

PRELIMINARY OFFICIAL STATEMENT DATED JULY 28, 2021

NEW AND RENEWAL ISSUES

SERIAL BONDS AND 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 Bonds and 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 Bonds and 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 Bonds and Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). 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 Bonds and Notes. See "TAX MATTERS" herein.

*The Bonds and Notes **will not** be "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.*

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

\$16,165,289*

**PUBLIC IMPROVEMENT (SERIAL) BONDS, 2021
(the "Bonds")**

Date of Issue: Date of Delivery

Maturity Dates: August 15, 2022-2045

\$21,954,218

**BOND ANTICIPATION NOTES, 2021
(the "Notes")**

Date of Issue: August 25, 2021

Maturity Date: August 25, 2022

The Bonds and 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 Bonds and 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 Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Bonds, payable on August 15, 2022, and semiannually thereafter on February 15 and August 15 in each year until maturity. The Bonds shall mature on August 15 in each year in the principal amounts specified on the inside cover hereof. The Bonds will be subject to redemption prior to maturity as described herein. (See "Optional Redemption" herein.)

The Notes are dated their Date of Issue and bear interest from that date until the Maturity Date, at the annual rate(s) as specified by the purchaser(s) of the Notes. The Notes will not be subject to redemption prior to maturity.

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

If the Notes are issued in registered form registered in the name of the successful bidder, 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 at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the City, at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as selected by the successful bidders as an expense thereof.

The Bonds are issued in book-entry form, such bonds will be delivered to DTC, which will act as securities depository for the Bonds and for those Notes issued in book-entry form issued as registered to Cede & Co. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof, except for one necessary odd denomination of the Bonds and Notes, which are or include \$5,289 and \$9,218, respectively. Purchasers will not receive certificates representing their ownership interests in the Bonds and the Notes issued as book-entry-only bonds and notes. Payment of the principal of and interest on such Bonds and Notes will be made by the City to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of such Bonds and Notes as described herein. (See "Book-Entry-Only System" herein.)

The Bonds and Notes are offered when, as and if issued and received by the purchaser(s) subject to the receipt of the respective final approving opinions of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Bonds and 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 August 25, 2021.

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 BONDS AND NOTES. FOR A DESCRIPTION OF THE CITY'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING FOR THE BONDS" AND "DISCLOSURE UNDERTAKING FOR THE NOTES," HEREIN.

DATED: August _ , 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final official statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Bonds and the Notes, offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

The Bonds will mature on August 15, subject to redemption prior to maturity, in the following years and principal amounts:

<u>Date</u>	<u>Amount⁽¹⁾</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number⁽³⁾</u>
2022	\$575,289	%	%	
2023	575,000			
2024	575,000			
2025	580,000			
2026	585,000			
2027	595,000			
2028	600,000			
2029	610,000			
2030 ⁽²⁾	615,000			
2031 ⁽²⁾	630,000			
2032 ⁽²⁾	640,000			
2033 ⁽²⁾	650,000			
2034 ⁽²⁾	665,000			
2035 ⁽²⁾	675,000			
2036 ⁽²⁾	690,000			
2037 ⁽²⁾	705,000			
2038 ⁽²⁾	720,000			
2039 ⁽²⁾	735,000			
2040 ⁽²⁾	750,000			
2041 ⁽²⁾	765,000			
2042 ⁽²⁾	780,000			
2043 ⁽²⁾	800,000			
2044 ⁽²⁾	815,000			
2045 ⁽²⁾	835,000			

- (1) The principal amounts of the Bonds are subject to adjustment following the sale of the Bonds, pursuant to the terms of the Notice of Sale accompanying the Bonds.
- (2) The Bonds maturing in the years 2030 and thereafter will be subject to redemption prior to maturity, as described herein (see "*Optional Redemption*").
- (3) Copyright 1999-2013, Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number has been assigned by an independent company not affiliated with the City and is included solely for the convenience of the owners of the Bonds. The City is not responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness on the Bonds or as indicated above. The CUSIP number is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

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

**Joseph M. DeStefano
Mayor**

**J. Miquel 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 Ramkissoon 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 AUDITORS
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.

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OFFICIAL STATEMENT

CITY OF MIDDLETOWN, ORANGE COUNTY, NEW YORK

relating to

\$16,165,289*
PUBLIC IMPROVEMENT (SERIAL) BONDS, 2021
(the “Bonds”)

and

\$21,954,218
BOND ANTICIPATION NOTES, 2021
(the “Notes”)

This Official Statement (the “Official Statement”), which includes the cover pages 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 \$16,165,289* Public Improvement (Serial) Bonds, 2021 (the “Bonds”), and \$21,954,218 Bond Anticipation Notes, 2021 (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 Bonds and Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the City’s overall economic situation and outlook (and all of the specific City related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. (See “MARKET FACTORS” herein.)

THE BONDS

Description of the Bonds

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity, payable on August 15, 2022 and semiannually thereafter on February 15 and August 15 in each year until maturity. The Bonds shall mature on August 15 in each year in the principal amounts specified on the inside cover hereof. The Bonds maturing in the years 2022 to 2029, inclusive, will not be subject to redemption prior to maturity. The Bonds maturing in the years 2030 and thereafter will be subject to redemption prior to maturity as described herein. (See “*Optional Redemption*” herein.)

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository (defined herein) for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 and integral multiples thereof, except for one odd denomination of the Bonds, which is or includes \$5,289.

* Preliminary, subject to change.

Purchasers will not receive certificates representing their ownership interests in the Bonds. Principal and interest on the Bonds will be made by the City to DTC, which will in turn remit such principal and interest to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners of the Bonds as described under “*Book-Entry-Only System*,” herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the City referred to therein.

The record payment date for the payment of principal and interest on the Bonds is the fifteenth day of the calendar month preceding each interest payment date.

Authority for and Purpose of the Bonds

The Bonds are issued pursuant to the State Constitution and statutes of the State, including among others, the City Charter, the Local Finance Law, and bond resolutions adopted by the City Board on various dates authorizing the issuance of bonds to pay the cost of certain improvements as indicated below. The proceeds from the sale of the Bonds, together with \$797,451 in available funds, will be used to redeem a \$16,165,289 portion of the \$40,007,434 Bond Anticipation Notes, 2020 at maturity on August 26, 2021 for the various projects set forth on the following page.

(The remainder of this page has been intentionally left blank.)

<u>Date Authorized</u>	<u>Purpose</u>	<u>Notes Currently Outstanding</u>	<u>Paydowns</u>	<u>New Money Issue</u>	<u>Amount of the Bonds</u>
04/04/2017	Acquisition of Federal Courthouse	\$ 480,518	\$ 12,479	\$0	\$ 468,039
04/04/2017	Skate Park	375,480	23,590	0	351,890
06/06/2017	Heavy Equipment	1,123,212	70,566	0	1,052,646
06/06/2017	Renovation to the Paramount	246,424	6,400	0	240,024
06/06/2017	Office Equipment	13,352	6,513	0	6,839
02/20/2018	Replace Engine #1 - Fire Dept.	647,961	23,033	0	624,928
07/17/2018	Vehicles	41,067	41,067	0	0
07/17/2018	Parks Equipment	68,187	7,141	0	61,046
07/17/2018	Playground Improvements	91,464	5,164	0	86,300
07/17/2018	Sidewalks	190,239	19,922	0	170,317
07/17/2018	Water Tank Improvements	2,094,872	19,449	0	2,075,423
07/17/2018	Water treatment Plant -High Lift Pump	2,923,077	27,139	0	2,895,938
07/17/2018	Shawangunk Dam Upgrade	2,317,241	39,677	0	2,277,564
07/17/2018	Monhagen/Davidge Expansion	1,225,364	69,179	0	1,156,185
07/16/2019	Acquisition of Fire Truck	1,587,923	51,997	0	1,535,926
08/06/2018	Screw Pumps -WWTP	598,462	5,556	0	592,906
09/17/2019	Police Vehicles	153,342	76,138	0	77,204
09/17/2019	Computers To Support Backup	30,000	5,000	0	25,000
09/17/2019	2019 Ram 3500 Crew Cab w/ Plow	48,595	24,129	0	24,466
09/17/2019	Playground Equipment Amchir Park	68,770	4,276	0	64,494
09/17/2019	Playground Equipment Academy Ave. Park	63,393	3,942	0	59,451
09/17/2019	Massey Ferguson Broom Attachment	5,500	500	0	5,000
09/17/2019	Massey Ferguson Snow Blade	2,750	300	0	2,450
09/17/2019	Bauman Drop Spreader	4,800	500	0	4,300
09/17/2019	Ferris Self-Propelled Blower	12,000	1,000	0	11,000
09/17/2019	Welcome Signage	15,000	1,000	0	14,000
09/17/2019	Paramount Sound System	250,000	15,000	0	235,000
09/17/2019	East Main St. to Orchard St. Pathway	250,000	10,000	0	240,000
09/17/2019	Fire Department Apparatus Purchase	27,257	1,160	0	26,097
09/17/2019	Tools for Apparatus	96,930	4,125	0	92,805
09/17/2019	Fire Police Van	44,000	22,000	0	22,000
09/17/2019	2020 Jeep Cherokee	24,082	11,957	0	12,125
09/17/2019	TR-5 F350 Pick-Up	49,505	24,580	0	24,925
09/17/2019	Mason Dump Truck	114,000	20,000	0	94,000
09/17/2019	Vaccon Combination Jet	491,147	30,542	0	460,605
09/17/2019	Sewer Camera	150,000	15,000	0	135,000
09/17/2019	Vehicle Code Department	25,000	10,000	0	15,000
09/17/2019	Excavator	257,500	16,000	0	241,500
09/17/2019	Hazardous Clean-Up Bolles Avenue	754,326	71,430	0	682,896
		<u>\$16,962,740</u>	<u>\$797,451</u>	<u>\$0</u>	<u>\$16,165,289</u>

(The remainder of this page has been intentionally left blank.)

THE NOTES

Description of the Notes

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.

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

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, the Local Finance Law, and bond resolutions adopted by the City Board on various dates authorizing the issuance of bonds to pay the cost of certain improvements as indicated below.

A portion of the proceeds of the Notes in the amount of \$18,018,353, together with \$5,026,341 in available funds, will be used to redeem a \$23,044,694 portion of the City’s \$40,007,434 Bond Anticipation Notes, 2020 maturing on August 26, 2021. The remaining balance of the proceeds of the Notes in the amount of \$3,935,865 will be used to redeem the City’s 3,050,000 Bond Anticipation Notes, 2020 Series B maturing on August 26, 2021 and provide \$885,865 in original or additional original financing for various objects or purposes. The objects and purposes for which the Notes are being issued are shown below:

Date Authorized	Original Issue Date	Purpose	Amount Outstanding	Principal Paydown	New Money	Amount of The Notes
3.20.18	8.28.18	Water Main Community Campus	\$ 306,350	\$ 97,177	\$0	\$ 209,173
7.17.18	8.28.18	Real Property Watershed Expansion	1,206,897	20,665	0	1,186,232
7.17.18	8.28.18	CR 108/78 Round-a-Bout	507,552	190,613	0	316,939
7.17.18	8.28.18	Culvert Upgrade	340,500	219,347	0	121,153
7.16.19	10.11.18	Waterhead Expansion Misc Exp	60,000	1,000	0	59,000
7.3.17	9.20.17	DRI	6,244,436	3,509,168	0	2,735,268
9.17.19	10.22.19	Land Acquisition for Water Source Protection	1,500,000	35,000	0	1,465,000
1.21.20	8.26.20	Inter Municipal Water Distribution System	298,218	0	0	298,218
7.7.20	8.26.20	Paramount Parking Lot	100,000	0	0	100,000
7.7.20	8.26.20	Parks and Recreation Campus	400,000	0	0	400,000
7.7.20	8.26.20	Fire SCBA Air Units	265,000	0	0	265,000
7.7.20	8.26.20	ADA Sidewalks	4,342,000	396,371	0	3,945,629
7.7.20	8.26.20	Water System Improvements	3,090,555	557,000	0	2,533,555
7.7.20	8.26.20	Additional DRI	218,186	0	0	218,186
7.7.20	8.26.20	Sanitation	2,000,000	0	0	2,000,000
7.7.20	8.26.20	Flow Meter Project	700,000	0	0	700,000
7.7.20	8.26.20	Police Body Cameras	100,000	0	0	100,000
7.7.20	8.26.20	South Street Parking	165,000	0	0	165,000
7.7.20	8.26.20	Demolition	1,200,000	0	0	1,200,000
11.17.20	12.10.20	Acquisition of Land for Water Source Protection	3,050,000	0	0	3,050,000

<u>Date Authorized</u>	<u>Original Issue Date</u>	<u>Purpose</u>	<u>Amount Outstanding</u>	<u>Principal Paydown</u>	<u>New Money</u>	<u>Amount of The Notes</u>
	8.25.21	Truck (2022 Ford F-150)	\$0	\$0	\$ 43,800	\$ 43,800
	8.25.21	Front Door	0	0	7,348	7,348
	8.25.21	Screen for Septage Receiving Machine	0	0	32,273	32,273
	8.25.21	Pole Barn/Garage	0	0	32,960	32,960
	8.25.21	Truck (2022 Dodge Ram 3500)	0	0	50,036	50,036
	8.25.21	Truck (2022 Dodge Ram 3500) (2)	0	0	50,036	50,036
	8.25.21	Paint Machine	0	0	9,560	9,560
	8.25.21	2021 Jeep Cherokee Latitude	0	0	33,351	33,351
	8.25.21	Skid Steer	0	0	69,000	69,000
	8.25.21	Truck (2022 Dodge Ram 3500)	0	0	45,036	45,036
	8.25.21	Roof	0	0	225,000	225,000
	8.25.21	Playground Equipment - Davidge Park	0	0	80,000	80,000
	8.25.21	Permanent Restrooms - Reservoir	0	0	50,000	50,000
			<u>\$26,094,694</u>	<u>\$5,026,341</u>	<u>\$885,865</u>	<u>\$21,954,218</u>

THE BONDS AND NOTES

Optional Redemption

The Bonds maturing on or before August 15, 2029 are not subject to redemption prior to maturity. The Bonds maturing on or after August 15, 2030 will be subject to redemption prior to maturity, at the option of the City, on any date on or after August 15, 2030, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The City may select the maturities of the Bonds to be redeemed prior to maturity and the amount to be redeemed of each maturity selected, as the City shall determine to be in the best interest of the City at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the City. Notice of such call for redemption shall be given by mailing such notice to the registered owner not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

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

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds and, if so requested, the Notes. The Bonds and if so requested, the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC. One fully registered note certificate will be issued for the Notes bearing the same rate of interest and CUSIP and deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues,

and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of each bond or 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 Bonds and 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 Bonds and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Bonds and 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 Bonds and 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 Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and 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.

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

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

Principal and interest payments on the Bonds and 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 Bonds and Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered.

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

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 BONDS AND NOTES OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS.

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 BONDS AND NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS AND NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND 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 BONDS AND NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS ; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS AND NOTES.

NATURE OF OBLIGATION

Each Bond and Note, when duly issued and paid for, will constitute a contract between the City and the holder thereof.

Holders of any series of bonds or notes 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 Bonds and 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 applicable statutory limitations.

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 New York New York 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 Bonds and 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 bondholders 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 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, 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 New York 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 four 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. While the Tax Levy Limitation Law was scheduled to expire in 2020, it was made permanent by legislation enacted in 2019. 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 Bond and 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 Bonds and Notes in the event of a default in the payment of the principal of and interest on the Bonds and 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 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 Bonds and Notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds and 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 Bonds and 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 and bondholders, 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.

MARKET FACTORS

The financial and economic condition of the City as well as the market for the Bonds or 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 Bonds or 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 Bonds or Notes, could be adversely affected.

The City is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received (“State Aid”). The City’s receipt of State aid may be delayed as a result of the State’s failure to adopt its budget timely and/or to appropriate State Aid to municipalities. 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, the impact to the State’s economy and financial condition due to the novel coronavirus (“COVID-19”) outbreak and other circumstances, including State fiscal stress. Should the City fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the City is authorized pursuant to the Local Finance Law (“LFL”) to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the City will have market access for any such borrowing on a cost effective basis. (See also “*State Aid*” herein.)

If and when a holder of any of the Bonds or 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 Bonds or Notes. In addition, the price and principal value of the Bonds or 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 Bonds or Notes and other debt issued by the City. Any such future legislation could have an adverse effect on the market value of the Bonds or Notes (See “TAX MATTERS” herein).

The enactment of Chapter 97 of the New York Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, including the City, other municipalities, 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 Bonds or Notes. (See “*Tax Levy Limitation Law*” herein.)

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. The COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact on the City's operations and finances as a result of COVID-19 is extremely difficult to predict due to uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The City is continuously monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

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.

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 2019, of the State Comptroller designates the City as "No Designation," with a fiscal score of 13.3% and an environmental score of 20.0%.

The financial affairs of the City are subject to periodic compliance reviews by OSC to ascertain whether the City has complied with the requirements of various State and federal statutes. A brief description of recent OSC audit reports appear below.

January 2020 Audit: an audit report dated January 3, 2020, was conducted with the objective to determine whether the City ensured its Information Technology (IT) systems were adequately secured and protected against unauthorized use, access and loss. Key recommendations included the adoption of comprehensive IT policies and procedures and the development of written procedures for managing system access and limiting financial application access. The report indicates that City officials disagreed with certain aspects of OSC findings and recommendations, but indicated that the City has initiated or planned to initiate corrective action.

November 2019 Audit: an audit report dated November 27, 2019, was conducted to determine whether City officials adequately safeguarded electronic access to the City's water system. Key recommendations included the adoption of sufficient IT policies and procedures for the water system and the provision of IT security awareness training to City employees. The report indicates that City officials agreed with OSC recommendations and have initiated or indicated they planned to initiate corrective action.

See the State Comptroller's official website for more information on FSMS. Complete audit reports can be obtained from OSC's website currently at: <https://www.osc.state.ny.us/localgov/audits/index.htm>. 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 Bonds and 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 Bonds or the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Bonds or the Notes or contesting the corporate existence or boundaries of the City.

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 Bonds and 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 Bonds and Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed forms 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 Bonds and Notes. The City has covenanted to comply with certain restrictions designed to insure that interest on the Bonds and Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds and Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds and 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 Bonds and Notes may adversely affect the value of, or the tax status of interest on, the Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and Notes.

Prospective purchasers of the Bonds and 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 Bonds and Notes are subject to the respective approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's respective opinions will be in substantially the forms attached hereto as Appendices D and E.

DISCLOSURE UNDERTAKINGS

Disclosure Undertaking for the Bonds

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 Bonds, the City will provide an executed copy of its undertaking to provide continuing disclosure certificate (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 Bonds. In accordance with the requirements of the Rule, as the same may be amended or officially interpreted from time to time, promulgated by the Securities and Exchange Commission (the "Commission"), the City has agreed to provide, or cause to be provided,

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated August 11, 2021 of the City relating to the Bonds under the headings "Litigation" and in Appendix A under the headings "THE CITY", "FINANCIAL FACTORS", "REAL PROPERTY TAXES", "CITY INDEBTEDNESS" and "ECONOMIC AND DEMOGRAPHIC DATA" and Appendix B by the end of the sixth month following the end of each succeeding fiscal

year, commencing with the fiscal year ending December 31, 2021, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2021; such audit (prepared in accordance with the accounting principles the City may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the City of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the City of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

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

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a “financial obligation” (as defined in the Rule) of the City, 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; (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 for the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no “debt service reserves” will be established for the Bonds.

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

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

With respect to events (xv) and (xvi) above, the term “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

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

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

Disclosure Undertaking for the Notes

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" (as defined in the Rule) of the City, 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.

With respect to events (xv) and (xvi) above, the term “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

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

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.

On July 1, 2020, the City filed a material event notice on EMMA for the failure to timely file their annual financial information for the fiscal year ended December 31, 2019. The City has since filed its audited financial statements on EMMA immediately following their completion.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Great Neck, 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 Bonds and Notes.

RATINGS

On July 28, 2021, Moody's Investors Service, Inc. ("Moody's") affirmed the City's underlying, long-term credit rating of "A1" and applied such rating to the Bonds.

Moody's also applied its "MIG 1" rating to the Notes.

With respect to the Moody's rating applicable to uninsured debt, such rating reflects only the views of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's, at the following address: Moody's Investors Service, Inc., 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 Bonds and the Notes or the availability of a secondary market for the Bonds and the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained from Donald Price, City Treasurer, 16 James Street, Middletown, New York, 10940, (845) 346-4153, e-mail dparis@middletown-ny.us 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 Bonds and 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's files with the 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 Bonds and 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 Bonds and 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 Bond and 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 Bonds and Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

CITY OF MIDDELTOWN
ORANGE COUNTY, NEW YORK

By: /s/ _____
Donald Paris
City Treasurer

DATED: August __, 2021

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 230 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	67
CSEA	12/31/21	99
Middletown Paid Firemen's Assoc.	12/31/23	25

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 2020 for the current fiscal 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.

On August 29, 2019, the State Comptroller announced that for fiscal year 2020-21, the average contribution rates for ERS will remain the same and the average contribution rates for PFRS will increase 0.9% from 23.5% to 24.4% when compared to the current fiscal year 2019-20. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers.

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

Fiscal Year Ended December 31:	ERS	PFRS
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	1,224,242	2,231,792
2020 (Unaudited)	1,348,365	2,103,576
2021(Budget)	1,379,754	2,716,923

Other Postemployment Benefits

The City implemented GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), which replaces GASB Statement No. 45 as of fiscal year ended December 31, 2018. GASB 75 requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits, known as other post-employment benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB similarly to GASB Statement No. 68 reporting requirements for pensions.

GASB 75 requires state and local governments to measure a defined benefit OPEB plan as the portion of the present value of projected benefit payments to be provided to current active and inactive employees, attributable to past periods of service in order to calculate the total OPEB liability. Total OPEB liability generally is required to be determined through an actuarial valuation using a measurement date that is no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year.

GASB 75 requires that most changes in the OPEB liability be included in OPEB expense in the period of the changes. Based on the results of an actuarial valuation, certain changes in the OPEB liability are required to be included in OPEB expense over current and future years.

The City's total OPEB liability as of December 31, 2019 was \$111,821,433 using a discount rate of 3.26% and actuarial assumptions and other inputs as described in the City's December 31, 2019 unaudited financial statements.

Should the City be required to fund the total OPEB liability, it could have a material adverse impact upon the City's finances and could force the City to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the City to partially fund its OPEB liability.

At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the City will continue funding this expenditure on a pay-as-you-go basis.

Legislation has been introduced from time to time to create an optional investment pool to help the State and local governments fund retiree health insurance and OPEB. Such proposed legislation would generally authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State's OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the proposals, there would be no limits on how much a local government can deposit into the trust. The City cannot predict whether such legislation will be enacted into law in the foreseeable future.

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.

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, 2019. 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 or 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 2015-2019 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 49.78% of total general fund and other governmental funds revenues for the fiscal year ended December 31, 2019.

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

General Fund Revenues & Real Property Taxes

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u>	<u>Taxes to Revenues</u>
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	39,434,217	19,519,402	49.78
2020 (Unaudited)	41,941,409	20,237,359	48.25
2021 (Budget)	42,463,093	21,031,566	49.53

Source: Audited and Unaudited 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 8.50% the total general fund revenues of the City in the 2019 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.)

It is anticipated that the State Budget Director’s powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the “Financial Plan”), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including “aid-to-localities,” a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

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

General Fund Revenues & State Aid

<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	39,434,217	3,317,151	8.50
2020 (Unaudited)	41,941,409	3,201,000	7.63
2021 (Budget)	42,463,093	3,260,000	7.68

Source: Audited and Unaudited 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 audited fiscal years, the unaudited amounts for the most recent fiscal year, and the amounts budgeted for the current fiscal year.

General Fund Revenues & Sales Taxes

<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	39,434,217	11,792,968	29.91
2020 (Unaudited)	41,941,409	11,048,604	28.30
2021 (Budget)	41,213,093	12,647,117	30.60

Source: Audited and Unaudited 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 audited fiscal years 2015 to 2019, total General Fund expenditures increased from \$37,092,966 to \$42,238,698 (excluding other financing sources), an increase of 14.4%. A summary of the expenditures for the 2015-2020 fiscal years and budgeted expenditures for the 2020 and 2021 fiscal year may be found in Appendix B hereto.

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REAL PROPERTY TAXES

Property Tax Limit

Comparison of Constitutional Tax Margin 2020 and 2021

	2020	2021
Tax Limit	\$27,479,733	\$29,609,388
Tax Levy for City Purposes	20,331,370	21,031,566
Exclusion for Debt Service	4,066,872	3,605,058
Tax Levy Subject to Tax Limit	16,264,498	17,426,308
Constitutional Tax Margin	\$11,215,235	\$12,182,880
Percentage of Unused Taxing Power	40.81%	41.15%

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 District (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.

Tax Levies and Collection Record

	2017	2018	2019	2020	2021
City Tax Levy ⁽¹⁾	\$18,695,815	\$19,200,436	\$19,634,971	\$20,237,359	\$21,031,566
County Tax Levy	5,222,041	5,036,021	5,325,062	5,716,402	6,216,777
Library Tax Levy ⁽²⁾	1,088,922	1,119,040	1,237,375	1,288,834	1,310,698
Total Tax Levy	\$25,006,778	\$24,355,497	\$26,197,408	\$27,242,595	\$28,559,041
Collected During Year ⁽³⁾	24,036,491	23,283,357	25,286,362	24,928,470	N/A
Uncollected End of Year					
Amount	970,287	1,071,740	911,046	994,099	N/A
Percent	3.88%	4.40%	3.48%	3.65%	N/A
Tax Rates per \$1,000 of AV					
City	81.50	83.33	84.46	86.02	88.84
County	22.88	21.98	23.06	24.46	26.43
Library	4.63	4.74	5.18	5.32	5.39

(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.

(3) As of July 1, 2021

As a result of the COVID-19 pandemic, in certain counties in the State, during the first half of the 2020 fiscal year, the deadline to pay property taxes, without interest or penalty, was extended in certain circumstances. No assurance can be given that similar extensions with respect to the deadlines to pay property taxes, without interest or penalty, may occur during the balance of the 2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected and paid to municipalities.

Ten of the Largest Taxpayers

2020 Tax Roll for 2021 Taxes

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation (a)</u>
Orange and Rockland Utilities	Utility	\$ 7,695,502	3.26%
Sutton Hill III, LLC	Residential	3,213,200	1.36
Southgate	Retail	2,136,000	0.90
Kale Realty Corp.	Commercial	1,881,774	0.79
Southgate I, LLC	Residential	1,147,700	0.48
Sterling Parc at Middletown LLC	Residential	1,591,600	0.67
Citizens Telecom	Utility	11,365,363	0.58
Evergreen Manor NY LLC	Residential	1,222,500	0.52
Orange Co. Trust Co.	Bank	1,117,000	0.47
Jim Pattison Dev (US) Inc.	Manufacturing	925,000	0.39
		<u>\$22,295,639</u>	<u>9.42%</u>

(a) 2021 total assessed valuation of \$236,724,981

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 complied with the procedure for the publication of the Estoppel Notice with respect to the Bonds and the Notes as provided in Title 6 of Article 2 of the Local Finance Law, except with respect to the bond resolution for 2020.

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.

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

**Computation of Debt Contracting Limitation
As of July 28, 2021**

For Fiscal Year Ended December 31:	Assessed Valuations	Equalization Rate (a)	Full Valuations
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
2020	235,243,388	15.25	1,542,579,593
2021	236,724,981	13.45	1,760,037,633
Total Five-Year Full Valuation			<u>\$7,404,346,941</u>
Five-Year Average Full Valuation			<u>1,480,469,388</u>
Debt Contracting Limitations: 7% of Five-Year Average Full Valuation			<u><u>\$ 103,632,857</u></u>

Source: ORPTS.

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 July 28, 2021**

	Amount	Percentage of Debt Limit
Debt Contracting Limitation:	<u>\$103,632,857</u>	<u>100.00%</u>
Gross Indebtedness:		
Serial Bonds	44,587,841	43.02
Bond Anticipation Notes	43,057,434	41.55
Energy Performance Contract Lease ⁽¹⁾	<u>8,943,853</u>	<u>8.63</u>
Total Gross Indebtedness	<u>96,589,128</u>	<u>93.20</u>
Less Exclusions:		
Water Debt	19,115,714	18.45
Sewer Debt	18,524,845	17.88
Budgetary Appropriations	<u>273,744</u>	<u>0.26</u>
Total Exclusions	<u>37,914,303</u>	<u>36.59</u>
Total Net Indebtedness	<u>58,674,825</u>	<u>56.62</u>
Net Debt Contracting Margin	<u><u>\$44,958,032</u></u>	<u><u>43.38</u></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.

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 among other projects. It is expected that the DRI grants will cover the costs of 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 has made 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 July 28, 2021, \$9,147,689 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$48,650,000	\$51,170,896	\$48,695,000	\$46,095,000	\$43,430,000
Bond Anticipation Notes	6,294,633	15,727,088	26,383,644	26,182,746	40,007,434
Total Debt Outstanding	<u>\$54,944,633</u>	<u>\$66,897,984</u>	<u>\$75,078,644</u>	<u>\$72,277,746</u>	<u>\$86,487,424</u>

Overlapping and Underlying Debt

**Statement of Direct and Overlapping Indebtedness
As of July 28, 2021**

Gross Direct Indebtedness		\$96,589,128		
Exclusions and Deductions		<u>37,914,303</u>		
Net Direct Indebtedness		<u>\$58,674,825</u>		
	<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Total Net Indebtedness</u>	<u>Percentage Applicable</u>
			<u>Applicable</u>	<u>Net Indebtedness</u>
	County of Orange	03/20/20	\$278,172,331	4.38%
	Middletown City School District	11/04/20	86,495,000	46.47
	Totals			<u>\$52,373,992</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 July 28, 2021**

	<u>Amount</u>	<u>Per Capita ⁽¹⁾</u>	<u>Percentage Of Full Value ⁽²⁾</u>
Net Direct Debt	\$ 58,674,825	\$2,081	3.33%
Net Direct & Applicable Overlapping Debt	111,048,817	3,939	6.31

- (1) The population of the City is 28,189 (2019 Bureau of the Census estimate).
- (2) The estimated full valuation of real property in the City for 2021 is \$1,760,037,633.

Authorized but Unissued Debt

Following the issuance of the Bonds and the Notes, the City will no longer have any authorized but unissued debt.

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Debt Service Schedule

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

Fiscal Year Ending December 31:	Outstanding Bonded Indebtedness			% Cumulative Principal Paid
	Principal	Interest	Total	
2021 ⁽¹⁾ (2)	\$ 2,720,000	\$ 1,563,664	\$ 4,283,664	6.26%
2022	2,200,000	1,482,480	3,682,480	11.33
2023	2,250,000	1,416,770	3,666,770	16.51
2024	2,060,000	1,349,711	3,409,711	21.25
2025	2,125,000	1,281,458	3,406,458	26.15
2026	2,165,000	1,214,025	3,379,025	31.13
2027	2,210,000	1,129,181	3,339,181	36.22
2028	2,265,000	1,051,180	3,316,180	41.43
2029	1,965,000	972,552	2,937,552	45.96
2030	2,040,000	897,872	2,937,872	50.66
2031	2,105,000	820,063	2,925,063	55.50
2032	2,180,000	738,339	2,918,339	60.52
2033	2,250,000	651,654	2,901,654	65.70
2034	2,335,000	562,783	2,897,783	71.08
2035	2,420,000	470,601	2,890,601	76.65
2036	2,505,000	374,951	2,879,951	82.42
2037	2,410,000	277,426	2,687,426	87.97
2038	2,120,000	183,655	2,303,655	92.85
2039	1,125,000	114,906	1,239,906	95.44
2040	750,000	75,028	825,028	97.17
2041	765,000	42,797	807,797	98.93
2042	465,000	9,925	474,925	100.00
Totals	\$43,430,000	\$16,681,021	\$60,111,021	

(1) Gross interest. Does not exclude expected interest subsidies on bonds sold through NYS Environmental Facilities Corp.

(2) 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.

	<u>Population Trend</u>			<u>% Change</u>	
	<u>2000</u>	<u>2010</u>	<u>2019</u>	<u>2000-10</u>	<u>2010-19</u>
City	25,388	28,086	28,189	10.6%	(1.0)%
County	341,367	372,813	384,940	9.2	3.2
State	18,976,457	19,378,102	19,435,561	2.1	0.4

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

Income

Per Capita Money Income

	<u>2010</u>	<u>2019</u>	<u>% Change</u>
City	\$22,614	\$28,180	24.61%
County	28,944	34,959	20.78
State	30,948	39,326	27.07

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

Employment

Average Employed Civilian Labor Force 2000-2020

	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>% Change</u>	
				<u>2000-2010</u>	<u>2010-2020</u>
City	11,100	12,900	12,700	16.2%	3.1%
County	156,300	166,700	168,000	7.1	6.7
State	8,727,500	8,790,600	8,361,000	0.6	4.2

Source: New York State Department of Labor.

Average Unemployment Rates

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2013	7.5%	7.0%	7.8%
2014	6.0	5.5	6.3
2015	5.2	4.7	5.2
2016	4.8	4.4	4.9
2017	5.0	4.5	4.6
2018	4.3	3.9	4.1
2019	4.0	3.6	3.8
2020	10.1	8.4	10.0
2021*:			
Jan	7.9	6.6	9.4
Feb	8.3	6.8	9.7
Mar	7.5	6.0	8.4
Apr	6.3	5.2	7.7
May	5.9	4.7	6.9

* Monthly rates.

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
Crystal Run Healthcare	Physician Specialty Practice	2,050
Access: Supports for Living	Rehabilitation Services	1,400
SUNY Orange	Education	1,295
St. Luke's/Cornwall Hospital	Hospital	1,247
Elant Inc.	Senior Health and Housing	1,200
Amscan Inc.	Distribution	800
C&S Wholesale Grocers Inc.	Distribution Center	800
Empire Blue Cross / Blue Shield	Health Insurance	795
Spectrum Enterprise	Communications	750
Bon Secours Community Hospital	Hospital	598
Cornerstone Family Healthcare	Healthcare	550
ARC of Orange County	Non-Profit Organization	525
Kolmar Laboratories Inc.	Cosmetics / Personal Care Manufacturing	500
Horizon Family Medical Group	Health Care	500
Mirabito Energy Products	Distribution – Fuel	500

Source: 2020 official statement for Orange County dated April 1, 2020.

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.

Development interest in the City of Middletown has increased tremendously due to the Covid-19 pandemic. Commercial and Residential brokers have conveyed that inquiries have increased at a record pace from persons looking to relocate both business and their residence to the Hudson Valley. Middletown has been identified as a prime location due to its proximity to the Metro North commuter train and Coash USA bus terminal, located in the center of the City. Amy's Kitchen, located in Goshen, NY will come online with City services in 2021 with anticipated water/sewer revenue of \$600,000 annually. CPV Power Plant, located in Wawayanda, NY generated in excess of \$1.3 million in grey water sales in 2019. The City has developed a very aggressive plan to generate water/sewer revenue outside of the City limits and it is working.

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

FINANCIAL STATEMENT SUMMARIES

CITY OF MIDDLETOWN
BALANCE SHEET
GENERAL FUND
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2015	2016	2017	2018	2019	2020 ⁽¹⁾
ASSETS						
Cash and Equivalents	\$ 4,646,922	\$ 9,036,410	\$ 6,020,630	\$ 6,505,568	\$ 7,205,185	\$ 7,376,145
Restricted Investments	18,987	42,400	69,066	76,123	0	210,499
Taxes Receivables (Net)	3,074,156	1,986,765	1,992,681	2,646,845	2,514,611	2,173,002
Other Receivables:						
Mortgages	802,500	555,000	705,000	753,496	1,145,278	0
Accounts and Loans	301,943	403,504	222,058	0	0	1,856,223
State and Federal Aid	253,099	22,220	2,802,077	486,085	552,348	1,403,236
Due From Other Governments	2,555,443	2,709,452	2,856,184	2,745,333	2,978,426	3,089,908
Due From Other Funds	2,648,515	401,311	782,068	3,446,390	3,402,425	2,564,710
Prepaid Expenses	719,978	717,167	766,605	779,921	781,339	874,163
Total Assets	\$ 15,021,543	\$ 15,874,229	\$ 16,216,369	\$ 17,439,761	\$ 18,579,612	\$ 19,547,886
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 564,237	\$ 445,178	\$ 382,381	\$ 769,266	\$ 682,612	\$ 579,846
Accrued Liabilities	315,983	416,094	452,118	671,770	642,169	229,975
Due To State and Federal Governments	56,179	41,418	444,124	573,340	1,302,914	1,152,162
Due to County For Tax Levy	279,915	196,197	0	0	0	0
Due To School Districts	940,069	314,517	0	0	0	0
Due To Other Funds	562,338	879,222	708,239	582,647	646,853	1,420,802
Unearned Revenues	802,500	605,000	0	0	0	0
Unearned Tax Revenue	0	0	0	0	0	0
Total Liabilities	3,521,221	2,897,626	1,986,862	2,597,023	3,274,548	3,382,785
Deferred Inflows of Resources	2,488,230	1,774,120	3,422,971	3,114,274	3,548,375	3,929,686
Total Liabilities and Deferred Inflows of Resources	6,009,451	4,671,746	5,409,833	5,711,297	6,822,923	7,312,471
Fund Balance:						
Nonspendable	719,978	717,167	766,605	779,921	781,339	874,163
Restricted	153,297	176,714	145,189	157,549	189,056	210,499
Assigned	1,106,288	820,293	0	247,854	158,254	513,514
Unassigned	7,032,529	9,488,309	9,894,742	10,543,140	10,628,040	10,637,239
Total Fund Balance	9,012,092	11,202,483	10,806,536	11,728,464	11,756,689	12,235,415
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 15,021,543	\$ 15,874,229	\$ 16,216,369	\$ 17,439,761	\$ 18,579,612	\$ 19,547,886

(1) Unaudited.

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

AS OF DECEMBER 31:

	2015	2016	2017	2018	2019	2020 ⁽¹⁾
REVENUES:						
Real Property Taxes	\$ 18,161,500	\$ 18,430,880	\$ 18,563,858	\$ 19,057,323	\$ 19,519,402	\$ 19,997,977
Other Tax Items	682,031	1,793,352	572,133	517,644	806,860	1,153,107
Non-Property Taxes	9,982,059	10,398,299	10,824,992	11,522,939	11,792,968	11,048,605
Departmental Income	1,249,249	1,388,063	1,018,567	1,248,624	1,300,358	687,585
Intergovernmental Charges	102,844	125,904	100,407	203,820	609,483	414,240
Use Of Money And Property	177,738	168,415	188,102	235,043	319,081	242,119
Licenses And Permits	363,624	517,739	530,733	301,268	317,689	219,333
Fines And Forfeitures	374,492	434,695	465,202	355,171	342,688	221,618
Sale Of Property And Compensation For Loss	3,697	3,953	150,506	6,848	219,679	534,906
State Aid	3,388,096	3,176,737	5,611,696	3,329,864	3,317,151	3,268,149
Federal Aid	480,359	141,389	159,492	127,658	238,580	248,475
Miscellaneous	109,746	180,714	287,307	680,172	650,278	754,275
Total Revenues	<u>35,075,435</u>	<u>36,760,140</u>	<u>38,472,995</u>	<u>37,586,374</u>	<u>39,434,217</u>	<u>38,790,389</u>
EXPENDITURES:						
Current:						
General Government Support	4,860,661	5,199,314	7,147,459	4,831,902	5,377,535	5,126,010
Public Safety	10,894,893	11,217,161	11,974,454	11,927,295	12,211,850	12,710,827
Transportation	2,335,318	1,945,337	2,193,123	2,008,675	2,036,006	1,585,914
Economic Opportunity & Development	426,927	385,426	340,730	332,724	366,094	367,642
Culture And Recreation	2,047,091	2,051,665	2,061,605	1,877,942	2,230,942	2,173,996
Home And Community Services	1,996,378	2,229,154	2,078,801	2,004,497	2,432,175	2,438,380
Employee Benefits	12,061,901	12,343,368	13,302,797	13,402,735	13,450,316	12,913,389
Debt Service	57,590	54,378	819,601	3,705,367	1,597,613	3,945,294
Total Expenditures	<u>34,680,759</u>	<u>35,425,803</u>	<u>39,918,570</u>	<u>40,091,137</u>	<u>39,702,531</u>	<u>41,261,452</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>394,676</u>	<u>1,334,337</u>	<u>(1,445,575)</u>	<u>(2,504,763)</u>	<u>(268,314)</u>	<u>(2,471,063)</u>
OTHER FINANCING SOURCES (USES):						
Insurance recoveries	297,722	323,812	162,300	0	0	
Sale of Real Property	86,000	31,405	0	0	0	
Transfers - In	2,519,000	2,168,000	2,354,104	4,402,200	1,281,000	3,927,032
Transfers - Out	<u>(1,744,214)</u>	<u>(1,667,163)</u>	<u>(1,532,043)</u>	<u>(1,033,070)</u>	<u>(984,461)</u>	<u>(977,246)</u>
Total Other Financing Sources (Uses)	<u>1,158,508</u>	<u>856,054</u>	<u>984,361</u>	<u>3,369,130</u>	<u>296,539</u>	<u>2,949,786</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>1,553,184</u>	<u>2,190,391</u>	<u>(461,214)</u>	<u>864,367</u>	<u>28,225</u>	<u>478,723</u>
Fund Balance - Beginning of Year	<u>7,458,908</u>	<u>9,012,092</u>	<u>11,267,747</u>	<u>10,864,097</u>	<u>11,728,464</u>	<u>11,756,689</u>
Fund Balance - End of Year	<u>\$ 9,012,092</u>	<u>\$ 11,267,747</u>	<u>\$ 10,806,533</u>	<u>\$ 11,728,464</u>	<u>\$ 11,756,689</u>	<u>\$ 12,235,412</u>

(1) Unaudited.

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CITY OF MIDDLETOWN
BALANCE SHEET
WATER FUND
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020⁽¹⁾</u>
ASSETS						
Cash	\$ 1,607,168	\$ 916,503	\$ 521,004	\$ 2,188,689	\$ 1,043,233	\$ 747,887
Receivables:						
Accounts	7,375	2,382	150,000	90,129	90,129	90,139
Water Rents	2,576,109	2,013,487	2,491,487	1,998,422	2,029,787	2,016,700
Due From Other Funds	92,709	581,758	273,674	301,636	556,256	335,276
Prepaid Expenditures	<u>65,578</u>	<u>57,229</u>	<u>55,669</u>	<u>53,608</u>	<u>62,397</u>	<u>64,289</u>
Total Assets	<u>\$ 4,348,939</u>	<u>\$ 3,571,359</u>	<u>\$ 3,491,834</u>	<u>\$ 4,632,484</u>	<u>\$ 3,781,802</u>	<u>\$ 3,254,291</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 205,275	\$ 298,171	\$ 113,060	\$ 146,184	\$ 169,750	\$ 264,039
Accrued Liabilities	63,827	71,342	77,433	76,722	92,896	8,242
Due To Other Funds	<u>1,047,841</u>	<u>211,472</u>	<u>337,323</u>	<u>1,886,848</u>	<u>1,086,775</u>	<u>913,828</u>
Total Liabilities	<u>1,316,943</u>	<u>580,985</u>	<u>527,816</u>	<u>2,109,754</u>	<u>1,349,421</u>	<u>1,186,109</u>
Fund Balances:						
Nonspendable	65,578	57,229	55,669	53,608	62,397	64,289
Restricted	150,000	150,000	150,000	90,129	153,781	153,781
Assigned	<u>2,816,418</u>	<u>2,783,145</u>	<u>2,758,349</u>	<u>2,378,993</u>	<u>2,216,203</u>	<u>1,850,112</u>
Total Fund Balances	<u>3,031,996</u>	<u>2,990,374</u>	<u>2,964,018</u>	<u>2,522,730</u>	<u>2,432,381</u>	<u>2,068,182</u>
Total Liabilities and Fund Balances	<u>\$ 4,348,939</u>	<u>\$ 3,571,359</u>	<u>\$ 3,491,834</u>	<u>\$ 4,632,484</u>	<u>\$ 3,781,802</u>	<u>\$ 3,254,291</u>

(1) Unaudited.

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

AS OF DECEMBER 31:

	2015	2016	2017	2018	2019	2020 ⁽¹⁾
REVENUES:						
Departmental Income	\$ 6,654,340	\$ 6,318,194	\$ 6,842,268	\$ 7,149,989	\$ 7,388,228	\$ 7,472,589
Use Of Money And Property	530	2,678	2,365	4,306	13,619	6,642
Licenses and Permits	22,009	14,230	27,030	13,665	15,235	11,373
Sale Of Property And Compensation For Loss	1,350	1,100	1,009	650	50	750
State Aid	1,516	86,355	0	5,282	291,775	194,974
Federal Aid	4,548	199,265	0	0	0	0
Miscellaneous	2,919	4,222	19,263	119,760	18,500	34,963
Total Revenues	<u>6,687,212</u>	<u>6,626,044</u>	<u>6,891,935</u>	<u>7,293,652</u>	<u>7,727,407</u>	<u>7,721,291</u>
EXPENDITURES:						
Current:						
General Government Support	682,756	528,371	514,114	538,533	807,053	880,926
Home And Community Services	2,255,822	2,440,227	2,434,262	2,439,833	2,748,234	2,855,973
Employee Benefits	890,668	882,750	931,313	925,362	955,907	868,149
Debt Service	0	0	234,817	522,376	792,177	967,597
Total Expenditures	<u>3,829,246</u>	<u>3,851,348</u>	<u>4,114,506</u>	<u>4,426,104</u>	<u>5,303,371</u>	<u>5,572,645</u>
Excess of Revenues Over Expenditures	<u>2,857,966</u>	<u>2,774,696</u>	<u>2,777,429</u>	<u>2,867,548</u>	<u>2,424,036</u>	<u>2,148,646</u>
OTHER FINANCING SOURCES (USES):						
Transfers - In	0	0	0	0	0	0
Transfers - Out	<u>(2,524,992)</u>	<u>(2,816,318)</u>	<u>(2,816,295)</u>	<u>(3,092,599)</u>	<u>(2,514,385)</u>	<u>(2,512,845)</u>
Total Other Financing Sources (Uses)	<u>(2,524,992)</u>	<u>(2,816,318)</u>	<u>(2,816,295)</u>	<u>(3,092,599)</u>	<u>(2,514,385)</u>	<u>(2,512,845)</u>
Net Change in Fund Balance	<u>332,974</u>	<u>(41,622)</u>	<u>(38,866)</u>	<u>(225,051)</u>	<u>(90,349)</u>	<u>(364,199)</u>
Fund Balances - Beginning of Year	<u>2,699,022</u>	<u>3,031,996</u>	<u>3,002,884</u>	<u>2,747,781</u>	<u>2,522,730</u>	<u>2,432,381</u>
Fund Balances - End of Year	<u>\$ 3,031,996</u>	<u>\$ 2,990,374</u>	<u>\$ 2,964,018</u>	<u>\$ 2,522,730</u>	<u>\$ 2,432,381</u>	<u>\$ 2,068,182</u>

(1) Unaudited.

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:

	2015	2016	2017	2018	2019	2020 ⁽¹⁾
ASSETS						
Cash	\$ 2,897,092	\$ 2,359,154	\$ 1,846,039	\$ 1,225,926	\$ 704,362	\$ 437,744
Receivables:						
Sewer Rents	1,722,515	1,298,865	1,600,150	1,314,682	1,431,818	1,384,498
Due From Other Funds	73,163	211,460	255,626	1,215,773	1,189,076	1,276,399
Other	0	0	0	1,527	0	0
Prepaid Expenditures	50,936	46,685	45,490	45,292	50,789	38,815
Total Assets	\$ 4,743,706	\$ 3,916,164	\$ 3,747,305	\$ 3,803,200	\$ 3,376,045	\$ 3,137,456
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 136,794	\$ 189,206	\$ 98,818	\$ 199,892	\$ 354,854	\$ 403,096
Accrued Liabilities	45,391	48,604	34,682	42,776	43,286	2,741
Due To Other Funds	817,636	173,614	303,860	1,219,434	1,329,934	1,359,090
Total Liabilities	999,821	411,424	437,360	1,462,102	1,728,074	1,764,927
Fund Balances:						
Nonspendable	50,936	46,685	45,490	45,292	50,789	38,815
Assigned	3,692,949	3,458,055	3,370,061	2,295,806	1,597,182	1,333,714
Total Fund Balances	3,743,885	3,504,740	3,415,551	2,341,098	1,647,971	1,372,529
Total Liabilities and Fund Balances	\$ 4,743,706	\$ 3,916,164	\$ 3,852,911	\$ 3,803,200	\$ 3,376,045	\$ 3,137,456

(1) Unaudited.

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

AS OF DECEMBER 31:

	2015	2016	2017	2018	2019	2020 ⁽¹⁾
REVENUES:						
Departmental Income	\$ 4,930,243	\$ 4,631,202	\$ 5,094,059	\$ 5,035,070	\$ 5,613,559	\$ 5,742,543
Use Of Money And Property	1,007	3,829	3,688	3,177	7,829	4,956
Licenses and Permits	13,010	6,600	3,600	14,615	1,900	1,994
State and Federal Aid	3,300	27,705	0	0	0	0
Miscellaneous	25,839	10,075	16,349	39,340	19,099	138,982
Total Revenues	4,973,399	4,679,411	5,117,696	5,092,202	5,642,387	5,888,475
EXPENDITURES:						
Current:						
General Government Support	321,696	382,623	362,315	390,393	466,116	464,869
Home And Community Services	1,933,159	2,033,411	2,208,517	2,697,562	3,384,142	3,292,925
Employee Benefits	679,043	683,297	732,641	714,922	694,819	503,631
Debt Service	16,450	16,200	119,211	214,970	349,670	70,093
Total Expenditures	2,950,348	3,115,531	3,422,684	4,017,847	4,894,747	4,331,518
Excess of Revenues Over Expenditures	2,023,051	1,563,880	1,695,012	1,074,355	747,640	1,556,957
OTHER FINANCING SOURCES (USES):						
Operating Transfers - In	0	0	0	0	275,136	0
Operating Transfers - Out	(1,795,053)	(1,803,025)	(1,784,201)	(1,899,191)	(1,715,903)	(1,832,399)
Total Other Financing Sources (Uses)	(1,795,053)	(1,803,025)	(1,784,201)	(1,899,191)	(1,440,767)	(1,832,399)
Net Change in Fund Balance	227,998	(239,145)	(89,189)	(824,836)	(693,127)	(275,442)
Fund Balances - Beginning of Year	3,515,887	3,743,885	3,504,740	3,309,944	2,341,098	1,647,971
Fund Balances - End of Year	\$ 3,743,885	\$ 3,504,740	\$ 3,415,551	\$ 2,341,098	\$ 1,647,971	\$ 1,372,529

(1) Unaudited.

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CITY OF MIDDLETOWN
SUMMARY OF ADOPTED BUDGET
YEAR ENDING DECEMBER 31, 2020

	General Fund	Water Fund	Sewer Fund	Combined Totals
REVENUES				
Real Property Taxes	\$ 20,237,359	\$ 0	\$ 0	\$ 20,237,359
Real Property Tax Items	606,000	0	0	606,000
Sales Tax	12,000,000	0	0	12,000,000
Other Non-Property Taxes	770,000	0	0	770,000
Departmental Income	1,229,050	7,737,000	5,992,000	14,958,050
Intergovernmental Charges	551,000	0	0	551,000
Use Of Money And Property	246,000	12,000	6,000	264,000
Licenses And Permits	253,500	11,000	7,000	271,500
Fines And Forfeitures	305,000	0	0	305,000
Sale Of Property And Compensation For Loss	862,000	0	0	862,000
Interfund Revenues	8,000	0	0	8,000
State Aid	3,201,000	30,000	0	3,231,000
Federal Aid	175,000	0	0	175,000
Miscellaneous	217,500	12,000	0	229,500
Interfund Transfers	1,280,000	0	0	1,280,000
Total Estimated Revenues	41,941,409	7,802,000	6,005,000	55,748,409
APPROPRIATIONS:				
General Government Support	5,148,909	573,642	437,982	6,160,533
Public Safety	13,337,170	9,680	8,880	13,355,730
Transportation	2,039,102	0	0	2,039,102
Economic Assistance	481,569	0	0	481,569
Culture And Recreation	2,497,395	0	0	2,497,395
Home And Community Services	2,453,123	2,776,384	3,012,716	8,242,223
Employee Benefits	13,761,185	949,143	594,757	15,305,085
Interfund Transfers	0	819,000	462,000	1,281,000
Debt Service	2,381,210	2,720,992	1,666,766	6,768,968
Total Appropriations	42,099,663	7,848,841	6,183,101	56,131,605
Excess Of Estimated Revenues Over Appropriations	(158,254)	(46,841)	(178,101)	(383,196)
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	0	0	0	0
Operating Transfers - Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
APPROPRIATED FUND BALANCE	\$ 158,254	\$ (46,841)	\$ 178,101	\$ (383,193)

Source: Adopted Budget of the City for the year ending December 31, 2020.

CITY OF MIDDLETOWN
SUMMARY OF ADOPTED BUDGET
YEAR ENDING DECEMBER 31, 2021

	General Fund	Water Fund	Sewer Fund	Combined Totals
REVENUES				
Real Property Taxes	\$ 21,031,566	\$ 0	\$ 0	\$ 21,031,566
Real Property Tax Items	706,000	0	0	706,000
Sales Tax	11,877,117	0	0	11,877,117
Other Non-Property Taxes	750,000	0	0	750,000
Departmental Income	1,254,910	7,470,333	5,984,496	14,709,739
Intergovernmental Charges	457,500	0	0	457,500
Use Of Money And Property	175,000	5,000	4,000	184,000
Licenses And Permits	253,500	11,000	5,000	269,500
Fines And Forfeitures	330,000	0	0	330,000
Sale Of Property And Compensation For Loss	522,000	0	0	522,000
Interfund Revenues	8,500	0	0	8,500
State Aid	3,260,000	40,000	0	3,300,000
Federal Aid	0	0	0	0
Miscellaneous	567,000	20,000	0	587,000
Interfund Transfers	1,270,000	0	0	1,270,000
Total Estimated Revenues	42,463,093	7,546,333	5,993,496	56,002,922
APPROPRIATIONS:				
General Government Support	5,200,998	601,836	458,336	6,261,170
Public Safety	13,391,090	11,540	8,700	13,411,330
Transportation	2,050,590	0	0	2,050,590
Economic Assistance	463,024	0	0	463,024
Culture And Recreation	2,555,580	0	0	2,555,580
Home And Community Services	2,411,180	2,729,229	3,016,820	8,157,229
Employee Benefits	14,156,416	954,872	607,296	15,718,584
Interfund Transfers	0	820,000	450,000	1,270,000
Debt Service	2,234,215	2,428,856	1,452,344	6,115,415
Total Appropriations	42,463,093	7,546,333	5,993,496	56,002,922
Excess Of Estimated Revenues Over Appropriations	0	0	0	0
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	0	0	0	0
Operating Transfers - Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
APPROPRIATED FUND BALANCE	\$ 0	\$ 0	\$ 0	\$ 0

Source: Adopted Budget of the City for the year ending December 31, 2021.

APPENDIX C

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

**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/P21500641.pdf>

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

*** RBT CPAs, LLP has not commented on or approved this Official Statement, has not been requested to perform any procedures on the information in its included report since its date and has not been asked to consent to the inclusion of its report in this Official Statement.**

APPENDIX D

FORM OF BOND COUNSEL'S OPINION FOR THE BONDS

[DRAFT FORM OF APPROVING OPINION]

August 25, 2021

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

RE: CITY OF MIDDLETOWN, ORANGE COUNTY, NEW YORK
\$16,165,289 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2021

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$16,165,2189 Public Improvement (Serial) Bonds, 2021 (the "Obligations"), of the City of Middletown, Orange County, New York (the "Obligor"), dated August 25, 2021, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of _____ per centum (_____%) per annum as to bonds maturing in each of the years 2022 to 2045, both inclusive, payable on August 15, 2022 and semi-annually thereafter on February 15 and August 15, and maturing in the amount of \$_____ on August 15 in each of the years 2022 to 2045, both inclusive.

The bonds maturing on or before August 15, 2029 will not be subject to redemption prior to maturity. The bonds maturing on or after August 15, 2030 will be subject to redemption prior to maturity at the option of the City, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after August 15, 2029, at par plus accrued interest to the date of redemption.

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 Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations, including the form of the Obligations. 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 Obligations 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, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (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 Obligations; 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 Obligations 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 Obligations 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 Obligations.

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 Obligations) 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 Obligations 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 Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations 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 Obligations 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 Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations 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 Obligations, 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

APPENDIX E

FORM OF BOND COUNSEL'S OPINION FOR THE NOTES

[DRAFT FORM OF APPROVING OPINION]

August 25, 2021

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

Re: City of Middletown, Orange County, New York
\$21,954,218 Bond Anticipation Notes, 2021

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$21,954,218 Bond Anticipation Notes, 2021 (the "Obligation"), of the City of Middletown, Orange County, New York (the "Obligor"), dated August 25, 2021, numbered ____, of the denomination of \$21,954,218, bearing interest at the rate of _____% per annum, payable at maturity, and maturing August 25, 2022.

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 has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that 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. We have not examined, reviewed or passed upon the accuracy, completeness or fairness of any factual information which may have been furnished to

any purchaser of the Obligation by or on behalf of the Obligor 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