

A special meeting of the City Council of the City of Newburgh was held on Friday, June 25, 2010 at 6:00 P.M. at City Hall, 83 Broadway, Newburgh, N.Y.

Present: Mayor Valentine, presiding; Councilwoman Angelo, Councilwoman Bell, Councilwoman Bello, Councilman Dillard - 5

Acting City Manager, Richard Herbek noted our Bond Counsel, Todd Miles is stuck in traffic and will be arriving a little late. He noted that there is an issue they just learned about in the last five minutes and asked Phil Schacter from Assemblyman Skartados' Office to explain.

Phil Schacter said that the City of Newburgh asked them to introduce legislation and they coordinated with Senator Larkin's office to introduce it to the Senate. He said that there are two bills. One is for bonding without any oversight by the Comptroller or Control Board.

Mayor Valentine said that this is the A version of the A and B that we saw the night of the presentations. City Council did not want that because there would be no Board.

Phil Schacter continued that the second bill gets the Comptroller involved as an overseer. It went through many committees and got to Ways and Means where the Chairman said that he is not taking a position on this bill. That means that he is not going to report it out and it stops here. He could report it out on Monday but they don't know what is going to happen because that may be the last day of session and there are a lot of bills stuck at this time. Their suggestion is that the City do Home Rule Messages on both bills and speak to them on Monday to make the argument for getting it through. They would have to have the Home Rule Messages in their hands by 10:00 Monday morning so it can get to the floor.

Councilwoman Bell asked if we have any idea why they decided not to move forward.

Phil Schacter said that he asked that question several different ways and received no answer. He asked if there was some issue that we could address specifically and they said "no". There was some question dealing with process and that the City is not that bad off. Also no one has ever done it this way so it is kind of new ground and he doesn't know what their feelings in the State were.

Mayor Valentine asked for an explanation concerning the two Home Rule Messages and the importance of what we are trying to do tonight.

Christine Mitchell, City Comptroller said that the City Council has to make a decision as to whether they want to choose both Home Rules or choose the one based on the work of the budget division, State Comptrollers Office, Bond Counsel and her office. They have all worked a significant amount of hours to provide this substantial legislation. If just the deficit financing is passed, she feels that it will cripple the City. They need to wait for Todd Miles from Bond Counsel before making a decision because they might be better to choose bankruptcy.

Mayor Valentine said that we can declare bankruptcy but then the State would step in and do something similar to what we are trying to do now.

Councilwoman Bell said that she feels it would be beneficial if the State steps in.

Christine Mitchell said that everything should be presented to the best of their ability and the Council has to make a decision of what they choose to do. She feels that if the State moves forward and ignores this substantial piece of legislation and just gives us deficit financing it will give us a better bond rating for that piece only and we will be crippled by the rate of interest that we will have to pay.

Mayor Valentine said that if we were to do what Ways and Means is asking with two Home Rule Messages tonight, then on Monday Ways and Means would be the entity in total control of moving the one that they want forward and if they move the first one forward, we're sunk.

Christine Mitchell added that we will be at a substantial disadvantage.

Councilwoman Bell said that they may not agree with either request. Our Bond Counsel might recommend putting both forward but she thinks that they should put forth the one that we want. We have to do it in a way that is going to be helpful to us or it is pointless.

Mayor Valentine said that he agreed.

Acting City Manager, Richard Herbek said that bankruptcy would mean that we are not going to be able to pay our bills or employees. Vital services may come to a halt which could lead to chaos in the City with emergency situations. This could be a horrible nightmare for all of us if that happens.

Councilwoman Bell said that at that point she would think that the State would almost have to step forward.

Mayor Valentine said that if we pass resolution #149-2010 and it goes up on Monday and is not voted on, we can't introduce legislation like this again for far too long in the future. If Bankruptcy is declared, what is our legal standing from then on?

Bernis Nelson, Corporation Counsel said that Bankruptcy freezes your debts at that point in time to be reorganized and it requires you to have sufficient revenues on hand to pay operating expenses. If there is no income coming in or other monies available, it puts you in a crisis situation. It is her understanding that we are actually paying on debts right now so our declaration of Bankruptcy would be because we don't have sufficient operational money to proceed.

Mayor Valentine said that this gives us the ability to at least have market access and to reorganize our debt. Plan A, the first Home Rule suggestion does not.

Bernis Nelson, Corporation Counsel said that it is also for a different amount. The deficit financing is for ten million dollars where this legislation is for fifteen million dollars with all of the protection and oversight which will assist us in bringing our interest rates down. Her recommendation would be to adopt the legislation that they are planning to adopt tonight. She doesn't think that they should have two pieces of legislation.

Mayor Valentine said that if we give them an easier one, then they are going to pass the easier one. We went from a Control Board to what we are doing right now because the State didn't want to do the work involved. So we crafted this legislation which was a tremendous amount of work and if we don't get this then getting the lesser is pointless.

Acting City Manager, Richard Herbek said that he thinks it is important to somehow convey to the Chairman of the Ways and Means Committee the seriousness of this.

Phil Schacter said that the problem is that we have a Governor and an Assembly and Senate that are not communicating. The State runs the State and they try to be partners with the Cities but you are dealing with a larger bureaucracy.

Councilwoman Bell noted a larger more dysfunctional bureaucracy.

Mayor Valentine said that Todd Miles from the Bond Counsel might shed some light on suggesting something to us but to be honest unless he

comes up with something miraculous, this is the bill we have to send for Home Rule.

Councilwoman Bell said that she would also like to see the presentation.

The Council unanimously agreed to take a ten to fifteen minute recess at 6:30 P.M.

Todd Miles of Bond Counsel arrived at 6:40 P.M. and the Council exited recess to continue the meeting.

Mayor Valentine said that the update right now is that instead of there being one Home Rule request there should be two Home Rule requests made and they would like Todd Miles' professional opinion on the ramifications if they should do such a thing and to explain this particular resolution.

Todd Miles, Bond Counsel said that at his original presentation he gave the Council two very different alternatives. One was introduced in the legislature and is technically still there to simply allow the City to borrow ten million dollars to finance deficits over a ten year period. It wouldn't change anything about the way the City would borrow so it meant you would have to borrow with the ratings that you have now which are "Junk Bond" ratings. He explained that it would trigger certain divisions of current State law which would require the City Manager to do three year financial plans and the City Comptroller to prepare quarterly budget reports as well as receive recommendations from the State Comptroller each year when preparing the City Budget. He also noted that the primary weakness for this approach would be that it would only allow the City to borrow at very expensive interest rates which are very high. He made another presentation where he talked about creating a Fiscal Stability Authority which is very strong medicine in which you would be giving some of your control to appointed officials who would be involved in making decisions. This Authority would be able to borrow on the City's behalf with sales tax money set aside at a lower rate which is what the Council unanimously agreed they wanted. We spent quite a lot of time negotiating the details of that approach and when all was said and done the Governor's staff decided for what ever reasons that they didn't want to do that. They felt that this was too strong medicine for the City and they wanted to take a slightly less intrusive approach. Over the last several weeks we worked out a middle ground which is what we thought we were going to ask the Council to support tonight which involves authorizing the City to issue debt to finance its deficits. We got them to agree to let you borrow up to fifteen million over a fifteen year period which will stretch the payments out and would give more flexibility to deal with balancing the Budget over the

next few years. It also described the "Lock Box" concept in which the State Comptroller would receive from the City its property tax collections to set aside the amount necessary to pay the debt and return the balance to the City. By putting the State Comptroller in the position of holding this money for investors it would increase the comfort level that investors would have and lower the interest rates to open up a wider market for the City if they need to borrow. We found out very late this afternoon that this legislation which was the product of detailed discussions is not acceptable. It is being suggested that the Council adopt a Home Rule message asking for both bills which is the decision that they have to make tonight. Which of these bills are you going to ask for or are you going to ask for both?

Councilwoman Bell said that it was very clear that the City Council wanted the Fiscal Stability Authority so when this snag came up in the negotiations she thinks that they should have been notified at that time rather than cutting a deal without that. For some of the Council members that was non-negotiable.

Todd Miles suggested that the City doesn't have a strong negotiating position with the State when you are asking them to enact legislation allowing you to do what you can't do right now. Even if the City said that something was non-negotiable he doesn't think that they would have received a response. This is a card game and the City isn't holding a very good hand right now so you are asking for them to take action on your behalf and they are indicating that they are not willing to do what you ask but they are willing to do something less.

Mayor Valentine said that the day they went up to Albany they met with the Senate, Assembly and Comptroller's Office and all three were in favor of this but when it got to the office of the Budget in the Governor's Office that's where they received a non-committal. They didn't say "no" but they didn't give us a "yes" either that day. Personally he doesn't think that they wanted to do the amount of work required to put the Fiscal Advisory Board together. They took the easier path.

Todd Miles said that there is certain reasonableness to that because if you look at the way the State government is organized, the State Comptroller is charged with oversight on local government and we are just asking for help out of this mess.

Mayor Valentine noted that this type of legislation has been done before.

Todd Miles said that they looked at Yonkers where they used the “Lock Box” approach in the 70’s which is what we would like to see happen here in Newburgh.

Councilwoman Bell said that this is not acceptable to her and perhaps they should talk about what there alternatives are.

Todd Miles explained in more detail what he is asking the Council to support tonight by doing a presentation on the Summary of Newburgh Fiscal Recovery Act Legislation.

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT LEGISLATION

Act in effect until 15th anniversary of
initial deficit note or bond issue

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SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- Authorizes City to borrow \$15 million to fund deficits until 12-31-11, to be repaid within 15 years
- City must prepare report after 12-31-10 on amount and cause of deficit and submit report to State Comptroller
- State Comptroller must certify amount of deficits before deficit bonds may be issued
- City may issue deficit notes prior to such certification but must limit eventual deficit bond issue to amount of deficit certified by State Comptroller

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- Establishes debt service fund held by State Comptroller
- All City property taxes collected by City and state aid in amounts determined by State Comptroller must be deposited in debt service fund
- State Comptroller holds debt service percentage of property taxes and state aid in debt service fund to ensure timely payment of debt service and gives balance to City

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- For each fiscal year through end of 2025 fiscal year City Comptroller must do quarterly budget reports accompanied by City Manager recommendations to remedy variances
- Reports must be submitted to City and State officials

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- Preliminary budget must be submitted to State Comptroller at least 30 days prior to adoption
- State Comptroller must make recommendations at least 10 days prior to City Council adoption date
- City Council must make adjustments to proposed budget consistent with such recommendations at least 5 days before adoption date

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- City Manager must prepare 3 year financial plans for 2010-2025 fiscal years
- Plan must include projected employment and annual expenditures for personal services, fringe benefits, non-personal services, debt service, appropriate reserve fund amounts, estimated annual revenues including projected property tax rates, value of taxable real property, resulting tax levy, annual growth in sales tax and non-property tax revenues, and proposed use of one-time revenue sources

Hawkins
DeLafield & Wood LLP

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- Plan must identify actions to achieve and maintain long-term fiscal stability
- Plan must be updated after adoption of each budget and completion of each quarterly budget report
- City must notify State Comptroller of proposed debt issues and State Comptroller may make recommendations as to affordability of such debt issues

SUMMARY OF NEWBURGH FISCAL RECOVERY ACT

- State Comptroller and City bondholders may sue to compel City to comply with this Act or enjoin any acts or things which may be unlawful or in violation of the obligations imposed on the City under this Act.
- City bondholders may sue to have their rights enforced

Acting City Manager, Richard Herbek said in terms of communication that on last Friday, June 18th, he e-mailed the City Council letting them know about a conference call with the Governor's Office, Division of the Budget. He noted that they have been working on an alternative to the Fiscal Stability Authority Legislation that was granted and submitted a few weeks ago. He said that he attached new legislation for a special act to be known as The City of Newburgh Fiscal Recovery Act for their review and comments.

Mayor Valentine said that he had his notes regarding that e-mail and his questions were ironed out.

Christine Mitchell, City Comptroller noted that it was that Friday that they first shared the grand plan with us.

Acting City Manager, Richard Herbek said that he doesn't work like that. He tries to keep everyone in the loop as much as possible through phone calls and e-mails.

Mayor Valentine said that what this comes down to is that we have a bill that could be submitted on Monday. If we don't do this resolution, we don't want to fall back on the other resolution that no one wants to do. We could submit both and they might go with the other one and not this one.

Bernis Nelson, Corporation Counsel said that Home Rule Request is required to reference a bill before the State Legislature. We have two bills right now. One is the basic one for ten million without any of the protections and the second one is for fifteen million with all of the protections that will allow us to get lower rates. There is no board in either of them.

Mayor Valentine asked if there is a consensus of the Council to move this resolution tonight.

Councilwoman Bello asked if the State Comptroller will have the ability to affect contracts.

Christine Mitchell, Comptroller and Mayor Valentine both responded with a "no".

Mayor Valentine asked if the State Comptroller would review our negotiation of contracts.

Todd Miles explained that the State Comptroller has the obligation to comment on your Budget 30 days before you adopt it. Whatever ramifications

contracts have on the Budget conceivably would be a way for him to get involved in that.

Councilman Dillard said in terms of a Financial Advisory Board, would it be the Council that would select that board?

Todd Miles said that a Financial Advisory Board is not in this legislation.

Mayor Valentine said that retaining our Advisory Board is fine with them since we already have one.

Councilwoman Bello said that this is it. It's either "A" or "B" and there is no alternative.

Richard Herbek, Acting City Manager said that "C" would be to adopt both Home Rule Messages.

Bernis Nelson, Corporation Counsel said that she suggested they adopt both pieces but put them into escrow and the City Manager and Comptroller can drive to Albany first thing Monday morning and get to the bottom of what is going on.

Councilwoman Bell said that there is also a "D" which is neither.

Phil Schacter said that you could go up there with the Home Rule Messages and deliver them to the Home Rule Clerk. It comes down to you having to plead your case to the Ways and Means Chairperson when you get there. The Assemblyman will plead your case as best he can.

Acting City Manager, Richard Herbek said that we need to press this which would mean asking the Governor's office to get involved. He thinks that it would help if the Chairperson of the Ways and Means Committee understood all of the work that has gone into this and why we need this particular legislation.

Phil Schacter said that he is merely a messenger and has no control over this. Everything went smoothly up until this last point and the Senate has issued their number and it seems to be moving along there.

Mayor Valentine said that if you send the two messages then we are giving them an easier out. This is the tougher one and it is better for the City of Newburgh. It's not perfect but it is better.

Phil Schacter said that the only problem is if they say no to this then you have no fall back position. He noted that there are a lot of bills floating around that have not been addressed because of what is going on in the State so we are not alone in this chaos.

Mayor Valentine said that he is in favor of doing this bill without even doing the other Home Rule Message.

Councilwoman Bell said that she is not going to be answerable to the public on bringing in fifteen million dollars without having a Control Board.

Christine Mitchell, City Comptroller said that fifteen million dollars is the maximum deficit. Any deficit that is bonded has to be certified by the comptroller's office so it will be recorded and available to everyone.

Councilwoman Bell said that her constituents have clearly stated to her unequivocally under no uncertain terms that they don't want any more money to come without there being some kind of a State oversight. She told the City Comptroller that if she knew that she was going to be here through the ten or fifteen years then she could authorize that but she doesn't know that.

Christine Mitchell said that they will have extensive quarterly reporting requirements that are going to be followed within the Comptroller's Office so you are getting the oversight of the State. There will be a review of the Budget annually by the Comptroller's office before it's adopted so there will be an extensive amount of interaction between her office, the Division of Budget and the Comptroller's Office for the next fifteen years with no other choice.

Councilwoman Bell said that there is no assurance that this plan will really upgrade our rating. It might happen but we don't really know.

Christine Mitchell said that our underlying rating will remain below investment rate for a period of time until they are satisfied that we not only have a plan but that we can execute a plan that produces the results that we are expecting. It will take probably twelve to eighteen months to convince them that you can talk the talk and walk the walk. There has been a lot of time and effort and a tremendous amount of thought by a number of people to come up with this legislation.

Councilwoman Bello said that there is absolutely no way that the State would consider a Control Board for our City?

Mayor Valentine responded with a “no”. They don’t think we are as bad as we are or they don’t want to do the amount of work it would take from the Governor’s office to put one in place.

Acting City Manager, Richard Herbek said that when you set up a Control Board, the City pays for an Executive Director, Budget Analyst and staff. They would also need a place to work and all of that could cost somewhere around \$500,000.00 just for that. He believes they want to do it this way to avoid some of the problems that have occurred with past Control Board situations and conflicts.

Todd Miles, Bond Counsel said that even though you are asking for a Control Board and you are willing to walk into it with open arms it will change city government in ways that you may find down the road to be intolerable. You have been elected by your constituents to make decisions about things that will no longer be your decisions. They will be ultimately decided by people who have been appointed and not elected by anyone which could create conflict.

Councilwoman Bello said if we don’t pass this then what will be the consequences.

Mayor Valentine responded that we will be dead in the water.

Acting City Manager, Richard Herbek said that he thinks we are headed for a crisis of mammoth proportions if this does not go through.

Councilwoman Bello said that even if we just pass the one that we like there is still no guarantee that they will accept.

Acting City Manager, Richard Herbek said that we are sending a message loud and clear to the State Assembly that this is what the City of Newburgh needs. This is our salvation.

Todd Miles, Bond Counsel said that that is what the purpose of a Home Rule Message is. To tell the State Legislature what you want them to do for you.

Councilwoman Bello said that is what we did initially.

Todd Miles said that the Council told them which approach they wanted to be worked out. That was not a Home Rule Message. Until you have a bill introduced in file form with bill numbers assigned to it, you can’t adopt

a Home Rule Message. A Home Rule Message is the final product of what you want them to do.

Mayor Valentine said that the resolution presented here tonight is the one that Todd just explained. This is the compromise version of the Fiscal Advisory Board.

Councilwoman Bell asked if we could do this one and then could the Fiscal Stability one be introduced too?

Todd Miles, Bond Counsel said that because the Budget Division has said that they will not cooperate with the City on that it has not reached a final version and has not been introduced with a bill number. So you don't have the option tonight of passing that because there is no bill in the Legislature that would do that.

Councilwoman Bello said that this is for the compromise.

Christine Mitchell, City Comptroller said that it is the best that they would do for us. They did the best that they would do for us and now Ways and Means is asking you to approve something less.

Philip Schacter said that they are asking you to submit both.

Christine Mitchell said that they are asking you to approve Home Rule for something less than what you actually want.

Mayor Valentine asked again what the consensus of the Council is because he needs at least three in favor to move this.

Councilwoman Bell said that three is the magic number until we change this broken system.

Councilwoman Bello said that she is concerned that without the oversight that we asked for that we will ultimately repeat the mistakes of the past. This Board was a big thing for her so she is really uncomfortable with this.

Mayor Valentine said that we will be getting the oversight from the Comptroller's Office.

Christine Mitchell, City Comptroller said that Councilwoman Bello specifically mentioned contracts and that authority will remain with the City Council. If this is implemented it will put us on the path to financial stability.

Mayor Valentine said that the City Manager will still have a shortfall going into 2011. There is no pot of money here that is going to make everything go away. Even if we had the Control Board we would still have that problem. This is basically to say that we can stay in operation.

Acting City Manager, Richard Herbek said that the Council is currently receiving monthly reports from the Comptroller. The City Council can and should exercise as much financial oversight as possible. That is their fiduciary responsibility to the City of Newburgh. We did create a Fiscal Advisory Committee that is meeting on a regular basis and we can also provide additional responsibilities.

Christine Mitchell, City Comptroller said that she is hoping to say at the next Council meeting that this is where we are at so we can start to make some choices concerning the 2011 Budget.

Councilwoman Bello said that she is still uncomfortable with this but the alternative would be a disaster and we can't go there either.

Christine Mitchell asked if there was something that they could do differently or if she has something in mind.

Councilwoman Bello said that she wanted the original one that they discussed that had the ability to open the contracts and say what we can't afford.

Acting City Manager, Richard Herbek said that he understands that and they worked very hard to try to put that in but they weren't agreeable to it. This is the best of what we have been able to get as a result of our discussions.

Todd Miles said that it is possible that if this doesn't work then maybe next year they could consider if the Fiscal Stability Authority would be appropriate. One of the things they heard was that the Fiscal Stability Board is very strong medicine and normally there is a lot of discussion and an analysis that goes into making that decision. He thinks that they were not prepared to do something so drastic this year but they might be willing to consider it next year.

Mayor Valentine asked if we could do that with this in place.

Todd Miles responded with a "yes".

Acting City Manager, Richard Herbek asked where we are with the Traffic Tribunal.

Phil Schacter said that the Assemblyman has fought fiercely for it. As of this morning they were trying to get it reported out. It is stuck somewhere and he will find out if it gets reported out which would be a big step for them.

Mayor Valentine said that it is a big step for us because it is revenue. We have been trying to get this for eleven years.

Councilwoman Bell said that what she has heard everyone saying is that they are not comfortable with the strong medicine because they don't think we are in dire enough straits. Council has the three votes that it needs so it doesn't really matter, but she can't support this.

Mayor Valentine wanted to make it clear that nobody wants to submit both of the Home Rule Messages.

Councilwoman Bell said that she doesn't want to submit either.

Mayor Valentine said that there is only one resolution for the City Manager's Report. It is for one Home Rule not two. He asked the City Manager to read the resolution and then asked for public comments.

PUBLIC COMMENTS

Barbara Smith, Powell Avenue said that the resolution refers to Assembly Bill A11558 and Senate Bill S08367 but there is no such bill according to this gentleman so how can you vote on it.

Mayor Valentine said that there is a bill there.

Phil Schacter said that Ways and Means needs Home Rule Messages which is what is being done tonight.

Barbara Smith continued by saying that if the Council says yes to this then what happens if Ways and Means doesn't like it.

Phil Schacter said that the City has to send a Home Rule Message saying that they want this legislation.

Barbara Smith asked if the State is offering us anything for the stringent controls that they want to give.

Todd Miles, Bond Counsel said that they are not offering the City anything. The City is asking them to impose these restraints and to let you borrow against the deficit.

Barbara Smith said that we have borrowed in the past on bonding but we never asked for permission to do it.

Todd Miles said that that was money borrowed for things like capital projects and fixing the streets. This is to finance a deficit and you always need special permission to do that.

Denise Ribble, City of Newburgh said that in the original Plan B there was something about the ability to adjust sales tax and asked if that is still in this modified Plan B?

Acting City Manager, Richard Herbek said that the only thing concerning sales tax would be that the money would go to the Comptroller's Office through the Lock Box.

Todd Miles, Bond Counsel said that the plan before was to create the Fiscal Stability Authority and have the sales tax go to them first.

Denise Ribble said that she has a lot of concerns and she thinks she heard that the Governor and State Comptroller are willing to let the City of Newburgh continue to have a Fiscal Advisory Board which they will run themselves. Given that we didn't get what we wanted from the State, maybe we should look at how we might beef up our Fiscal Advisory Board. She is particularly concerned about the membership and suggested that we have our Fiscal Advisory Board mimic those advantages of the State Control Board.

Mayor Valentine said that they have already discussed that.

Mary Ann Prokosch, City of Newburgh said that she heard Christine say that our interest rates would go down so would we initially be getting notes and not bonds? She asked how much this debt is going to cost us. Will the taxes from state aid be enough money to really make us look good with people to buy bonds?

Mayor Valentine said that you are not paying off fifteen million dollars you are paying off an interest payment. If we have thirteen million dollars in taxes then we get two and half million dollars in state aid. Now you are paying off a note over a period of fifteen years it won't be fifteen million dollars per year. The mechanism here is that the money goes to the State and there is a reason for it.

Mary Ann Prokosch said that she understands that and it is so that they have control of the money and it is protected.

Mayor Valentine said that they get it first and then we get it after. That was part of the negotiation and our question was how quickly do we get it back?

Acting City Manager, Richard Herbek said that by setting up a lock box and having state aid then when we have to roll over the finances we will be able to get a better investment rate and the interest will be a lot lower. We won't be paying 7% it will be substantially lower than that.

Christine Mitchell, City Comptroller said that that is one of major benefits of this legislation. There are two rates; the rates you will achieve with this legislation and what it does and then there is the underlying rate of the City which will not change for a period of time. We will have the benefit of the better interest rates because this legislation will hopefully be in place.

Mary Ann Prokosch said that she is concerned because the Advisory Board would have been able to put a freeze on contracts and we won't have

that with this. It was not just a freeze but no Step Grades so people would be frozen at where they are now. Can we ask for that in this legislation?

Acting City Manager, Richard Herbek and Mayor Valentine both responded with a "no".

Mayor Valentine said that he feels that that was the stumbling block and that the State didn't want to get involved in dealing with the Unions.

Todd Miles, Bond Counsel said to remember that every time something is done it is another precedent that other local governments are looking at.

Janet Gianopoulos, City of Newburgh said that it is a tough compromise and she doesn't see going Bankrupt as an option so it is necessary that we get this bill passed.

Ariyike Diggs, Bay View Terrace, said that it seems like everyone worked very hard to get what you thought we wanted but the State is willing to give us this bill. If this bill doesn't go through, what is plan "B"?

Mayor Valentine said that we should know something by next week. The alternative is whether or not over the next couple of months we run out of money and we declare Bankruptcy. Once we've run out of money and we can't borrow or raise it then the City will have to declare Bankruptcy.

Ariyike Diggs asked if everyone agrees with that.

Mayor Valentine said that no one wants that to happen but that would be the alternative. This is basically the choice we have right now and not doing this or getting this would mean falling back on bankruptcy eventually.

Ariyike Diggs asked if taxes could be raised.

Mayor Valentine said that taxes can't be raised until next year.

Todd Miles, Bond Counsel said that it is conceivable that if we got to those dire straights that the State would be forced to provide funds because there is no way that the State of New York wants to see the City of Newburgh or any other city in the State declare Bankruptcy. That would become a national news story focusing the State of New York in a light that it has never been in before. This is a gamble at a very high level.

Brian Flannery, 5 Norton Street said that the idea of revisiting the membership of the Financial Advisory Board is a good idea and that the Council might want to think about creating a more independent board.

Mayor Valentine said that they have already talked about increasing the responsibility and possibly adding members.

There being no further comments this portion of the meeting was closed.

RESOLUTION NO.: 149-2010

OF

JUNE 25, 2010

A RESOLUTION AUTHORIZING THE SUBMISSION OF A HOME RULE REQUEST TO THE LEGISLATURE OF THE STATE OF NEW YORK REQUESTING THE ENACTMENT INTO LAW OF SENATE BILL S08367 AND ASSEMBLY BILL A11558 KNOWN AS THE "CITY OF NEWBURGH FISCAL RECOVERY ACT" AUTHORIZING THE CITY OF NEWBURGH TO ISSUE BONDS FOR THE PURPOSE OF LIQUIDATING CERTAIN DEFICITS AND IMPOSING STANDARDS AND REQUIREMENTS AS TO BUDGETARY OPERATIONS AND FISCAL MANAGEMENT DESIGNED TO RESTORE THE CITY OF NEWBURGH TO FISCAL INTEGRITY

WHEREAS, the City of Newburgh is in need of deficit financing; and

WHEREAS, pursuant to Municipal Home Rule Law it is necessary for the New York Senate and Assembly to respectively enact bills which would authorize such deficit financing; and

WHEREAS, pursuant to Municipal Home Rule Law Section 30 it is necessary and appropriate to send this Home Rule Request asking that the subject legislation be enacted to authorize such deficit financing;

NOW, THEREFORE, BE IT RESOLVED, that the Council of the City of Newburgh, New York does hereby authorize the submission of this Home Rule Request to the Senate and Assembly of the State of New York requesting the adoption into law of Bills S08367 and A11558, to authorize deficit financing for the City of Newburgh.

Councilwoman Bell said that she heard people say that they would be comfortable with this with an expanded Board on our local level.

Mayor Valentine said that he agrees with that. The stronger we make that Board then the recommendation coming back from them is another Body advising the City Council. It would be the Board looking at these numbers and telling the Council that we can or can't do something. It could be really good for us.

Councilwoman Bell said that we need to change the composition of the Board and indicate what the process is going to be for that expansion and what will the process be for when people leave and are replaced.

Mayor Valentine said that the public members of that Board are incredible. We have very dedicated people on that Board.

Councilwoman Angelo moved and Councilwoman Bello seconded that the resolution be adopted.

Ayes - Councilwoman Angelo, Councilwoman Bell, Councilwoman Bello, Councilman Dillard, Mayor Valentine - 5

ADOPTED

There being no further business to come before the Council, the meeting adjourned at 8:10 p.m.

**LORENE VITEK
CITY CLERK**