



CITY OF NEWBURGH

OFFICE OF THE CITY MANAGER
City Hall - 83 Broadway, Newburgh, New York 12550
www.cityofnewburgh-ny.gov

citymanager@cityofnewburgh-ny.gov

Richard F. Herbek
Acting City Manager

Phone: (845) 569-7301
Fax: (845) 569-7370

April 18, 2011

TO: Honorable Thomas P. Napoli, 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 Nicholas Valentine
Councilwoman Regina Angelo
Councilwoman Marge Bell
Councilwoman Christine Bello
Councilman Curlie Dillard

RE: City of Newburgh Multiyear Financial Plan
1st Quarter 2011

Ladies and Gentlemen:

Enclosed is the 1st Quarter 2011 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 budget for 2011 and the projected results for the next three succeeding years based on the information available as of this date.

Attached are schedules showing the following projected data for the years 2012, 2013, and 2014:

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

No appropriations from fund balance or one time revenues are included in the above projections.

2012

The projected General Fund Budget for 2012 shows expenditures exceeding revenues by a potential \$1.4 million. This number is the result of limiting the maximum increase in the

property tax levy to the 2% cap proposed by the Governor and included in the legislation adopted by the State Senate.

However, even with limiting the increase in the property tax levy to 2%, because of the projected continued reduction of the City's taxable assessed values, the property tax rates are projected to increase approximately 10% in 2012.

This information has been shared with the City Council for their consideration and to learn their proposals for how this shortfall should be addressed. The City is currently in the process of reviewing local controlled revenue sources to determine if there are opportunities to generate additional revenues without placing any additional financial burden on local property taxpayers.

The City has three major union contracts (CSEA, PBA and PSOA) that have expired. Formal negotiations have started with two, CSEA and PBA. The City is striving to achieve approximately \$1.0 million saving in personnel cost which should result in approximately \$0.5 million in related employee benefit savings. Alternatively, the City can elect to reduce personnel by a number that will achieve the same savings.

The City is also preparing a proposed amendment to the Newburgh Fiscal Recovery Act. This Act currently provides that City must issue Bonds for the certified deficit as of the end of 2010 before the end of 2011. The City has been informed by its Fiscal Advisor that to issue Bonds in 2011 when the City's investment rating (Ba1) is below market grade would result in higher annual interest cost versus if the City was able to issue Deficit Renewal Notes (BANs) for the next few years until it again achieves an investment grade rating. This has the potential of saving the City approximately \$854,000 over the next four years. See Schedule 6 attached.

The City has also requested state legislation be introduced that would allow the City to establish a local Administrative Tribunal for the adjudication of parking infractions. One of the initiatives undertaking by the City has been to equip its traffic enforcement officers with hand-held devices to read car registrations, take pictures of the infractions and issue printed tickets. The City could greatly increase the number of tickets issues but the City Court is not capable of timely processing those tickets when not-guilty pleas have been filed. The lack of an Administrative Tribunal is costing the City the loss of potential revenues.

2013 and 2014

The projected annual budgets for 2013 and 2014 reflect keeping the tax levy increase each year within the 2% cap. This results in an additional \$0.6 million and \$0.7 million potential deficit in 2013 and 2014, respectively. No additional reductions in personnel are at this time deemed feasible without major reductions in essential City services. However, savings are anticipated from personnel retirements and the replacement thereof by new employees at starting grade level salaries with reduced benefits which should help offset these projected deficits.

In addition, if the amendment to the Fiscal Recovery Act is enacted, it is projected this will save the City approximately \$200,000 per year.

Financial Stability

The City has identified and initiated significant actions necessary to achieve and maintain long-term fiscal stability. These efforts were detailed in its December 22, 2010 Multiyear Financial Plan report.

The major effort at the moment is to ensure the City abides by its 2011 budget. The City Comptroller's 1st quarterly report required under §9 of the Newburgh Fiscal Recovery Act (submitted under separate cover) shows that has been achieved so far this year and no corrective actions are required at this time.

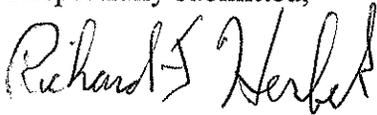
Summary

The City has started down the road of fiscal recovery but the end is not yet in sight. The City has to operate within its adopted 2011 budget and will have to do the same for the next several years with no available fund balance, reserves to call upon, or any known projected one-time revenues.

All this in a time of economic uncertainty, the loss of any federal stimulus funding, the potential for further reductions in State assistance, plus further mandates without funding being imposed on the City by either the State and/or Orange County.

I have to thank the administrators and the workers of the City for their efforts in advancing the City through this fiscal recovery. Their sacrifice is noted and hopefully can be rewarded in the future.

Respectfully submitted,



Richard F. Herbek
Acting City Manager

CCs w/enclosures:

Honorable William J. Larkin, Jr., Senator
Honorable Tom Kirwan, Assemblyman
Cheryl A. Gross, City Comptroller
Christopher J. Ellis, Chief Examiner, OSC
J. Dwight Hadley, CPA

SUMMARY OF REVENUES AND EXPENDITURES

THREE YEAR FINANCIAL PROJECTION

GENERAL FUND	ADOPTED BUDGET 2011	PROJECTED ANNUAL BUDGETS		
		2012	2013	2014
REVENUES				
Real Property Taxes	\$18,807,484	\$18,807,484	\$19,183,634	\$19,567,307
Increase limited to 2%		376,150 (A)	383,673 (A)	391,346 (A)
Total Tax levy	18,807,484	19,183,634	19,567,307	19,958,653
Related Property Tax Items	1,126,999	926,999 (B)	926,999	926,999
Non-Property Tax Items	9,938,000	10,038,000 (C)	10,138,000 (C)	10,238,000 (C)
Department Income	867,000	867,000	867,000	867,000
Service Charges to Other Gov'ts	268,000	268,000	268,000	268,000
Use of Money and Property	77,359	78,000 (D)	79,000 (D)	80,000 (D)
Licenses and Permits	262,750	262,750	262,750	262,750
Fines and Forfeitures	580,000	580,000	580,000	580,000
Sale of Property & Compensation for loss	3,000	3,000	3,000	3,000
New York State	5,517,711	5,250,000 (E)	5,300,000 (F)	5,350,000 (F)
Federal Grants	0	0	0	0
Miscellaneous	167,750	167,750	167,750	167,750
	37,616,053	37,625,133	38,159,806	38,702,152
Interfund Revenue:				
Water	474,417	474,417	474,417	474,417
Sewer	886,047	886,047	886,047	886,047
Sanitation	259,202	259,202	259,202	259,202
Community Development	50,000	50,000	50,000	50,000
Industrial Development	45,492	45,492	45,492	45,492
	1,715,158	1,715,158	1,715,158	1,715,158
Interfund Transfers	0	0	0	0
TOTAL REVENUES	\$39,331,211	\$39,340,291	\$39,874,964	\$40,417,310

(*) SEE EXPLANATIONS NEXT PAGE

THREE YEAR FINANCIAL PROJECTION SUMMARY OF REVENUES AND EXPENDITURES (Continued)

EXPENDITURES

OPERATIONS

1 Personnel Services	16,097,433	16,260,000 (G)	16,420,000 (G)	16,590,000 (G)
8 Employee Benefits	10,442,467	11,486,000 (H)	12,604,000 (H)	13,864,000 (H)
2 Equipment & Capital	266,160	266,160	266,160	266,160
4 Contractual Expense	5,120,826	5,068,666 (I)	5,068,666	5,068,666
	<u>31,926,886</u>	<u>33,080,826</u>	<u>34,358,826</u>	<u>35,788,826</u>

INDEBTEDNESS

Debt	1,986,080	1,854,566	1,848,074	1,840,000
BANs	2,361,214	1,885,716	1,874,864	1,865,000
TANs	308,536 (J)	0	0	0
Capital Leases	204,395	125,000	98,000	98,000
School District	135,000 (K)	0	0	0
Deficit Financing	(L)	977,500	976,225	932,450
	<u>4,995,225</u>	<u>4,842,782</u>	<u>4,797,163</u>	<u>4,735,450</u>

TRANSFERS TO OTHER FUNDS

Self Insurance Fund	2,409,100 (M)	2,300,000	2,200,000	2,100,000
Grant Fund	0	0	0	0
Capital Projects Fund	0	0	0	0
	<u>2,409,100</u>	<u>2,300,000</u>	<u>2,200,000</u>	<u>2,100,000</u>

TOTAL EXPENDITURES	<u>39,331,211</u>	<u>40,223,608</u>	<u>41,355,989</u>	<u>42,624,276</u>
--------------------	-------------------	-------------------	-------------------	-------------------

REVENUES OVER (UNDER) EXPENDITURES	<u>\$0</u>	<u>(\$883,317)</u>	<u>(\$1,481,025)</u>	<u>(\$2,206,966)</u>
---------------------------------------	------------	--------------------	----------------------	----------------------

(*) SEE EXPLANATIONS BELOW

EXPLANATIONS

- (A) Tax levy increase limited to 2% property tax cap.
- (B) Decrease due to reduce proceeds from sale of property & Interest on Redemptions.
- (C) Projecting 1% annual increase in Sales Tax revenue.
- (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% annual increase in benefits, namely health and pension costs.
- (I) Modest savings due to cost reduction efforts.
- (J) Projecting no future TAN financing required.
- (K) Projecting no future delays in remitting school taxes.
- (L) Projecting \$12 million level debt service financed over 14 years @8.50%.
- (M) Modest decrease as a result of safety program improvements.

CONSTITUTIONAL DEBT LIMIT

Assessment Year	Assessed Valuation	State Equalization Rate	2011 Full Valuation	PROJECTED CONSTITUTIONAL DEBT LIMITS		
				2012 Full Valuation	2013 Full Valuation	2014 Full Valuation
2006	\$ 307,162,652	24.00%	\$ 1,279,308,329			
2007	287,627,708	20.00%	1,438,138,540	\$ 1,438,138,540		
2008	1,602,227,884	100.00%	1,602,227,884	1,602,227,884	\$ 1,602,227,884	
2009	1,336,378,711	100.00%	1,336,378,711	1,336,378,711	1,336,378,711	\$ 1,336,378,711
2010	1,187,118,211	100.00%	1,187,118,211	1,187,118,211	1,187,118,211	1,187,118,211
2011	Projecting	100.00%		1,092,148,754	1,092,148,754	1,092,148,754
2012	Annual	100.00%			1,010,416,678	1,010,416,678
2013	Reductions	100.00%				949,791,677
Total Five Year Valuation			\$ 6,843,171,675	\$ 6,656,012,100	\$ 6,228,290,238	\$ 5,575,854,031
Average Five Year Valuation			\$ 1,368,634,335	\$ 1,331,202,420	\$ 1,245,658,048	\$ 1,115,170,806
Debt Limit - 7% of Average Full Value			\$ 95,804,403	\$ 93,184,169	\$ 87,196,063	\$ 78,061,956
Issue	Original Indebtedness	Outstanding				
Bonds:						
1999A	\$ 7,195,000	\$ 4,885,000		4,220,000	3,835,000	3,430,000
1999B	2,650,000	715,000		650,000	485,000	320,000
2003A	1,000,000	785,000		745,000	700,000	655,000
2008A	9,043,100	8,495,000		7,940,000	7,385,000	6,935,000
2008B	12,210,000	11,995,000	\$ 26,875,000	11,765,000	11,525,000	11,275,000
Drinking Water:						
2001	4,273,923	3,307,127		3,177,435	3,045,778	2,912,116
2005	5,674,277	4,920,000	8,227,127	4,730,000	4,540,000	4,350,000
BANs:						
2009B	17,092,530	17,092,530		15,698,000	14,205,000	12,647,000
2010A	5,223,868	5,223,868		5,098,868	4,968,868	4,833,868
2010B	12,000,000	12,000,000	34,316,398	12,000,000	11,485,000	10,970,000
Total Indebtedness			\$ 69,418,525	66,024,303	62,174,646	58,327,984
Deduct Water/Sewer Indebtedness:						
1999A	1,330,000	780,069		708,902	634,038	556,401
1999B	1,685,119	413,330		308,408	203,486	98,504
2008A	4,654,000	4,220,000		4,050,000	3,875,000	3,690,000
DW2001		3,307,127		3,177,435	3,045,778	2,912,116
DW2002		4,920,000		4,730,000	4,540,000	4,350,000
BAN2009	7,882,065	7,882,065	21,522,591	7,440,065	6,969,065	6,483,065
Net Indebtedness			\$ 47,895,934	\$ 45,609,493	\$ 42,907,279	\$ 40,237,898
DEBT CONTRACTING MARGIN			\$ 47,908,469	\$ 47,574,676	\$ 44,288,784	\$ 37,824,058
DEBT CONTRACTING MARGIN PERCENTAGE			50%	51%	51%	48%

CITY OF NEWBURGH

Schedule 3

CONSTITUTIONAL TAX CONTRACTING MARGIN	2011	PROJECTED TAX CONTRACTING MARGIN		
		2012	2013	2014
Average Five Year Valuation	\$1,368,634,335	\$1,331,202,420	\$1,245,658,048	\$1,115,170,806
Maximun Tax Margin - 2% of Average Full Value	\$ 27,372,687	\$ 26,624,048	\$ 24,913,161	\$ 22,303,416
Exclusions - Debt Service Payments:				
Issue:	Prinicpal	Interest		
Bonds:				
1999A	385,000	192,803	579,041	578,903
1999B	165,000	30,545	187,955	152,362
2003A	45,000	34,812	77,788	78,513
2008A	555,000	376,169	795,644	747,082
2008B	240,000	559,856	795,456	793,056
2011 Deficit Financing			977,500	932,450
Drinking Water:				
2001	131,657	-	133,622	137,552
2005	190,000	-	190,000	190,000
BANs:				
2009B	1,394,530	940,089		
2010A	-	269,544	406,325	408,288
2010B	-	618,000	2,664,926	2,458,820
Total	3,106,187	3,021,818	6,128,005	6,477,026
Maximum Taxing Power	100.00%	\$ 33,500,692	\$ 33,432,305	\$ 31,372,533
Tax Levy - City Proposed		\$ 18,807,484	\$ 19,183,634	\$ 19,958,653
Constitutional Tax Margin		\$ 14,693,208	\$ 14,248,671	\$ 8,821,789
Constitutional Tax Margin Percentage		44%	43%	38%

**CITY OF NEWBURGH
PERSONNEL NUMBERS**

GENERAL FUND

	2010	2011	2012	2013	2014
	<u>Actual</u>	<u>Adopted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Police	110.0	84.5	72.0	72.0	72.0
Fire/Codes	76.0	57.0	55.0	55.0	55.0
DPW	30.5	19.3	19.0	19.0	19.0
Recreation	4.0	2.2	2.0	2.0	2.0
Total Services	220.5	163.0	148.0	148.0	148.0
General Gov't(1)	43.5	42.0	40.0	40.0	40.0
Total	264.0	205.0	188.0	188.0	188.0

ENTERPRISE FUNDS

Water	21.5	18.0	18.0	18.0	18.0
Sewer	8.0	7.0	7.0	7.0	7.0
Sanitation	20.0	18.0	18.0	18.0	18.0
Total	49.5	43.0	43.0	43.0	43.0

Combine Total	313.5	248.0	231.0	231.0	231.0
----------------------	--------------	--------------	--------------	--------------	--------------

(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

AS AMENDED DECEMBER 13, 2010

	ADOPTED 2011	Projected 2012	Projected 2013	Projected 2014
PROPERTY TAX LEVY	\$18,807,484	\$19,183,634	\$19,567,307	\$19,958,653
ASSESSMENTS:				
Projected Change		-8%	-6%	-6%
HOMESTEAD	\$746,815,200	\$687,069,984	\$645,845,785	\$607,095,038
NON-HOMESTEAD	440,303,011	405,078,770	364,570,893	342,696,640
	\$1,187,118,211	\$1,092,148,754	\$1,010,416,678	\$949,791,677
TAX RATES (PER \$1,000):				
HOMESTEAD	\$14.0907	\$15.6261	\$17.3246	\$19.2077
NON-HOMESTEAD	\$18.8091	\$20.8535	\$23.1200	\$25.6333

City of Newburgh, New York

Comparative Cost Analysis of Issuing Deficit Bonds v. Deficit Renewal Notes

Provided below are estimates of issuance costs and debt service costs to the City for issuing deficit bonds v. deficit renewal notes under conservatively projected market conditions based on economic indicators prevailing today. Precise estimates can only be realized through intensive one-on-one conversations with potential investors at the time of pricing. The below information is provided to demonstrate the potential interest cost savings to be realized by the City by issuing BANs through their legally allowable renewal period rather than issuing long term bonds during this time.

	Deficit Bonds*				Deficit Renewal BANs**				
Par	\$ 12,000,000				\$ 12,000,000				
Rating	Ba1				Non-Rated				
Underwriter's Discount	\$ 180,000				\$ 90,000				
Cost of Issuance	\$ 100,000				\$ 55,000				
Total Costs ***	\$ 280,000				\$ 145,000				
Interest Costs	Amortization	Coupon	Yield	Interest Cost	Coupon	Yield	Interest Cost	Interest Cost Savings/Year	
2012	\$ 515,000	8.50%	5.36%	\$ 977,500	6.50%	5.25%	\$ 780,000	\$ 197,500	
2013	\$ 515,000	8.50%	5.68%	\$ 976,225	6.50%	5.25%	\$ 746,525	\$ 229,700	
2014	\$ 560,000	8.50%	5.99%	\$ 932,450	6.50%	5.25%	\$ 713,050	\$ 219,400	
2015	\$ 610,000	8.50%	6.41%	\$ 884,850	6.50%	5.25%	\$ 676,650	\$ 208,200	
2016	\$ 660,000	8.50%	6.75%	\$ 833,000					
2017	\$ 715,000	8.50%	7.14%	\$ 776,900					
2018	\$ 775,000	8.50%	7.49%	\$ 716,125					
2019	\$ 845,000	8.50%	7.81%	\$ 650,250					
2020	\$ 915,000	8.50%	8.04%	\$ 578,425					
2021	\$ 995,000	8.50%	8.19%	\$ 500,650					
2022	\$ 1,080,000	8.50%	8.36%	\$ 416,075					
2023	\$ 1,170,000	8.50%	8.50%	\$ 324,275					
2024	\$ 1,270,000	8.50%	8.64%	\$ 224,825					
2025	\$ 1,375,000	8.50%	8.77%	\$ 116,875					
Interest Payment Due By City 2012-2015	\$ 3,771,025				\$ 2,916,225				Aggregate \$ 854,800

* Bonds: Dated 8/30/11 and Due 8/15/12-25

** Notes: Dated 8/30/11 and Due 8/30/12-15

*** Total Costs are covered by premium generated by the listed coupon

As the above demonstrates, the City would save approximately \$854,800 in interest costs in THE aggregate for 2012-2015 by issuing Deficit Renewal BANs rather than Deficit Bonds during this time.