

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 19, 2023

**NEW ISSUE
BOND ANTICIPATION NOTES**

RATINGS: (See "RATING" herein)

In the opinion of Bond Counsel to the City, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), and the accuracy of certain representations made by the City, interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the Federal alternative minimum tax imposed on individuals. However, for tax years beginning after December 31, 2022, interest on the Notes held by certain corporations that are subject to the Federal corporate alternative minimum tax is included in the computation of "adjusted financial statement income" for purposes of the Federal alternative minimum tax imposed on such corporations. Bond Counsel is also of the opinion that under existing statutes interest on the Notes is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). No opinion is expressed regarding other Federal or State tax consequences arising with respect to the Notes. See "TAX MATTERS" herein.

The Notes WILL be designated by the City as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

**CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK**

**\$3,204,456
BOND ANTICIPATION NOTES – 2023
(the "Notes")**

Date of Issue: November 7, 2023

Maturity Date: November 7, 2024

The Notes are general obligations of the City of Mount Vernon, Westchester County, New York, (the "City") and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the City, subject to certain applicable statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (see "TAX INFORMATION – Tax Levy Limitation Law" in Appendix A hereto).

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

The Notes will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as Securities Depository for the Notes. Individual purchases may be made in book-entry form only, in principal amounts of \$100,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Notes. Payment of the principal of and interest on the 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 the Notes as described herein. (See "Book-Entry-Only System" herein.)

The Notes are offered when, as and if issued by the City subject to the receipt of the final approving opinion of Harris Beach PLLC, New York, New York, Bond Counsel to the City, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the City in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made on or about October 31, 2023.

THE CITY HAS EXPERIENCED SEVERE FINANCIAL DIFFICULTIES IN RECENT YEARS WHICH COULD AFFECT THE MARKETABILITY AND THE MARKET VALUE OF THE NOTES. SEE "MARKET AND RISK FACTORS – FINANCES OF THE CITY" AND "QUARTERLY FINANCIAL REPORTS" HEREIN. MOODY'S INVESTORS SERVICE ("MOODY'S") WITHDREW ITS RATING ON JANUARY 2, 2019 DUE TO THE LACK OF SUFFICIENT AND CURRENT FINANCIAL INFORMATION TO SUPPORT THE MAINTENANCE OF THE RATING. SEE "RATING" HEREIN.

The sale of the Notes shall be made in authorized denominations of \$100,000 or more. Each buyer of the Notes shall (i) be a "Qualified Institutional Buyer" (as defined within the meaning of Rule 144A under the Securities Act of 1933 (17 C.F.R. section 230.144A)) with knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Notes, (ii) represent that the Notes are being purchased for investment and not with a view to distribution, and (iii) confirm its understanding that any transfer or resale of the Notes shall be restricted to Qualified Institutional Buyers.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE CITY'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Dated: October __, 2023

ROOSEVELT & CROSS
INCORPORATED

**CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK**

MAYOR

SHAWYN PATTERSON-HOWARD

CITY COUNCIL

DANIELLE BROWN, ESQ. PRESIDENT

LISA A. COPELAND COUNCILMEMBER

CATHLIN GLEASON COUCNILMEMBER

EDWARD POTEAT.....ACTING PRO TERM

DERRICK THOMPSON.....PRO TERM

DR. DARREN M. MORTON..... COMPTROLLER

TANESIA M. WALTERS..... CITY CLERK

BRIAN G. JOHNSON, ESQ.CORPORATION COUNSEL

BOND COUNSEL



HARRIS BEACH PLLC
New York, New York

MUNICIPAL ADVISOR



CAPITAL MARKETS ADVISORS, LLC
*Long Island * Hudson Valley * Southern Tier * Western New York*
(516) 487-9818

No dealer, broker, salesman or other person has been authorized by the City 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 by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information 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 since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. “The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter do not guaranty the accuracy or completeness of such information.”

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK

Relating to

\$3,204,456
BOND ANTICIPATION NOTES – 2023

This Official Statement, including the cover page and appendices hereto, has been prepared by the City of Mount Vernon, Westchester County, New York, (the “City”, “County”, and “State”, respectively) and presents certain information relating to the City’s \$3,204,456 Bond Anticipation Notes – 2023 (the “Notes”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the “State”) contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE CITY HAS EXPERIENCED SEVERE FINANCIAL DIFFICULTIES IN RECENT YEARS WHICH COULD AFFECT THE MARKETABILITY AND THE MARKET VALUE OF THE NOTES. SEE “MARKET AND RISK FACTORS – FINANCES OF THE CITY” AND “QUARTERLY FINANCIAL REPORTS” HEREIN. MOODY’S INVESTORS SERVICE (“MOODY’S”) WITHDREW ITS RATING ON JANUARY 2, 2019 DUE TO THE LACK OF SUFFICIENT AND CURRENT FINANCIAL INFORMATION TO SUPPORT THE MAINTENANCE OF THE RATING. SEE “RATING” HEREIN.

THE NOTES

Description of the Notes

The Notes will be dated and will mature as stated on the cover page hereof. The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as Securities Depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$100,000 or integral multiples thereof. A single note certificate will be issued for the Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on the Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See “Book-Entry-Only System” herein.

The City will act as Paying Agent for the Notes. The City’s contact information is as follows: Dr. Darren M. Morton, City Comptroller, 1 Roosevelt Square North, Mount Vernon, NY 10550, Phone: (914) 665-2300; Email: dmorton@cmvny.com.

Authorization for and Purpose of the Notes

The Notes are being issued pursuant to the Constitution and laws of the State, including among others, the City Charter, the Local Finance Law and various bond ordinances duly adopted by the City Council on their respective dates. Proceeds from the sale of the Notes will be used to provide original financing for various capital projects in and for the City as shown in the table below.

<u>Purpose</u>	<u>Authorization Date</u>	<u>Amount Authorized</u>	<u>New Money</u>	<u>Amount to Notes</u>
City Camera System	10/03/2017	\$ 493,310	\$ 493,310	\$ 493,310
Police and Fire Communications System	10/03/2017	712,700	712,700	712,700
Public Works Communications System	10/03/2017	208,950	208,950	208,950
Police Equipment and Software	10/03/2017	653,200	653,200	653,200
Various Building Improvements	10/03/2017	637,500	637,500	637,500
Police Body Cameras	10/03/2017	551,400	360,582	360,582
Fire Fighting Vehicles	10/03/2017	<u>637,500</u>	<u>138,214</u>	<u>138,214</u>
Totals:		<u>\$3,894,560</u>	<u>\$3,204,456</u>	<u>\$3,204,456</u>

Optional Redemption

The Notes are not subject to optional redemption prior to maturity.

Nature of Obligation

The Notes when duly issued and paid for will constitute a contract between the City and the holder thereof.

The Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City, subject to certain applicable statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limitation Law") (see "TAX INFORMATION – *Tax Levy Limitation Law*" in Appendix A hereto).

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy. As a result, the power of the City to levy real estate taxes on all the taxable real property within the City is subject to statutory limitations set forth in Tax Levy Limitation Law, unless the City complies with certain procedural requirements to permit the City to levy certain year-to-year increases in real property taxes. (See "TAX INFORMATION – *Tax Levy Limitation Law*" in Appendix A hereto.)

DESCRIPTION OF BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC") will act as securities depository for the Notes. Said Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number, and will be 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Source: The Depository Trust Company

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR 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 INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE DTC NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEOWNER.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the City could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the City, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any 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. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has enacted legislation establishing financial control boards and fiscal stability authorities to monitor finance matters and restructure outstanding indebtedness for the cities of Yonkers, Troy and Buffalo and for the counties of Nassau and Erie.

No current state law purports to create any priority for holders of the Notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the City is currently considering or expects to resort to the provisions of the Bankruptcy Act.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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 shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

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. Remedies for enforcement of payment are not expressly included in the City's contract with holders of its bonds and notes.

The Federal Bankruptcy Code allows public bodies 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 to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

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 such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law 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.

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

MARKET AND RISK FACTORS

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State, and in other jurisdictions in the country including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

Economic impacts from disease outbreaks or similar public health threats could have an adverse impact on the City's financial condition and operating results. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, had been declared a pandemic by the World Health Organization on March 11, 2020. See "COVID-19" herein for a further discussion of the impacts of the COVID-19 pandemic, which has had an adverse effect on the City's finances.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and counties in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City.

In addition, there may be unforeseen adverse events within the City that affect the market for the Notes, which could result in adverse comment by Moody's Investors Service, Inc. or any other rating agency with respect to the City's financial situation, or in possible actions by these rating agencies to withdraw, suspend or lower their credit ratings on outstanding indebtedness and obligations of the City.

Other adverse events within the City that could affect the market for the Notes include any events which impact upon the City's ability to eliminate projected budget deficits in future fiscal years; economic trends within the City; and labor actions by unionized employees of the City. It is anticipated that the various news media will report on events which occur in the City and that such media coverage as well as such events could have an impact on the market for, and the market price of the Notes.

Finances of the City

THE CITY HAS EXPERIENCED SEVERE FINANCIAL DIFFICULTIES IN RECENT YEARS WHICH COULD AFFECT THE MARKETABILITY AND THE MARKET VALUE OF THE NOTES. SEE "MARKET AND RISK FACTORS - FINANCES OF THE CITY" AND "QUARTERLY FINANCIAL REPORTS" HEREIN. MOODY'S INVESTORS SERVICE ("MOODY'S") WITHDREW ITS RATING ON JANUARY 2, 2019 DUE TO THE LACK OF SUFFICIENT AND CURRENT FINANCIAL INFORMATION TO SUPPORT THE MAINTENANCE OF THE RATING. SEE "RATING" HEREIN.

The City began the fiscal year ended December 31, 2022 with a change in financial leadership after a period of financial uncertainty, lack of financial information, internal controls and loss of its bond rating. To provide a reasonable presentation of the financial data, on January 3, 2022, the City Comptroller launched an internal review of the existing accounting record system, internal controls and financial operations in his department. To that end, the financial management staff, under the leadership of the new Comptroller, began the initial fiscal discovery period to unearth the financial condition of the City. The financial records in the Office of the Comptroller were found to be in deplorable condition, consisting of the failure to post the adopted budgets for the fiscal years ended December 31, 2018 through 2021, inclusive, and revenue data to the City's accounting system, along with the absence of bank reconciliations from 2018 through 2021, inclusive. The City and the Office of the City Comptroller have since been working to rectify the lack of financial records. In order to catch up on past records while still maintaining and tracking current operations, the City established two different accounting environments in its system, one to work on prior years' records and one for current operations. This has allowed the City to complete its

internal records for fiscal years 2017 and 2018 as well as for the majority of fiscal year 2019. In addition, the City has utilized two external accountants to work with its in-house accountant on the reconciliation of past records.

As a result of these measures, the early findings from the review of the City's financial records and bank statements confirmed that the City had a significantly deficient cash asset position, totaling \$9.8 million, and no cash reserve fund or available unrestricted fund balance. Additionally, the identified liabilities were over \$61 million, including at least \$8 million in outstanding vendor and legal obligations, \$11 million in employee health insurance premiums, \$14 million in New York State Retirement Fund premium due February 1, 2022 and \$2.4 million outstanding in tax certioraris. The most significant impact to the City during the first quarter of fiscal year 2022 was the delay in the adoption of the 2022 City budget and the inability to levy and collect 2022 property taxes. Had the City not addressed these issues, the City's financial position would have rapidly deteriorated and eliminated the capacity to meet daily expenditures.

The major factor contributing to the City's ability to operate under such financial constraints relied primarily on its ability to generate revenue to cover the cost of governmental operation until the 2022 City budget was adopted and a property tax levy was established. Most significantly, the major cost factors included the City's payroll responsibilities averaging \$3 million bi-weekly, including unfunded employee contractual requirements and \$7.9 million in quarterly general operation expenses. To meet these commitments, the Office of the City Comptroller sought to identify alternative revenue and began a review of potential accounts receivables. Consequently, the City relied on the collection of the prior year's property tax revenue, State sales and usage tax allocation, and other departmental revenue to ensure the continuation of local government operations. The Office of the City Comptroller conducted a review of the property tax system and identified approximately \$40 million dollars of account receivables in tax arrears, and subsequently issued tax arrears notices that generated revenue needed to continue City operations. Accordingly, the tax arrears notices issued yielded \$7.4 million in prior year property taxes. Other major revenue resources during this quarter were \$4.6 million in State sales and usage tax income and \$2.1 million in other taxes (e.g. transfer taxes). These were the main sources of revenue that provided the support needed to maintain the bi-weekly payroll, regular government service expenditures, and to address several critical financial obligations that had the potential to significantly increase the City's legal liability. As of September 2023, the City's uncollected property taxes have been reduced to \$30 million. Of this amount, approximately \$10 million is due to the District, with the balance owed to the City.

Fortunately, the City has since made significant improvements with regards to its cash position, liabilities and property tax collections. As of September 30, 2023, the City had a cash position of approximately \$51.3 million, which included approximately \$11 million restricted cash for funds received through the American Rescue Plan Act ("ARPA") and approximately \$10.8 million earmarked for the County. As a result, the City has reduced its outstanding liabilities to approximately \$37 million. In addition, the City currently has no outstanding vendor obligations, has reduced its tax certiorari claims and is working with the New York State Office of the State Comptroller ("OSC") on a long-term payment plan for the owed health insurance premiums. The City also had a \$11.7 million liability due to the Mount Vernon City School District (the "District"), for which the City is making \$350,000 monthly payments. As of October 2023, \$7.85 million remains outstanding to the District. Looking forward, the City continues to explore new and enhanced revenue streams to continue improving its operations. City officials understand that recent years have been buoyed by the receipt of Federal and State stimulus and are preparing for the loss of those revenues accordingly. Officials have explored the implementation of income taxes, cannabis tax and reevaluations of the City's franchise fees and parking fees. The City has also been accepted to the Government Finance Officers Association's ("GFOA") Putting Assets to Work ("PAW") initiative to explore best practices, policy tools, and approaches to unlock new revenues and other public benefits from unused or underutilized government land.

On January 31, 2022, OSC released a report regarding certain financial affairs of the City. The purpose of the audit was to determine whether City officials provided proper oversight of non-payroll disbursements and whether the former City Comptroller properly accounted for these disbursements for the period January 1, 2018 through September 30, 2020. The report found the City Council, the former Comptroller and other City officials did not provide proper oversight of non-payroll disbursements. It also found that the former Comptroller did not properly or transparently account for all non-payroll disbursements and her failure to provide financial information or perform her duties resulted in the untimely payment of claims and litigation. As a result, the City's reputation with its vendors was damaged and the City paid for additional, potentially unnecessary, disbursements related to litigation.

OSC therefore recommended the City Comptroller should (i) refrain from making electronic disbursements to vendors unless their use is approved by the City Council, and the City enter into banking agreements and adopt a system of internal controls for all electronic disbursements and (ii) the City discontinue the incorrect practice of charging expenditures to the contingency account and instead account for expenditures in the correct appropriation accounts after City Council and Board of Estimate approval. The Mayor and City administration agreed with the majority of OSC's findings and agreed to implement the recommendations and procedures outlined in the report.

As of September 2023, the City has completed the audited financial statements for the fiscal year ended December 31, 2016 and filed the Annual Update Document ("AUD") with the Office of the New York State Comptroller. The City continues to work with its independent auditor on subsequent years' audited financial statements and AUDs simultaneously, and anticipates the completion of the 2017 reports by the end of 2023. The City's goal is to have the 2018, 2019 and 2020 reports completed no later than June 2024, which would place the City in a good position to re-apply for its credit rating.

On June 28, 2018, the Federal government filed a complaint against the City alleging that since at least January 2012, the City had failed to comply with the Clean Water Act (the "Act") and, as a result, had allowed raw sewage to flow into its storm sewer system which was then discharged into the Hutchinson and Bronx Rivers. The City had also failed to comply with two EPA Administrative Orders issued to compel the City's compliance with the Act. In September 2020, the U.S. District Court entered an order requiring the City to take various steps to come into compliance with the Act's MS4 requirements. However, even after the court order was entered, the City repeatedly missed deadlines and reporting obligations. With the new administration, the City has since made progress on its compliance obligations, although significant additional work remains. A Consent Decree was filed on September 19, 2023, providing a path forward for compliance, including requiring the City to perform various sewer system repairs and improvements. The City has been provided over \$175 million of Federal and State funding to assist with the improvements, including \$150 million through the State Governor's Office, \$10 million through the State's Department of Environmental Conservation, and \$6 million through the State's Environmental Facilities Corporation. The City is currently in the process of making the improvements. (See also "LITIGATION" herein.)

COVID-19

The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread globally, including the United States, and to New York State, was declared a pandemic by the World Health Organization.

The outbreak of COVID-19 across the United States had caused the federal government to declare a national state of emergency. The State of New York had likewise declared a state of emergency and the State Legislature has added "disease outbreak" to the definition of "disaster" (which already includes "epidemic") in the relevant Executive Law provision by adoption of Senate Bill S7919, signed by the Governor into law on March 3, 2020. Executive Law Section 24 contains procedures for local governments to declare local states of emergency and issue orders to implement same.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic caused extreme volatility across all financial markets, including the primary and secondary markets for municipal bonds. In the United States, Congress and the Federal Reserve took significant steps to backstop those markets and to provide much-needed liquidity, but the markets remain volatile.

Federal Response

The federal government passed several pieces of legislation in response to the COVID-19 pandemic including the \$2.3 trillion Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which attempted to address financial stability and liquidity issues through a variety of stimulus measures.

The CARES Act included a \$150 billion Coronavirus Relief Fund, which provided funds to states, tribal governments and local governments with populations exceeding 500,000 (local governments with smaller

populations could receive monies from the amount allocated to their state). This money was intended for programs that were necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money was not intended to be used to directly account for revenue shortfalls due to the COVID-19 pandemic, but it may have indirectly assisted with revenue shortfalls in cases where the expenses that were being covered by this fund would otherwise create a further budget shortfall.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (“ARP”). Included in this bill was \$350 billion in direct aid to state and local governments. Payments to local governments will be made in two tranches, the first half 60 days after enactment and the second half one year later. The funding is available through, and must be spent by, the end of calendar year 2026.

Specifically, eligible uses of the aid include: (i) revenue replacement for the provision of government services to the extent the reduction in revenue is due to the COVID-19 public health emergency relative to revenues collected in the most recent fiscal year prior to the emergency; (ii) premium pay for essential workers; (iii) assistance to small businesses, households, and hard-hit industries, and economic recovery; and (iv) investments in water, sewer and broadband infrastructure. The bill also contains two restrictions on eligible uses: (i) funds cannot be used to directly or indirectly offset tax reductions or delay a tax increase; and (ii) funds cannot be deposited into any pension fund. (See “*Impacts of COVID-19*” herein.)

State Response

State Budget: The City of New York has been the epicenter of the COVID-19 pandemic in the United States, and as a result the State has suffered (and expects to continue to suffer) significant revenue shortfalls and unanticipated expenses. At the time that the State budget was being finalized in early April 2020, the Budget Director estimated that, due to COVID-19, the State would suffer an anticipated budget gap of \$10-\$15 billion.

To mitigate such a potential gap, the State’s adopted budget for the fiscal year ending March 31, 2021 allowed the State to reduce expenditures (including aid to local school districts and municipalities) if, during certain defined periods in 2020 (i.e., April 1 - April 30, May 1- June 30, and July 1 - December 31), tax receipts were lower than anticipated or disbursements from the State’s general fund were higher than anticipated. In such a scenario, the State Budget Director would develop a plan to make spending reductions, which would take effect automatically unless the Legislature passes its own plan within ten days.

On April 25, 2020, the State Division of the Budget (“DOB”) announced the release of the State’s Fiscal Year 2021 Enacted State Budget Financial Plan, which projected a \$13.3 billion (14%) shortfall in revenue from the Executive Budget Forecast that was released in January and estimated a \$61 billion decline in State revenues through FY2024 as a direct consequence of the COVID-19 pandemic. As a result, in the absence of federal assistance, initial budget control actions outlined in the Financial Plan reduced spending by \$10.1 billion from the Executive Budget. This represented a \$7.3 billion reduction in State spending from FY2020 levels.

On May 10, 2021, DOB announced the release of the State’s Fiscal Year 2022 Enacted State Budget Financial Plan. DOB reported that the estimates for General Fund receipts for FY2021 through FY2024 in the Financial Plan were \$33 billion lower than in the February 2020 Financial Plan, the last public estimates before the pandemic. A modest increase in tax receipts estimates since the Mid-Year Update to the Financial Plan in October 2020 did not fundamentally alter the State’s fiscal challenges. The projected aggregate two-year budget gap (FY2021 and FY2022) that must be closed in the FY2022 Executive Budget was projected to total \$12.7 billion.

On May 6, 2022, DOB announced the release of the State’s Fiscal Year 2023 Enacted State Budget Financial Plan. The \$12.75 billion in recovery aid from ARP is expected to be used over four years (FY2022-FY2025) to offset revenue loss, ensure the continuation of essential services and assistance provided by government, and assist in the public health emergency response and recovery efforts. In FY2022, \$4.5 billion was used to fund eligible expenses as defined in the US Treasury regulations. The remaining amounts will be used as follows: \$2.3 billion in FY2023, \$2.4 billion in FY2024, and \$3.6 billion in FY2025, with all amounts expected to be expended by December 2024. The allocation and use of recovery aid may be adjusted by DOB, depending on future needs and developments.

CYBERSECURITY

The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient, provider and custodian 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. The results of any such attack could impact business operations and/or incapacitate City digital networks and systems and the costs of remedying any such damage could be substantial. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the City has invested in cybersecurity insurance, however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks.

TAX MATTERS

In the opinion of Bond Counsel, based on existing statutes, regulations, administrative rulings and court decisions and assuming compliance by the City with certain covenants and the accuracy of certain representations, interest on the Notes is excluded from gross income for federal income tax purposes. Bond counsel is of the further opinion that interest on the Notes is not an “item of tax preference” for purposes of the Federal alternative minimum tax on individuals. However, for tax years beginning after December 31, 2022, the Code imposes a federal corporate alternative minimum tax equal to 15 percent of the “adjusted financial statement income” of corporations (other than S corporations, regulated investment companies and real estate investment trusts) having an average annual “adjusted financial statement income” for the 3-taxable-year period ending with the tax year that exceeds \$1,000,000,000. Interest on tax-exempt obligations such as the Notes is included in the computation of a corporation’s “adjusted financial statement income”.

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

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

The Notes WILL be designated by the City as “qualified tax-exempt obligations” within the meaning of, and pursuant to, Section 265(b)(3) of the Code.

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

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

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

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

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

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the approving legal opinion of Harris Beach PLLC, New York, New York, Bond Counsel to the City. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York, as amended (see “TAX INFORMATION – Tax Levy Limitation Law” within Appendix A herein); provided, that the enforceability (but not the validity) of the Notes may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors’ rights; (ii) under existing statutes, regulations, administrative rulings and court decisions, interest on the Notes is excluded from the gross income of the owners thereof for Federal income tax purposes, is not an “item of tax preference” for purposes of the Federal alternative minimum taxes imposed on individuals, however, for tax years beginning after December 31, 2022, interest on the Notes held by certain corporations that are subject to the Federal corporate alternative minimum tax is included in the computation of “adjusted financial statement income” for purposes of the Federal alternative minimum tax imposed on such corporations; (iii) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York); and (iv) based upon Bond Counsel’s examination of law and review of the arbitrage and use of proceeds certificate executed by the City Supervisor of the City pursuant to Section 148 of the Code and the regulations thereunder, the facts, estimates and circumstances as set forth in said arbitrage certificate are sufficient to satisfy the criteria which are necessary under Section 148 of the Code to support the conclusion that the Notes will not be “arbitrage bonds” within the meaning of said section, and no matters have come to Bond Counsel’s attention which makes unreasonable or incorrect the representations made in said arbitrage certificate. Bond Counsel expresses no opinion regarding Federal or State income tax consequences arising with respect to the Notes.

Such legal opinions will also state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes, as applicable, has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the City together with other legally available sources of revenue, if any, will be sufficient to enable the City to pay the principal of and interest on the Notes as the same become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the City,

would materially affect the ability of the City to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the City, in connection with the sale of such Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. However, the City does not believe that such suits, individually or in the aggregate, are likely to have a material adverse effect on the City's financial condition, except as noted below. The threshold used by the City in determining whether to include an individual case is whether it may result in damages exceeding \$500,000.

Mega Beverage Redemption Center, Inc. vs. City of Mount Vernon. This lawsuit derived from six (6) causes of action that Plaintiff asserted due to the City issuing numerous Building Code violations and temporarily closing his recycling business on May 17, 2016. The Plaintiff filed a summary judgment motion on July 9, 2018 for all six (6) causes of action, and the Westchester Supreme Court denied summary judgment for all (6) claims. Four (4) of the (6) claims were dismissed, and two proceeded to trial. The trial concluded with a verdict for the Plaintiff of \$2,400,000 and interest for a total amount of \$3,692,448. The City continues vigorously defending this case and has filed its appeal with the Appellate Division. While no attorney can predict an outcome in a particular case, the City remains optimistic about a favorable appeal result.

Kela Tennis Inc. vs. the City of Mount Vernon, Figueroa and Sons Contracting Co. Inc. Richard Thomas, Mayor of the City of Mount Vernon. This action was brought by Plaintiff, wherein it is claimed that the defendants breached a License Agreement dated February 26, 2015. The license allegedly granted Plaintiff the right to maintain and operate indoor and outdoor tennis facilities at a City field for fifteen (15) years, commencing on April 1, 2015. On June 8, 2018, the Plaintiff commenced an action alleging a breach of a License Agreement. The Plaintiff and Defendant each filed a motion for summary judgment, and both motions were denied. The parties began trial on March 20, 2023 and the jury rendered a verdict on April 14, 2023 in favor of the Plaintiff for a sum of \$9,441,398. The City continues vigorously defending this case and has filed its appeal with the Appellate Division. While no attorney can predict an outcome in a particular case, the City remains optimistic about a favorable appeal result.

United States of America; State of New York; and Basil Seggos, as Commissioner of the New York State Department of Environmental Conservation vs. City of Mount Vernon, Case No. 18 Civ. 5845 (CS). The Consent Decree, when finalized, will close the United States Department of Justice case brought under the Clean Water Act, and specifically, the Municipal Separate Storm Sewer (“MS4”) program. The Consent Decree is expected to be finalized by the end of 2023. The Consent Decree will place milestones and obligations on the City to investigate and assess storm sewer systems, plan upgrades and repairs, and conduct and implement those maintenance and construction projects. The State has made a substantial commitment of over \$100 million in State funding, from a variety of State sources, to assist the City in paying for these required maintenance and construction obligations in the storm sewer system. (See also “*Finances of the City*” herein.)

In the ordinary course of business, the City has an average annual tax certiorari refund amount of \$1,273,000 and an average Small Claims Assessment Review (“SCAR”) appraisal fees and interest and penalties for an average total of \$1,373,000. The City currently has no pending tax certiorari matter anticipated to be more than \$350,000 or over the anticipated yearly averages.

Upon delivery of the Notes, the City shall furnish a certificate of the Corporation Counsel for the City, dated the date of delivery and payment for the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened, to his knowledge to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of money to the payment of the Notes and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the City wherein an adverse

judgment or ruling could adversely affect the power of the City to levy, collect and enforce the collection of taxes or other revenues for the payment of the Notes, which has not been disclosed in this Official Statement.

DISCLOSURE UNDERTAKING

Disclosure Undertaking for the Notes

This Preliminary 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 Notices of 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, to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, 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; [note to clause (xii): For the purposes of the event identified in clause (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]; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

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 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 a manner consistent with Rule 15c2-12 as then in effect.

Compliance History

For the fiscal years ended June 30, 2018 through 2022, inclusive, the City was unable to provide unaudited financial statements within six months of the end of the fiscal year and audited financial statements within one year of the end of each fiscal year. The City intends to file each of its audited financial statements upon their completion.

RATING

The City has not applied to Moody's for a rating on the Notes.

On January 2, 2019, Moody's withdrew the City's underlying credit rating of "A2" due to the City's inability to provide Moody's with sufficient financial information in a timely manner.

UNDERWRITING

The City has selected Roosevelt & Cross Incorporated (the "Underwriter") as the senior manager, book-running underwriter for the Notes.

The Underwriter has agreed, subject to certain conditions, to purchase the Notes from the City at an aggregate purchase price of \$_____ (which reflects an Underwriter's discount of \$_____ and a net original issue premium of \$_____) and to offer the Notes at the public offering price or prices set forth on the cover page hereof. The Notes may be offered and sold to certain dealers (including dealers depositing such Notes into investment trusts) at lower than such public offering prices, and prices may be changed, from time to time, by the Underwriter. The Underwriter's obligations are subject to certain conditions precedent, and they may be obligated to purchase all such Notes if any such Notes are purchased.

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 Notes.

ADDITIONAL INFORMATION

Any statements in the Official Statement involving matters of opinion or estimates whether expressly so stated are intended as such and not as representation of fact. No representation is made that of such statements will be

realized. This Official Statement is not to be construed as a contract or agreement between the City and the original purchasers or holders of any of the Notes.

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 sourced 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 disclaims any duty or obligation either to update or to maintain the 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 assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The statements contained in this Official Statement and the appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the City assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

Harris Beach PLLC has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto.

Additional information and copies of the Official Statement may be obtained from the City or Capital Markets Advisors, LLC (CMA), 11 Grace Avenue, Suite 308, Great Neck, New York 11021, Telephone: (516) 487-9818.

CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK

By: _____
Dr. Darren M. Morton
City Comptroller

DATED: October __, 2023

APPENDIX A

THE CITY

THE CITY

General Information

The City is located in the southern portion of Westchester County, directly north of the Borough of the Bronx in New York City, and covers an area of approximately 4.24 square miles. Mount Vernon was originally incorporated as a Village in 1853 and then as a City in 1892. The City is a residential suburb of New York City.

Form of Government

The City Council, the legislative body of the City, consists of five members elected at large, each for a term of four years, one of whom serves as President of the City Council, as determined annually on a rotating basis. It is the responsibility of the City Council to approve, by resolution, all legislation, including ordinances and local laws, adopt and modify operating and capital budgets, levy real property taxes and authorize the issuance of all indebtedness. A full-time Mayor is the chief executive and administrative officer of the City and is elected for a four-year term. An elected Comptroller serves as the chief fiscal officer of the City and is also elected for a four-year term. The City maintains, as required by the City Charter, a mandated Board of Estimate and Contract which consists of the Mayor, the Comptroller and the President of the City Council.

City Services

Police protection is provided by the City's Police Department. Fire protection is provided by the City through a force of paid City firefighters augmented by volunteers. The City's Public Works Department is responsible for the collection and disposal of refuse and garbage. Health services are provided by the Mount Vernon Hospital, a private non-profit institution, and the Mount Vernon Neighborhood Health Center.

Employees

The number of persons employed by the City, the collective bargaining agent which represents them, if any, and the dates of expiration of the various collective bargaining agreements are as follows:

Employee Contracts

<u>Employees Represented</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
194	Civil Service Employees Association	12/31/2017 ⁽¹⁾
139	Local 456 I.B.T. (Teamsters)	12/31/2017 ⁽¹⁾
152	Uniformed Fire Fighters Association	12/31/2021 ⁽¹⁾
6	Uniformed Fire Fighters Association (Deputy Chief)	12/31/2017 ⁽¹⁾
208	Police Association of the City of Mount Vernon	12/31/2017 ⁽¹⁾
92	Non-Union (full-time)	N/A

(1) Currently under negotiation.

Source: City Officials.

On September 27, 2023, the City Council approved a resolution authorizing a 14% wage increase for the Local 456 Teamsters union, bringing their wages current to fiscal year 2023. Retroactive payments for the union are expected to be made over two years, utilizing budgeted funds, previously used for a similar purpose with the Uniformed Fire Fighters Association contract negotiation, that are now available. Negotiations for a new contract remain ongoing.

Employee Pension 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") (both systems are referred to together hereinafter as the "Retirement Systems" where appropriate). The Retirement Systems are 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 Systems offer 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 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 Systems 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 Systems. The Retirement Systems are 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 Systems, at such time contributions become voluntary. Members hired after January 1, 2010 must contribute three 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 and PFRS 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.

As of April 9, 2022, Tier 5 and 6 members only need five years of service credit to be vested.

Pension reform enacted by New York State changed the billing cycle for employer contributions to the Retirement Systems to match budget cycles of the City. Under the previous method, the City was not provided with the required payment until after its budget was implemented. Under the reforms implemented, the employer contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the City is notified of and can include the actual cost of the employer contribution in its budget. Chapter 49 also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible. The pension payment date for all local governments was changed from December 15 to February 1.

The New York State Retirement Systems have advised the City that municipalities can elect to make employer contribution payments in December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount. The City has made such payments in February for the past five years.

Employer contribution rates for the Retirement Systems continue to be higher than the minimum contribution rate established by law. Contribution rates are expected to remain higher than the minimum contribution rates set by law in the near-term. To mitigate the expected increases in the employer contribution rate, legislation was enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan. The legislation also requires those local governments and school districts, who decide to amortize their pension obligations pursuant to this law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. Under this plan, the City amortized its 2022 pension payment of \$200,000 for ERS and \$1.5 million for PFRS over ten years. The City does not intend to amortize its 2023 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 the spikes in Actuarially Required Contribution rates ("ARC"). The plan authorizes municipalities to pay the SCO amount in lieu of the ARC amount. The City has participated in the modified ERS SCO plan at times.

On September 14, 2023, the State Comptroller announced for Fiscal Year 2024-25, the average contribution rates for ERS and PFRS increased from 13.1% to 15.2% and from 27.8% to 31.2%, respectively. Projections for required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among six retirement tiers. The employer contribution rates announced will apply to each employer's salary base during the period of April 1, 2024 through March 31, 2025. Payments based on those rates are due by February 1, 2025, but may be prepaid by December 15, 2024.

The following table presents the amount of payments by the City to the New York Retirement Systems for the past five years:

Retirement Systems Payments

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Amount</u>
2019	\$12,323,931
2020	12,754,281
2021	12,702,700
2022	13,178,071
2023 (Budget)	14,457,358

Other Post Employment Benefits

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), replaces GASB Statement No. 45. 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 the 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 entered into a contract with Danziger & Markhoff LLP (“D&M”), an actuary, to provide the services required under GASB 45. D&M has determined that the City's actuarial accrued liability (“AAL”) for OPEB as of January 1, 2016 was approximately \$151,111,000. For the year ended December 31, 2016, the City's ARC as calculated by D&M was \$16,410,000.

Should the City be required to fund its unfunded actuarial accrued 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 actuarial accrued OPEB liability. At this time, the State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the City has decided to continue funding the expenditure on a pay-as-you-go basis.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

Legislation has been introduced in the State Legislature to authorize local governments and other public entities to establish trusts to accumulate and disburse funds through governing board appropriation for payment of OPEB liabilities. This legislation would authorize the establishment of a trust by resolution of the local government's governing board which would serve as the trustee (unless trustee authority is delegated to the local government's chief fiscal officer). Trust investments would be held by the State Comptroller as sole custodian for investment in accordance with a written investment policy developed by the trustee and a written agreement between the trust and the State Comptroller. Trust funds would not be subject to local government creditor claims, and local government officers would not be subject to liability for loss on investments in the trust.

Economic Development

New York State Empire Zone Program. Sections of the City were designated as NYS Empire Zones in 2004. This designation is designed to attract new businesses to the City by providing a variety of State tax incentives to help businesses to expand and create more jobs.

South Columbus Realty. This expansion project included the demolition of an existing car wash, gas station, and convenience store and the new construction of a gas station, convenience store, and a one-story 4,300 square-foot office building. The estimated cost of this project is \$2 million.

Petrillo Plaza. This infrastructure project was completed, and the estimated cost was \$3.5 million. This project reconstructed Mount Vernon's central bus hub, the third busiest bus stop in Westchester County. The project included roadway realignment and repaving, new traffic signalization, sidewalk, and crosswalk improvements, new streetscape amenities and bus shelters, new landscaping, and lighting improvements. This project was constructed in conjunction with Westchester County.

Memorial Field. The City collaborated with the County to complete a \$41 million project to redevelop the Memorial Field Stadium. The project included complete renovations, with a lighted synthetic turf multi-sport athletic field, grandstands for up to approximately 3,900 spectators with support facilities, an all-weather track, and additional patron facilities. The current use of the park remains the same and the new facility provides cleaner and safer grounds for community recreation.

Atlantic Development. Atlantic Development Group has completed the construction of one mixed-use tower on Gramatan Avenue and coordinating next steps for two additional towers on Oakley and Crary Avenues. The projected cost for the project's phase one development was \$60 million dollars.

TOD West. The rezoning of this area by the City in 2017 is transforming the areas around the City's two (2) train stations. Developments in the area include the mixed-use 81 unit Modern at Mount Vernon Avenue, the Macquesten at 22 South West St. with 200 units, the Enclave at 525 MacQuesten with 179 units, and NPG, a national Cleveland based developer, is constructing an approximately \$180 million urban infill development, continuing the revitalization of the transit-rich Mount Vernon West neighborhood into a bustling mixed-use district. These projects will also create housing affordable to a broad range of incomes and activate the streetscape with retail and community facility amenities.

MX-1 Commercial Corridor District. The *MX-1 District* has been designed to implement the City's planning and economic development goals of permitting and promoting a mix of compatible uses, revitalizing the City's existing commercial corridors, stabilizing the City's tax base, fostering well designed and creative buildings, and enhancing the pedestrian environment. The district includes 65 properties, most with frontage on East Third Street, roughly bounded by South Columbus Avenue to the east, South Fulton Avenue to the west and Haven Avenue to the north.

Roosevelt Square Professional Building. Westchester's first shared virtual office building opened in Spring 2012 across the street from City Hall and is the home to numerous professional and technical firms.

American Christmas. Relocated their manufacturing and marketing facility to Mount Vernon in Fall 2010, adding over a dozen jobs to the Mount Vernon economy.

DoorDash. DoorDash is currently searching for a location in the City to open a state-of-the-art facility to improve operations for DashMart, a subsidiary channel for local businesses to reach customers online. The brand expansion will transform how merchant partners sell retail in the lower Mid-Hudson region and add over a dozen employment opportunities to the Mount Vernon job stock.

Several proposals are also in the planning and/or design stage, including Fun City indoor water park and fitness center, a waterfront promenade on the Hutchinson River, multi-million dollar mixed-used buildings in the City's primary downtown along Fourth Avenue, and several green businesses, including a recycling operation for used vegetable cooking oils and a solar panel manufacturing facility.

FINANCIAL FACTORS

Basis of Accounting

The City utilizes the modified accrual basis of accounting for recording transactions in all governmental type funds. Under this method, (1) revenues are recorded when received in cash, except for revenues which are material and susceptible to accrual (measurable and available to finance the current year's operations), which are recorded when earned, and (2) expenditures, vacation and sick pay, and accrued interest on bond anticipation notes and general long-term debt, are recorded at the time liabilities are incurred.

Independent Audits

The City has retained PKF O'Connor Davies, LLP as its independent Certified Public Accountants to audit its financial statements each year. The last audited report, covering the fiscal year ended December 31, 2016, was released on March 3, 2023. The City is currently in the process of working with its auditors on its past due audited financial statements, which have been delayed due to the poor record-keeping of prior administrations. The City expects to issue its audited financial statements for the fiscal year ended December 31, 2017 by the end of calendar year 2023 and intends to issue multiple subsequent audits in 2024. (See also "MARKET AND RISK FACTORS – *Finances of the City*" herein.)

In addition, the financial statements of the City are subject to periodic audit by the State Comptroller.

Fund Structures and Accounts

The General Fund and the Special Revenue Funds are the principal funds used to account for the City's financial resources, except those required to be accounted for in another fund. The General Fund accounts for substantially all of the City's operating and maintenance costs. The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the City are the Library Fund, the Police Activities Fund, the Recreational Parkland Fund, the Youth Development Fund, and various other grant and dedicated fee revenue funds.

The City also maintains an Enterprise Fund; the Water Fund. The Water Fund is used to account for transactions relating to the operation and maintenance of the City-owned water supply and distribution system. Substantially all of the fund's activities are financed through the sale of water; no tax moneys are contributed for the support of this service. In addition, the City maintains an internal service fund; the Self-Insurance Fund. This fund is reimbursed by the other funds for the costs of operating the City's self-insurance program.

There is also a Debt Service Fund which is used to account for transfers from all funds for the payment of debt service on the long-term obligations of these funds and a Capital Projects Fund which is used to account for financial resources such as proceeds from bonds, notes, transfers from governmental funds, and federal and state grants, which are to be applied for permanent or semi-permanent capital improvements.

Budget Process

The City follows the procedures enumerated below in annually adopting the City's budget for the upcoming fiscal year:

- (a) On or before the nineteenth day of November, the Board of Estimate and Contract, which is comprised of the Mayor, the Comptroller and President of the City Council, holds a public hearing on the proposed budget estimate, presenting a financial plan for conducting the affairs of the City for such ensuing fiscal year.
- (b) After said public hearing, the Board of Estimate and Contract adopts the budget and submits it to the City Council for approval.
- (c) The City Council then holds a second public hearing on the proposed budget.
- (d) The City Council shall adopt the budget estimates as submitted or amended by December 5th, which shall then become the annual budget, and shall appropriate the amounts set forth in the budget as adopted for the purposes stated therein.

The City is currently in the process of preparing its budget for the fiscal year ending December 31, 2024 and expects to present and adopt the budget in accordance with the aforementioned procedures.

Investment Policy of the City

Pursuant to the statutes of the State, the City is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds are needed to meet the expenditures for which such moneys were obtained and, provided further, that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined by law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the City; (6) certificates of participation issued by political subdivisions of the State, as defined in the law; (7) obligations of a New York public benefit corporation made eligible for investment by the enabling statute of such public benefit corporation; or (8) in the case of moneys held in certain reserve funds established by the City pursuant to law, in obligations of the City.

Any investments made by the City pursuant to law are required to be payable or redeemable at the option of the City within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, are payable or redeemable in any event at the option of the owners, within two years of date of purchase. These statutes also require that the City's investments, unless registered or inscribed in the name of the City, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law.

The City Council adopted an investment policy on September 8, 1993 consistent with the above statutory limitations. It is the City's policy to invest only in (1) special time deposit accounts in the designated depositories, (2) certificates of deposit in the designated depositories, (3) obligations of the United States of America, (4) obligations guaranteed by the United States of America, and (5) obligations of the State.

Real Property Taxes

The City derives a major portion of its General Fund revenues from a tax on real property. Property taxes accounted for approximately 48.2% of total General Fund revenues for the fiscal year ended December 31, 2022, *based on preliminary, unaudited results, subject to change.*

The following table sets forth total General Fund revenues and real property tax revenues during each of the last five fiscal years and the amount budgeted for the current fiscal year.

Property Tax Revenues

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues</u>
2018 (Unaudited)	\$106,689,242	\$60,255,051	56.5%
2019 (Unaudited)	112,948,845	60,625,154	53.7
2020 (Unaudited)	118,090,878	60,861,263	51.5
2021 (Unaudited)	118,981,752	62,537,580	52.6
2022 (Unaudited)	133,199,121	64,166,730	48.2
2023 (Adopted Budget)	138,674,925	68,373,436	49.3

Source: City Officials and Adopted Budget of the City. Preliminary, unaudited results, subject to change.

State Aid

The City also receives a portion of its revenues in the form of State aid. For the fiscal year ended December 31, 2022, State aid represented approximately 7.8% of the total general fund revenues of the City, *based on preliminary, unaudited results, subject to change*. However, there is no assurance that the State appropriation for State aid to cities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid. State 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.

The following table sets forth total general fund revenues and State aid during the last five fiscal years and the amount budgeted for the current fiscal year.

State Aid

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2018 (Unaudited)	\$106,689,242	\$ 8,865,691	8.3%
2019 (Unaudited)	112,948,845	8,915,691	7.9
2020 (Unaudited)	118,090,878	9,445,691	8.0
2021 (Unaudited)	118,981,752	9,632,122	8.1
2022 (Unaudited)	133,199,121	10,372,691	7.8
2023 (Adopted Budget)	138,674,925	8,655,691	6.2

Source: City Officials and Adopted Budget of the City. Preliminary, unaudited results, subject to change.

Sales Tax

Section 1210 of the State Tax Law (the “Tax Law”) currently authorizes counties to levy sales and compensating use taxes of up to 3% in addition to the 4 1/4% sales tax levied by the State and additional 1/4% levied by the Metropolitan Transportation Authority. The 4 1/4 % reverted back to 4 % on June 1, 2006 and the Metropolitan Transportation Authority has charged an additional 1/8% to a total of 3/8%. The County presently imposes a 1 1/2% County-wide sales and use tax on all sales, which is applicable to the City. The Tax Law also permits cities to impose certain sales and compensating use taxes within their city limits preemptively. Sales and compensating use taxes are collected by the State and distributed on a monthly basis. By City Law, the City imposes an additional sales and use tax on all sales at a rate of 2 1/2%. The combined sales and compensating use tax levied in the City is, accordingly, 8.375%.

The following table sets forth total general fund revenues and sales tax during the last five fiscal years and the amount budgeted for the current fiscal year.

Sales Tax

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Sales Tax</u>	<u>Sales Tax to Revenues</u>
2018 (Unaudited)	\$106,689,242	\$20,096,506	18.8%
2019 (Unaudited)	112,948,845	20,893,668	18.5
2020 (Unaudited)	118,090,878	21,352,631	18.1
2021 (Unaudited)	118,981,752	11,784,850	9.9
2022 (Unaudited)	133,199,121	26,542,053	20.0
2023 (Adopted Budget)	138,674,925	27,000,000	19.5

Source: City Officials and Adopted Budget of the City. Preliminary, unaudited results, subject to change.

Quarterly Financial Reports

Pursuant to the City Charter, Article VIII, Section 91-b, “The Comptroller shall issue quarterly reports to the Mayor and the City Council concerning the City’ s year-to-date and projected financial condition, as of March 31st, June 30th, September 30th, and December 31st of each fiscal year for all City departments and agencies.” (See also “MARKET AND RISK FACTORS – *Finances of the City*” herein.)

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

The following table sets forth cumulative, quarterly, general fund revenues and expenditures of the City for the fiscal year ended December 31, 2022, based on preliminary, unaudited results, subject to change.

	<u>Fiscal Year Ending December 31, 2022</u>			
	<u>Q1 2022</u>	<u>Q2 2022</u>	<u>Q3 2022</u>	<u>Q4 2022</u>
Revenues:				
Real Property Taxes	\$ 7,413,293	\$38,278,770	\$58,241,144	\$ 60,608,987
Prior Year Property Taxes.....	0	9,668,091	10,982,452	13,030,800
Other Tax Items	2,115,485	3,506,042	5,194,055	7,483,688
Non-Property Taxes	4,628,807	13,126,751	19,991,806	28,260,503
Departmental Income	550,428	3,844,571	6,897,631	9,136,328
Intergovernmental Charges	83,930	431,172	586,266	957,286
Use of Money and Property	84,105	92,187	308,447	508,109
Licenses and Permits.....	171,495	535,285	1,048,294	1,587,861
Fines and Forfeitures.....	541,480	1,243,952	2,278,442	2,977,731
Miscellaneous	25	166,976	254,905	255,988
State Aid	58,516	1,852,710	3,058,223	11,752,709
Federal Aid.....	250,000	582,774	870,559	1,137,307
Interfund Transfer	0	37,573	37,573	165,119
Interfund Transfer – ARPA Funds	3,369,280	4,457,376	7,770,751	7,775,461
Sale of Property and Compensation for Loss..	<u>0</u>	<u>1,500</u>	<u>1,500</u>	<u>38,200</u>
Total Revenues.....	<u>\$19,266,843</u>	<u>\$77,825,729</u>	<u>\$117,522,050</u>	<u>\$145,676,077</u>
Expenditures:				
General Government Support	\$ 4,023,424	\$11,445,619	\$16,539,052	\$ 23,542,696
Public Safety	10,284,505	21,303,968	35,083,032	54,703,811
Health	51,505	134,008	265,032	378,810
Transportation	585,008	1,033,002	1,725,868	3,187,221
Economic Opportunity and Development.....	213,840	536,391	960,285	1,372,470
Culture and Recreation.....	859,851	1,989,860	4,028,722	5,925,003
Home and Community Services.....	1,496,428	3,130,631	6,550,655	10,892,410
Employee Benefits	<u>4,030,272</u>	<u>18,512,700</u>	<u>28,098,921</u>	<u>36,183,867</u>
Total Expenditures	<u>\$21,544,833</u>	<u>\$58,086,179</u>	<u>\$93,251,567</u>	<u>\$136,186,287</u>
Net Income.....	\$ (2,277,990)	\$19,739,550	\$24,270,483	\$ 9,489,790

Source: City of Mount Vernon Quarterly Reports. Preliminary, unaudited results, subject to change.

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

The following table sets forth cumulative, quarterly, general fund revenues and expenditures of the City for the fiscal year ended December 31, 2023, based on preliminary, unaudited results, subject to change.

	<u>Fiscal Year Ending December 31,</u>	
	<u>2023</u>	
	<u>Q1 2023</u>	<u>Q2 2023</u>
Revenues:		
Real Property Taxes.....	\$34,113,488	\$36,937,621
Prior Year Property Taxes	0	0
Other Tax Items.....	1,537,717	3,508,869
Non-Property Taxes.....	4,916,885	14,323,577
Departmental Income	3,757,518	5,694,757
Intergovernmental Charges.....	108,772	246,661
Use of Money and Property.....	154,685	302,002
Licenses and Permits	326,451	903,213
Fines and Forfeitures	442,414	1,052,902
Miscellaneous	9,312	22,495
State Aid	247,818	1,078,430
Federal Aid	177,793	463,650
Interfund Transfer.....	0	0
Interfund Transfer – ARPA Funds	0	5,107,702
Sale of Property and Compensation for Loss .	<u>13,319</u>	<u>13,319</u>
Total Revenues	\$45,806,171	\$69,655,197
Expenditures:		
General Government Support	\$ 5,934,721	\$11,510,683
Public Safety.....	11,143,378	26,406,865
Health	88,982	206,573
Transportation.....	617,214	1,403,551
Economic Opportunity and Development	239,909	567,124
Culture and Recreation	1,202,681	2,771,117
Home and Community Services	2,086,606	5,303,116
Employee Benefits.....	<u>21,033,887</u>	<u>30,861,895</u>
Total Expenditures.....	\$42,347,376	\$79,030,924
Net Income	\$ 3,458,795	\$(9,375,727)

Source: City of Mount Vernon Quarterly Reports. Preliminary, unaudited results, subject to change.

Given the absence of an adequate fund balance to cover reimbursable expenditures, the Comptroller closely monitors the City’s cash flow and emphasizes to the Mayor and her staff the importance of realistic achievable revenue generations. As of June 2023, the budget-to-actual expenses were up by 10% and the revenues were down by 5%, requiring strict monitoring of the expenses and increased effort for revenue generation. Contributing factors to these variances include the full payment to the New York State Retirement Systems for all employees in February and the pending receipt of taxes in July. The frontloaded cost of retirement skews the expenses in the budget-to-actual monthly variance analysis, along with the absence of 50% of property tax revenue scheduled for receipt in July. The third quarter report is expected to demonstrate a more balanced analysis. (See also “*Finances of the City*” herein.)

The report for the quarter ending September 30, 2023 is currently being prepared and is expected to be completed in November 2023. The report will be posted to the City’s website when available. At this time, City officials do not expect any major variances from the adopted budget for the current fiscal year.

The State Comptroller’s Fiscal Stress Monitoring System and Compliance Reviews

The New York State Comptroller has reported that New York State’s school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller (“OSC”) has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school

district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

The most current applicable report of the State Comptroller designates the City as "not filed" with no fiscal score and no environmental score for the fiscal year ended December 31, 2022.

The financial affairs of the City are subject to periodic compliance reviews by OSC to ascertain whether the City has complied with the requirements of various State and federal statutes. The last audit conducted by OSC was released on January 31, 2022. The purpose of the audit was to determine whether City officials provided proper oversight of non-payroll disbursements and the former City Comptroller properly accounted for these disbursements for the period January 1, 2018 through September 30, 2020. The report found the City Council, the former Comptroller and other City officials did not provide proper oversight of non-payroll disbursements. The former Comptroller did not properly or transparently account for all non-payroll disbursements. Her failure to provide financial information or perform her duties resulted in the untimely payment of claims and litigation. As a result, the City's reputation with its vendors was damaged and the City paid for additional, potentially unnecessary, disbursements related to litigation. OSC recommended the Comptroller should (i) refrain from making electronic disbursements to vendors unless their use is approved by the Council, and the City enter into banking agreements and adopt a system of internal controls for all electronic disbursements and (ii) discontinue the incorrect practice of charging expenditures to the contingency account and instead account for expenditures in the correct appropriation accounts after City Council and Board of Estimate approval. The Mayor and City administration agreed with the majority of OSC's findings and have begun working to implement the recommendations and procedures outlined in the report.

Previously, an audit conducted by OSC was released on September 17, 2020. The purpose of the audit was to determine whether financial information was made available to the City Council and City officials for the effective management of operations for the period January 1, 2018 through March 31, 2020. The report found the City Council and officials did not have adequate financial information for the effective management of operations and, as a result, the City lost its credit rating. Furthermore, the report noted the following: (i) the City Comptroller failed to file the required annual financial report (AUD) with OSC for fiscal years 2016 through 2019, (ii) the Council did not take sufficient action to acquire financial information, (iii) no audited financial statements had been issued since the 2015 fiscal year because City officials had not provided their independent auditors with the necessary financial information, (iv) City officials did not have financial information available to develop a multiyear or capital plan, and (v) City officials did not establish policies and procedures to ensure that critical financial information, such as budget-to-actual reports or cash flow reports, is received. (See also "*Finances of the City*" herein.) Since the beginning of fiscal year 2022, the City Comptroller has prepared quarterly financial reports to update the City Council and City officials on year-to-date results of the City. (See also "*Quarterly Financial Reports*" herein.)

See the State Comptroller's official website for more information regarding the foregoing. References to websites and/or website addresses presented herein are for informational purposes only and implies no warranty of accuracy of information therein. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this document.

Impacts of COVID-19

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 ("ARPA"). Included in this bill was \$350 billion in direct aid to state and local governments. Payments to local governments will be made in

two tranches, the first half 60 days after enactment and the second half one year later. The funding is available through, and must be spent by, the end of calendar year 2026.

Specifically, eligible uses of the aid include: (i) revenue replacement for the provision of government services to the extent the reduction in revenue is due to the COVID-19 public health emergency relative to revenues collected in the most recent fiscal year prior to the emergency; (ii) premium pay for essential workers; (iii) assistance to small businesses, households, and hard-hit industries, and economic recovery; and (iv) investments in water, sewer and broadband infrastructure. The bill also contains two restrictions on eligible uses: (i) funds cannot be used to directly or indirectly offset tax reductions or delay a tax increase; and (ii) funds cannot be deposited into any pension fund.

The City’s allocation under ARPA was \$41,108,657, which was received in two tranches. As of the date of this Official Statement, the City has spent approximately \$22.3 million for infrastructure improvements, general governmental services, premium pay and public health services to disproportionately impacted communities.

TAX INFORMATION

Real Estate Tax Levying Limitation

The City is responsible for levying taxes for City purposes. The City’s real property tax levying powers, other than for debt service and certain other enumerated purposes, are limited by the State Constitution to two percent of the five-year average full valuation of taxable real property of the City. (See “*Tax Levy Limit Law*” herein.)

The following table sets forth the computation of the City’s real estate tax levying limitation and the determination of its tax margin.

Real Property Tax Assessments and Tax Margin

Fiscal Year Ending <u>December 31:</u>	<u>Assessed Valuation</u>	State Equalization <u>Ratio</u>	<u>Full Valuation</u>
2019	\$ 150,205,095	2.60%	\$ 5,777,119,038
2020	148,153,163	2.34	6,331,331,752
2021	146,570,778	2.20	6,662,308,091
2022	145,623,221	2.01	7,244,936,368
2023	146,465,833	1.71	<u>8,565,253,392</u>
Total Five-Year Full Valuation			<u>\$34,580,948,641</u>
Five-Year Average Full Valuation			6,916,189,728
2% of Five-Year Average Full Valuation			<u>138,323,795</u>
Total Tax Levy – General City Purposes			68,373,436
Less: Total Exclusions			<u>2,350,044</u>
Tax Levy Subject to Tax Limit			<u>66,023,392</u>
Constitutional Tax Margin			<u>\$72,300,403</u>
Percentage of Tax Limit Exhausted			<u>47.73%</u>

Sources: State Board of Real Property Services and the City Officials.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of the city school districts of Yonkers, Syracuse, Rochester, Buffalo and New York City). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities’ tax levies.

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

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

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

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

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

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for

the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

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

Therefore, while the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of 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 statutory tax levy limitation is not clear.

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

Real Property Tax Collection Procedures and History

The City collects its own current taxes and delinquent taxes and those of the City School District of the City of Mount Vernon (the “School District”). In addition, the City pays to the County the full amount of County taxes on real property located within the City.

City and School District taxes are payable in semi-annual installments due January 1 and July 1, each installment becoming delinquent thirty-one days after its respective due date. County taxes are due annually in April of each year. Interest at 1 ½% per month is charged by the City and the County during any period of delinquency. Interest on delinquent School District taxes is charged at 1% per month plus a 5% additional penalty after the filing of a warrant (on or about February 20th).

The City enforces delinquent taxes by foreclosure actions taken in accordance with the provisions of Chapter 783 of the Laws of New York 1974. Foreclosure procedures are instituted once a tax remains unpaid for two years. The City includes in its annual budget an overlay to provide for uncollected taxes.

The following table sets for the total amount of taxes levied and uncollected by the City for its last five fiscal years.

Tax Levies & Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collected Amounts</u>	<u>% Collected</u>
2019	\$60,625,153	\$59,435,334	98.0%
2020	60,861,263	58,727,046	96.5
2021	62,537,580	59,473,743	95.1
2022	70,866,730	66,068,669	93.2
2023	75,051,044	70,829,069	94.4

Source: City Officials.

As of September 2023, the City’s uncollected property taxes have been reduced to \$30 million from \$40 million in early 2022. Of this amount, approximately \$10 million is due to the District, with the balance owed to the City. The City continues to aggressively pursue these uncollected amounts. (See also “*Finances of the City*” herein.)

Valuations and Tax Data

The following table shows the trend during each of last five years for taxable assessed valuations, State equalization rates, full valuations, real property tax levies and real property tax rates.

Valuations, Tax Levies, and Rates

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assessed Value	\$150,205,095	\$148,153,163	\$146,570,778	\$145,623,221	\$146,465,833
Equal. Ratio	2.60%	2.34%	2.20%	2.01%	1.71%
Full Value	5,777,119,038	6,331,331,752	6,662,308,091	7,244,936,368	8,565,253,392
Tax Levy	60,625,154	60,861,263	62,537,580	64,166,730	68,373,436
Tax Rate ⁽¹⁾	\$403.62	\$410.80	\$426.67	\$440.64	\$466.82

(1) Per \$1,000 assessed value.

Source: State Office of Real Property Services and City Officials.

Ten Largest Taxpayers

The following table presents the assessments of the City's ten largest taxpayers for fiscal year 2023.

Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Consolidated Edison Co.	Utility	\$12,924,989	8.82%
Westchester Plaza	Apartments & Retail	1,882,460	1.29
Vernon Manor Co-Op	Apartments	1,044,234	0.71
Vernon Woods Apts.	Apartments	838,492	0.57
Colonial Villages Assn	Apartments	600,000	0.41
Vernon Manor Co-Op No.2	Apartments	529,926	0.36
280-290 Collins Owners	Apartments	457,687	0.31
PL Apartments Corp.	Apartments	455,768	0.31
MDC Costal 1	Commercial	407,340	0.28
Fletridge Owners	Apartments	377,011	0.26
	Total	<u>\$19,517,907</u>	<u>13.32%</u>

(1) The City's total taxable assessed value for the 2023 fiscal year is \$146,465,833.

Source: City Officials.

CITY INDEBTEDNESS

The State Constitution and Local Finance Law limit 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 and statutory limitations in summary form, and as generally applicable to the City and the Notes, include the following:

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, 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; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the City has authorized the issuance of indebtedness having 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 bond anticipation notes.

General. The City is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the City so as to prevent abuses in the exercise of such powers; however, as has been noted under “Nature of Obligation”, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

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 and provisions set forth above. The power to spend money, however, generally derives from other law, including the General City Law, the General Municipal Law and the City Charter.

Pursuant to the Local Finance Law and the City Charter, the City authorizes the incurrence of indebtedness by the adoption of an ordinance approved by at least two-thirds of the members of the City Council (and approved by the Mayor and its Board of Estimate). Certain improvements, the cost for which will be specially assessed against benefited property, are subject to public hearing.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond ordinance which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond ordinance except for alleged constitutional violations. The City has complied with such procedure with respect to the Bonds.

Each bond ordinance 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 ordinance also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Local Finance 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 ordinance, the City Council may delegate, and has delegated, power to issue and sell bonds and notes, to the Comptroller, the Chief Fiscal Officer of the City under its Charter.

In general, the Local Finance Law contains similar provisions providing the City with power to issue general obligation revenue anticipation notes, tax anticipation notes and budget 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 and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the average full valuation is by dividing the assessed valuation of taxable real estate for the most recently completed assessment roll and the four immediately preceding assessment rolls by the respective equalization rates assigned to each of such assessment rolls. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the City by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. (See “Nature of Obligation” and “*Tax Levy Limit Law*” herein.)

Constitutional Debt Limit

The following table sets forth the constitutional debt limit of the City.

Constitutional Debt Limit

Fiscal Year Ended <u>June 30</u>	Assessed <u>Valuation</u>	State Equalization <u>Ratio⁽¹⁾</u>	Full <u>Valuation</u>
2019	\$150,205,095	2.60%	\$5,777,119,038
2020	148,153,163	2.34	6,331,331,752
2021	146,570,778	2.20	6,662,308,091
2022	145,623,221	2.01	7,244,936,368
2023	146,465,833	1.71	<u>8,565,253,392</u>
Total Five-Year Full Valuation			<u>\$ 34,580,948,641</u>
Average Five-Year Full Valuation			6,916,189,728
Debt Contracting Limitation - 7% of Average Full Valuation			<u>\$ 484,133,281</u>

(1) Equalization rates are established by the New York State Office of Real Property Services and the State Comptroller’s Office.

Source: New York State Comptroller’s Office.

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Statement of Debt Contracting Power

Statutory Debt Limit and Net Indebtedness
(As of October 19, 2023)

Debt Contracting Limitation		\$484,133,281
Gross Direct Indebtedness		
Serial Bonds:		
General Purpose ⁽¹⁾	\$9,217,232	<u>\$ 9,217,232</u>
Bond Anticipation Notes:		
General Purpose	\$ 0	
Total Gross Direct Indebtedness		<u>\$ 9,217,232</u>
Exclusions and Deductions:		
Appropriations in Current Budget to Pay Non-Exempt Debt Maturing During Remainder of Fiscal Year	<u>\$ 0</u>	
Total Exclusions and Deductions		<u>\$ 0</u>
Total Net Indebtedness		<u>\$ 9,217,232</u>
Net Debt-Contracting Margin		<u>\$474,916,049</u>
Percentage of Debt-Contracting Margin Exhausted		<u>1.90%</u>

(1) Inclusive of New York Power Authority (“NYPA”) LED Street Lighting financing (See “Cash Flow and Other Borrowings” herein)

Bond Anticipation Notes

The City has no bond anticipation notes currently outstanding.

Cash Flow and Other Borrowings

On July 3, 2018, the City entered into an agreement through NYPA’s Energy Efficiency Program for the replacement of its streetlights with LED fixtures. The City financed approximately \$3.7 million over six (6) years at a 4% interest rate. As of October 2023, the City has \$512,232 outstanding. The City does not have any tax anticipation notes, revenue anticipation notes or budget notes outstanding.

Trend of Outstanding Indebtedness

The following table provides information relating to the capital indebtedness outstanding at year end for the past five fiscal years.

	<u>Outstanding Indebtedness</u>				
	<u>2018⁽¹⁾</u>	<u>2019⁽¹⁾</u>	<u>2020⁽¹⁾</u>	<u>2021⁽¹⁾</u>	<u>2022⁽¹⁾</u>
Bonds	\$18,110,000	\$16,330,000	\$14,500,000	\$12,625,000	\$10,690,000
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$18,110,000</u>	<u>\$16,330,000</u>	<u>\$14,500,000</u>	<u>\$12,625,000</u>	<u>\$10,690,000</u>

(1) Unaudited.

Direct and Overlapping Indebtedness

The real property taxpayers of the City are responsible for a proportionate share of outstanding debt obligations of the County and the School District. Such taxpayers’ share of this overlapping debt is based upon the amount of the City’s equalized property values taken as a percentage of each separate unit’s total values. The table below sets forth both the total outstanding principal amount of debt issued by the City and the approximate magnitude of the burden on taxable property in the City of the debt instruments issued and outstanding by such other political units. Authorized but unissued debt has not been included.

Statement of Direct and Overlapping Indebtedness

Gross Direct Indebtedness	\$9,217,232
Exclusions and Deductions	<u>0</u>
Net Direct Indebtedness	\$9,217,232

Overlapping Debt

<u>Issuer</u>	<u>Outstanding</u>	<u>As of</u>	<u>Share</u>	<u>Amount Applicable to City</u>
Westchester County	\$927,705,719	11/17/22	3.22%	\$ 29,872,124
Mount Vernon City SD	131,000,000	06/30/22	100.00%	<u>131,000,000</u>
Total Net Overlapping Debt				\$160,872,124
Total Net Direct Debt				<u>9,217,232</u>
Total Net Direct and Overlapping Debt				<u>\$170,089,356</u>

Sources: Data provided by City, County, and District Officials.

Debt Ratios

The following table presents certain debt ratios relating to the City’s net direct and overlapping indebtedness.

Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita⁽¹⁾</u>	<u>Debt to Full Value⁽²⁾</u>
Net Direct Indebtedness	\$ 9,217,232	\$ 129	0.11%
Net Direct and Overlapping Indebtedness	170,089,356	2,372	1.99%

(1) The population of the City is 71,714, according to Vintage 2022 of the U.S. Census Bureau.

(2) The City’s full value of taxable real property for fiscal year 2023 is \$8,565,253,392.

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Debt Service Schedule

The following table sets forth all principal and interest payments required on the City’s outstanding bonded indebtedness.

Bond Principal and Interest Maturity⁽¹⁾

Fiscal Year			Total
<u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2023 ⁽²⁾	\$ 2,648,947	\$ 395,506	\$ 3,044,453
2024	2,454,725	306,091	2,760,816
2025	1,245,000	234,206	1,479,206
2026	1,290,000	191,206	1,481,206
2027	1,335,000	146,300	1,481,300
2028	1,385,000	98,24	1,483,244
2029	1,160,000	48,369	1,208,369
2030	115,000	9,844	124,844
2031	<u>120,000</u>	<u>5,100</u>	<u>125,100</u>
Totals:	<u>\$11,753,672</u>	<u>\$1,434,866</u>	<u>\$13,188,538</u>

(1) Inclusive of NYPA LED Street Lighting financing.

(2) For the entire fiscal year.

Source: City Officials.

Authorized and Unissued Indebtedness

Following the issuance of the Notes, the City will have approximately \$6.7 million in authorized but unissued indebtedness for various capital projects and improvements. The City is unsure when these projects will be financed. The City also anticipates future capital projects for improvements to the City firehouses, however an amount and timeframe have not been established.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The following table presents population trends for the City, County and State, based upon recent census data.

Population Trend

	<u>2000</u>	<u>2010</u>	<u>2020</u>
City	68,381	67,292	73,893
County	923,459	949,113	1,004,457
State	18,976,457	19,378,197	20,201,249

Source: NYS Department of Economic Development, State Data Center, US Department of Commerce, US Census Bureau.

Manufacturing and Other Large Employers

The City’s economic strength lies in its industrial base. Major manufacturers, research facilities, and smaller specialized firms have found the City’s accessible location and its large and stable work force to be beneficial to

business. Industrial development is concentrated in three sections: the Southeast Industrial Area, with access to the Long Island Sound; the MacQuesten Parkway Industrial Area; and the Washington Street Industrial Area.

The following employers, each with 100 or more employees, are located within the City.

Major Employers

<u>Company Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Mount Vernon City School District	Education	1,900
Mount Vernon Hospital	Community Hospital	750
The Wartburg	Senior Citizen Facilities	672
Target Corporation	Retailer	375
Unitex (A&P Coat and Apron)	Hospital and Nursing Home Linens	304
M.V. Neighborhood Health Center	Medical Services	260
Mount Vernon Money Center	Financial Advisory Services	250
First Student	School Bus Service	245
DCG Capital Contracting	General Construction	183
DeFoe Corporation	Heavy Construction	175
Pepsi Cola Bottle Corporation	Soda Distribution	171
U.S. Postal Service	Mail Delivery	159
Richline	Jewelry Manufacturer	151
Sally Sherman Foods, Inc.	Food Products	139
Penn Restaurant	McDonalds	120
Mar-Can Transportation Inc.	Contracted School Buses Service	112
Gemini Manufacturing	Promotional	100
Refurbco	Cosmetic Manufacturer	100

Source: The Department of Planning and Community Development of the City.

Income

The following table presents median household money income for the City, County and State.

Median Household Income

	<u>2000</u>	<u>2010</u>	<u>2020</u>
City	\$41,128	\$46,940	\$59,291
County	63,582	79,619	99,489
State	43,393	55,603	71,117

Source: U.S. Census Bureau.

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the City, County and State.

Civilian Labor Force
(Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City	33.1	33.3	33.6	33.6	33.6
County	482.1	484.4	478.0	480.0	496.0
State	9,521.9	9,514.4	9,289.2	9,441.5	9,617.00

Source: New York State Department Labor. Information not seasonally adjusted.

Unemployment rates for the City, the County and the State are set forth below.

Yearly Average Unemployment Rates

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2018	5.3%	3.9%	4.1%
2019	5.1	3.6	3.8
2020	12.3	8.0	9.9
2021	7.4	4.8	6.9
2022	4.5	3.1	4.3

Source: New York State Department of Labor. Information not seasonally adjusted.

Monthly Unemployment Rates

<u>Month</u>	<u>City</u>	<u>County</u>	<u>State</u>
September 2022	4.2%	2.9%	3.6%
October	3.9	2.7	3.7
November	3.8	2.8	3.8
December	3.7	2.7	3.8
January 2023	4.7	3.5	4.6
February	4.5	3.3	4.5
March	4.0	2.9	4.0
April	3.3	2.3	3.7
May	4.0	2.8	3.8
June	4.0	3.0	4.2
July	4.1	3.1	4.1
August	4.8	3.5	4.4

Source: New York State Department of Labor. Information not seasonally adjusted.

Education

The City School District of the City of Mount Vernon, a city school district and an independent political subdivision of the State, provides elementary schools, middle schools and high schools for the residents of the City. Westchester Community College, a two-year institution, also has a satellite campus located in the City.

Public Library

The City maintains a Public Library (the “Library”) which is governed by a Board of Trustees. The Library facility was funded originally by a gift from the industrialist, Andrew Carnegie, and is of historical importance. The Library serves as the central depository of the Westchester County Library System. The Library may be considered to be a school district library although the School District has never undertaken the financing of improvements to or the operations of the Library facility. For over 50 years, the City has provided for the operational funding of the Library through annual budgetary appropriations. In 2003, the Library Board of Trustees determined that weather-related damage to the Library facility required immediate structural improvements. However, the School District declined to undertake the financing of these improvements. The City Council subsequently determined the improvements required for the Library were for a public purpose and a City purpose, and financed improvements to the Library with a portion of the City’s Public Improvement Serial Bonds, Series 2004A.

Transportation

Because of its strategic location, the City is easily accessible to all areas throughout the County as well as New York City, Long Island, upstate New York and New England. The City is located thirteen miles from mid-town Manhattan, nine miles from the City of White Plains (the County Seat), eleven miles from the Tappan Zee Bridge off the New

York State Thruway, and eighteen miles from Stamford, Connecticut. Bounded by the Bronx River Parkway to the west and the Hutchinson River Parkway to the east, and bisected by the Cross County Parkway, the City is well served by the major transportation arteries of the County.

Two commuter rail lines have stations in the central and northern sections of the City within walking distance of most residential neighborhoods. Metro-North's three stations, Fleetwood, Mount Vernon East and Mount Vernon West, serve all areas throughout the City. Metro-North's Mount Vernon East station is located near the Gramatan Avenue business district, the Southeast Industrial Area, and central and southern neighborhoods. Bus service in the City is provided by the Westchester Bee-Line system, which operates nine bus routes in Mount Vernon.

Commerce and Industry

The business district of the City, which stretches along Gramatan and Fourth Avenues in the center of the City, functions as a trade area for over 200,000 people. The wide range of retail and service establishments make this the City's main shopping center, providing service to City residents as well as residents from parts of the Bronx, the Pelhams, the City of New Rochelle, and the City of Yonkers. Several municipal parking garages, frequent bus service, and the nearby Metro-North Railroad station make the Gramatan-Fourth Avenue strip a convenient shopping location. Sanford Boulevard has become a commercial boulevard with Target, Best Buy, Famous Footwear, Petco, Stop & Shop and Staples located there.

Recreation

City residents enjoy a wide range of recreational facilities within the City, including playgrounds, swimming pools, ball fields, indoor and outdoor tennis courts and public parks, including Hunt Woods and Scouts Field. In 2007, the County spent \$8 million and opened the newly renovated Wilsons Waves, which features the County's only wave pool. The City is also currently in the process of redeveloping Memorial Field Stadium (See "*Economic Development – Memorial Field*" herein.) Private recreational facilities include baseball batting cages, miniature golf course, a professional sized ice rink, indoor soccer field, the only indoor golf driving range in southern Westchester County and new basketball facilities. These facilities make the City a popular destination for recreational pursuits by City and County residents.

Banking Facilities

Banking services for City residents are provided by branches of the following institutions located within the City.

Banking Facilities

Actors Federal Credit Union
Bank of America
Capital One Bank
Educational and Governmental FCU
Greater Centennial FCU
JP Morgan Chase Bank
Orange Bank & Trust
PCSB Bank
TD Bank

Utilities

The City's water supply comes from the New York City/Delaware Aqueduct system. Electricity and gas services are provided by the Consolidated Edison Company. Telephone service is provided by Verizon and virtually every section of the City is serviced by municipal storm and sanitary sewers.

END OF APPENDIX A

APPENDIX B

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016*

**CAN BE ACCESSED ON THE ELECTRONIC MUNICIPAL MARKET ACCESS
("EMMA") WEBSITE
OF THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB")
AT THE FOLLOWING LINK:**

<https://emma.msrb.org/P21730568.pdf>

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

*** PKF O'Connor Davies, 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.**