CITY OF NEWBURGH

City Hall. 83 Broadway, Newburgh, New York 12550
(845) 569.7301/Fax (845) 569-7370
Email: citymanager@citvofnewburgh-ny.gov

Richard F. Herbek, City Manager

January 31, 2012

TO: Honorable Thomas P. DiNapoli, State Comptroller
Honorable John A. DeFrancisco, Chair Senate Finance Committee
Honorable Herman D. Farrell, Jr., Chair Assembly Ways and Means Committee
Robert L. Megna, Director, State Division of Budget
Mayor Judy Kennedy
Councilwoman Regina Angelo
Councilwoman Cedric Brown
Councilman Curlie Dillard
Councilwoman Gay Lee

RE: City of Newburgh Multiyear Financial Plan, and
4th Quarter 2011 Update

Ladies and Gentlemen:

Enclosed is the 4th Quarter 2011 Update and the Multiyear Financial Plan as required under §11 of the Newburgh Fiscal Recovery Act (Chapter 223 of the Laws of 2010). This Plan is based on the adopted and revised budgets for 2011, the City 2012 Budget that was adopted on November 28, 2011, and a projected three year Financial Plan for year 2013 through 2015 based on current available information.

Attached are schedules showing the following projected data for 2011-2015:

1. Summary of General Fund projected Annual Budgets
2. Constitutional Debt Limit
3. Constitutional Tax Contracting Margin
4. Personnel Numbers
5. Property Tax Levy and Tax Rates

These projections are based on the assumption that the General Fund accumulated deficit as of December 31, 2010 will be certified by the Office of the State Comptroller as required under the Newburgh Fiscal Recovery Act and that Deficit Bonds will be sold to completely eliminate the shortfall. A balanced budget for 2011

was adopted with no appropriations from fund balance or one time revenues included. The projected plans for years 2013 through 2015 also do not include any appropriations from fund balance or one time revenues.

2011- 2012

The City Council adopted a balanced budget for 2012 on November 28, 2011. The property tax levy has been increased to the maximum allowed under the New York State 2% property tax cap legislation. The balanced budget was principally achieved through negotiations and settlements with two labor unions. The stipulations of agreement provided for a reduction of benefits with the PBA and the PSOA. Also, in 2011, we successfully negotiated a new 5-year agreement with IAFF Local #589 which included salary rollbacks, step freezes, a lower pay scale for new firefighters, health care contributions for new employees during their entire career with the City, and changes in the vacation schedule to reduce overtime costs, resulting in substantial savings to the City.

The slow recovering economy is not generating major increases in sales tax revenues and no increase in State assistance is projected in the budget. During 2011 the City of Newburgh has seen the beginning or completion of the following projects:

i. Orange County Community College opened a full degree secondary campus on Grand Street.

ii. City of Newburgh signed an agreement with the Newburgh Armory Unity Center (NAUC), a not for profit with the mission to provide recreational and educational opportunities to disadvantaged youth and organize, host and promote community events in the City of Newburgh. The NAUC serves 750 youth weekly and the NYS Eastern Olympic Team is now located at the Armory.

iii. The City of Newburgh is working on the development of the Mid-Broadway lot as well as several other City-owned properties.

iv. Motorcyclepedia Museum opened March 2011.

v. Newburgh Brewing Company is scheduled to open within the next 3 months in a defunct factory.

In addition, negotiations are still underway with the Civil Service Employees Association (CSEA) union whose agreement expired December 31, 2010. The Patrolmen's Benevolent Association (PBA) signed a 4 year agreement that covers the period of 2009-2012; the Police Superior Officers Association (PSOA) union whose agreements expired December 31, 2008 signed a MOA for 2012 that included givebacks to assist the city reaching a balanced budget. The PBA &

PSOA worked with City Manager Richard Herbek to reach mutual agreements preventing the layoffs of uniformed employees. The contract proposed to the CSEA, which would have prevented the layoffs of 2 employees, was declined by the membership on December 29, 2012. The City and Union have agreed to further negotiations during this year.

2013 - 2015

The projected General Fund Budgets for the next three years show expenditures exceeding revenues by a potential $1.2 million in 2013, $1.7 million in 2014 and $2.2 million in 2015.

This is based on all revenues remaining relatively constant. Expenditures are also projected to remain relatively constant except for a 10% increase in health costs which are outside the City's ability to control. The 2% tax cap levy does put a burden on the city to review each expenditure in coming years.

Projecting further cuts to personnel at this time is not deemed advisable since it would result in major reductions in essential City services. However, savings are anticipated from employees retiring and their replacements, where necessary, will start at a lower grade level salary with reduced benefits which should help offset these projected deficits. Successful results from the CSEA union contract negotiation could also contribute to deficit reductions.

The ongoing projected decline in the City assessment rolls will continue to reduce the City's Debt Contracting Margin and its Constitutional Tax Margin. From 2011-2015 the Constitutional Tax Margin is projected to drop from 40% to 23% and the Debt Contracting Margin decrease for the same period will be 57% to 55%. The five-year average assessment valuation will hopefully stabilize during this period.

Financial Stability

The City has taken on new debt of $2,500,000 to repair and rebuild three water system storage tanks which serve approximately 27,000 residents, and $220,000 for the replacement of a sanitation truck. The Office of the State Comptroller has requested a capital plan to be developed and fully implemented in the 2013 budget. The City must act on implementing a capital plan to maintain or replace the equipment, infrastructure and property to ensure the health and safety of its residents. We are continually searching for grants to help meet anticipated expenses.

City Manager Richard Herbek has worked diligently to procure extra revenue from outside agencies that use the city's properties (i.e.: Mobile Life now pays an annual fee of $40,000; and the fee for the Newburgh Nuclears use of the Delano Hitch Stadium has increased to $10,000.) The City continues to review fees and charges

and compare them with those set by surrounding municipalities and work continues on plans to increase revenues wherever possible – for example recommendations for improving revenues from parking lots and meters have already been acted upon by the City Council.

What the City really needs is another major revenue stream. Items that have been considered include:

- A payroll tax or income tax - which would require approval from the NYS Legislative Body.

- Voluntary PILOT payments from the major not-for-profit corporations in Newburgh, i.e., Mount Saint Mary College, SUNY Orange, and St. Luke's Cornwall Hospital, as has been done in other cities in New York State, such as Schenectady and Syracuse. Even though communications have not been fruitful as of date, the council still wishes to pursue this item.

The City of Newburgh will again request that state legislation be introduced to allow the establishment of a local Administrative Tribunal for the adjudication of parking infractions. Mayor Judy Kennedy and City Manager Richard Herbek will meet with NYS Legislative Transportation Committee Head David Gantt to ascertain what is required to have this bill become law. In 2011 the City equipped its traffic enforcement officers with hand-held devices which can read car registrations, take pictures of the infractions and print tickets directly. This greatly increases the potential number of tickets issued, however, the City Court is not willing to and/or not capable of processing not-guilty pleas in a timely manner. In 2011, the proposed Parking Tribunal legislation (Larkin/Kirwan) was approved by the State Senate, and, the State Assembly once again failed to act on it. The City currently has more than 49,000 outstanding parking tickets, valued at $3 million, a substantial yet seemingly unobtainable revenue source.

The major challenge will be for the City to maintain its balanced budget. The City Comptroller's 4th quarterly report required under §9 of the Newburgh Fiscal Recovery Act (being submitted under separate cover) shows less than a 1% shortfall for the 2011 fiscal year.

Summary

The City has started down the road towards achieving fiscal recovery, however, we know that much work is ahead of us to achieve this goal. We will have to continue on the same path for the next several years with no available fund balance, reserves to call upon, or any known projected one-time revenues. If the General Fund is to generate a positive fund balance in the next few years, use of those funds should be restricted until a significant fund balance has been accumulated to return the City's rating to investment grade.

The City bond rating, although below investment grade, was reaffirmed by Moody's with a positive outlook. Moody's has agreed to review our rating prior to our issuance of a Bond in June to convert the city's outstanding BAN's.

The City of Newburgh will continue to monitor federal and state funding and unfunded mandates that affect our financial position, and adjust the budget accordingly.

The Department Heads and all employees of the City are to be commended for their efforts to maintain essential City services with limited resources and advance the City through its fiscal recovery. Their sacrifices are duly noted and hopefully can be rewarded in the future.

Respectfully submitted,

Richard F. Herbek
City Manager

CCs w/enclosures:

Honorable William J. Larkin, Jr., Senator
100th Assemblyman's Office
Christopher J. Ellis, Chief Examiner, OSC

CITY OF NEWBURGH

Schedule 1-1

SUMMARY OF REVENUES AND EXPENDITURES

THREE YEAR FINANCIAL PROJECTION

As of December 31, 2011

GENERAL FUND	ADOPTED BUDGET 2011	ADJUSTED BUDGET Dec 31, 2011	ADOPTED BUDGET 2012	PROJECTED 3 YEAR FINANCIAL PLAN 2013	2014	2015
REVENUES						
Real Property Taxes	$18,807,484	$ 18,807,484	$ 18,807,484	19,483,461	$19,873,130	$20,270,593
Increase limited to 2%			675,977 (A)	389,669 (A)	397,463 (A)	405,412 (A)
Total Tax levy	18,807,484	18,807,484	19,483,461	19,873,130	20,270,593	20,676,005
Related Property Tax Items	1,126,999	1,126,999	848,243 (B)	850,000	860,000	870,000
Non-Property Tax Items	9,938,000	9,938,000	10,100,000	10,100,000 (C)	10,300,000 (C)	10,400,000 (C)
Department Income	867,000	1,048,083	827,244	830,000	830,000	830,000
Service Charges to Other Gov'ts	268,000	268,000	170,710	171,000	172,000	173,000
Use of Money and Property	77,359	77,359	72,000	72,000 (D)	73,000 (D)	74,000 (D)
Licenses and Permits	262,750	262,750	235,000	235,000	235,000	235,000
Fines and Forfeitures	580,000	580,000	540,000	540,000	550,000	560,000
Sale of Property & Compensation for loss	3,000	3,000	4,000	4,000	4,000	4,000
New York State	5,517,711	5,517,711	5,200,625 (E)	5,200,000	5,200,000 (F)	5,200,000 (F)
Federal Grants	0	0	0	0	0	0
Miscellaneous	167,750	219,844	445,000	445,000	445,000	445,000
	37,616,053	37,849,230	37,926,283	38,320,130	38,939,593	39,467,005
Interfund Revenue:						
Water	474,417	474,417	1,163,143	1,163,143	1,163,143	1,163,143
Sewer	886,047	886,047	1,341,677	1,341,677	1,341,677	1,341,677
Sanitation	259,202	259,202	454,442	454,000	454,000	454,000
Community Development	50,000	50,000	0	0	0	0
Industrial Development	45,492	45,492	15,000	15,000	15,000	15,000
	1,715,158	1,715,158	2,974,262	2,973,820	2,973,820	2,973,820
Interfund Transfers	0	0	0	0	0	0
TOTAL REVENUES	$39,331,211	$39,564,388	$40,900,545	$41,293,950	$41,913,413	$42,440,825

(*) SEE EXPLAINATIONS NEXT PAGE

CITY OF NEWBURGH

Schedule 1-2

THREE YEAR FINANCIAL PROJECTION

SUMMARY OF REVENUES AND EXPENDITURES (Continued)

EXPENDITURES						
OPERATIONS						
1 Personnel Services	16,097,433	16,120,409	15,576,761	16,100,000 (G)	16,420,000 (G)	16,590,000 (G)
8 Employee Benefits	10,442,467	10,554,953	12,052,597	12,759,205 (H)	13,549,962 (H)	14,404,958 (H)
2 Equipment & Capital	266,160	477,329	385,000	385,000	385,000	385,000
4 Contractual Expense	5,120,826	5,002,200	5,314,169	5,500,000 (I)	5,600,000 (I)	5,700,000 (I)
	31,926,886	32,154,891	33,328,527	34,744,205	35,954,962	37,079,958
INDEBTEDNESS						
Debt	1,986,080	1,986,080	1,846,725	4,839,923	4,785,955	4,711,086
BANs	1,743,214	1,743,214	1,843,982	0	0	0
TANs	308,536 (J)	308,536	312,000	312,000	312,000	312,000
Capital Leases	204,395	204,404	183,511	125,000	98,000	98,000
School District	135,000 (K)	135,000	0	0	0	0
Deficit Financing	618,000 (L)	618,000	887,500	0	0	0
	4,995,225	4,995,234	5,073,718	5,276,923	5,195,955	5,121,086
TRANSFERS TO OTHER FUNDS						
Self Insurance Fund	2,409,100 M	2,409,263	2,498,300	2,500,000	2,500,000	2,500,000
Grant Fund	0	5,000	0	0	0	0
Capital Projects Fund	0	0	0	0	0	0
	2,409,100	2,414,263	2,498,300	2,500,000	2,500,000	2,500,000
TOTAL EXPENDITURES	39,331,211	39,564,388	40,900,545	42,521,128	43,650,917	44,701,044
REVENUES OVER (UNDER) EXPENDITURES	$0	$0	$0	($1,227,178)	($1,737,504)	($2,260,219)

(*) SEE EXPLAINATIONS BELOW

EXPLAINATIONS

(A) Tax levy based on actual tax cap formula for 2012 and limited to 2% in future years.
(B) Decreased due to overestimated 2011 Revenue
(C) Projecting 1% annual increase in Sales Tax revenue, offset by reductions in Utilities Gross Receipts and Franchise fees
(D) Projection modest increase in interest rates.
(E) Projecting 2-1/2% reduction in State Aid, reduced mortgage taxes, and no Armory grant.
(F) Projecting modest increase in mortgage taxes.
(G) Increases due to salary steps, longevity and overtime offset by reductions in personnel.
(H) Projecting 10% increase each year for benefits, namely health costs.
(I) Modest incease due to cost reduction efforts.
(J) Projecting no increase in future TAN financing required.
(K) Projecting no future delays in remitting school taxes.
(L) Projecting $9.0 million debt financed over 13 years @6.00 % BANs in 2012 and 8.50% Bonds in future years.
(M Minor increases offset by safety program improvements.

CITY OF NEWBURGH

Schedule 2

CONSTITUTIONAL DEBT LIMIT

Assessment Year	Assessed Valuation	State Equalization Rate	2012 Full Valuation	PROJECTED CONSTITUTIONAL DEBT LIMITS 2013 Full Valuation	2014 Full Valuation	2015 Full Valuation
2007	287,627,708	20.00%	1,438,138,540			
2008	1,602,227,884	100.00%	1,602,227,884	$ 1,438,138,540		
2009	1,336,378,711	100.00%	1,336,378,711	1,602,227,884	$ 1,602,227,884	
2010	1,187,301,161	100.00%	1,187,118,211	1,336,378,711	1,336,378,711	$ 1,336,378,711
2011	1,088,641,931	100.00%	1,088,641,931	1,187,118,211	1,187,118,211	1,187,118,211
2012		100.00%		1,001,550,577	1,001,550,577	1,001,550,577
2013	Projected	100.00%			921,426,530	921,426,530
2014	Annual	100.00%				866,140,939
2015	Reductions	100.00%				
Total Five Year Valuation			$ 6,652,505,277	$ 6,565,413,923	$ 6,048,701,913	$ 5,312,614,967
Average Five Year Valuation			$ 1,330,501,055	$ 1,313,082,785	$ 1,209,740,383	$ 1,062,522,993
Debt Limit - 7% of Average Full Value			$ 93,135,074	$ 91,915,795	$ 84,681,827	$ 74,376,610

Issue	Original Indebtedness	Outstanding				
Bonds:						
1999A	$ 7,195,000	3,835,000		3,430,000	3,010,000	2,565,000
1999B	2,650,000	485,000		320,000	155,000	-
2003A	1,000,000	700,000		655,000	605,000	555,000
2008A	9,043,100	7,385,000		6,935,000	6,460,000	6,010,000
2008B	12,210,000	11,525,000	$ 23,930,000	11,275,000	11,015,000	10,740,000
2011A				28,500,011	27,075,011	25,640,011
Drinking Water:						
2001	4,273,923	3,045,778		2,912,116	2,776,569	2,639,017
2005	5,674,277	4,540,000	7,585,778	4,350,000	4,160,000	3,970,000
BANs:						
2011C	17,266,704	17,266,704		-	-	-
2011A	5,115,000	5,115,000		-	-	-
2011B	9,000,000	9,000,000		-	-	-
			31,381,704	-	-	-
Total Indebtedness			$ 62,897,482	58,377,127	55,256,580	52,119,028
Deduct Water/Sewer, Sanitation Indebtedness:						
1999A	1,330,000	708,902		634,038	556,401	474,142
1999B	1,685,119	308,408		203,486	98,504	-
2008A	4,654,000	4,050,000		3,875,000	3,690,000	3,495,000
DW2001	4,373,923	3,145,775		3,012,153	2,876,566	2,739,014
DW2002	5,674,277	4,540,000		4,350,000	4,160,000	3,970,000
2011A				9,580,536	8,747,029	7,986,037
BAN2010	7,882,065	7,440,065				-
BAN2011C	2,720,000	2,720,000				-
		22,913,150		21,655,213	20,128,500	18,664,193
Net Indebtedness			$ 39,984,332	$ 36,721,914	$ 35,128,080	$ 33,454,835
DEBT CONTRACTING MARGIN			$ 53,150,742	$ 55,193,881	$ 49,553,747	$ 40,921,775
DEBT CONTRACTING MARGIN PERCENTAGE			57%	60%	59%	55%

CITY OF NEWBURGH

Schedule 3

CONSTITUTIONAL TAX CONTRACTING MARGIN			2012	PROJECTED TAX CONTRACTING MARGIN 2013	2014	2015
Average Five Year Valuation			$ 1,330,501,055	$ 1,313,082,785	$ 1,209,740,383	$ 1,062,522,993
Maximun Tax Margin - 2% of Averge Full Value			$ 26,610,021	$ 26,261,656	$ 24,194,808	$ 21,250,460
Exclusions - Debt Service Payments:						
Issue:	Prinicpal	Interest				
Bonds:						
1999A	405,000	113,728		574,447	578,903	577,289
1999B	165,000	22,955		180,200	162,362	-
2003A	45,000	32,788		80,763	78,513	76,263
2008A	450,000	345,644		797,019	747,082	724,582
2008B	250,000	545,456		791,706	793,056	788,619
2011A				3,000,000	3,000,000	3,000,000
Drinking Water:						
2001	133,622	-		135,587	137,552	139,517
2005	190,000	-		190,000	190,000	190,000
BANs:						
2009B	1,490,000	683,474				
2010A	125,000	189,767				
2010B	460,000	427,500				
Total	3,713,622	2,361,312	6,074,934	5,749,722	5,687,468	5,496,270
Maximum Taxing Power		100.00%	$ 32,684,955	$ 32,011,378	$ 29,882,276	$ 26,746,730
Tax Levy - City Proposed			$ 19,483,461	$ 19,873,130	$ 20,270,593	$ 20,676,005
Constitutional Tax Margin			$ 13,201,494	$ 12,138,247	$ 9,611,683	$ 6,070,725
Constitutional Tax Margin Percentage			40%	38%	32%	23%

Schedule 4

CITY OF NEWBURGH
PERSONNEL NUMBERS

GENERAL FUND

	2012 Manager's	2013 Projected	2014 Projected	2015 Projected
Police	69.5	69.5	69.5	69.5
Fire/Codes	52.5	51.5	50.5	49.5
DPW	19.3	19.0	19.0	19.0
Recreation	2.2	2.0	2.0	2.0
Total Services	143.5	142.0	141.0	140.0
General Gov't(1)	40.0	40.0	40.0	40.0
Total	183.5	182.0	181.0	180.0

ENTERPRISE FUNDS

Water	18.0	18.0	18.0	18.0
Sewer	7.0	7.0	7.0	7.0
Sanitation	18.0	18.0	18.0	18.0
Total	43.0	43.0	43.0	43.0
Combine Total	226.5	225.0	224.0	223.0

(1) General Government includes Council, City Manager, Assessor, City Clerk, Corporation Counsel, Finance, Data Processing, Civil Service, City Engineer and Tax Collector departments.

CITY OF NEWBURGH

Schedule 5

PROPERTY TAX LEVY

	ADOPTED 2012	Projected 2013	Projected 2014	Projected 2015
PROPERTY TAX LEVY	$19,489,461	$19,879,250	$20,276,835	$20,682,372
ASSESSMENTS:	(A)			
HOMESTEAD	$680,110,020	$625,701,218	$588,159,145	$564,632,779
NON-HOMESTEAD	408,531,911	375,849,358	353,298,397	339,166,461
	$1,088,641,931	$1,001,550,577	$941,457,542	$903,799,240
Projected Change	-8.3%	-8.0%	-6.0%	-4.0%
TAX RATES (PER $1,000):				
HOMESTEAD	$15.3453	$17.7809	$19.2942	$20.5001
NON-HOMESTEAD	$21.2269	$23.2903	$25.2724	$26.8519

(A) Based on July 1, 2011 Assessor's Report for the 2011 Assessment Roll