\$33,541,036	\$9,139,368	27.25%
2015	35,075,435	9,236,909	26.33
2016	36,760,140	9,652,744	26.26
2017	38,472,995	10,246,011	26.63
2018	37,586,374	11,522,939	30.66
2019 (Budget)	40,679,703	11,400,000	28.02

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

Expenditures

The categories of expenditure for the City are General Government Support, Public Safety, Transportation, Economic Opportunity and Development, Culture and Recreation, Home and Community Services, Employee Benefits and Debt Service. For the fiscal years 2014 to 2018, total General Fund expenditures increased from \$39,918,570 to \$40,091,137 (excluding other financing sources), an increase of 0.04%. A summary of the expenditures for the 2014-2018 fiscal years and budgeted expenditures for 2019 may be found in Appendix B hereto.

REAL PROPERTY TAXES

Property Tax Limit

Comparison of Constitutional Tax Margin 2018 and 2019

	<u>2018</u>	<u>2019</u>
Tax Limit	<u>\$25,489,412</u>	<u>\$26,332,416</u>
Tax Levy for City Purposes	19,200,436	19,634,971
Exclusion for Debt Service	<u>2,288,773</u>	<u>3,650,613</u>
Tax Levy Subject to Tax Limit	16,911,663	15,984,358
Constitutional Tax Margin	<u><u>\$8,577,749</u></u>	<u><u>\$10,348,058</u></u>
Percentage of Unused Taxing Power	33.65%	39.30%

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 City School City (for taxes levied on property which is located within the City).

City and County taxes are levied simultaneously, payable in two installments. The first installment is due February 1, payable without penalty until March 1; the second installment is due June 1, payable without penalty until July 1. Penalties are 2% until either March 31 or July 31 and 1% per month thereafter beginning either April 1 or August 1, respectively. Tax lien sales are held annually.

Delinquent County and City School District taxes are paid to the County and City School District, respectively, as collected or from the proceeds of tax sales when held. The City is required to pay the City School District in full within two years after the return of the statement of unpaid taxes. The City is only required to pay delinquent County taxes as collected and is not required to make the County whole.

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Tax Levies and Collection Record

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City Tax Levy (1)	\$18,891,632	\$18,182,537	\$18,452,270	\$18,695,815	\$19,200,436
County Tax Levy	4,669,162	4,873,177	4,791,531	5,222,041	5,036,021
Library Tax Levy (2)	988,228	1,039,124	1,038,408	1,088,922	1,119,040
Total Tax Levy	<u>24,549,022</u>	<u>24,094,838</u>	<u>24,282,209</u>	<u>25,006,778</u>	<u>24,355,497</u>
Collected During Year	23,593,490	23,209,220	23,434,896	24,036,491	23,283,357
Uncollected End of Year					
Amount	955,930	885,118	847,313	970,287	1,071,740
Percent	3.89%	3.81%	3.49%	4.40%	4.67%
Tax Rates per \$1,000 of AV					
City	79.85	80.98	81.25	81.50	83.33
County	20.97	21.82	21.21	22.88	21.98
Library	4.28	4.49	4.45	4.63	4.74

(1) Gross levy - does not include additions or deletions to roll. Also includes tax overlay.

(2) The City collects taxes for the public library. The City only serves as collection agent and is not responsible for any uncollected taxes.

Ten of the Largest Taxpayers

2018 Tax Roll for 2019 Taxes

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation (a)</u>
Orange and Rockland Utilities	Utility	\$7,323,211	3.15%
Sutton Hill III, LLC	Residential	3,213,200	1.38
Kale Realty Corp.	Commercial	1,881,774	0.81
Southgate	Retail	1,764,165	0.76
Sterling Parc at Middletown LLC	Residential	1,580,200	0.68
Citizens Telecom	Utility	1,532,751	0.66
Panyork Middletown LLC	Residential	1,222,500	0.53
Orange Co. Trust Co.	Bank	1,117,000	0.48
HRNC Realty, LLC	Residential	1,110,000	0.48
Jim Pattison Dev (US) Inc.	Manufacturing	925,000	0.40
		<u>\$21,669,801</u>	<u>9.32%</u>

(a) 2019 total assessed valuation of \$232,473,957.

CITY INDEBTEDNESS

Constitutional Requirements

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

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 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 as determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which it is contracted. No installment may be more than fifty per centum in excess of the smallest prior installment, unless the City determines to issue a particular debt obligation 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 and such required annual installments on its notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the City, subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the rate which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Tax Services (the "ORPTS"). The State Legislature is required to prescribe the manner by which such rate shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the City Law and the General Municipal Law.

Pursuant to the Local Finance Law, the City authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such 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. Certain such resolutions may be subject to permissive referendum, or may be submitted to the City voters at the discretion of the City Council.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution (in summary or in full), together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution, except for alleged constitutional violations. As of the date of the preliminary official statement, the City has not completed such procedure for the validation of the bond resolutions adopted in connection with the Notes. Such procedure will be completed prior to the closing of the Notes.

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 bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial 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. (See "Payment and Maturity" under "Constitutional Requirements.")

In addition, under each bond resolution, the City Council may delegate the power to issue and sell bonds and notes to the City Treasurer, the chief fiscal officer of the City.

In general, the Local Finance Law contains similar provisions providing the City with power to issue general obligation revenue anticipation notes, tax anticipation notes, capital notes, deficiency notes and budget notes.

Constitutional Debt-Contracting Limitation

ORPTS annually establishes State equalization rates for all assessing units in the State, including the City, which are determined by statistical sampling of market/assessment studies. The equalization rates are used in the calculation and distribution of certain state aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The City has a debt contracting limitation equal to seven percent (7%) of average full valuation (See “Constitutional Requirements, Debt Limit,” herein). See also “Tax Levy Limitation Law” herein.

The City determines the assessed valuation for taxable real properties. The ORPTS determines the assessed valuation of special franchises and the taxable ceiling of railroad property. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places. Certain properties are taxable for school purposes but exempt for City purposes.

The following table sets forth the City’s debt-contracting limitation.

**Computation of Debt Contracting Limitation
As of October 1, 2019**

For Fiscal Year Ended December 31:	Assessed Valuations	Equalization Rate (a)	Full Valuations
2015	\$224,528,156	17.88	\$1,255,750,313
2016	227,110,333	18.50	1,227,623,422
2017	229,398,426	16.90	1,357,387,136
2018	230,424,478	17.45	1,320,484,115
2019	232,473,957	16.35	1,421,859,064
Total Five-Year Full Valuation			\$6,583,104,050
Five-Year Average Full Valuation			1,316,620,810
Debt Contracting Limitations: 7% of Five-Year Average Full Valuation			\$ 92,163,457

Source: ORPTS.

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Debt Limit and Net Indebtedness

The following table presents the debt-incurring power of the City and shows that the City is within its constitutional debt limit.

Statement of Debt Contracting Power As of October 1, 2019

	<u>Amount</u>	<u>Percentage of Debt Limit</u>
Debt Contracting Limitation:	<u>\$92,163,457</u>	<u>100.00%</u>
Gross Indebtedness:		
Serial Bonds	46,835,000	50.82
Bond Anticipation Notes	21,419,175	23.24
Energy Performance Contract Lease ⁽¹⁾	<u>10,519,167</u>	<u>11.41</u>
Total Gross Indebtedness	<u>78,773,342</u>	<u>85.47</u>
Less Exclusions:		
Water Debt	18,321,353	19.88
Budgetary Appropriations	<u>740,000</u>	<u>0.80</u>
Total Exclusions	<u>19,061,353</u>	<u>20.68</u>
Total Net Indebtedness	<u>59,711,989</u>	<u>64.79</u>
Net Debt Contracting Margin	<u>\$32,451,468</u>	<u>35.21</u>

- (1) Installment purchase contracts represent the unamortized principal portion of leases entered into pursuant to the provisions of section 109-b of the General Municipal Law. Although lease obligations do not constitute indebtedness nor has the City pledged its full faith and credit or taxing power for the payment thereof, Section 109-b of the General Municipal Law provides that such lease obligations are treated as indebtedness for purposes of determining debt contracting power under Section 104.00 of the Local Finance Law.

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Bond Anticipation Notes

The City currently has a Bond Anticipation Note outstanding in the amount of \$21,419,175 which matures on August 27, 2020. The City issues bond anticipation notes annually to fund its capital improvement program.

Original Issue Date	Date Authorized	Purpose	Amount Outstanding
08/29/17	04-04-17	Acquisition of Federal Courthouse	\$ 619,634
08/29/17	04-04-17	Skate Park	411,194
08/29/17	04-04-17	Planning and Design of Sidewalks	286,261
08/29/17	06-06-17	Heavy Equipment	1,217,141
08/29/17	06-06-17	Vehicles	93,526
08/29/17	06-06-17	Renovations to the Paramount	41,112
08/29/17	06-06-17	Office Equipment	35,829
08/29/17	06-06-17	Street Lighting	0
08-28-18	02-20-18	Replace Engine # 1 – Fire Dept	683,961
08-28-18	03-20-18	Water Main Community Campus	445,600
08-28-18	07-17-18	Vehicles	164,268
08-28-18	07-17-18	Parks Equipment	74,500
08-28-18	07-17-18	Playground Improvements	98,500
08-28-18	07-17-18	Sidewalks	150,000
08-28-18	07-17-18	Real Property Watershed Expansion	1,250,000
08-28-18	07-17-18	Water Tank Improvements	2,150,000
08-28-18	07-17-18	Water Treatment Plant-High Lift Pump	3,000,000
08-28-18	07-17-18	Shawanagunk Dam Upgrade	2,400,000
08-28-18	07-17-18	CR108/78 Round-a-Bout	107,162
08-28-18	07-17-18	Culvert Upgrade	54,000
08-28-18	07-17-18	Monhagen/Davage Expansion	350,000
08-28-18	07-17-18	Water Tank Replacement Mountain Ave	0
09-07-17	07-03-17	Downtown Revitalization Initiative Project	5,538,564
08-28-18	07-17-18	CR108/78 Round-a-Bout	0
10-11-18	08-06-18	Wastewater Treatment Plan Screw Pumps	600,000
08-27-19	07-16-19	Purchase of Property for Watershed Expansion	60,000
08-27-19	07-16-19	Acquisition of Fire Truck	1,587,923
Totals:			<u>\$21,419,175</u>

Downtown Revitalization Initiative

In 2016, the City was awarded a \$10 million grant from the Downtown Revitalization Initiative (“DRI”). This program provides grant funding based on a downtown’s potential for transformation, and a community’s vision for revitalization. The DRI is funded by Empire State Development, and a state agency team from the Department of State and the New York State Homes and Community Renewal. Other agencies are also involved in reviewing and implementing projects. As the City completes various phases of the project it submits for project reimbursement.

The City’s DRI includes the development of a park, parking and green space improvements, streetscape, signage and façade improvements amount other projects. It is expected that the DRI grants will cover all such projects.

Tax and Revenue Anticipation Notes

The City has not found it necessary in the past to issue tax or revenue anticipation notes and does not expect to issue such notes in the foreseeable future.

Energy Performance Contract

In 2016, the City entered into an \$12,546,493 energy performance contract lease purchase agreement. The City will make semi-annual payments of \$509,657 beginning July 21, 2017 and on each January 21 and July 21 thereafter, with a final maturity of July 21, 2031. As of October 1, 2019, \$10,519,167 is outstanding on the lease.

Trend of Capital Debt

The following table shows the amount of capital debt outstanding at the end of each of the last five fiscal years.

	<u>Debt History</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$53,912,900	\$51,225,000	\$48,650,000	\$51,170,896	\$48,695,000
Bond Anticipation Notes	<u>7,404,041</u>	<u>7,050,339</u>	<u>6,294,633</u>	<u>15,727,088</u>	<u>26,383,644</u>
Total Debt Outstanding	<u><u>\$61,316,941</u></u>	<u><u>\$58,275,339</u></u>	<u><u>\$54,944,633</u></u>	<u><u>\$66,897,984</u></u>	<u><u>\$75,078,644</u></u>

Overlapping and Underlying Debt

**Statement of Direct and Overlapping Indebtedness
As of October 1, 2019**

Gross Direct Indebtedness				\$78,773,342	
Exclusions and Deductions				<u>19,061,353</u>	
Net Direct Indebtedness				<u><u>\$59,711,989</u></u>	
	<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Total Net Indebtedness</u>	<u>Percentage Applicable</u>	<u>Applicable Net Indebtedness</u>
	County of Orange	01-10-19	\$281,005,962	4.38%	\$12,308,061
	Middletown City School District	05-29-19	112,930,000	46.47	<u>52,478,571</u>
	Totals				<u><u>\$64,786,632</u></u>

Sources: EMMA System of the Municipal Securities Rulemaking Board.

Debt Ratios

The following table sets forth certain ratios relating to the City's direct and overlapping capital indebtedness.

**Direct and Overlapping Debt Ratios
As of October 1, 2019**

	<u>Amount</u>	<u>Per Capita ⁽¹⁾</u>	<u>Percentage Of Full Value ⁽²⁾</u>
Net Direct Debt	\$ 59,711,989	\$2,147	4.20%
Net Direct & Applicable Overlapping Debt	124,498,621	4,476	8.76

(1) The population of the City is 27,815 (2018 Bureau of the Census estimate).

(2) The estimated full valuation of real property in the City for 2019 is \$1,421,859,064.

Authorized But Unissued Debt

The City currently has \$7,587,000,000 of authorized and unissued debt including \$6,550,000 for water tank replacement; \$660,000 for CR108/78 round-a-bout and \$377,000 for the Black Dirt sewer line.

On July 16, 2019, the City authorized \$1,587,923 for the acquisition of a fire truck and \$60,000 for the purchase of property for a watershed expansion. Following the issuance of the Notes, the City will no longer have any authorized but unissued debt for these projects.

The City issues bond anticipation notes annually to fund its capital improvement program.

Debt Service Schedule

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

Fiscal Year Ending December 31:	<u>Schedule of Debt Service Requirements</u>			% Cumulative Principal Paid
	Outstanding Bonded Indebtedness			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2019 ⁽¹⁾ ⁽²⁾	\$2,600,000	\$1,723,981	4,323,981	5.34%
2020	2,665,000	1,643,239	4,308,239	10.81
2021	2,720,000	1,563,664	4,283,664	16.40
2022	2,200,000	1,482,480	3,682,480	20.92
2023	2,250,000	1,416,770	3,666,770	25.54
2024	2,060,000	1,349,711	3,409,711	29.77
2025	2,125,000	1,281,458	3,406,458	34.13
2026	2,165,000	1,214,025	3,379,025	38.58
2027	2,210,000	1,129,181	3,339,181	43.12
2028	2,265,000	1,051,180	3,316,180	47.77
2029	1,965,000	972,552	2,937,552	51.80
2030	2,040,000	897,872	2,937,872	55.99
2031	2,105,000	820,063	2,925,063	60.31
2032	2,180,000	738,339	2,918,339	64.79
2033	2,250,000	651,654	2,901,654	69.41
2034	2,335,000	562,783	2,897,783	74.21
2035	2,420,000	470,601	2,890,601	79.18
2036	2,505,000	374,951	2,879,951	84.32
2037	2,410,000	277,426	2,687,426	89.27
2038	2,120,000	183,655	2,303,655	93.62
2039	1,125,000	114,906	1,239,906	95.93
2040	750,000	75,028	825,028	97.47
2041	765,000	42,797	807,797	99.05
2042	465,000	9,925	474,925	100.00
Totals	<u><u>48,695,000</u></u>	<u><u>\$20,048,241</u></u>	<u><u>\$68,743,241</u></u>	

- (1) Gross interest. Does not exclude expected interest subsidies on bonds sold through NYS Environmental Facilities Corp.
(2) For entire fiscal year.

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Principal Amortization by Fund

Fiscal Years Ending December 31:	Outstanding Bonds			
	General and Highway	Water	Sewer	Total
2019 ⁽¹⁾	\$ 635,054	\$ 1,119,034	\$ 845,912	\$ 2,600,000
2020	655,266	1,147,411	862,323	2,665,000
2021	674,483	1,176,698	868,819	2,720,000
2022	407,716	948,838	843,446	2,200,000
2023	419,667	971,426	858,907	2,250,000
2024	428,069	764,010	867,921	2,060,000
2025	446,994	786,044	891,962	2,125,000
2026	456,823	796,775	911,402	2,165,000
2027	470,897	811,217	927,886	2,210,000
2028	484,968	830,661	949,371	2,265,000
2029	308,249	792,838	863,913	1,965,000
2030	321,706	828,409	889,885	2,040,000
2031	333,043	867,123	904,834	2,105,000
2032	346,500	902,694	930,806	2,180,000
2033	354,290	941,405	954,305	2,250,000
2034	373,413	983,835	977,752	2,335,000
2035	386,872	1,029,404	1,003,724	2,420,000
2036	398,207	1,073,118	1,033,675	2,505,000
2037	411,665	1,118,688	879,647	2,410,000
2038	159,049	1,169,258	791,693	2,120,000
2039	165,410	144,828	814,762	1,125,000
2040	0	0	750,000	750,000
2041	0	0	765,000	765,000
2042	0	0	465,000	465,000
	<u>\$8,638,341</u>	<u>\$19,203,714</u>	<u>\$20,852,945</u>	<u>\$48,695,000</u>

(1) For entire fiscal year.

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 with comparable information for the County and State.

Population Trend

	2000	2010	2018	% Change	
				2000-10	2010-18
City	25,388	28,086	27,815	10.6%	(1.0)%
County	341,367	372,813	381,951	9.2	2.5
State	18,976,457	19,378,102	19,542,209	2.1	0.8

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

Income

Per Capita Money Income

	<u>2010</u>	<u>2017</u>	<u>% Change</u>
City	\$22,614	\$26,527	17.3%
County	28,944	32,616	12.7
State	30,948	35,752	15.5

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

Employment

Average Employed Civilian Labor Force 2000-2018

	<u>2000</u>	<u>2010</u>	<u>2018</u>	<u>% Change</u>	
				<u>2000-2010</u>	<u>2010-2018</u>
City	11,100	12,900	13,100	16.2%	1.6%
County	155,800	166,800	175,100	7.1	5.0
State	8,718,700	8,769,700	9,181,100	0.6	4.7

Source: New York State Department of Labor.

Average Unemployment Rates

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	7.4%	6.8%	7.7%	7.4%
2014	6.0	5.5	6.3	6.2
2015	5.2	4.7	5.3	5.3
2016	4.7	4.3	4.9	4.9
2017	5.0	4.5	4.7	4.4
2018	4.4	3.9	4.1	3.9

Source: New York State Department of Labor and U.S. Bureau of Labor Statistics.

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

Name	Type	Approx. No. of Employees
United States Military Academy at West Point	College & Technical Institute	4,000
Orange Regional Medical Center	Hospital	2,524
Orange County Government	Government	2,399
Crystal Run Healthcare	Physician Specialty Practice	2,050
Access: Supports for Living	Rehabilitation Services	1,289
St. Luke's/Cornwall Hospital	Hospital	1,247
Elant Inc.	Senior Health and Housing	1,200
C&S Wholesale Grocers Inc.	Distribution Center	800
Empire Blue Cross / Blue Shield	Health Insurance	795
ARC of Orange County	Non-Profit Organization	750
Spectrum Enterprise	Communications	750
Bon Secours Community Hospital	Hospital	598
Cornerstone Family Healthcare	Healthcare	550
Amscan Inc.	Distribution	525
Kolmar Laboratories Inc.	Cosmetics / Personal Care Manufacturing	500
Horizon Family Medical Group	Health Care	500
Mirabito Energy Products	Distribution – Fuel	500

Source: 2019 official statement for Orange County dated January 23, 2019.

Economic Development/Urban Renewal

The City has shown signs of revitalization after the decline that affected most small cities in the Northeast over the past two decades. Light industry has grown in and around the City due to its location at the crossroads of major inter- and intra-state highways, major railroads as well as the rapidly developing Stewart International Airport in Newburgh. The City's long-standing commitment to rehabilitating existing infra-structure as well as making use of available space for new construction has allowed the City to continue to move forward despite downturns in the economy nationwide. With millions of dollars in public and private financing recently approved for various downtown revitalization efforts, the City anticipates this trend to continue.

Cultural and Educational Facilities

The Middletown Enlarged City School District (the "City School District") (a separate governmental entity) serves the entire City as well as several nearby communities. Two private parochial schools also serve the City.

The Orange County Community College (the "Community College"), located in the City, was founded in 1950 as the first county-sponsored community college in the State. It is a coeducational, comprehensive two-year college providing both liberal arts/transfer programs and career-technical programs. It also offers a broad range of continuing education courses and non-credit community service classes. The Community College is located on a 37 acre campus with 15 major buildings, including a library with a capacity of 100,000 volumes.

In addition to the library at the Community College, Thrall Public Library in downtown Middletown offers an almost 35,000 square foot public library for its residents. Located in a restored former Erie Railroad station in the center of the downtown business district, the library is a member of the Ramapo Catskill Library System, a cooperative educational institution financed through the State of New York to provide improved public library services throughout the Mid-Hudson Valley.

The Paramount Theater, also located in the central area of the City's downtown, provides cultural activities both local and regional, in its historically designated 1,100 seat vaudevillian style theater. Refurbished by a series of State and Federal grants for historic restoration, the theater retains the classic charm of a period cultural center.

Transportation

Commuter railroad service to the greater metropolitan area is available through Metro-North (Metropolitan Transportation Authority). Bus service is also provided through Short Line Bus Service to all points in the region, with regularly scheduled service to New York Port Authority and points in between. Middletown's location in the Central Hudson Valley, at the intersection of New York State Rt. 17 (soon to be U.S. Interstate Route 86) and U.S. Interstate Route 84 places it well for economic as well as other types of development.

Utilities

Electricity and natural gas is supplied to the City by Orange & Rockland Utilities, Inc. Telephone service is provided by Frontier.

Parks and Recreation

There are eleven City parks with over 160 acres of park and recreational facilities located in the City, including tennis courts, ball fields, a horseback riding ring, a fitness trail, ice skating ponds, picnic grounds and swimming pools. There are several private and public golf courses located nearby as well as the Palisades Interstate Park which has almost 80,000 acres of parkland and offers visitors a complete range of outdoor recreational activities.

END OF APPENDIX A

APPENDIX B

UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

**CITY OF MIDDLETOWN
BALANCE SHEET
GENERAL FUND
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	2014	2015	2016	2017	2018
ASSETS					
Cash and Equivalents	\$ 5,800,402	\$ 4,646,922	\$ 9,036,410	\$ 6,020,630	\$ 6,505,568
Restricted Investments	0	18,987	42,400	69,066	76,123
Taxes Receivables (Net)	2,996,470	3,074,156	1,986,765	1,992,681	2,646,845
Other Receivables:					
Mortgages	627,500	802,500	555,000	705,000	753,496
Accounts and Loans	283,040	301,943	403,504	222,058	0
State and Federal Aid	544,854	253,099	22,220	2,802,077	486,085
Due From Other Governments	2,569,710	2,555,443	2,709,452	2,856,184	2,745,333
Due From Other Funds	1,497,700	2,648,515	401,311	782,068	3,446,390
Prepaid Expenses	780,364	719,978	717,167	766,605	779,921
Total Assets	\$ 15,100,040	\$ 15,021,543	\$ 15,874,229	\$ 16,216,369	\$ 17,439,761
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 517,708	\$ 564,237	\$ 445,178	\$ 382,381	\$ 769,266
Accrued Liabilities	42,779	315,983	416,094	452,118	671,770
Due To State and Federal Governments	68,782	56,179	41,418	444,124	573,340
Due to County For Tax Levy	245,895	279,915	196,197	0	0
Due To School Districts	1,777,882	940,069	314,517	0	0
Due To Other Funds	1,468,142	562,338	879,222	708,239	582,647
Unearned Revenues	727,255	802,500	605,000	0	0
Unearned Tax Revenue	0	0	0	0	0
Total Liabilities	4,848,443	3,521,221	2,897,626	1,986,862	2,597,023
Deferred Inflows of Resources	2,792,689	2,488,230	1,774,120	3,422,971	3,114,274
Total Liabilities and Deferred Inflows of Resources	7,641,132	6,009,451	4,671,746	5,409,833	5,711,297
Fund Balance:					
Nonspendable	780,364	719,978	717,167	766,605	779,921
Restricted	134,308	153,297	176,714	145,189	157,549
Assigned	421,475	1,106,288	820,293	0	247,854
Unassigned	6,122,761	7,032,529	9,488,309	9,894,742	10,543,140
Total Fund Balance	7,458,908	9,012,092	11,202,483	10,806,536	11,728,464
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 15,100,040	\$ 15,021,543	\$ 15,874,229	\$ 16,216,369	\$ 17,439,761

The financial data presented on this page has been excerpted from the audited and unaudited financial statements of the City .
Complete copies of the City's audited and unaudited financial statements are available upon request to the City.
Such presentation, however, has not been audited.

**CITY OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	2014	2015	2016	2017	2018
REVENUES:					
Real Property Taxes	\$ 16,745,558	\$ 18,161,500	\$ 18,430,880	\$ 18,563,858	\$ 19,057,323
Other Tax Items	698,714	682,031	1,793,352	572,133	517,644
Non-Property Taxes	9,892,338	9,982,059	10,398,299	10,824,992	11,522,939
Departmental Income	1,134,619	1,249,249	1,388,063	1,018,567	1,248,624
Intergovernmental Charges	135,011	102,844	125,904	100,407	203,820
Use Of Money And Property	190,395	177,738	168,415	188,102	235,043
Licenses And Permits	334,400	363,624	517,739	530,733	301,268
Fines And Forfeitures	349,006	374,492	434,695	465,202	355,171
Sale Of Property And Compensation For Loss	95,179	3,697	3,953	150,506	6,848
State Aid	3,226,819	3,388,096	3,176,737	5,611,696	3,329,864
Federal Aid	504,115	480,359	141,389	159,492	127,658
Miscellaneous	234,882	109,746	180,714	287,307	680,172
Total Revenues	33,541,036	35,075,435	36,760,140	38,472,995	37,586,374
EXPENDITURES:					
Current:					
General Government Support	4,777,505	4,860,661	5,199,314	7,147,459	4,831,902
Public Safety	10,842,759	10,894,893	11,217,161	11,974,454	11,927,295
Transportation	2,177,876	2,335,318	1,945,337	2,193,123	2,008,675
Economic Opportunity & Development	385,779	426,927	385,426	340,730	332,724
Culture And Recreation	2,120,786	2,047,091	2,051,665	2,061,605	1,877,942
Home And Community Services	2,073,026	1,996,378	2,229,154	2,078,801	2,004,497
Employee Benefits	12,179,131	12,061,901	12,343,368	13,302,797	13,402,735
Debt Service	69,101	57,590	54,378	819,601	3,705,367
Total Expenditures	34,625,963	34,680,759	35,425,803	39,918,570	40,091,137
Excess (Deficiency) of Revenues Over Expenditures	(1,084,927)	394,676	1,334,337	(1,445,575)	(2,504,763)
OTHER FINANCING SOURCES (USES):					
Insurance recoveries	304,378	297,722	323,812	162,300	0
Sale of Real Property	51,500	86,000	31,405	0	0
Transfers - In	1,996,914	2,519,000	2,168,000	2,354,104	4,402,200
Transfers - Out	(2,294,276)	(1,744,214)	(1,667,163)	(1,532,043)	(1,033,070)
Total Other Financing Sources (Uses)	58,516	1,158,508	856,054	984,361	3,369,130
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,026,411)	1,553,184	2,190,391	(461,214)	864,367
Fund Balance - Beginning of Year	8,485,319	7,458,908	9,012,092	11,267,747	10,864,097
Fund Balance - End of Year	\$ 7,458,908	\$ 9,012,092	\$ 11,267,747	\$ 10,806,533	\$ 11,728,464

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CITY OF MIDDLETOWN
BALANCE SHEET
WATER FUND
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2014	2015	2016	2017	2018
ASSETS					
Cash	\$ 460,571	\$ 1,607,168	\$ 916,503	\$ 521,004	\$ 2,188,689
Receivables:					
Accounts	19,789	7,375	2,382	150,000	90,129
Water Rents	2,776,145	2,576,109	2,013,487	2,491,487	1,998,422
Due From Other Funds	336,355	92,709	581,758	273,674	301,636
Prepaid Expenditures	55,761	65,578	57,229	55,669	53,608
Total Assets	\$ 3,648,621	\$ 4,348,939	\$ 3,571,359	\$ 3,491,834	\$ 4,632,484
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 399,296	\$ 205,275	\$ 298,171	\$ 113,060	\$ 146,184
Accrued Liabilities	56,979	63,827	71,342	77,433	76,722
Due To Other Funds	493,324	1,047,841	211,472	337,323	1,886,848
Total Liabilities	949,599	1,316,943	580,985	527,816	2,109,754
Fund Balances:					
Nonspendable	55,761	65,578	57,229	55,669	53,608
Restricted	150,000	150,000	150,000	150,000	90,129
Assigned	2,493,261	2,816,418	2,783,145	2,758,349	2,378,993
Total Fund Balances	2,699,022	3,031,996	2,990,374	2,964,018	2,522,730
Total Liabilities and Fund Balances	\$ 3,648,621	\$ 4,348,939	\$ 3,571,359	\$ 3,491,834	\$ 4,632,484

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CITY OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
WATER FUND
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2014	2015	2016	2017	2018
REVENUES:					
Departmental Income	\$ 6,414,527	\$ 6,654,340	\$ 6,318,194	\$ 6,842,268	\$ 7,149,989
Use Of Money And Property	491	530	2,678	2,365	4,306
Licenses and Permits	9,093	22,009	14,230	27,030	13,665
Sale Of Property And Compensation For Loss	1,098	1,350	1,100	1,009	650
State Aid	0	1,516	86,355	0	5,282
Federal Aid	0	4,548	199,265	0	0
Miscellaneous	3,303	2,919	4,222	19,263	119,760
Total Revenues	<u>6,428,512</u>	<u>6,687,212</u>	<u>6,626,044</u>	<u>6,891,935</u>	<u>7,293,652</u>
EXPENDITURES:					
Current:					
General Government Support	455,209	682,756	528,371	514,114	538,533
Home And Community Services	2,585,232	2,255,822	2,440,227	2,434,262	2,439,833
Employee Benefits	905,968	890,668	882,750	931,313	925,362
Debt Service	23,712	0	0	234,817	522,376
Total Expenditures	<u>3,970,121</u>	<u>3,829,246</u>	<u>3,851,348</u>	<u>4,114,506</u>	<u>4,426,104</u>
Excess of Revenues Over Expenditures	<u>2,458,391</u>	<u>2,857,966</u>	<u>2,774,696</u>	<u>2,777,429</u>	<u>2,867,548</u>
OTHER FINANCING SOURCES (USES):					
Transfers - In	55,955	0	0	0	0
Transfers - Out	<u>(2,081,125)</u>	<u>(2,524,992)</u>	<u>(2,816,318)</u>	<u>(2,816,295)</u>	<u>(3,092,599)</u>
Total Other Financing Sources (Uses)	<u>(2,025,170)</u>	<u>(2,524,992)</u>	<u>(2,816,318)</u>	<u>(2,816,295)</u>	<u>(3,092,599)</u>
Net Change in Fund Balance	<u>433,221</u>	<u>332,974</u>	<u>(41,622)</u>	<u>(38,866)</u>	<u>(225,051)</u>
Fund Balances - Beginning of Year	<u>2,265,801</u>	<u>2,699,022</u>	<u>3,031,996</u>	<u>3,002,884</u>	<u>2,747,781</u>
Fund Balances - End of Year	<u>\$ 2,699,022</u>	<u>\$ 3,031,996</u>	<u>\$ 2,990,374</u>	<u>\$ 2,964,018</u>	<u>\$ 2,522,730</u>

The financial data presented on this page has been excerpted from the audited and unaudited financial statements of the City .
Complete copies of the City's audited and unaudited financial statements are available upon request to the City.
Such presentation, however, has not been audited.

CITY OF MIDDLETOWN
BALANCE SHEET
SEWER FUND
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS					
Cash	\$ 2,362,878	\$ 2,897,092	\$ 2,359,154	\$ 1,846,039	\$ 1,225,926
Receivables:					
Sewer Rents	1,815,016	1,722,515	1,298,865	1,600,150	1,314,682
Due From Other Funds	294,655	73,163	211,460	255,626	1,215,773
Other	0	0	0	0	1,527
Prepaid Expenditures	<u>46,243</u>	<u>50,936</u>	<u>46,685</u>	<u>45,490</u>	<u>45,292</u>
Total Assets	<u>\$ 4,518,792</u>	<u>\$ 4,743,706</u>	<u>\$ 3,916,164</u>	<u>\$ 3,747,305</u>	<u>\$ 3,803,200</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 226,872	\$ 136,794	\$ 189,206	\$ 98,818	\$ 199,892
Accrued Liabilities	44,011	45,391	48,604	34,682	42,776
Due To Other Funds	<u>732,022</u>	<u>817,636</u>	<u>173,614</u>	<u>303,860</u>	<u>1,219,434</u>
Total Liabilities	<u>1,002,905</u>	<u>999,821</u>	<u>411,424</u>	<u>437,360</u>	<u>1,462,102</u>
Fund Balances:					
Nonspendable	46,243	50,936	46,685	45,490	45,292
Assigned	<u>3,469,644</u>	<u>3,692,949</u>	<u>3,458,055</u>	<u>3,370,061</u>	<u>2,295,806</u>
Total Fund Balances	<u>3,515,887</u>	<u>3,743,885</u>	<u>3,504,740</u>	<u>3,415,551</u>	<u>2,341,098</u>
Total Liabilities and Fund Balance:	<u>\$ 4,518,792</u>	<u>\$ 4,743,706</u>	<u>\$ 3,916,164</u>	<u>\$ 3,852,911</u>	<u>\$ 3,803,200</u>

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CITY OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SEWER FUND
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2014	2015	2016	2017	2018
REVENUES:					
Departmental Income	\$ 4,428,966	\$ 4,930,243	\$ 4,631,202	\$ 5,094,059	\$ 5,035,070
Use Of Money And Property	1,073	1,007	3,829	3,688	3,177
Licenses and Permits	500	13,010	6,600	3,600	14,615
State and Federal Aid	15,000	3,300	27,705	0	0
Miscellaneous	1,231	25,839	10,075	16,349	39,340
Total Revenues	4,446,770	4,973,399	4,679,411	5,117,696	5,092,202
EXPENDITURES:					
Current:					
General Government Support	328,567	321,696	382,623	362,315	390,393
Home And Community Services	1,956,823	1,933,159	2,033,411	2,208,517	2,697,562
Employee Benefits	705,014	679,043	683,297	732,641	714,922
Debt Service	32,749	16,450	16,200	119,211	214,970
Total Expenditures	3,023,153	2,950,348	3,115,531	3,422,684	4,017,847
Excess of Revenues Over Expenditures	1,423,617	2,023,051	1,563,880	1,695,012	1,074,355
OTHER FINANCING SOURCES (USES):					
Operating Transfers - In	31,232	0	0	0	0
Operating Transfers - Out	(1,635,847)	(1,795,053)	(1,803,025)	(1,784,201)	(1,899,191)
Total Other Financing Sources (Uses)	(1,604,615)	(1,795,053)	(1,803,025)	(1,784,201)	(1,899,191)
Net Change in Fund Balance	(180,998)	227,998	(239,145)	(89,189)	(824,836)
Fund Balances - Beginning of Year	3,696,885	3,515,887	3,743,885	3,504,740	3,309,944
Fund Balances - End of Year	\$ 3,515,887	\$ 3,743,885	\$ 3,504,740	\$ 3,415,551	\$ 2,341,098

The financial data presented on this page has been excerpted from the audited and unaudited financial statements of the City .

CITY OF MIDDLETOWN
SUMMARY OF ADOPTED BUDGET
YEAR ENDING DECEMBER 31, 2019

	General Fund	Water Fund	Sewer Fund	Combined Totals
REVENUES				
Real Property Taxes	\$ 19,634,971	\$ 0	\$ 0	\$ 19,634,971
Real Property Tax Items	616,000	0	0	616,000
Sales Tax	11,400,000	0	0	11,400,000
Other Non-Property Taxes	770,000	0	0	770,000
Departmental Income	1,252,650	7,266,990	5,207,140	13,726,780
Intergovernmental Charges	536,836	0	0	536,836
Use Of Money And Property	206,000	2,000	3,000	211,000
Licenses And Permits	259,500	15,000	17,500	292,000
Fines And Forfeitures	330,000	0	0	330,000
Sale Of Property And Compensation For Loss	395,000	0	0	395,000
Interfund Revenues	8,000	0	0	8,000
State Aid	3,563,746	0	0	3,563,746
Federal Aid	176,000	0	0	176,000
Miscellaneous	250,000	10,000	0	260,000
Interfund Transfers	1,281,000	0	275,136	1,556,136
Total Estimated Revenues	40,679,703	7,293,990	5,502,776	53,476,469
APPROPRIATIONS:				
General Government Support	4,838,276	563,987	430,986	5,833,249
Public Safety	12,856,469	15,180	6,600	12,878,249
Transportation	1,991,539	0	0	1,991,539
Economic Assistance	434,591	0	0	434,591
Culture And Recreation	2,506,229	0	0	2,506,229
Home And Community Services	2,328,438	2,633,096	2,650,673	7,612,207
Employee Benefits	13,629,389	934,965	661,326	15,225,680
Interfund Transfers	0	0	0	0
Debt Service	2,220,120	2,466,788	1,388,191	6,075,099
Total Appropriations	40,805,051	6,614,016	5,137,776	52,556,843
Excess Of Estimated Revenues Over Appropriations	(125,348)	679,974	365,000	919,626
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	0	0	0	0
Operating Transfers - Out	0	(819,000)	(462,000)	(1,281,000)
Total Other Financing Sources (Uses)	0	(819,000)	(462,000)	(1,281,000)
APPROPRIATED FUND BALANCE	\$ 125,348	\$ (139,025)	\$ 97,000	\$ (361,371)

Source: Adopted Budget of the City for the year ending December 31, 2019.

APPENDIX C

**LINK TO
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

**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/ES1423329.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. RBT CPAs, 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.**

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

FORM OF BOND COUNSEL'S OPINION

October 2, 2019

City of Middletown, County of Orange, State of New York

Re: City of Middletown, Orange County, New York
\$4,763,571 Bond Anticipation Notes, 2019 Series B

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$4,763,571 Bond Anticipation Notes, 2019 Series B (the "Obligation"), of the City of Middletown, Orange County, New York (the "Obligor"), dated October 2, 2019, numbered _____, of the denomination of \$[_____], bearing interest at the rate of [_____] % per annum, payable at maturity, and maturing October 22, 2020.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation 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 Obligor for which the obligor has validly pledged its faith and credit for the payment thereof. All the taxable real property within the obligor is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations. The enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the

Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including the City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions 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 Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, 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.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP