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

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 22, 2017**

**RENEWAL ISSUE** **RATING: See "RATING" herein**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters"herein.*

*The City WILL NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

# CITY OF GLEN COVE
# NASSAU COUNTY, NEW YORK

## $7,263,566*
## VARIOUS PURPOSES SERIAL BONDS – 2017 SERIES B
**(the "Bonds")**

**Delivery Date: September 12, 2017** **Maturity Date: September 1, 2018-2031**
**(as shown on the inside cover)**

The Bonds are general obligations of the City of Glen Cove, Nassau County, New York (the "City"), and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the City, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended, (the "Tax Levy Limit Law"). (See *"Tax Levy Limit Law"* herein).

The Bonds are dated their Date of Issue and will bear interest from such date until maturity. Interest on the Bonds will be payable on September 1, 2018 and semiannually thereafter on March 1 and September 1 in each year until maturity. The Bonds will mature annually on the dates and in the years and amounts as shown on the inside cover page herof. The Bonds will be subject to redemption prior to maturity as described herein. (See *"Optional Redemption"* herein.)

Depository Trust Company ("DTC") will act as Securities Depository for the Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Individual purchases may be made in denominations of $5,000 or integral multiples thereof, except for one necessary odd denomination in the first maturity. Principal of and interest on said Bonds 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 Bonds 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 Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Capital Markets Advisors, LLC has served a Financial Advisor to the City in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through the offices of DTC in New York, New York or as otherwise agreed upon, on or about September 12, 2017.

THE CITY HAS EXPERIENCED FINANCIAL DIFFICULTIES IN RECENT YEARS WHICH COULD AFFECT THE MARKETABILITY AND THE MARKET VALUE OF THE BONDS. **(**SEE ***"DISCUSSION OF RECENT FINANCIAL OPERATIONS, INCLUDING OPERATING AND CUMULATIVE DEFICITS," "DEFICIT LEGISLATION"*** AND ***"FINANCIAL RECOVERY PLAN,"*** HEREIN).

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 BONDS AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Dated: August , 2017

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* Preliminary, subject to change.

The Bonds will mature on September 1, in the following years and principal amounts, subject to optional redemption, as set forth below:

| Year | Amount* | Interest Rate | Yield | CUSIP*** | Year | Amount* | Interest Rate | Yield | CUSIP*** |
|---|---|---|---|---|---|---|---|---|---|
| 2018 | $ 453,566 | | | | 2025 | 515,000 | | | |
| 2019 | 455,000 | | | | 2026** | 530,000 | | | |
| 2020 | 460,000 | | | | 2027** | 545,000 | | | |
| 2021 | 470,000 | | | | 2028** | 560,000 | | | |
| 2022 | 480,000 | | | | 2029** | 580,000 | | | |
| 2023 | 490,000 | | | | 2030** | 600,000 | | | |
| 2024 | 505,000 | | | | 2031** | 620,000 | | | |

* The principal amounts of the Bonds are subject to adjustment following the sale of the Bonds, pursuant to the terms of the accompanying Notice of Sale.

** The Bonds maturing in the years 2026 and thereafter will be subject to redemption prior to maturity, as described herein. (See *"Optional Redemption"*)

****** CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds. The City is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.***

*Preliminary, subject to change.

## CITY OF GLEN COVE
## NASSAU COUNTY, NEW YORK

**MAYOR**

REGINALD SPINELLO

**CITY COUNCIL MEMBERS**

NICHOLAS DILEO, JR.

PAMELA D. PANZENBECK

EFRAIM SPAGNOLETTI

TIMOTHY TENKE

RODERICK WATSON

JOSEPH CAPOBIANCO

SANDRA CLARSON. ........................................................ CONTROLLER

TINA PEMBERTON ............................................................ CITY CLERK

CHARLES McQUAIR, ESQ .........................................CITY ATTORNEY

**BOND COUNSEL**
**HAWKINS DELAFIELD & WOOD LLP**
***New York, New York***

**MUNICIPAL ADVISOR**

**CAPITAL MARKETS ADVISORS, LLC**
***Long Island * Hudson Valley * Southern Tier * Western New York***
**(516) 472-7049**

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 Bonds 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.

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**APPENDIX A**

# OFFICIAL STATEMENT

# CITY OF GLEN COVE
# NASSAU COUNTY, NEW YORK

## relating to

**$ 7,263,566***
**VARIOUS PURPOSES SERIAL BONDS – 2017 SERIES B**
**(“the Bonds”)**

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the City of Glen Cove, in the County of Nassau, in the State of New York (the “City”, “County” and “State,” respectively) in connection with the sale of $7,263,566* Various Purposes Serial Bonds – 2017 Series B (“the Bonds”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

**THE CITY HAS EXPERIENCED FINANCIAL DIFFICULTIES IN RECENT YEARS WHICH COULD AFFECT THE MARKETABILITY AND THE MARKET VALUE OF THE BONDS. (SEE “DISCUSSION OF RECENT FINANCIAL OPERATIONS, INCLUDING OPERATING AND CUMULATIVE DEFICITS,” “DEFICIT LEGISLATION” AND “FINANCIAL RECOVERY PLAN,” HEREIN).**

## THE BONDS

### *Description*

The Bonds are dated their Date of Issue and will bear interest from that date until maturity, payable on September 1, 2018 and semiannually thereafter on March 1 and September 1 in each year until maturity. The Bonds shall mature on September 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds maturing in the years 2018 to 2025, inclusive, will not be subject to redemption prior to maturity. The Bonds maturing in the years 2026 and thereafter will be subject to redemption prior to maturity as described herein. (See *“Optional Redemption”* herein.)

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository (defined herein) for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of $5,000 and integral multiples thereof, except for one necessary odd denomination in the first maturity. Purchasers will not receive certificates representing their ownership interests in the Bonds. Principal and interest on the Bonds will be made by the City to DTC, which will in turn remit such principal and interest to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners of the Bonds as described under *“Book-Entry-Only System,”* herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the City referred to therein

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

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* Preliminary, subject to change.

### *Authority for and Purpose of the Bonds*

The Bonds are issued pursuant to the Constitution and Laws of the State, including, among others, the City Law, the Local Finance Law and several bond ordinances duly adopted by the City Council on their respective dates authorizing the issuance of bonds for the objects or purposes listed below. Proceeds from the sale of the Bonds together with $666,795 in available funds, will be used to redeem the City's $7,930,361 Bond Anticipation Notes – 2016 Series D at maturity.

| Purpose | Date of Authorization | Date of Original Issue | Amount Outstanding | Principal Paydown | Amount to Bonds |
|---|---|---|---|---|---|
| Technology improvements | 04/09/13 | 10/23/13 | $ 78,656 | $ 38,369 | $ 40,287 |
| Renovation & refurbishment of City-owned buildings | 04/09/13 | 10/23/13 | 38,592 | 2,425 | 36,167 |
| Acquistion of washer/dryer | 04/09/13 | 10/23/13 | 1,311 | 640 | 671 |
| Facility lighting upgrades | 04/09/13 | 10/23/13 | 15,265 | 1,875 | 13,390 |
| Heating system for dept. of public works(DPW) yard | 04/09/13 | 10/23/13 | 40,704 | 4,999 | 35,705 |
| Heating oil tank removal at DPW yard | 04/09/13 | 10/23/13 | 81,409 | 9,999 | 71,410 |
| Installation of gas service at DPW yard | 04/09/13 | 10/23/13 | 32,563 | 4,000 | 28,563 |
| Acquistion of wood chipper | 04/09/13 | 10/23/13 | 23,597 | 11,511 | 12,086 |
| Purchase of land for new water well #32(A) | 04/09/13 | 10/23/13 | 967,106 | 17,690 | 949,416 |
| Telemetry & security system upgrades (A) | 04/09/13 | 10/23/13 | 62,141 | 38,369 | 23,772 |
| City hall renovations | 06/26/12 | 09/30/14 | 75,000 | 5,000 | 70,000 |
| Police department purchase of license plate reader | 05/13/14 | 09/30/14 | 13,249 | 4,203 | 9,046 |
| New flooring for 1st floor at police headquarters | 05/13/14 | 09/30/14 | 32,278 | 1,822 | 30,456 |
| Improvements to firehouse | 05/13/14 | 09/30/14 | 330,000 | 20,000 | 310,000 |
| Acquisition of Fire department van 15 passenger | 05/13/14 | 09/30/14 | 9,000 | 1,000 | 8,000 |
| Acquisition of Fire department rescue equipment | 05/13/14 | 09/30/14 | 15,000 | 5,000 | 10,000 |
| Acquisition of turnout gear | 05/13/14 | 09/30/14 | 16,000 | 5,000 | 11,000 |
| Acquisition of High band mintor VI pagers | 05/13/14 | 09/30/14 | 30,000 | 10,000 | 20,000 |
| Acquisition of EMS Chief's vehicle | 05/13/14 | 09/30/14 | 10,000 | 10,000 | 0 |
| Acquisition of EMS patient care equipment | 05/13/14 | 09/30/14 | 90,000 | 30,000 | 60,000 |
| Building department digital archiving system | 05/13/14 | 09/30/14 | 60,000 | 20,000 | 40,000 |
| Senior center building improvements | 05/13/14 | 09/30/14 | 12,811 | 723 | 12,088 |
| Purchase of new spray rig- golf course | 05/13/14 | 09/30/14 | 30,000 | 10,000 | 20,000 |
| Purchase of new fairway mower- golf course | 05/13/14 | 09/30/14 | 36,000 | 2,000 | 34,000 |
| Recreation park improvements | 05/13/14 | 09/30/14 | 285,000 | 15,000 | 270,000 |
| Beautification memorial monument | 05/13/14 | 09/30/14 | 27,000 | 1,000 | 26,000 |

(A) Bond ordinance amended March 8, 2016

| Purpose | Date of Authorization | Date of Original Issue | Amount Outstanding | Principal Paydown | Amount to Bonds |
|---|---|---|---|---|---|
| DPW tree planting, removal and trimming | 05/13/14 | 09/30/14 | $ 115,000 | $ 35,000 | $ 80,000 |
| New water well/ air stripper(A) | 05/13/14 | 09/30/14 | 150,047 | 5,000 | 145,047 |
| Acquisition of water system equipment | 05/13/14 | 09/30/14 | 38,000 | 12,000 | 26,000 |
| SCADA system upgrade(A) | 05/13/14 | 09/30/14 | 75,000 | 25,000 | 50,000 |
| Water meter upgrade to radio read head(A) | 05/13/14 | 09/30/14 | 75,000 | 25,000 | 50,000 |
| Purchase of technological improvements | 05/12/15 | 09/29/15 | 20,000 | 5,000 | 15,000 |
| Purchase of police vehicles | 05/12/15 | 09/29/15 | 86,000 | 42,000 | 44,000 |
| Purchase of movable shelving system | 05/12/15 | 09/29/15 | 20,800 | 4,826 | 15,974 |
| Police department front desk renovation | 05/12/15 | 09/29/15 | 15,000 | 5,000 | 10,000 |
| Police department computer replacement and upgrades | 05/12/15 | 09/29/15 | 10,100 | 2,343 | 7,757 |
| Police building improvements | 05/12/15 | 09/29/15 | 57,500 | 5,215 | 52,285 |
| Firehouse improvements | 05/12/15 | 09/29/15 | 100,000 | 5,000 | 95,000 |
| Purchase of Fire Chief's vehicle | 05/12/15 | 09/29/15 | 55,000 | 25,000 | 30,000 |
| Purchase of high band minto VI pagers | 05/12/15 | 09/29/15 | 37,000 | 3,000 | 34,000 |
| Purchase of EMS Chief's vehicle | 05/12/15 | 09/29/15 | 60,000 | 30,000 | 30,000 |
| Purchase First Responder vehicle | 05/12/15 | 09/29/15 | 40,000 | 20,000 | 20,000 |
| Senior Center building improvements | 05/12/15 | 09/29/15 | 50,000 | 5,000 | 45,000 |
| Purchase of 2 Ford dump trucks | 05/12/15 | 09/29/15 | 64,700 | 31,561 | 33,139 |
| Pascucci Soccer Field improvements | 05/12/15 | 09/29/15 | 100,000 | 5,000 | 95,000 |
| Youth bureau equipment and furniture replacements | 05/12/15 | 09/29/15 | 5,000 | 1,000 | 4,000 |
| Purchase sanitation trucks | 05/12/15 | 09/29/15 | 165,000 | 10,000 | 155,000 |
| Purchase pickup trucks with plow | 05/12/15 | 09/29/15 | 102,400 | 5,225 | 97,175 |
| Tree planting, removal and trimming | 05/12/15 | 09/29/15 | 150,000 | 35,000 | 115,000 |
| Purchase small sweeper | 05/12/15 | 09/29/15 | 40,000 | 2,000 | 38,000 |
| DPF facilities upgrade | 05/12/15 | 09/29/15 | 30,000 | 3,000 | 27,000 |
| Parking garage improvements | 05/12/15 | 09/29/15 | 150,000 | 5,000 | 145,000 |
| City Hall window replacements | 05/12/15 | 09/29/15 | 50,000 | 2,000 | 48,000 |
| Purchase and installantion of generator | 05/12/15 | 09/29/15 | 75,000 | 5,000 | 70,000 |
| Roof replacement | 05/12/15 | 09/29/15 | 70,000 | 5,000 | 65,000 |
| Purchase of pickup truck | 05/12/15 | 09/29/15 | 45,000 | 2,000 | 43,000 |
| Upgrade of hydrants and valves(A) | 05/12/15 | 09/29/15 | 173,967 | 2,000 | 171,967 |
| Purchase of water bill folding/inserting machine | 05/12/15 | 09/29/15 | 15,000 | 3,000 | 12,000 |
| Water meter upgrades and replacements | 05/12/15 | 09/29/15 | 100,000 | 25,000 | 75,000 |
| Timekeeping system | 04/26/16 | 09/13/16 | 10,000 | 0 | 10,000 |
| Technology improvements | 04/26/16 | 09/13/16 | 20,000 | 0 | 20,000 |
| Acquisition of police vehicles | 04/26/16 | 09/13/16 | 90,000 | 0 | 90,000 |

(A) Bond ordinance amended March 8, 2016

| Purpose | Date of Authorization | Date of Original Issue | Amount Outstanding | Principal Paydown | Amount to Bonds |
|---|---|---|---|---|---|
| Acquisition of various equipment-Police Department | 04/26/16 | 09/13/16 | $ 22,060 | $ 0 | $ 22,060 |
| Acquisition of various equipment-Emergency Medical Services | 04/26/16 | 09/13/16 | 96,760 | 0 | 96,760 |
| Improvements to firehouse | 04/26/16 | 09/13/16 | 200,000 | 0 | 200,000 |
| Acquisiton of various equipment- Fire Department | 04/26/16 | 09/13/16 | 180,844 | 0 | 180,844 |
| Senior center building improvements | 04/26/16 | 09/13/16 | 10,000 | 0 | 10,000 |
| Golf Course acquisition of equipment | 04/26/16 | 09/13/16 | 57,000 | 0 | 57,000 |
| Golf Course purchase of equipment | 04/26/16 | 09/13/16 | 8,000 | 0 | 8,000 |
| Golf Course tree planting, removal and trimming | 04/26/16 | 09/13/16 | 5,000 | 0 | 5,000 |
| Recreation purchase of dump truck | 04/26/16 | 09/13/16 | 42,000 | 0 | 42,000 |
| Various park improvements | 04/26/16 | 09/13/16 | 150,000 | 0 | 150,000 |
| Acquisition of pickup truck with dump body and snow plow | 04/26/16 | 09/13/16 | 38,000 | 0 | 38,000 |
| Acquisition of sanitation trucks | 04/26/16 | 09/13/16 | 145,000 | 0 | 145,000 |
| Lighting GIS mapping project | 04/26/16 | 09/13/16 | 32,000 | 0 | 32,000 |
| Tree planting, removal and trimming | 04/26/16 | 09/13/16 | 100,000 | 0 | 100,000 |
| Roof replacements | 04/26/16 | 09/13/16 | 50,000 | 0 | 50,000 |
| Street improvements | 04/26/16 | 09/13/16 | 800,000 | 0 | 800,000 |
| Concrete reconstruction | 04/26/16 | 09/13/16 | 100,000 | 0 | 100,000 |
| Acquisition of Elgin Street sweeper | 04/26/16 | 09/13/16 | 178,000 | 0 | 178,000 |
| Acquisition of milling machine attachment | 04/26/16 | 09/13/16 | 15,000 | 0 | 15,000 |
| Various drainage upgrades (catchbasins) | 04/26/16 | 09/13/16 | 50,000 | 0 | 50,000 |
| Harbor patrol acquisition of equipment | 04/26/16 | 09/13/16 | 50,700 | 0 | 50,700 |
| Water system improvements | 04/26/16 | 09/13/16 | 282,000 | 0 | 282,000 |
| Replacement of minivan/light pick-up(A) | 06/26/12 | 09/13/14 | 22,294 | 0 | 22,294 |
| Purchase of land for new water well #32(A) | 04/09/13 | 09/13/14 | 21,474 | 0 | 21,474 |
| SCADA system upgrades (A) | 05/13/14 | 09/13/14 | 400,000 | 0 | 400,000 |
| Water meter upgrades to radio read heads(A) | 05/13/14 | 09/13/14 | 1,033 | 0 | 1,033 |
| **Totals:** | | | $ 7,930,361 | $ 666,795 | $ 7,263,566 |

(A) Bond ordinance amended March 8, 2016

## *Optional Redemption*

The Bonds maturing on or before September 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing on or after September 1, 2026 will be subject to redemption prior to maturity, at the option of the City, on any date on or after September 1, 2025, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

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

## *Nature of Obligation*

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

The Bonds 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 Bonds, the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See *"Tax Levy Limit Law"* herein).

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and 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 Limit 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 the Tax Levy Limit 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 Levy Limit Law"* herein).

## *Book-Entry-Only System*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount thereof, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds 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

## REMEDIES UPON DEFAULT

Neither the Bonds, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds should the City default in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds upon the occurrence of any such default. The Bonds are general obligation contracts between the City and the owners for which the faith and credit of the City are pledged and while remedies for enforcement of payment are not expressly included in the City's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or bondholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Bonds at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the City. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Bonds, the owners of such Bonds could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the City to assess, levy and collect an ad valorem tax, upon all taxable property of the City subject to taxation by the City sufficient to pay the principal of and interest on the Bonds as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Bondholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing*

*National Bank* v. *Municipal Assistance Corporation for the City of New York*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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.

Pursuant to Article VIII, Section 2 of the State Constitution, the City is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk* v. *Municipal Assistance Corp*., 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

## NO PAST DUE DEBT

No principal or interest payment on City indebtedness is past due. The City has never defaulted in the payment of the principal of and/or interest on any indebtedness.

## 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 Bonds. 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 Bonds, 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 Bonds 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 legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the City in the future cannot be assured.

No current state law purports to create any priority for holders of the Bonds 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.

## FINANCIAL CONTROL BOARDS

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The City has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

## MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

THE CITY HAS EXPERIENCED FINANCIAL DIFFICULTIES IN RECENT YEARS WHICH COULD AFFECT THE MARKETABILITY AND THE MARKET VALUE OF THE BONDS. (SEE *"DISCUSSION OF RECENT FINANCIAL OPERATIONS, INCLUDING OPERATING AND CUMULATIVE DEFICITS," "DEFICIT LEGISLATION"* AND *"FINANCIAL RECOVERY PLAN,"* HEREIN).

There are certain potential risks associated with an investment in the Bonds, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The City's credit rating could be affected by circumstances beyond the City's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of City property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the City's credit rating could adversely affect the market value of the Bonds.

If and when an owner of any of the Bonds should elect to sell all or a part of the Bonds prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bonds are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the City to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The City is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The City's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the City fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the City is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the City will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the City requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds, for income taxation purposes could have an adverse effect on the market value of the Bonds (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the City, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Bonds. (See "*The Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the City could impair the financial condition of such entities, including the City and the ability of such entities, including the City to pay debt service on their respective obligations.

## LITIGATION

Various notices of claim have been filed with the City. The allegations set forth in the claims relate to various circumstances including personal injury, condemnation proceedings, civil rights violations and administrative determinations by City officials. Certain claims assert money damages while others seek a specific action or forbearance on the part of the City.

In the opinion of the City Attorney, the resolution of such various other claims presently pending against the City will not have an adverse material effect on the City's financial position. Many of the matters are immaterial. Regardless, pursuant to the Local Finance Law, the City is authorized to issue debt to finance judgments and claims, if necessary, for matters of a material nature which are not covered by budgetary appropriations.

## TAX MATTERS FOR THE BONDS

### *Opinion of Bond Counsel*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. The Tax Certificate of the City (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

### *Certain Ongoing Federal Tax Requirements and Certifications*

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City, in executing the Tax Certificate, will certify to the effect that the City will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### *Certain Collateral Federal Tax Consequences*

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## *Original Issue Discount*

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

## *Bond Premium*

In general, if an owner acquires the Bonds for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### *Information Reporting and Backup Withholding*

Information reporting requirements will apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, the form of which is attached hereto as Appendix D.

## DISCLOSURE UNDERTAKING

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12") with respect to the Bonds, the City will execute an Undertaking to Provide Continuing Disclosure for the Bonds, the form of which is attached hereto as Appendix E.

### *Continuing Disclosure History*

Since 2007, there have been in excess of 50 rating actions reported by Moody's Investors Service, Standard & Poor's Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the City. Due to widespread knowledge of these rating actions, material event notices were not filed by the City in each instance.

For the fiscal year ended December 31, 2012, the City filed in a timely manner its unaudited financials for the 2012 fiscal year. The City's audited financial statements for the 2012 fiscal year are dated July 10, 2012 and were filed on September 24, 2013, within 360 days of the close of the 2012 fiscal year, but not within 30 days of audit receipt.

The City has reviewed and modified its continuing disclosure practices to ensure future compliance.

## RATING

The City has applied to Moody's Investors Service, Inc. ("Moody's") for a rating on the Bonds, such application is pending at this time

On April 27, 2017, Moody's Investors Service, Inc. ("Moody's") assigned a credit rating of "Baa2" to the outstanding uninsured general obligation limited tax debt of the City. Moody's has also assigned a positive outlook to such rating.

Such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency, at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of such bonds or the availability of a secondary market for those bonds and notes.

## MUNICIPAL ADVISOR

Capital Markets Advisors, LLC has acted as Municipal Advisor to the City in connection with the sale of the Bonds.

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, and 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 an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

## ADDITIONAL INFORMATION

Additional information, including the City's most recent audited financial statements, may be obtained from Ms. Sandra Clarson, City Controller, 9 Glen Street, Glen Cove, New York, (516) 676-2789 or from the City's Municipal Advisor, Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York 11021, (516) 472-7049.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the original purchasers or holders of any of the Bonds.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement is submitted only in connection with the sale of the Bonds by the City and may not be reproduced or used in whole or in part for any other purpose.

CITY OF GLEN COVE
NASSAU COUNTY, NEW YORK

By:___________________________________
Sandra Clarson
City Controller & Chief Fiscal Officer

DATED: August __, 2017

# <u>APPENDIX A</u>

## THE CITY

# THE CITY

## *General Information*

The City, which was founded in 1668 and served for decades as a lumber, flour and starch milling center, was incorporated in 1918. Due to its location on the north shore of Long Island, the City's history has been closely linked to its waterfront. Located in Nassau County only 30 miles from New York City, the area became a popular summer resort before the Civil War, catering to affluent New Yorkers who could commute to New York by steamboat. By the end of the 19th century, many of the prominent New York financiers and industrialists decided to build permanent summer homes in Glen Cove, which was one of the premier "Gold Coast" addresses.

The City has powers and responsibilities inherent in the operation of a municipal government including independent taxing and debt issuance authority. Subject to the provisions of the State Constitution, the City operates under a charter, which was adopted on September 18, 1981, and in accordance with other statutes including the General City Law, the General Municipal Law, the Local Finance Law and the Real Property Tax Law, to the extent that these statutes apply to a city operating pursuant to a charter.

Today, the City derives much of its vitality from its extremely diverse population, which according to the 2010 U.S. Census, includes over 30 ethnic groups. As of 2010, the City's population was estimated to be 26,964 (according to the U.S. Census Bureau). The City also has a diverse economic base. While land use is predominantly residential, (including numerous surviving Gold Coast estates, upper-to-middle income homes, and a variety of multi-family structures and affordable homes), there is also manufacturing and commercial activity within the City

The City has long been a center of electrical assembly, chemical manufacturing and other industrial activity. The City's retail trade includes many specialty shops and an established downtown commercial district that is undergoing a major revitalization with the development and redevelopment of retail and office space and the recent completion of a second luxury apartment complex with 108 rental units.

The City has renewed its interest in its historic waterfront and has developed plans for the revitalization of the 214-acre waterfront district, including both recreational and commercial marine activities. *(See "Waterfront Development")* The New York State Department of State designated the City as one of only three communities on Long Island Sound suitable for concentrated waterfront development; one of seventeen Historic Maritime Centers; and one of ten Maritime Centers on Long Island Sound. In September 2003, the City was given the prestigious *Coastal America Award* by Assistant Secretary of Housing and Urban Development on behalf of President George W. Bush and New York Secretary of State Randy Daniels on behalf of Governor George Pataki in recognition of the City's partnerships with Federal and State Agencies in developing the waterfront project.

After nearly twenty years of working with Federal and State and local agencies, the sale of the 52 acre City agency-controlled waterfront property was completed in November of 2016. A significant portion of the property is ready to be redeveloped. Construction and development of the property began in April, 2017.

## *Elected and Appointed Officials*

The City Council is the legislative body of the City and consists of six members elected at large to serve two-year terms, plus the Mayor. It is the responsibility of the City Council to approve all legislation, including ordinances and local laws, to adopt and modify, as required, operating and capital budgets, to levy real property taxes and to authorize the issuance of all indebtedness.

The Mayor is elected at a general election for a two-year term and there is no restriction on the number of terms that may be served. As a member of the City Council, the Mayor presides over the Council and is eligible to vote on matters before the City Council. The current Mayor, Reginald Spinello, was first elected in November 2013, and was re-elected in November 2015. He currently serves as the Chief Executive Officer of the City.

The Department of Finance is the central fiscal control and accounting agency of the City and is responsible for control and administration of its fiscal affairs. The City Controller, Sandra Clarson, previously served for one year as the Village Auditor at the Village of Garden City. Prior to the Village of Garden City, Ms. Clarson was the Assistant Controller for StaffCo, which supports SUNY Downstate Medical Center for 4 years. There she was responsible for the general accounting department and fiscal operations. Ms. Clarson was also the City Comptroller at the City of Long Beach, New York for 10 years. As the Chief Financial Officer of the City of Long Beach, Ms. Clarson was responsible for all financial operations including general accounting, financial reporting, payroll, budget preparation and management and debt issuance. Ms. Clarson began her accounting / municipal career at the NYC Comptroller's Office and was there for 13 years starting as an auditor and eventually leaving there as an Audit Manager. Ms. Clarson has approximately 25 years of municipal finance experience.

The Department of Finance is responsible for accounting for all revenues and disbursements of the City, for preparation and payment of employee payrolls, for custody and investment of all City funds, supervision of tax billing, tax and revenue collections including school tax billing and collection, administration of tax lien sales, management of bank accounts, the preparation and monitoring of the annual operating budget and five-year capital plan, and maintenance of the City's assessment records.

## *City Services*

The City is responsible for and provides the following services: police, fire, sanitation, water, and street maintenance. The City also operates various park and recreational facilities. Pursuant to State law, Nassau County, rather than the City, is responsible for providing health and social services. Public education is provided by the City School District of the City of Glen Cove. The school district has a separately elected governing body and has independent taxing and debt issuance authority.

## *Employees*

The City provides services through 183 full-time and 120 part-time employees, some of whom are represented by one of two unions. The Civil Service Employees Association ("CSEA") represents clerical workers and various labor groups, including certain supervisory personnel. The Patrolmen Benevolent Association ("PBA") is the collective bargaining agent for the City police and superior officers. The CSEA contract expires on December 31, 2019. The PBA contract expires on December 31, 2020.

## *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"), (ERS and PFRS are referred to collectively hereinafter as the "Retirement System" where appropriate). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. Members hired after January 1, 2010 must contribute three or more percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides, among other things, for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee pension contributions throughout employment.

City police officers and firefighters who are members of PFRS are divided into four tiers. As with ERS, retirement benefit plans available under PFRS are most liberal for Tier 1 employees. The plans adopted for PFRS employees are noncontributory for Tier 1 and Tier 2 employees. Police officers and firefighters that were hired between July 1, 2009 and January 8, 2010 are currently in Tier 3, which has a 3% employee contribution rate by members. There is no Tier 4 in PFRS. Police officers and firefighters hired after January 9, 2010 are in Tier 5 which also requires a 3% employee contribution from members. Police officers and firefighters hired after April 1, 2012 are in Tier 6, which also originally had a 3% contribution requirement for members for FY 12-13; however, as of April 1, 2013, Tier 6 PFRS members are required to contribute a specific percentage of their annual salary, as follows, until retirement or until the member has reached 32 years of service credit, whichever occurs first: $45,000.00 or less contributes 3%; $45,000.01 to $55,000.00 contributes 3.5%; $55,000.01 to $75,000.00 contributes 4.5%; $75,000.01 to $100,000.00 contributes 5.75%; and more than $100,000.00 contributes 6%.

Beginning July 1, 2013, a voluntary defined contribution plan option was made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn $75,000 or more on an annual basis.

The New York State Retirement System has 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 December prior to the scheduled payment date in February, such payments may be made at a discounted amount. The City has not prepaid its employer contributions in December of recent years but has instead made all of its employer contributions in February.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio experienced negative investment performance and severe downward trends in market earnings. Employer contribution rates for the State's Retirement System continue to be higher than the minimum contribution rate established by Chapter 49. To mitigate the expected increases in the employer contribution rate, legislation was enacted in 2010 that authorized local governments and school districts to borrow a portion of their required payments from the State pension plan at interest rates which vary each year. The applicable interest rate applied to amortized amounts of ERS and PFRS pension contributions for 2014 are 3.50%, 3.15% for 2015, 3.21% for 2016 and 2.33% for 2017 amortized pension contributions. The legislation also required those local governments and school districts, who decide to amortize their pension obligations pursuant to the new law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The City amortized a portion of its required ERS and PFRS contributions in the amount of $735,800 for 2011, $833,161 for 2012, $977,090 for 2013 and $687,732 for 2014. The City did not amortize any portion of the required contributions for fiscal 2015 or fiscal 2016 and does not plan to amortize for fiscal 2017.

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 ("ARCs"). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. The City has not and will not be participating in the modified ERS SCO at this time or in the foreseeable future.

### *Other Post Employment Benefits*

Recently enacted accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the City account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for the City.

The City is in compliance with the requirements of GASB 45. The City has determined that its actuarial accrued liability ("AAL") for OPEB as of January 1, 2016 was approximately $77,723,032. For financial reporting purposes, the City has elected to amortize the AAL over 30 years. For the year ended December 31, 2016, the City's ARC was $7,452,246.

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

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

## *Related Entities*

The **Glen Cove Community Development Agency** (the "CDA") is a public benefit corporation created by State legislation to promote sound growth and development of the City. The CDA board consists of the Mayor, who serves as chairman, and six other members appointed by the Mayor, subject to the approval of the City Council. The CDA administers over $3.8 million in Section 8 Housing funds and $600,000 in Community Development Block Grants on behalf of the federal Department of Housing and Urban Development. The contract for Community Development Block Grants is between the City and Nassau County and approved by the City Council. The CDA is authorized to issue debt. The City is liable for CDA bonds and notes. Prior to the sale of the waterfront properties, the CDA had $4,729,000 in outstanding loans guaranteed by the City, with maturity dates ranging from July 2017 through July 2021. The outstanding loans of the CDA totaling $4,729,000 were paid from the proceeds of the sale of the waterfront properties. See *"Waterfront Redevelopment"* herein.

The **Glen Cove Industrial Development Agency** (the "IDA") is a public benefit corporation created to promote the economic welfare and prosperity of the City's inhabitants. The IDA members have complete responsibility for management of the agency and accountability for its fiscal matters. Prior to the sale of the waterfront properties, the IDA had $2,182,592 in loans outstanding, which were guaranteed by the City. The outstanding loans of the IDA totaling $2,182,592 were paid from the proceeds of the sale of the waterfront property. See *"Waterfront Redevelopment"* herein.

The **Glen Cove Local Economic Assistance Corporation** (the "LDC"), established July 2014, is a not-for-profit corporation created to assist and encourage the development and/or retention of industry in the City. The LDC Board is appointed by the City of Glen Cove City Council and is responsible for the management and accountability of its fiscal affairs. The City is not liable for any bonds, notes or other obligations of the LDC. The LDC is the special purpose vehicle selected by the City to issue bonds to finance public improvements required in connection with the redevelopment of the waterfront. (See *"Waterfront Redevelopment"* herein.)

The **Glen Cove Housing Authority** is a public housing agency whose board has complete responsibility for its management and fiscal matters. The City is not liable for bonds, notes or other obligations of the Glen Cove Housing Authority. The City does not guarantee debt of the Glen Cove Housing Authority.

The **City School District of the City of Glen Cove** (the "District") is governed by school board members who are elected by the qualified voters of the District. The District derives its revenues from property taxes, the assessment of which is based on the City's taxing procedures. The City is responsible for billing and collecting District taxes and makes the District whole for any uncollected taxes (see *"Real Property Tax Collection Procedures and History"* herein). The City guarantees collection on any District taxes in arrears. The Board of Education of the District appoints management and exercises complete responsibility for all fiscal matters. The City is not liable for bonds, notes or other obligations of the District issued for District purposes.

The **Glen Cove Library** ("Library") is governed by library trustees who are elected by the qualified voters of the Glen Cove City School District. The Library derives its revenues from property taxes, the assessment of which is based on the City's taxing procedures. The City is responsible for billing and collecting Library taxes; however it is the City School District that makes the Library whole for any uncollected taxes (see *"Real Property Tax Collection Procedures and History"* herein). The City guarantees collection on any Library taxes in arrears. The Library Board appoints management and exercises complete responsibility for all fiscal matters. The City is not liable for bonds, notes or other obligations of the Library.

## 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, other than retirement plan contributions, 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 Audit*

The single audits of the City's financial statements were conducted by the independent auditor, O'Connor Davies, LLP. A summary of the City's General Purpose Financial Statements for the fiscal years ended December 31, 2012 through 2016, inclusive, is contained in Appendix B hereto. A link to a copy of the City's Audited Financial Statement for the fiscal year ended December 31, 2016 can be found in Appendix C hereto.

### *Annual Financial Report Update Document (Unaudited)*

New York State General Municipal Law Article 3, Section 30 requires every municipal corporation to make an annual report of its financial condition available to the Office of the State Comptroller. This report is not audited or prepared in accordance with GAAP. Filing deadlines for this Annual Financial Report Update Document (unaudited) ("AUD") vary according to the municipal corporation's fiscal year end. The City's filing deadline is May 1 of each year for the prior fiscal year ended December 31. In recent years, the City has filed its AUD in a timely manner and filed its 2015 AUD before the May 1, 2016 deadline. The City filed a draft AUD prior to the May 1, 2017 deadline with the final AUD submitted June 30, 2017.

## *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 Water fund and the Recreation fund. 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 government funds, and federal and state grants which are to be applied for permanent or semi-permanent capital improvements. The City also maintains an Internal Service fund to account for its self-insurance program for workers compensation and general liability claims.

***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.

***Recreation Fund***. This fund is used to account for revenues and expenditures associated with the operation of the golf course and other recreational activities. Due to the importance of golf and recreation to the community, a Recreation Fund was created with the intention of it being self-sustaining. (*See "Discussion of Recent Financial Operations, Including Operating and Cumulative Deficits".*)

## *Revenues*

***Property Taxes.*** The City derives a major portion of its General Fund revenues from a tax on real property (see *"Statement of Revenues, Expenditures and Changes in Fund Balance"* in Appendix B, herein). Based on audited results, property taxes accounted for approximately 66.9% of total General Fund revenues for the fiscal year ended December 31, 2016.

The following table sets forth total General Fund revenues and real property tax revenues during each of the last five audited fiscal years as well as budgeted amounts for the 2017 fiscal year.

**Property Tax Revenues**

| Fiscal Year | Total Revenues | Real Property Taxes (3) | Real Property Taxes to Revenues |
|---|---|---|---|
| 2012 | $41,003,172 | $30,622,224 | 74.7% |
| 2013 | 40,970,823 | 29,836,102 | 72.8 |
| 2014 | 41,073,841 | 30,436,825 | 74.1 |
| 2015 | 42,006,193 | 30,650,633 | 73.0 |
| 2016 (1) | 46,657,663 | 31,230,832 | 66.9 |
| 2017 (Adopted Budget) (2) | 46,741,402 | 29,792,841 | 63.7 |

Source: Audited Financial Statements and Adopted Budget of the City.

(1) Total Revenues for the 2016 Audited Financial Statements include $3.5 million from the sale of City-owned land in connection with waterfront redevelopment. (See "*Waterfront Redevelopment*" and "*2016 Audited Results*" herein.)

(2) Total Revenues for the 2017 Adopted Budget include a $3.863 million contribution from the IDA from monies received pursuant to the sale of the waterfront property. (See "*Waterfront Redevelopment*" and "*2017 Adopted Budget*" herein.)

(3) The Tax Levy Limit Law imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the City, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the City. (See "Tax Levy Limit Law" herein).

***State Aid.*** The City also receives a significant portion of its revenues in the form of State aid. Based on audited results, for the fiscal year ended December 31, 2016, State aid represented 8.6% of the total General Fund revenues of the City. State aid in 2017, based on the City's Adopted Budget for such year, is expected to account for $3,873,895, or 8.3%, of the City's budgeted revenues

The following table sets forth total General Fund revenues and State aid during each of the last five audited fiscal years and budgeted amounts for the 2017 fiscal year.

**State Aid**

| Fiscal Year | Total Revenues | State Aid | State Aid to Revenues (%) |
|---|---|---|---|
| 2012 | $41,003,172 | $3,749,724 | 9.1% |
| 2013 | 40,970,823 | 3,843,652 | 9.4 |
| 2014 | 41,073,841 | 3,735,287 | 9.1 |
| 2015 | 42,006,193 | 3,952,840 | 9.4 |
| 2016 (1) | 46,657,663 | 4,027,416 | 8.6 |
| 2017 (Adopted Budget) ) (2) | 46,741,402 | 3,873,895 | 8.3 |

Source: Audited Financial Statements and Adopted Budget of the City.

(1) Total Revenues for the 2016 Unaudited Financial Statements include $3.5 million from the sale of City-owned land in connection with waterfront redevelopment. (See "*Waterfront Redevelopment*" and "*2016 Audited Results*" herein.)

(2) Total Revenues for the 2017 Adopted Budget include a $3.863 million contribution from the IDA from monies received pursuant to the sale of the waterfront property. (See "*Waterfront Redevelopment*" and "*2017 Adopted Budget*" herein.)

The State receives a substantial amount of Federal aid. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about Federal tax policy and legislation and other issues under the current presidential administration and Congress.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the current administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances and changes to Federal participation rates or others Medicaid rules.

The State's enacted budget for fiscal year 2017-2018 allows the governor to reduce the aid to municipalities and school districts mid-year if receipts from the federal government are less than what was expected. The Legislature will have 90 days to approve the Governor's plan or propose its own plan. If no action is taken by the Legislature, the Governor's plan will be implemented.

The State is not constitutionally obligated to maintain or continue such State aid to the City. No assurance can be given that present State aid levels will be maintained in the future. As such, 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 reduction of expenditures.

In addition, should the State experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the City, may be affected by a delay in the payment of State aid. (See *"Market Factors Affecting Financings of the State and Municipalities of the State"* herein).

## *Deficit Legislation*

On July 18, 2007, Chapter 337 of the Laws of 2007 (“Chapter 337”) was enacted authorizing the City to issue serial bonds to fund the City’s accumulated deficit as of the fiscal year ended December 31, 2006. The legislation authorized the City to issue serial bonds, and bond anticipation notes in anticipation of such bonds, in an aggregate principal amount not to exceed $12,800,000 for the purpose of liquidating the accumulated deficits in the City’s General Fund, Water and Sewer Fund, Debt Service Fund, Recreation Fund and Self Insurance Fund as of the fiscal year ended December 31, 2006. For each fiscal year that any bonds or notes issued pursuant to Chapter 337 are outstanding, the City must prepare a quarterly report of summarized budget data depicting trends of actual revenues and budget expenditures for the entire budget. Such budgetary reports must compare revenue estimates and appropriations as set forth in the budget with actual revenues and expenditures made to date. Such reports must be submitted at the end of each quarter to each member of the City Council, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee. The City is also required to submit its preliminary budget and any debt issuance plans to the State Comptroller for his review. The City has complied with these provisions of the deficit legislation as required.

In December 2007, pursuant to Chapter 337 of the Laws of 2007 and a bond ordinance adopted by the City Council, the City issued $12,800,000 Deficit Serial Bonds – 2007, which have a final maturity of November 1, 2017. (See *“Discussion of Recent Financial Operations, Including Operating and Cumulative Deficits”* and *“Financial Recovery Plan”* herein).

## *Discussion of Recent Financial Operations, Including Operating and Cumulative Deficits*

During the past several years the City has experienced operating and cumulative deficits in one or more of its operating funds. The following is a summary of the City’s recent audited financial operations for the fiscal years ended December 31, 2012 through December 31, 2016 as well as Adopted Budget for the fiscal year ended December 31, 2017.

For the fiscal year ended December 31, 2012, the City generated an operating surplus of $645,921 and ended the year with a cumulative deficit of ($1,681,483) in its General Fund. The total of the cumulative deficits in all of the City’s operating funds was approximately ($4,083,330) for the fiscal year ended December 31, 2012, consisting of a deficit in the General Fund of ($1,681,483), a deficit in the Water Fund of ($550,317), a deficit in the Recreation Fund of ($575,559), and a deficit in the Insurance Fund of ($1,520,047). The City’s Special Purpose Fund and Debt Service Fund have surpluses of $9,915 and $234,161, respectively for the fiscal year ended December 31, 2012.

For the fiscal year ended December 31, 2013, the City generated an operating surplus of $100,680 and ended the year with a cumulative deficit of ($1,580,803) in its General Fund. The total of the cumulative deficits in all of the City’s operating funds was approximately ($4,409,702) for the fiscal year ended December 31, 2013, consisting of a deficit in the General Fund of ($1,580,803), a deficit in the Water Fund of ($518,097), a deficit in the Recreation Fund of ($537,365), and a deficit in the Insurance Fund of ($2,101,750). The increase in the Insurance Fund deficit of $581,000 over the previous year was the result of several large, unbudgeted liability claims. The City’s Special Purpose Fund and Debt Service Fund have surpluses of $11,937 and $316,376, respectively for the fiscal year ended December 31, 2013.

For the fiscal year ended December 31, 2014, the City generated an operating deficit of ($350,514) and ended the year with a cumulative deficit of ($1,931,317) in its General Fund. The total of the cumulative deficits in all of the City’s operating funds was approximately ($5,436,107) for the fiscal year ended December 31, 2014, consisting of a deficit in the General Fund of ($1,931,317), a deficit in the Water Fund of ($666,925), a deficit in the Recreation Fund of ($567,563), a deficit in the Debt Service Fund of $(7,909) a surplus in the Special Purpose Fund of $13,249 and a deficit in the Insurance Fund of ($2,275,642) The increase in the Insurance Fund deficit of $173,892 over the previous year was the result of worker’s compensation settlements that will save the City money in future years.

### *2015 Audited Results*

For the fiscal year ended December 31, 2015, the City generated an operating surplus of $994,103 and ended the year with a cumulative deficit of ($937,214) in its General Fund. The operating surplus of $994,103 in the General Fund is the result of several factors such as positive expenditure variances of $130,054 and a $920,022 positive revenue variance. The total of the cumulative deficits in all of the City's operating funds was approximately ($3,635,191) as of December 31, 2015, consisting of a deficit in the General Fund of ($937,214), a deficit in the Water Fund of ($337,644), a deficit in the Recreation Fund of ($439,296), a deficit in the Debt Service Fund of ($7,284) and a deficit in the Insurance Fund of ($1,926,758). The City's Special Purpose Fund had a surplus of $13,005 for the fiscal year ended December 31, 2015.

### *2016 Audited Results*

For the fiscal year ended December 31, 2016, the City generated an operating surplus of $1,932,513 and after realizing the cumulative effect of change in accounting principles ended the year with a $3,234,034 in its General Fund. The operating surplus of $1,932,513 in the General Fund is the result of several factors including revenues received from the $3.5 million sale of City-owned land in connection with waterfront redevelopment *(See "Waterfront Redevelopment").* The total of the cumulative deficits in all of the City's operating funds was approximately ($86,809) as of December 31, 2016, consisting of $3,234,034 in the General Fund, a deficit in the Water Fund of ($180,256), a deficit in the Recreation Fund of ($406,400), a deficit in the Debt Service Fund of ($493,305) and a deficit in the Insurance Fund of ($2,257,275). The City's Special Purpose Fund had a surplus of $16,393 for the fiscal year ended December 31, 2016.

### *2017 Adopted Budget*

For the fiscal year ending December 31, 2017, General Fund revenues are budgeted at $46.74 million and General Fund expenditures and other uses are budgeted at $46.74 million.

The City received $3.863 million in revenue earlier this year, which has been included in the City's 2017 Adopted Budget related to payments due to the City pursuant to an agreement with the IDA requiring that such funds be paid to the City following the sale of the waterfront property to a developer, which occurred in 2016. This payment is in addition to the $3.5 million budgeted and received during 2016. *(See "Waterfront Development".)*

Section 10.10 requires all local governments that have been authorized to issue obligations to fund operating deficits to submit to the State Comptroller (OSC) each year that deficit obligations are outstanding, their proposed budget for the next fiscal year. The City has submitted its proposed budget each year as required. The OSC reviews the proposed budget and provides written comments and recommendations. The City reviews the OSC comments and recommendations and responds in writing. In October of 2016, the OSC provided comments and recommendations related to the proposed 2017 fiscal year budget and the City provided a written response.

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Selected OSC comments and City response are summarized as follows.

| OSC 2017 Budget Comment | City Response to OSC 2017 Budget Comment |
|---|---|
| • Recommends curtailing use of debt as a financing source to cover recurring operating expenditures such as tax certiorari payments; | • City increased appropriations for tax refunds in 2015 and 2016. The City believes that most of the large tax certiorari claims have been settled and anticipates a decrease in tax certiorari claims. |
| • City's proposed budget included amounts for termination payments based on a verbal agreement with Police department employees. OSC recommends budgeting for total estimated amount of termination payments until formal agreement received. | • The City did receive signed agreements from retiring personnel, which provide for termination payments over a two year period and better budgeting. The City fully budgeted for its termination payments in 2017. |
| • Water Fund: The City projected an operating deficit for fiscal 2016 of $54,816 that will increase the unassigned fund balance deficit to $392,460. OSC recommends implementation of plan to eliminate fund deficit. | • The City began a water meter replacement program which is expected to increase billings. |
| • Recreation Fund: The City projected a break-even operating position for fiscal 2016 resulting in no change to the unassigned fund balance deficit of $439,296. OSC recommends implementation of plan to eliminate fund deficit. | • The City has renegotiated a number of vendor contracts for the Recreation Fund and will continue to seek methods to improve its financial position. |

## *Fiscal Stress Monitoring System*

In 2013, the New York State Comptroller's office implemented a Statewide fiscal monitoring system that would identify local governments experiencing fiscal stress. The goal of the system is to inform both municipal leaders and taxpayers of the economic and budgetary challenges facing their locality so that action can be taken when appropriate to avoid a fiscal crisis. The fiscal monitoring system uses data that is already submitted by the local government to the State Comptroller's office to calculate a score associated with the level of fiscal stress, if any. Fiscal stress levels are defined as 0% - 44.9% No Designation, 45% - 54.9% Susceptible Stress, 55% - 64.9% Moderate Stress and 65% - 100% Significant Stress. In July 2013, the City was notified by the State Comptroller's office that based on preliminary, unaudited information submitted on its Annual Financial Report Update Document for the fiscal year 2012 that the City had received a moderate fiscal stress level of 60.0%. For the fiscal year 2013, the City again received a moderate fiscal stress level with a score of 61.07%. The fiscal stress level for fiscal year 2014 increased to 70%. The City's fiscal stress level for fiscal 2015 of 53.8%, represents an improvement from prior years and falls in the "Susceptible Stress" category.

## *Financial Recovery Plan*

The Mayor and the City administration continue to work diligently to develop solutions to ensure the City's long term fiscal stability. The City has developed and continues to refine a financial recovery plan that is targeted toward restoring fiscal balance to City financial operations. Following Special State legislation authorizing the issuance of serial bonds to fund the City's cumulative deficit as of fiscal year ended December 31, 2006, the City implemented significant property tax increases for a number of years as well as a number of increases to fee revenue and implementation of certain expenditure reductions.

Beginning in 2014, the current administration began a series of initiatives to close on the sale of the waterfront and other outstanding projects of significance, increase recurring revenues, identify new revenue sources, re-purpose underperforming assets, reduce borrowing, re-zone certain areas of the city for maximum beneficial use, and increase fines and penalties.

For a description of the development associated with the Garvies Point Project, which commenced in the April of 2017, see "*Waterfront Redevelopment*" herein. For a description of the City's efforts to revitalize its downtown, see *"Downtown Revitalization"* herein.

Improved budgeting practices have been implemented to better control departmental expense and significant focus on expenditure reduction is expected to result in recurring annual savings. Police overtime cost has been decreasing year over year since 2014, at a savings of $50,000 annually. The City was successful in renegotiating healthcare eligibility and benefits for future employees and retirees, which is projected to save $88,178 annually. The City also instituted a retirement incentive, which is expected to reduce payroll cost by approximately $430,000 per year. Recent renegotiation of PBA and CSEA contracts resulted in annual increases below that of 2.5% per year average for comparable police departments on Long Island. In addition, the PBA has agreed to take termination payouts over the course of two years, allowing the City to budget for termination pay without having to issue bonds or notes to pay such termination payouts. Software is expected to be installed during 2017 by the City to enhance efficiencies, streamline employee workload, and centralize services thereby reducing overtime cost. In 2015, the City introduced single stream recycling and in 2016 renegotiated its sanitation contract for its waste transfer station resulting in significant annualized savings of approximately $120,000.

These and other initiatives have started to produce positive results. For fiscal year ended December 31, 2016, a surplus of approximately $1,932,513 was generated in the General fund, resulting in a positive Total General Fund balance for the first time in 10 years equivalent to $995,299 before taking into account the cumulative effect of a change in accounting principle and $3,234,034 with cumulative effect of a change in accounting principle.

The City is developing a 5-year financial plan to enhance planning and budgeting and establish goals for replenishing fund balances.

***Bonds for Separation Payments***

The City has issued bonds and notes in recent years to fund certain separation payment to retiring City employees. Such payments have been financed pursuant to special legislation enacted for the City by the State. The legislation, enacted in 2012, authorizes the City to amortize the costs of payments to employees upon separation of service to the City. To date, the City has issued bonds or notes totaling $6,169,000 pursuant to this legislation. In order to help reduce borrowing by the City for purpose in the future, the City has entered into an agreement with its PBA union that permits termination pay to be paid out over two years from date of retirement.

***Enhanced Non-Tax Revenues***

The administration identified a number of opportunities which substantially increased non-tax revenues, including: a comprehensive approach to investment management; stepped-up building code enforcement which increased fines for illegal conversions and non-complying use; and establishment of an ambulance fee which generated annual revenues as follows:

**Ambulance Fee Revenues**

| Fiscal Year | Fee Revenue |
|---|---|
| 2012 | $674,568 |
| 2013 | 783,939 |
| 2014 | 725,750 |
| 2015 | 954,976 |
| 2016 | 1,013,385 |
| 2017 (Approved Budget) | 900,000 |

***Expansion of the Tax Base***

The administration continues to work to enhance its tax base through a combination of economic development and encouragement of rational land use. Much of the City's redevelopment effort and success has been focused on the downtown and waterfront revitalization efforts which are discussed below Success has been evidenced by a current retail occupancy rate in the downtown of approximately 90%, the highest in over 20 years.

***Downtown Revitalization***

The Glen Cove Community Development Agency ("CDA") has an active commercial rehabilitation project funded through the Housing and Urban Development ("HUD") Community Development Block Grant ("CDGB") program that has positively impacted reinvestment into the downtown business district as well as other business districts in Glen Cove. The CDA program includes façade and signage matching grants as well as loans. Over the past several years, this program has resulted in façade improvements on approximately 14 buildings in the downtown as well as additional improvements made by the property owners. The Building Department and the Business Improvement District report a retail occupancy rate in the downtown of approximately 90%, the highest in over 20 years.

The newly developed Glen Cove Local Economic Assistance Corporation ("LDC") recently assisted a local senior living facility with the refinancing of an expansion of the facility from 96 to 121 units, the expansion includes a secure 22 room Memory Care Unit.

***Waterfront Redevelopment***

The New York State Department of State recognized Glen Cove Creek as one of three places on Long Island Sound suitable for concentrated waterfront development. They worked closely with the City on developing a "Glen Cove Creek Waterfront Revitalization Plan". HUD along with the United States Environmental Protection Agency and 14 other federal agencies recognized the City of Glen Cove as a Brownfields Showcase Community for its efforts in cleaning up and redeveloping the Glen Cove Creek area.

The Glen Cove Community Development Agency ("CDA") has been instrumental in the redevelopment efforts. As part of the Garvies Point Urban Renewal Plan adopted by the CDA, the CDA has been removing blight and remediating properties. Over 46 acres that were polluted and off the tax rolls were purchased by the Glen Cove Industrial Development Agency ("IDA") (Glen Cove's other redevelopment agency) with associated debt guaranteed by the City. (See also "Related Entities" herein.) To date, nearly all of the property has been environmentally remediated. EPA and DEC have issued "No Further Action" Letters and other final approvals for the eastern portion of the property known as Li Tungsten Parcels A, B and Upper C indicating that the subject property has been investigated and cleaned up to required standards such that development of the property may proceed. Construction of Phase One of the Garvies Point Project began in April of 2017 in these areas of the property. On July 7, 2017, DEC issued a "No Further Action" Letter for Captain's Cove, encompassing the western portion of the property. EPA is expected to issue similar final environmental approvals shortly on the portion of the property known as Li Tungsten Lower C.

The City is working with its redeveloper partner to create a mixed-use, smart growth development known as Garvies Point, with residences, retail shops, a restaurant and other eateries, and extensive public amenities, including parks and other active and passive recreational public open spaces. The City anticipates that the Garvies Point Project will generate hundreds of jobs, and millions of dollars in real property taxes, sales taxes and income tax revenues to local governments, as well as, County, State and federal governments. This plan has received support and grants from federal, State, and County agencies.

On December 19, 2011, the City Planning Board, approved a Findings Statement under the State Environmental Quality Review Act ("SEQRA"), and issued a Special Use Permit for a Planned Unit Development ("PUD") Master Development Plan for the Project. The approval of the PUD allows the developer to proceed with a phased development of the site. On October 1, 2012, the developer submitted an application for the Phase One PUD Site Plan, which was reviewed and approved by the Planning Board. The Planning Board also approved an Amended PUD Master Development Plan on October 6, 2015 ("Amended PUD"). The Amended PUD includes the current development program for the Project: 1,110 residential units, approximately 75,000 gross square feet (gsf) of retail/office space, approximately 1,644,932 gsf of total residential development, approximately 1,719,932 gsf of total private development, and approximately 28 acres of public amenities and open spaces.

The Amended PUD approval was challenged in two lawsuits, one filed by the Village of Sea Cliff (the "Village"), and the other by a group of residents from the area. The lawsuits named the City, Planning Board, IDA, CDA and the developer among the defendants. The lawsuits alleged, among other things, that a full supplemental environmental review was required under SEQRA, even though the Planning Board found that the Amended PUD would not result in any new significant adverse environmental impacts that were not already studied. The Village additionally claimed, among other things, that the Amended PUD breached a Memorandum of Understanding (the "MOU") that was signed in 2000 by the Village, City and IDA. The Village alleged that the MOU imposed certain height and square footage requirements on the Project, which the Amended PUD exceeds. On August 17, 2016, the Supreme Court, Nassau County, issued Orders dismissing both lawsuits in their entirety. On or about July 19, 2017, the residents filed an Appeal in the Appellate Division, Second Department, seeking to overturn the lower Court's decision. The Village has until September 15, 2017, to file its Appeal. The City will vigorously oppose the Appeals.

On November 22, 2016, the IDA/CDA and the developer closed on approximately 44 acres of the Project Site, pursuant to the Land Disposition Agreement that was entered into in 2003. The closing proceeds were used, in part, to pay off the aforementioned debt regarding IDA's purchase of the property. Also on November 22, 2016, the Glen Cove Local Economic Assistance Corporation ("LDC") sold Public Improvement Bonds, in an aggregate principal amount of $124,562,832.65, to finance a portion of the Project's "Public Use Improvements" (ex. parks and playgrounds, bulkheads, marinas, stormwater facilities, utilities, esplanade, boardwalks and other walkways, ecology pier, etc.). The Public Use Improvements will be constructed by the developer, as agent of IDA, within the "Public Use Easement Areas" on the Project Site. The developer is obligated to reimburse the IDA for 100% of the costs to maintain the Public Use Improvements in perpetuity. These Bonds are non-recourse to the City and its agencies. The IDA and developer have entered into a Master Tax Agreement pursuant to which the developer will make certain in-lieu of tax payments (the "PILOT") to the IDA for the benefit of the bondholders, as well as the School District, the City of Glen Cove, Nassau County and the Glen Cove Public Library (collectively, the "Affected Tax Jurisdictions"). Each Affected Tax Jurisdiction has granted consent to distribute the PILOT payments in a manner other than in the same proportion as taxes would be distributed.

On March 7, 2017, the Planning Board approved the PUD Site Plan for Building B, as well as certain of the public amenities and site improvements on the west side of the property. The Planning Board also approved an Amended PUD Subdivision. The group of residents affiliated with the Committee for a Sustainable Waterfront filed a combined Article 78 proceeding and declaratory judgment action on April 5, 2017, challenging these Phase Two approvals. Like the prior lawsuit, this new lawsuit alleged, among other things, that a full supplemental environmental review was required under SEQRA, even though the Planning Board found that the site plan and amended subdivision would not result in any new significant adverse environmental impacts that were not already studied. This lawsuit is pending. A decision is expected within a few months.

On July 18, 2017, the Planning Board approved a condominium subdivision for Building B. The purpose of this application was to subdivide Building B into 167 condominium units so that the Nassau County Assessor may assign tax identification numbers to the individual condominium units, pursuant to NYS Real Property law.

The City, with the aid of Federal grant funds, planned and designed the construction of a new ferry terminal along the Glen Cove Creek in the waterfront development area. Construction on the water borne improvements, infrastructure, bulkheads and foundation began in the fall of 2010 and was completed in the Spring of 2013. Ferry terminal construction has been completed in June 2016. The City paused the release of the ferry operator RFP due to the confluence of construction at the waterfront and new roadway and potential obstructions to access convenient parking. However, the city was asked in July 2017 by the Governor's office and MTA/LIRR to prepare for and host ferry operators from Glen Cove during the Amtrak construction project at Penn Station to ease the dilemma for resident commuters. The city was proud to launch a flawless temporary MTA summer ferry service that has been received with rave reviews and appreciation of the commuters. The City expects to release a RFP for a ferry operator in the fall of 2017, with commuter service to Manhattan anticipated to begin no later than January 2019. The ferry terminal will be within walking distance of the planned development of apartment buildings and other uses on the waterfront.

The City is also undertaking the Garvies Point Road/Herb Hill Road roadway reconstruction project (the "Road Project"). Garvies Point Road and Herb Hill Road are the primary access roads to Garvies Point and the Glen Cove Creek waterfront area. The Road Project will improve Garvies Point Road and Herb Hill Road up to its terminus at Garvies Point Beach to facilitate access to the waterfront. A portion of the proceeds of the LDC Public

Improvement Bonds will fund a portion of the costs of the Road Project. The City has awarded the contract to the selected contractor. Construction of the Road Project began in March 2017 and is expected to be completed within the next two years.

***Other Developments***

The healthcare industry in the City is particularly strong. In 2008, North Shore University Hospital at Glen Cove completed approximately $12.0 million in capital improvements including the expansion of the emergency room and the development of a pediatric trauma center and continues to expand other areas of the hospital. As part of the Northwell Health System, the Glen Cove facility has been designated as the special surgery hospital for orthopedic surgery and rehabilitation. This designation has led to growth at the City's three nursing home facilities that provide post-surgery patient rehabilitation. In addition, there has been strong demand for medical office space in Glen Cove.

The Regency at Glen Cove was approved by the Planning Board to construct an additional facility to the current structure, which will provide care for patients with mental health issues. This new facility has been issued building permits and work has now begun on the project.

The Atria Senior Living has completed renovations to its existing building at an approximate cost of approximately $10 million.

Demolition for converting the Village Square property in the center of town into a European style plaza with retail establishments on the lower level open to vibrant and active public square in the center with residential units on the upper levels began in 2015. Phase 1 of the development has been completed with the opening of a Panera Bread Restaurant. Phase 2, the abatement and demolition of the north side of the property began in August of 2017. Construction will begin shortly with a completion date of 18-24 months. Landing Cove, a 72-unit housing complex for over age 55 residents, has completed approximately 50 percent of their units and sales have commenced. Nineteen two-family housing units at Lee Gray Court have also been approved with 16 already constructed. In addition, The Villa, a 176 luxury unit condominium on Glen Cove Road began demolition June 2017. Resolution of litigation related to the project is still pending.

The Glen Cove Mansion, a 54.5 acre property in the estate section of Glen Cove, currently has plans to develop a 15-acre parcel of land for the purpose of constructing 40 high-end housing units and also to expand their catering and hotel capabilities for a total cost of approximately $30 million. The property has been approved by the City Council for rezoning. In the winter of 2015 a fire caused extensive damage to one wing of the main mansion building. The new owner of the mansion is in the planning stages of renovation to the main mansion building.

The Glen Cove Movie Theater, which closed its doors in the Spring of 2013, was sold in December of 2013 to a new theater operator. The new owner and operator has renovated and updated the theater to digital technology and opened for business in April, 2014. Glen Cove attracted AMC Movie Theater, which signed a 20-year lease with the property owners to replace the previous operator. Significant enhancements and renovations by the property owners commenced in May 2017 and are expected to be completed by Fall 2017 with a $5 million budget.

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## *Construction Activity*

The number of building permits issued within the City and the estimated cost of construction based on permits issued for each of the last five years is set forth below.

**Building Permits**

| Year | No. of Permits | Estimated Cost |
|---|---|---|
| 2012 | 147 | $ 12,895,520 |
| 2013 | 177 | 8,635,634 |
| 2014 | 170 | 6,352,168 |
| 2015 | 196 | 9,473,892 |
| 2016 | 204 | 13,035,781 |

Source: City Officials

## *Budget Process*

The budget process begins in late summer at which time department heads prepare estimates of revenues and expenditures for the following year. Pursuant to the City Charter, departmental estimates must be submitted to the City Controller by September 1.

The Mayor submits a proposed budget to the City Council on or before October 1. The City Council reviews the proposed budget and may make changes or revisions that they deem necessary. During the City Council's review period, by October 10, notice is given of a public hearing on the proposed budget.

The public hearing on the proposed budget is to be held no later than October 15, at which time members of the public may express their views on such budget. Following the public hearing, the City Council may make whatever additional revisions that it deems necessary. The final budget for the next fiscal year is adopted by ordinance of the City Council by the last Tuesday in October.

In connection with the adoption of the 2007 Deficit Legislation, the City is required to submit its annual budget to the New York State Comptroller's office for its review prior to adoption. The City has met these requirements in connection with the budget of the City for each year since the enactment of the 2007 Deficit Legislation. (See *"Deficit Legislation"* herein).

In addition, all tax levies for budgets adopted for the fiscal year ending December 31, 2012 and thereafter are subject to the Tax Levy Limit Law. (See also *"Tax Levy Limit Law".)*

## *The City Investment Policy*

The City Council has adopted an Investment Policy, which includes as eligible investments: certificates of deposit and time deposit accounts in banks or trust companies authorized to do business in New York State; obligations of the State or the U.S. Treasury (including federal agencies where principal and interest is guaranteed by the United States of America); and, with approval of the State Comptroller, obligations of other local governments as well as of the City itself.

The Investment Policy further stipulates that:

- Certificates of deposit and time deposit accounts must be fully secured by insurance of the Federal Deposit Insurance Corporation, or collateralized with obligations of the U.S. Treasury, the State, or obligations of local governments within the State. Collateral shall be delivered to the City or to an approved custodial bank. The market value of collateral shall at all times equal or exceed the principal value of the certificate of deposit, marked to market no less frequently than weekly.

- Repurchase agreements shall provide for payment to the provider only upon delivery of U.S. Treasury obligations to an approved custodial bank or, in the case of a book-entry transaction, when the obligations of the U.S. Treasury are credited to the approved custodial bank account.
- Repurchase agreements shall be entered into only with banks or trust companies registered as primary dealers in government securities, with a minimum 105% collateralization, marked to market weekly.
- The investments will be audited annually by the City's independent auditor, and the Investment Policy will be reviewed annually by the City Council.

Consistent with the above statutory limitations, it is the City's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

## REAL PROPERTY TAXES

### *Limitation on Real Estate Tax Levy*

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 2.0% of the five-year average full valuation of taxable real property of the City. The City Charter, however, limits the City’s real property tax levying power to 1.5% of the five-year average full valuation or $54,841,610 as of fiscal year ending December 31, 2017.

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

**Real Property Tax Assessment and Rates**

| Fiscal Year Ending December 31: | Assessed Valuation | State Equalization Ratio | Full Valuation |
|---|---|---|---|
| 2013 | $ 3,646,069,355 | 1.0000 | $ 3,646,069,355 |
| 2014 | 3,630,495,287 | 1.0000 | 3,630,495,287 |
| 2015 | 3,657,115,267 | 1.0000 | 3,657,115,267 |
| 2016 | 3,605,996,735 | 1.0000 | 3,605,996,735 |
| 2017 | 3,740,860,020 | 1.0000 | 3,740,860,020 |

| | |
|---|---|
| Total Five-Year Full Valuation | $18,280,536,664 |
| Five-Year Average Full Valuation | 3,656,107,333 |
| 1.5% of Five-Year Average Full Valuation | 54,841,610 |
| Total Tax Levy – General City Purposes | 29,792,840 (1) |
| Less: Total Exclusions (Debt Service) | 6,629,305 |
| Tax Levy Subject to Tax Limit | 23,163,535 |
| Constitutional Tax Margin | $ 31,678,075 |
| Percentage of Tax Limit Exhausted | 36.21% |

Sources: State Board of Real Property Services and the City of Glen Cove Controller's Office.
(1) 2017 Adopted Budget Tax Levy.

## *Tax Levy Limit Law*

Prior to the enactment of Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"), all the taxable real property within the City has been subject to the levy of ad valorem taxes to pay the bonds and notes of the City and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the City for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020 or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the City. 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 Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the City, subject to certain exceptions. The Tax Levy Limit Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The City is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the City. The City Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the City Council first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the City, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the City or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

To date, the City has not exceeded the Tax Levy Limit.

## *Real Property Tax Collection Procedures and History*

Total real property taxes in the City are comprised of three separate taxing elements: (1) City, (2) County and (3) School. Real property taxes become payable upon the levy of such taxes by the City Council, the Nassau County Legislature and the local Board of Education, respectively.

Preparation of the tax assessment roll is the statutory responsibility of the City under the Real Property Tax Law. The City Assessment Office undertakes regular inspections of property to ensure that new construction, improvements or demolitions are reflected in the annual roll of taxable properties.

The taxes as levied by the City become a lien on December 1; County taxes are billed on a single statement and are levied January 1. City taxes are one half payable on December 1 and one half payable on June 1. County taxes are one half payable January 1 and one half payable July 1. The Glen Cove City School District (the "District") taxes are levied August 1 and are one half payable August 1 and one half payable February 1.

School taxes are collected by the City until March 1. On March 20, a five percent administrative fee is added to all delinquent District tax bills in addition to interest expense, which accrues from March 1 at 0.50% per month. The City guarantees the District the full amount of its tax levy. County taxes are remitted to the County only to the extent they are actually collected by the City. According to the Real Property Tax Law, unpaid school taxes are paid to the District as they are collected or at such time as the unpaid tax is included in the tax sale. All unpaid school taxes and unpaid prior year City taxes are included in the annual tax lien sale held no later than the last Friday in June.

Delinquent City and District taxes are enforced by the City under Article 11, Title 3 of the Real Property Tax Law which provides for foreclosure by "action in rem" after two years from the date of the first lien. In general, this section of the law permits foreclosure actions to be instituted for all tax liens due and unpaid for a period of at least two years. The City has elected to use the two-year period in order to strengthen its real property tax enforcement procedures.

The following table reflects the real property tax levies and the total amounts collected in each of the last five fiscal years.

**Real Property Tax Levies and Collections**

| Period Ending: | Gross Tax Levy | Total Taxes Collected | Percentage of Taxes Collected |
|---|---|---|---|
| 2012[(1)] | $ 28,703,056 | $ 28,308,283 | 98.62% |
| 2013[(1)] | 29,217,574 | 28,885,434 | 98.86 |
| 2014[(1)] | 29,692,625 | 29,428,811 | 99.11 |
| 2015[(1)] | 30,169,336 | 29,677,428 | 98.40 |
| 2016[(1)] | 29,353,553 | 29,519,108 | 100.59 |

(1) The City has an 18-month collection cycle on real estate taxes; the collections and percentage of taxes collected reflect amounts for the full 18-month cycle for the fiscal years ending December 31, 2012 through 2016, inclusive.

## *Valuations and Tax Data*

The table below 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.

**Assessed Valuations**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Assessed Value | $3,646,069,355 | $3,630,495,287 | $3,657,115,267 | $3,605,996,735 | $3,740,860,020 |
| Equal. Ratio | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Full Value | 3,646,069,355 | 3,630,495,287 | 3,657,115,267 | 3,605,996,735 | 3,740,860,020 |
| Tax Levy | 29,254,584 | 29,675,317 | 30,162,505 | 29,352,553 | 29,792,840 |
| Tax Rate[(1)] | $8.02 | $8.17 | $8.25 | $8.14 | $7.96 |

(1) Per $1,000 assessed value.

Source: New York 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 the 2017 assessment roll.

**Taxable Assessments (1)(2)**

| Taxpayer | Nature of Business | Assessed Valuation | % of Total Assessed Valuation |
|---|---|---|---|
| National Grid | Utility | $ 22,790,037 | 0.61% |
| Walker & Walker | Real Estate | 11,755,000 | 0.31 |
| Iroquois Gas Trans | Utility | 11,695,465 | 0.31 |
| Glen Arms Group | Apartment Rental | 11,398,000 | 0.30 |
| Martin Carey(2) | Residential | 10,300,000 | 0.28 |
| Trousdell Village | Co-ops | 9,719,445 | 0.26 |
| Pearsall Owners Corporation | Co-ops | 8,968,075 | 0.24 |
| Glengariff Corp. | Senior Housing | 8,831,000 | 0.24 |
| GC Shopping Center | Shopping Center | 8,755,000 | 0.23 |
| Nassau County IDA | Economic Development | 8,667,500 | 0.23 |
| | Total: | $112,879,522 | 3.02 |

(1) The City's total taxable assessed value for the 2017 fiscal year is $3,740,860,020
(2) Tax certiorari claims have been awarded to this taxpayer resulting in tax refunds currently due of $108,579, which claim will be paid in 2017.

Source: City officials.

## CITY INDEBTEDNESS

## *Constitutional Requirements*

The New York 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 and the Bonds.

***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) or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which the City has contracted; 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 of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers. 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. However, the Tax Levy Limit Law imposes a statutory limitation on the City's power to increase its annual tax levy, 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 Levy Limit Law"* herein).

***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 most recent five-year 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 appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the final equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such rate shall be determined. The average full valuation is determined by taking the sum of full valuations of such last completed assessment roll and the four preceding assessment rolls, and dividing such sum 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 of and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the City to increase its annual tax levy, 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 Levy Limit Law"* herein).

## *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. 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 for the validation of the ordinances adopted in connection with the issuance of 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. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See *"Payment and Maturity"* under *"Constitutional Requirements"* herein).

In addition, under each bond ordinance, the City Council may delegate, and has delegated, power to issue and sell bonds and notes, to the City Controller, 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, deficiency 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 Office of Real Property Tax 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; however, there is a statutory limitation imposed by the Tax Levy Limit Law. (See *"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 Ending Dec. 31: | Assessed Valuation | State Equalization Ratio | Full Valuation |
|---|---|---|---|
| 2013 | $ 3,646,069,355 | 1.0000% | $ 3,646,069,355 |
| 2014 | 3,630,495,287 | 1.0000 | 3,630,495,287 |
| 2015 | 3,657,115,267 | 1.0000 | 3,657,115,267 |
| 2016 | 3,605,996,735 | 1.0000 | 3,605,996,735 |
| 2017 | 3,740,860,020 | 1.0000 | 3,740,860,020 |
| | | | $18,280,536,664 |
| Total Five-Year Valuation | | | |
| Average Five-Year Valuation | | | 3,656,107,333 |
| Debt Limit – 7% of Average Full Valuation | | | $ 255,927,513 |

Source: City of Glen Cove, Assessor's Office and the New York State Office of Real Property Services.

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## *Statement of Debt Contracting Power*

**Statutory Debt Limit and Net Indebtedness**
**(as of August 22, 2017)**

| | | |
|---|---|---|
| Debt Contracting Limitation | | $255,927,513 |
| Gross Direct Indebtedness | | |
| Serial Bonds [1]: | | |
| General Purpose | $31,304,207 | |
| Water | 1,655,860 | |
| Sewer[2] | 984,238 | |
| | | $33,944,305 |
| Bond Anticipation Notes: | | |
| General Purpose | 21,788,122 | |
| | | 21,788,122 |
| Total Gross Direct Indebtedness | | 55,732,427 |
| Exclusions and Deductions: | | |
| Water Bonds | $1,655,860 | |
| Appropriations in Current Budget to Pay Non-Exempt Debt Maturing During Remainder of Fiscal Year | 181,021 | |
| Total Exclusions and Deductions | | 1,836,881 |
| Total Net Indebtedness | | $53,895,546 |
| Net Debt-Contracting Margin | | $202,031,967 |
| Percentage of Debt-Contracting Limitation Exhausted | | 21.06% |

(1) Exclusive of the City's lease purchase obligations. See "*Lease Purchase Obligations Debt Service Schedule*" herein.
(2) The City is contractually required to pay debt service related to the issuance of Serial Bonds for sewer improvements and the County is contractually required to reimburse the City for such expenditures.

In addition to the foregoing, the City is liable for bonds and notes issued by its Community Development Agency. As of May 2, 2017 the Community Development Agency had no bonds or notes outstanding. See "*Related Entities*".

Source: City Controller

## *Bond Anticipation Notes*

The following bond anticipation notes of the City are currently outstanding:

**Outstanding BAN Indebtedness**

| Issue Date | Due Date | Description | Amount |
|---|---|---|---|
| 09/13/16 | 09/13/17 | Bond Anticipation Notes – 2016 Series D | $ 7,930,361[1] |
| 04/05/17 | 09/13/17 | Bond Anticipation Notes – 2017 Series C (Federally Taxable) | 275,000[2] |
| 04/05/17 | 04/05/18 | Bond Anticipation Notes – 2017 Series A | 9,988,460 |
| 04/05/17 | 04/05/18 | Bond Anticipation Notes – 2017 Series B (Federally Taxable) | 2,392,454 |
| | | Total: | $20,586,275 |

(1) Proceeds from the sale of the Bonds together with $666,795 in available funds will be used to redeem these notes at maturity.
(2) The City intends to redeem these notes at maturity with available funds.

### *Cash Flow Borrowings*

The City has not issued tax anticipation notes in the last five fiscal years. The revenue anticipation notes issued in the last five fiscal years are listed below.

**Revenue Anticipation Notes**

| Fiscal Year Ending December 31: | Amount | Date of Issuance | Date of Maturity |
|---|---|---|---|
| 2012 | $2,400,000 | 10/24/12 | 3/15/13 |
| 2013 | 2,500,000 | 4/11/13 | 1/15/14 |
| 2014 | N/A | N/A | N/A |
| 2015 | N/A | N/A | N/A |
| 2016 | 4,600,000 | 4/13/16 | 12/15/16 |
| 2017(1) | N/A | N/A | N/A |

(1) As of August 22, 2017. The City has no current plans to issue revenue anticipation notes during fiscal 2017.

### *Trend of Outstanding Indebtedness*

The following table provides information relating to the capital indebtedness outstanding at year end not including previously described lease purchases for the past five fiscal years.

**Outstanding Indebtedness**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Bonds | $48,361,393 | $42,051,547 | $43,288,562 | $36,770,000 | $35,689,305 |
| Bond Anticipation Notes | 16,678,228 | 21,821,554 | 18,164,966 | 23,055,664 | 21,788,122 |
| Totals: | $65,039,621 | $63,873,101 | $61,453,528 | $59,825,664 | $57,477,427 |

Source: Audited Financial Statements.

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## *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 City School District of the City of Glen Cove. 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 | $55,732,427 |
| Exclusions and Deductions | 1,836,881 |
| Net Direct Indebtedness | $53,895,546 |

Overlapping Debt

| Issuer | Outstanding | As of | Share | Amount Applicable to City |
|---|---|---|---|---|
| Nassau County | $3,593,312,000 | 04/30/17 | 1.88% | $67,554,266 |
| Glen Cove City SD | 5,930,651 | 06/30/16 | 100.00% | 5,930,651 |

| | |
|---|---|
| Total Net Overlapping Debt | $73,484,917 |
| Total Net Direct Debt | 53,895,546 |
| Total Net Direct and Overlapping Debt | $127,380,463 |

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**

| | Amount | Debt Per Capita(1) | Debt to Full Value(2) |
|---|---|---|---|
| Net Direct Indebtedness | $ 53,895,546 | $1,978 | 1.44% |
| Net Direct and Overlapping Indebtedness | 127,380,463 | 4,675 | 3.41 |

(1) The population of the City is estimated at 27,245 *according to the American Community Survey 2015 Population Estimate.*
(2) The City's full value of taxable real property for fiscal year 2017 is $3,740,860,020.

Sources: Data provided by City, County, School District Officials and the US Census Bureau.

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## *Debt Service Schedule*

The following table sets forth all principal and interest payments required on the outstanding bonded indebtedness of the City, exclusive of the Bonds, economically defeased obligations and lease purchase obligations.

**Bond Principal and Interest Maturity**

| Fiscal Year Ending December 31: | Principal | Interest | Total Annual Debt Service |
|---|---|---|---|
| 2017(1) | $ 6,629,305 | $ 826,324 | $ 7,455,629 |
| 2018 | 4,370,000 | 1,069,154 | 5,439,154 |
| 2019 | 4,525,000 | 910,341 | 5,435,341 |
| 2020 | 4,690,000 | 767,484 | 5,457,484 |
| 2021 | 4,420,000 | 617,007 | 5,037,007 |
| 2022 | 3,135,000 | 474,372 | 3,609,372 |
| 2023 | 3,260,000 | 363,900 | 3,623,900 |
| 2024 | 1,540,000 | 292,639 | 1,832,639 |
| 2025 | 1,600,000 | 230,024 | 1,830,024 |
| 2026 | 1,680,000 | 152,421 | 1,832,421 |
| 2027 | 670,000 | 99,794 | 769,794 |
| 2028 | 695,000 | 73,469 | 768,469 |
| 2029 | 565,000 | 46,024 | 611,024 |
| 2030 | 235,000 | 29,938 | 264,938 |
| 2031 | 245,000 | 21,984 | 266,984 |
| 2032 | 250,000 | 13,475 | 263,475 |
| 2033 | 260,000 | 4,550 | 264,550 |
| Totals: | $ 38,769,305 | $ 5,992,900 | $ 44,762,205 |

(1) For the entire fiscal year.

Source: City officials and Audited Financial Statements, City of Glen Cove

## *Lease Purchase Obligations Debt Service Schedule*

The following table sets forth all principal and interest payments required on the outstanding lease purchase obligations of the City.

**Lease Purchase Obligations Principal and Interest Maturity**

| Fiscal Year Ending December 31: | Principal | Interest | Total Annual Debt Service |
|---|---|---|---|
| 2017(1) | $114,156.06 | $13,951.52 | $128,107.58 |
| 2018 | 54,379.47 | 8,517.62 | 62,897.09 |
| 2019 | 57,082.13 | 5,814.96 | 62,897.09 |
| 2020 | 59,919.10 | 2,977.99 | 62,897.09 |
| Totals: | $285,536.76 | $31,262.09 | $316,798.85 |

(1) For the entire fiscal year.

Source: City of Glen Cove.

## *Capital Financing and Improvement Programs*

As a continuation of the fiscal planning process, the Mayor and the City Council directed the Controller to conduct a multi-year planning process, which involves all City department heads, the Mayor and City Council, the Director of Public Works, and citizens of the City. Projects typically included in the plan include construction, acquisition, improvements to roads, water facilities, public safety, recreation facilities, and computer equipment for City departments. The Capital Budget and Plan for the 2014 and 2015 fiscal years were financed in part by the issuance of bond anticipation notes, Federal and State grants, and from operations in the Recreation/Golf Course Fund and the Water Fund. The Capital Budget and Plan for the 2016 fiscal year was funded with notes issued during the year. The Capital Budget and Plan for the 2017 fiscal year was funded with bonds and or notes issued during the year, including the Bonds.

See also "*Waterfront Redevelopment*" and *"Related Entities"* for a discussion of additional planned borrowings by the Glen Cove Local Economic Assistance Corporation for certain infrastructure improvements at the waterfront.

## *Authorized and Unissued Long-Term Debt*

Following the issuance of the Bonds, the City will have $2,980,000 in authorized but unissued debt relating to the purchase of a fire truck and dredging of the Glen Cove Creek and the disposal of sediment collected in connection with such dredging.

# ECONOMIC AND DEMOGRAPHIC DATA

## *Population*

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

**Population Trend**

| | 2010 | 2015 | Percentage Change 2010/2015 |
|---|---|---|---|
| City | 26,964 | 27,245 | 1.04% |
| County | 1,339,532 | 1,354,612 | 1.13 |
| State | 19,378,102 | 19,673,174 | 1.52 |

Source: U.S. Census Bureau, American Community Survey 5 year estimate.

## *Income*

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

**Median Income**

| | 2010 | 2015 | Percentage Change 2010/2015 |
|---|---|---|---|
| City | $73,624 | $68,362 | (7.15)% |
| County | 93,613 | 99,465 | 6.25 |
| State | 55,603 | 59,269 | 6.59 |

Source: U.S. Census Bureau, American Community Survey 5 year estimate.

## *Employment and Unemployment*

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

**Civilian Labor Force**
**(Thousands)**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| City | 13.5 | 13.5 | 13.8 | 14.0 | 14.1 |
| County | 695.3 | 697.7 | 690.2 | 699.7 | 700.3 |
| State | 9,620.9 | 9,636 | 9,569.1 | 9,679.3 | 9,662 |

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

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

**Yearly Average Unemployment Rates**

| Year | City | County | State |
|---|---|---|---|
| 2012 | 7.2% | 7.0% | 8.5% |
| 2013 | 6.3 | 5.9 | 7.7 |
| 2014 | 4.9 | 4.8 | 6.3 |
| 2015 | 4.5 | 4.3 | 5.3 |
| 2016 | 3.9 | 3.9 | 4.9 |

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

**Monthly Unemployment Rates**

| Month | City | County | State |
|---|---|---|---|
| May 2016 | 3.5% | 3.6% | 4.3% |
| June | 3.6 | 3.8 | 4.7 |
| July | 3.7 | 4.1 | 5.0 |
| August | 3.7 | 4.0 | 4.9 |
| September | 3.6 | 4.1 | 4.9 |
| October | 3.6 | 3.9 | 4.8 |
| November | 3.3 | 3.7 | 4.5 |
| December | 3.5 | 3.6 | 4.5 |
| January 2017 | 4.9 | 4.1 | 4.9 |
| February | 5.5 | 4.3 | 5.0 |
| March | 4.6 | 3.7 | 4.4 |
| April | 3.6 | 3.7 | 4.2 |
| May | 3.6 | 3.8 | 4.3 |
| June | 3.8 | 4.1 | 4.5 |

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

## *Financial Institutions and Communications*

There are four commercial banks, Bank of America N.A., Capital One, N.A., American Community Bank and Citibank, located in the City. The City is served by the major New York metropolitan area newspapers, radio and television stations. In addition, the City has two local newspapers, The *Glen Cove Record Pilot* and *The Gold Coast Gazette*. Cablevision, a private corporation, provides cable television service to City residents.

### *Utilities*

Electricity is supplied to the City by the Long Island Power Authority and natural gas is supplied by National Grid. Telephone service is provided by Verizon and Cablevision. The City provides water supply distribution to its residents and is responsible for financing the construction, operation and maintenance of this system.

### *Transportation*

Rail transportation is provided by the Oyster Bay branch of the Long Island Railroad. Highways serving the City include the Long Island Expressway and the Northern State Parkway. The area is covered by an extensive network of County roads. In addition, public bus transportation is available by the Metropolitan Suburban Bus Authority. The City also operates a shuttle bus for downtown shoppers.

**END OF APPENDIX A**

# APPENDIX B

# FINANCIAL STATEMENT SUMMARIES

**CITY OF GLEN COVE**
**Statement of Budgeted Revenues and Expenditures**
**Operating Funds**
**Fiscal Year Ended December 31:**

| | 2016 | 2017 |
|---|---|---|
| REVENUES | | |
| General | $15,568,085 | $16,360,798 |
| Police Department | 384,250 | 409,900 |
| Recreation/Golf | 1,530,080 | 1,528,080 |
| Water/Sewer Fund | 3,319,000 | 3,358,086 |
| Debt Service Fund | 477,622 | 477,606 |
| Insurance Fund | 930,500 | 880,500 |
| Fund Balance Appropriation | 39,468 | 39,468 |
| Revenues other than taxes | 22,249,005 | 23,054,438 |
| Amount to be raised by taxes | 29,352,553 | 29,792,841 |
| TOTAL REVENUES | $51,601,558 | $52,847,279 |
| EXPENDITURES: | | |
| General | 20,570,707 | 21,177,070 |
| Police Fund | 14,930,792 | 14,643,399 |
| Recreation Fund | 3,374,767 | 3,491,939 |
| Water/Sewer Fund | 2,078,596 | 2,117,442 |
| Debt Service Fund | 9,716,196 | 10,536,929 |
| Insurance Fund | 930,500 | 880,500 |
| Fund Balance Appropriation | 0 | 0 |
| TOTAL APPROPRIATIONS | $51,601,558 | $52,847,279 |
| Net Assessed Value | $3,605,996,735 | $3,740,860,020 |
| Tax Rate Per $100 of Assessed Value | | |
| Homestead | 0.66523 | 0.65629 |
| Non-Homestead | 1.89022 | 1.79007 |

Source: Adopted Budgets of the City.

**CITY OF GLEN COVE**

**Comparative Balance Sheet - General Fund**

**Fiscal Year Ended December 31:**

| | 2015 | 2016 |
|---|---|---|
| Assets: | | |
| Cash and Cash Equivalents | $ 5,447,538 | $ 9,874,444 |
| Receivables | | |
| Taxes and Liens | 23,941,634 | 23,950,452 |
| Accounts | 593,391 | 892,125 |
| Prepaid Expenses | 29,412 | 28,616 |
| Due from Component Units | 10,007,139 | 8,534,025 |
| Due from Other Funds | 3,824,813 | 2,385,519 |
| Due from Other Governments | 839,599 | 1,042,314 |
| State and Federal Aid | 24,600 | 18,600 |
| Inventory | 0 | 0 |
| Other | 0 | 0 |
| Total Assets | $ 44,708,126 | $ 46,726,095 |
| Liabilities: | | |
| Accounts Payable | 601,603 | 481,394 |
| Accrued Liabilities | 595,430 | 885,100 |
| Due to Retirement Systems | 1,993,352 | 2,160,820 |
| Overpayments | 158,630 | 172,296 |
| Due to Other Funds | 1,737,865 | 808,912 |
| Due to Other Governments | 328,273 | 328,243 |
| Deferred Tax Revenues | 30,538,985 | 30,444,708 |
| Deferred Revenues | 9,691,202 | 8,210,588 |
| Total Liabilities | $ 45,645,340 | $ 43,492,061 |
| Fund Balances: | | |
| Nonspendable | $ 3,252,231 | $ 3,298,229 |
| Restricted | 0 | 2,238,735 |
| Unassigned (Deficit) | (4,189,445) | (2,302,930) |
| Total Fund Equity | $ (937,214) | $ 3,234,034 |
| Total Liabilities and Fund Equity | $ 44,708,126 | $ 46,726,095 |

Source: Audited Financial Statements of the City. Summary itself not audited.

**CITY OF GLEN COVE**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund**

**Fiscal Year Ended December 31:**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Real Property Taxes | $ 29,662,097 | $ 28,848,147 | $ 29,430,656 | $ 29,677,428 | $ 29,519,108 |
| Other Tax Items | 960,127 | 987,955 | 1,006,169 | 979,205 | 1,711,724 |
| Non-Property Tax Items | 2,106,092 | 2,266,244 | 2,212,776 | 2,254,527 | 2,276,047 |
| Departmental Income | 1,262,420 | 1,613,201 | 1,557,271 | 1,783,944 | 1,816,404 |
| Intergovernmental Charges | 82,505 | 82,000 | 830,000 | 583,500 | 4,083,000 |
| Licenses and Permits | 437,589 | 442,444 | 411,774 | 505,826 | 1,707,035 |
| Fines and Forfeitures | 383,757 | 344,608 | 419,266 | 556,125 | 468,805 |
| Use of Money and Property | 529,049 | 510,992 | 478,465 | 458,801 | 605,619 |
| Sale of Property and Compensation for Loss | 0 | 360 | 4,450 | 17,650 | 7,750 |
| State Aid | 3,749,724 | 3,843,652 | 3,735,287 | 3,952,840 | 4,027,416 |
| Federal Aid | 1,688,299 | 1,989,198 | 529,279 | 359,485 | 439,596 |
| Net change in fair value of investments | 0 | 0 | 0 | 0 | 11,982 |
| Miscellaneous Revenues | 141,513 | 42,022 | 458,448 | 876,862 | 69,592 |
| Total Revenues | $ 41,003,172 | $ 40,970,823 | $ 41,073,841 | $ 42,006,193 | $ 46,744,078 |
| Expenditures: | | | | | |
| General Government | $5,976,222 | $6,297,774 | $6,626,548 | 6,166,089 | 5,938,467 |
| Public Safety | 17,432,737 | 13,635,962 | 15,130,579 | 15,960,213 | 16,414,691 |
| Health | 401,307 | 556,965 | 602,246 | 684,235 | 749,254 |
| Transportation | 2,276,662 | 2,242,572 | 2,159,922 | 2,118,153 | 2,049,564 |
| Economic Opportunity and Development | 429,963 | 460,862 | 445,533 | 419,019 | 469,292 |
| Culture and Recreation | 2,356,640 | 2,058,728 | 1,610,827 | 1,637,509 | 1,905,087 |
| Home and Community Service | 2,694,553 | 3,021,343 | 3,003,080 | 3,026,216 | 2,757,106 |
| Employee Benefits | 4,701,113 | 5,112,821 | 4,602,916 | 4,685,007 | 4,965,050 |
| Debt Service | 57,599 | 23,500 | 42,813 | 0 | 61,844 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 36,326,796 | 33,410,527 | 34,224,464 | 34,696,441 | 35,310,355 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 0 | 0 | 0 | 608,555 | 587,763 |
| Transfers to Other Funds | (7,980,455) | (8,509,616) | (9,259,891) | (9,627,885) | (10,391,152) |
| Bond Anticipation Notes Issued | 3,950,000 | 1,050,000 | 2,060,000 | 1,744,000 | 0 |
| Settlement Income | 0 | 0 | 0 | 959,681 | 0 |
| Sale of property | 0 | 0 | 0 | 0 | 402,077 |
| Total Other Financing Sources (Uses) and Other Uses | $ (4,030,455) | $ (7,459,616) | $ (7,199,891) | $ (6,315,649) | $ (9,401,312) |
| Net Change in Fund Balances | $ 645,921 | $ 100,680 | $ (350,514) | $ 994,103 | $ 2,032,411 |
| Fund Balance, Beginning of the Year: | $ (2,327,404) | $ 42,706,223 | $ 42,806,903 | $ (1,931,317) | $ (937,214) |
| Results of Operations | | | | | |
| Net Change in Fund Balances | 45,033,627 | 100,680 | (350,514) | 994,103 | 2,032,411 |
| Cumulative Effect of Change in Accounting Principle | 0 | 0 | 0 | 0 | 2,138,837 |
| Fund Balance, End of Year | $ 42,706,223 | $ 42,806,903 | $ 42,456,389 | $ (937,214) | $ 3,234,034 |

Source: Audited Financial Statements of the City. Summary itself not audited.

## APPENDIX C

**FINANCIAL STATEMENTS FOR 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/EP1193310.pdf**

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

*** Such Financial Statements and opinion are intended to be representative only as of the date thereof. O'Conner Davies Munns & Dobbins, LLP, has not been requested by the City to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.**

# APPENDIX D

## FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE BONDS

Hawkins Delafield & Wood LLP
28 Liberty Street
New York, New York 10005

September 12, 2017

The City Council of the
City of Glen Cove, in the
County of Nassau, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Glen Cove (the "City"), in the County of Nassau, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $7,263,566 Various Purposes Serial Bonds-2017 Series B (the "Bonds"), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the City for which the City has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the City is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the City will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the City's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the City with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated in paragraphs 2 and 3 above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the City, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

# APPENDIX E

# FORM OF CONTINUING DISCLOSURE UNDERTAKING FOR THE BONDS

## UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

"Annual Information" shall mean the information specified in Section 3 hereof.

"EMMA" shall mean the Electronic Municipal Market Access System implemented by the MSRB.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

"Issuer" shall mean the **City of Glen Cove,** in the County of Nassau, a municipal corporation of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

"Purchaser" shall mean the financial institution referred to in the Certificate of Award, executed by the Controller as of August 30, 2017.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

"Securities" shall mean the Issuer's **$7,263,566 Various Purposes Serial Bonds-2017 Series B**, dated September 12, 2017, maturing in various principal amounts on September 1 in each of the years 2018 to 2031, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Capital Markets Advisors, LLC, to the EMMA System:

(i) (A) no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the Annual Information relating to such fiscal year, and (B) no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the City has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17 (a)(2) of the Securities Act of 1933; and

(ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) 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 Securities, or other events affecting the tax status of the Securities;

(7) modifications to rights of Securities holders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) 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 Issuer 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 Issuer, 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 Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the heading "LITIGATION" and in Appendix A under the headings: "THE CITY," "FINANCIAL FACTORS," "REAL PROPERTY TAXES," "CITY INDEBTEDNESS," AND "ECONOMIC AND DEMOGRAPHIC DATA," and in Appendix B.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of September 12, 2017.

CITY OF GLEN COVE

By________________________________________

Controller and Chief Fiscal Officer