

This Preliminary Official 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 JULY 3, 2018

SERIAL BONDS

Ratings: See “Ratings” herein

In the opinion of Bond Counsel, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the “Code”), and the accuracy of certain representations made by the City, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes and is not an “item of tax preference” for purposes of the Federal alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds and the Notes is, however, included in “adjusted current earnings” for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018. Bond Counsel is also of the opinion that under existing statutes interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). No opinion is expressed regarding other Federal or State tax consequences arising with respect to the. See “TAX MATTERS” herein.

The Bonds will be designated by the City as “qualified tax-exempt obligations” pursuant to Section 265 of the Code.

CITY OF NORTH TONAWANDA NIAGARA COUNTY, NEW YORK

\$628,000*

VARIOUS PURPOSE SERIAL BONDS, 2018 SERIES B (the “Bonds”)

Date of Issue: July 24, 2018

Maturity Dates: June 1, 2019-33

The Bonds will be general obligations of the City of North Tonawanda, Niagara County, New York (the “City”, the “County”, the “State”, respectively) , and will contain a pledge of the faith and credit of the City for the payment of the principal of and interest on the Bonds, 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 Laws of 2011 of the State (the “Tax Levy Limit Law”). See “TAX LEVY LIMITATION LAW,” herein.

The Bonds will be issued as registered bonds and at the option of the purchaser, may be registered to the Depository Trust Company (“DTC” or the “Securities Depository”) or may be registered in the name of the purchaser.

If the Bonds will be issued through DTC, the Bonds will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, except one necessary odd denomination maturing in 2019. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of 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, for subsequent distribution to the Beneficial Owners of the Bonds. See “The BONDS - Book-Entry System” herein).

If the Bonds are registered in the name of the purchaser, principal of and interest on the Bonds will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. In such case, the bonds will be issued in registered form in denomination of \$5,000 or integral multiples thereof, except one necessary odd denomination maturing in 2019.

The Bonds will be dated their date of delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Bonds, with interest payable on June 1, 2019, December 1, 2019 and semi-annually thereafter on each June 1 and December 1. The Bonds will mature on June 1, as shown on the inside cover page hereof. The Bonds will not be subject to optional redemption prior to maturity. (see “The BONDS - Optional Redemption” herein).

The Bonds are offered when, as and if issued and received by the purchaser and subject to the approving legal opinion of Harris Beach PLLC, Rochester, New York, Bond Counsel. Harris Beach PLLC has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto. It is expected that the Bonds will be available for delivery through the offices of DTC in Jersey City, New Jersey on or about the July 24, 2018.

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”) EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATION HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER AS MORE FULLY DESCRIBED IN THE NOTICE OF BOND SALE WITH RESPECT TO THE BONDS HEREIN DESCRIBED. 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: July 3, 2018

*Preliminary, subject to change pursuant to the of Notice of Private Competitive Bonds Sale, as described on the inside cover hereof.

The Bonds will mature on June 1 in each year as set forth below:

The Bonds will mature on June 1 in each year as set forth below. Interest on the Bonds will be payable on June 1, 2019, December 1, 2019 and semi-annually thereafter on June 1 and December 1 in each year until maturity.

| <u>Year</u> | <u>Amount*</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP**</u> | <u>Year</u> | <u>Amount*</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP**</u> |
|-------------|----------------|--------------------------------|--------------|----------------|-------------|----------------|--------------------------------|--------------|----------------|
| 2019 | \$68,000 | | | | 2027 | \$ 25,000 | | | |
| 2020 | 70,000 | | | | 2028 | 25,000 | | | |
| 2021 | 80,000 | | | | 2029 | 25,000 | | | |
| 2022 | 80,000 | | | | 2030 | 25,000 | | | |
| 2023 | 85,000 | | | | 2031 | 25,000 | | | |
| 2024 | 25,000 | | | | 2032 | 25,000 | | | |
| 2025 | 25,000 | | | | 2033 | 20,000 | | | |
| 2026 | 25,000 | | | | | | | | |

* The aggregate principal amount of the Bonds and the principal maturities thereof are subject to adjustment following their sale, pursuant to the terms of the accompanying Notice of Private Competitive Bond Sale to achieve substantially level or declining debt service and to permit the City to comply with the applicable provisions of Federal tax law relating to over issuance.

** 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.

CITY OFFICIALS

Arthur G. Pappas
Mayor

COMMON COUNCIL

| | |
|------------------|--------------------------|
| Eric M. Zadzilka | Common Council President |
| Austin Tylec | Alderman-at-Large |
| Robert Pecoraro | Alderman-at-Large |
| Mark Berube | 1st Ward Alderman |
| Donna L. Braun | 2nd Ward Alderman |
| Eric M. Zadzilka | 3rd Ward Alderman |

* * * * *

| | |
|----------------------|-----------------|
| Daniel Quinn | Amanda Reimer |
| City Clerk/Treasurer | City Accountant |

Luke A. Brown
City Attorney

BOND COUNSEL

HARRIS BEACH PLLC
Rochester, New York

MUNICIPAL ADVISOR



Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(716) 662-3910

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 foregoing. 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 hereon.

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OFFICIAL STATEMENT

CITY OF NORTH TONAWANDA NIAGARA COUNTY, NEW YORK

Relating To

\$628,000*

VARIOUS PURPOSE SERIAL BONDS, 2018 SERIES B (the "Bonds")

This Official Statement, including the cover page and appendices hereto, presents certain information relating to the City of North Tonawanda, County of Niagara, State of New York (the "City," "County," and "State," respectively) in connection with the sale of the City's \$628,000* Various Purpose Serial Bonds, 2018 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 BONDS

Description

The Bonds will be dated July 24, 2018 and will bear interest from such date at the annual rate or rates as specified by the purchaser, payable on June 1, 2019, December 1, 2019 and semi-annually thereafter on each June 1 and December 1 until maturity. The Bonds will mature on June 1 in each year, as specified on the inside cover page hereof. Certain of the Bonds will be subject redemption to prior to maturity (see optional redemption herein).

The Bonds will be issued as registered bonds and at the option of the purchaser, may be registered to the Depository Trust Company ("DTC" or the "Securities Depository") or may be registered in the name of the purchaser.

If the Bonds will be issued through DTC, the Bonds will be registered in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, except for one necessary odd denomination in 2019. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of 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, for subsequent distribution to the Beneficial Owners of the Bonds. See "The BONDS - Book-Entry Only System" herein).

If the Bonds are registered in the name of the purchaser, principal of and interest on the Bonds will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. In such case, the bonds will be issued in registered form in denomination of \$5,000 or integral multiples thereof, except one necessary odd denomination maturing in 2019.

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

The Clerk/Treasurer will act as Paying Agent for the Bonds. The City contact information is as follows: Daniel R. Quinn, City of North Tonawanda, 216 Payne Avenue, North Tonawanda, New York 14120 (tel: (716) 695-8555).

*Preliminary, subject to change pursuant to the of Notice of Private Competitive Bond Sale, as described on the inside cover hereof.

Authority for and Purposes of the Bonds

The Bonds are issued pursuant to the Constitution and laws of the State, including the Local Finance Law and a bond resolution duly adopted by the Common Council of the City on June 5, 2018, authorizing the issuance of serial bonds for various City improvements and equipment as outlined below. The proceeds of the Bonds will provide renewal and original financing for various projects as listed below:

| <u>Purpose</u> | <u>The Bonds</u> |
|--|--------------------------------|
| Improvements to Gateway Harbor Park | 375,000 |
| Main Street Green Infrastructure Improvement Project | <u>253,000</u> |
| TOTAL: | <u><u>\$628,000</u></u> |

Optional Redemption

The Bonds will not be subject to Optional Redemption prior to maturity.

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 and interest the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City, subject to applicable statutory limits. See "TAX LEVY LIMITATION 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 therefor. However, Chapter 97 of the Laws of the State of New York imposes a statutory limitation as the City's power to increase its' annual tax levy. See "TAX LEVY LIMITAION 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 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 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant 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).

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

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 and redemption proceeds 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

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity, except one necessary odd denomination maturing in 2019. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the state of New York to be named by the City. Interest on the Bonds will remain payable on June 1, 2019, December 1, 2019 and semiannually thereafter on June 1 and December 1 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of close of business on the fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for the Bonds of the same or of any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination executed by the City Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of the Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers and New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

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

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

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general

revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

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

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

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

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

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

Therefore, while the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

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

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

The financial condition of the City as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The City is dependent in part on financial assistance from the State in the form of State aid. No delay in payment of State aid to the City is presently anticipated although no assurance can be given that there will not be a delay in payment thereof. In some recent years, the City received delayed payments of State aid, which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire district in the State, including the City, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the City, could have an impact upon the market price for the Bonds. See “TAX LEVY LIMITATION LAW,” herein.

TAX MATTERS

Federal Income Taxes. In the opinion of Harris Beach PLLC Bond Counsel to the City, based on existing statutes, regulations, administrative rulings and court decisions and assuming compliance by the City with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes.

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

Bond Counsel is of the further opinion that interest on the Bonds is not an “item of tax preference” for purposes of federal alternative minimum tax on individuals and, for tax years preceding January 1, 2018, the Federal alternative minimum tax imposed on certain corporations. Interest on the Bonds is, however, included in the calculation of “adjusted current earnings” for purposes of calculating the federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018. Prospective purchasers of the Bonds, should consult with their tax advisors regarding the calculation of any federal alternative minimum tax liability.

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

The Bonds will be designated by the City as “Qualified tax-exempt obligations” pursuant to Section 265(b) (3) of the Code.

State and Local Income Taxes. In the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State and any political subdivision thereof, (including The City of New York).

Any noncompliance with the federal income tax requirements set forth above with respect to the Bonds would not affect the exemption of interest thereon from personal income taxes imposed by the State of New York or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Bonds.

Interest on the Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the Bonds under other state or local jurisdictions. Each purchaser of the Bonds should consult his or her own tax advisor regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations. No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Bonds to be subject to federal or State income taxation, or otherwise prevent Bondholders from realizing the full

current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Bonds or of obligations which present similar tax issues, will not affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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

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

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Harris Beach PLLC, Bond Counsel, Rochester, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to the statutory limitations set forth in Chapter 97 of the Laws of 2011 of the State of New York (see "TAX LEVY LIMITATION LAW" herein); provided, however, that the enforceability (but not the validity) of the Bonds may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights; (ii) under existing statutes, regulations, administrative rulings and court decisions, interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the Federal alternative minimum taxes imposed on individuals, and for tax years beginning prior to January 1, 2018, the Federal alternative minimum tax imposed by certain corporations.; interest on the Bonds is, however, included in "adjusted current earnings," for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018; (iii) interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, (including The City of New York); and (iv) based upon Bond Counsel's examination of law and review of the arbitrage certificate executed by the City Clerk/Treasurer in connection with the issuance of the Bonds pursuant to Section 148 of the Code and the regulations thereunder, the facts, estimates and circumstances as set forth in said arbitrage certificate are sufficient to satisfy the criteria which are necessary under Section 148 of the Code to support the conclusion that the Bonds will not be "arbitrage bonds" within the meaning of said section, and no matters have come to Bond Counsel's attention which makes unreasonable or incorrect the representations made in said arbitrage certificate. Bond Counsel will express no opinion regarding other Federal income tax consequences arising with respect to the Bonds.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and such certifications thereof; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the City together with other legally available sources of revenue, if any, will be sufficient to enable the City to pay the principal of and interest on the Bonds as the same respectively become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the City, would materially affect the ability of the City to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the City, in connection with the sale of the Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Bonds, the City will provide an executed copy of its “Undertaking to Provide Continuing Disclosure” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in such Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking,;

- (1) (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings in APPENDIX A under the headings: “THE CITY”, “FINANCIAL FACTORS”, “TAX INFORMATION”, “CITY INDEBTEDNESS”, “ECONOMIC AND DEMOGRAPHIC DATA” and “LITIGATION”; and in APPENDIX B, on or prior to the last day of the sixth month following the end of each fiscal year, commencing with the fiscal year ending December 31, 2018 and (ii) the audited financial statement, if any, of the City for each fiscal year commencing with the fiscal year ending December 31, 2018 on or prior to the last day of the sixth month following the end of such fiscal year, unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement for such fiscal year shall be provided and an audited financial statement shall be provided within 30 days after it becomes available and in no event later than one year after the end of each fiscal year;
- (2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:
 - (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City]; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) described in the above paragraph is included pursuant to a letter from the SEC staff to the National Association of Bond Counsel, dated September 19, 1995. However, event (iii) is not applicable, since no “debt service reserves” will be established for the Bonds.

With respect to event (iv) described in the above paragraph, the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

The City may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the City does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

- (3) in a timely manner, notice of a failure to provide the annual financial information by the date specified.

The City's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the City, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the City to comply with the Undertaking will not constitute a default with respect to the Bonds.

The City reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

For the City's fiscal year ending December 31, 2012, the City posted its annual financial information and operating data on EMMA late, August 15, 2013.

Various municipal bond insurance companies that have insured bonds issued by the City have had a variety of ratings changes over the past five years. The City filed event notices for these changes on EMMA on August 5, 2014.

The City did not file in a timely manner the event notice related to the May 15, 2018 downgrade of its underlying rating from "A1" to "A2" by Moody's Investors Service. The event notice was filed on June 20, 2018.

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.

RATING

Moody's Investor Services, Inc. ("Moody's") has assigned an underlying rating of "A2" to the outstanding bonded indebtedness of the City, including the Bonds.

Such rating reflects 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, NY 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.

ADDITIONAL INFORMATION

Additional information may be obtained from the City Accountant, Amanda Reimer at 216 Payne Avenue, North Tonawanda, NY 14120; Phone: (716) 695-8545; Email: amandarei@northtonawanda.org or from the City's Municipal Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

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.

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.

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.

Harris Beach PLLC, Bond Counsel to the City, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer or sale of the Bonds, including but not limited to the financial or statistical information in this Official Statement.

CITY OF NORTH TONAWANDA

By: _____
Daniel R. Quinn
City Clerk/Treasurer

DATED: July 3, 2018

APPENDIX A

THE CITY

General Information

The City, with a land area of 10.5 square miles and a population of 31,568 according to the 2010 U.S. Census, is located in upstate New York in the geographical region known as Western New York. It is situated in the southwest portion of Niagara County at the juncture of the New York Barge Canal and the Niagara River. The City of Niagara Falls lies approximately five miles northwest and the City of Buffalo is five miles to the south.

Various modes of transportation to and from the area are provided by a network of State and County highways, including the New York State Thruway, Niagara Frontier Metro Bus Lines, the New York Barge Canal, Conrail and major airlines operating out of Niagara Falls International Airport and Buffalo-Niagara International Airport.

The City maintains its own water supply and distribution system. The cost of operations is charged entirely against the users served.

Sanitary sewer collection treatment and disposal facilities are maintained by the City. The cost of financing and constructing these facilities are provided by a combination of City special assessments against benefited properties, ad valorem taxes and sewer rents charged against the users served. The cost of operation is provided by charging sewer rents against the users served.

Electricity and natural gas are supplied throughout the City by National Grid Power Corporation and National Fuel Gas Distribution Corporation, respectively.

Police protection is provided by the City's Police Department, and Fire protection is provided by the City's professional Fire Department and six volunteer companies.

The City is served by the following commercial banks, which have one or more offices located within the City: M&T Bank, Key Bank, and Bank of America.

Form of Government

Effective beginning in calendar year 2002, the City Charter of the City was amended to allow for a strong mayoral form of governance, composed of an elected Mayor serving a four year term as the elected executive and five Council persons, serving as the governing body (City Common Council). Three Council persons are each elected to represent a ward within the City for a two-year term while two Council persons are elected at large for alternating four-year terms. The positions of City Clerk/Treasurer and City Attorney are elected to four-year terms. All elected officers may succeed themselves. Effective March 1, 2009, the title and the position of City Clerk was eliminated, and replaced with the title City Clerk/Treasurer.

Financial Organization

The City Clerk/Treasurer is the chief fiscal officer of the City whose responsibility it is to receive, disburse and account for all financial transactions of the City.

Employees

The City provides services through approximately 247 full-time and 264 part-time and seasonal City employees, a portion of whom are represented by various unions, some of which are represented by the following collective bargaining organizations:

TABLE 1
Employee Contracts

| <u>Contract Bargaining Unit</u> | <u>Number of Members</u> | <u>Expiration Date</u> |
|---|---------------------------------|-------------------------------|
| North Tonawanda Civil Service Employees Association (CSEA) | 77 | 12/31/18 |
| North Tonawanda Professional Firefighter's Association, Inc. (IAFF) | 38 | 12/31/20 |
| North Tonawanda Policemen's Benevolent Association (PBA) | 47 | 12/31/20 |
| American Federation of State, County and Municipal Employees (AFSCME) | 67 | 12/31/21 |
| Office and Professional Employees International Union (OPEIU) | 12 | 12/31/18 |

Status and Financing of Employee Pension Benefits

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"). (Both systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each 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 Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Except as noted below, all members hired on or after July 27, 1976 must contribute 3% of their gross annual salary toward the costs of retirement programs. The 3% contribution is waived when the employee completes ten (10) years of service.

A pension reform bill, Chapter 49 of the Laws of 2003, was enacted to change the cycle of ERS billing to match budget cycles of the City. Under the previous method, the City was unsure of how much it paid to the system until after the City's budget was implemented. Under the new method the contribution for a given fiscal year will be based on the value of the pension fund in prior years.

On July 20, 2004, the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the Governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004 and permits municipalities to establish a reserve for future anticipated contributions.

The New York State Retirement System has advised the City that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discounted amount. The City has elected to make such payments in December of each year.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS, TRS and PFRS employees hired after April 1, 2012. The Tier VI legislation provides, among other things, for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 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 VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The following schedule reflects the City's contribution to each of the Systems for the last four audited fiscal years and the prior and current budgeted years.

| <u>Fiscal Year</u> <u>Ending December 31</u> | <u>ERS</u> <u>Contribution</u> | <u>PFRS</u> <u>Contribution</u> |
|---|-----------------------------------|------------------------------------|
| 2018 <i>Budgeted</i> | \$1,619,850 | \$2,313,840 |
| 2017 | 1,318,436 | 2,001,109 |
| 2016 | 1,324,694 | 2,020,913 |
| 2015 | 1,496,763 | 1,984,008 |
| 2014 | 1,674,538 | 2,142,872 |

Other Post-Employment Benefits

A 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.

Implementation of GASB 45 was required of the City for the fiscal year that ended December 31, 2011. The City was in compliance with the requirements of GASB 45 and a summary of the presentation is included in the City’s December 31, 2017 audited financial report attached herein.

The table below shows the components of the City’s annual OPEB cost for the 2016 and 2017 fiscal years, the amount actually contributed to the plan, and changes in the net OPEB obligation.

| | <u>2016</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Normal Cost | \$1,170,000 | \$1,170,000 |
| Amortization of UAAL | 2,870,000 | 2,870,000 |
| Interest | <u>180,000</u> | <u>180,000</u> |
| Annual OPEB cost (expense) | 4,220,000 | 4,220,000 |
| Contributions made | <u>(2,030,000)</u> | <u>(2,030,000)</u> |
| Increase in net OPEB obligation | 2,190,000 | 2,190,000 |
| Net OPEB obligation – beginning of year | <u>10,740,000</u> | <u>12,930,000</u> |
| Net OPEB obligation – end of year | <u>\$12,930,000</u> | <u>\$15,120,000</u> |

FINANCIAL FACTORS

Budgetary Procedure

The City Accountant is the Budget Officer. On or about August 15th of each year, department heads of the City present their respective budget requests to the City Accountant who compiles a tentative budget. During July, department heads review their requests with the Mayor and the City Accountant and on or before October 1 the Mayor submits to the Common Council a proposed budget for the ensuing fiscal year. The Council may amend the budget by adding or deleting programs or amounts, except expenditures required by law or for debt service or for estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income. A public hearing on the preliminary budget is held by the Common Council. Following the hearing the Council may make additional changes, alterations and revisions to the preliminary budget. The Council by resolution shall adopt the budget on or before November 15th. The Mayor has an opportunity to veto the entire budget or one or more specific appropriations or budget items. The Council shall meet no later than December 31st to consider overriding the Mayor's veto. If during the fiscal year the City Clerk/Treasurer certifies that there are available for appropriation revenues in excess of those estimated in the budget, the Common Council may make supplemental appropriations for the year up to the amount of such excess.

Independent Audit

The City retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the City. The financial affairs of the City are also subject to annual audits by the State Comptroller. Certain financial information of the City is set forth in Appendix B to the Official Statement.

The City complies with the Uniform System of Accounts as prescribed for cities in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Revenues

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). Real property taxes accounted for 47.9% of total general fund revenues for the fiscal year ended December 31, 2017, while non-property taxes accounted for 25.9% and State aid accounted for 14.8%.

Real Property Tax. The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years.

TABLE 2
Property Taxes
(General Fund)

| <u>Fiscal Year</u> | <u>Total Revenues</u> | <u>Real Property Taxes</u> | <u>Real Property Taxes to Revenues</u> |
|--------------------|-----------------------|----------------------------|--|
| 2013 | \$34,287,702 | \$15,735,652 | 45.8% |
| 2014 | 33,508,776 | 15,679,247 | 46.8% |
| 2015 | 34,458,866 | 15,760,892 | 45.7% |
| 2016 | 34,320,017 | 15,998,775 | 46.6% |
| 2017 | 33,682,961 | 16,161,948 | 47.9% |

Source: Audited Financial Statements

Non-Property Taxes. Section 1210 of the New York Tax law authorizes the County to levy a sales and compensatory use tax of up to 4% in addition to the 4% tax levied by the State. Such sales tax collections in New York are administered by the State Tax Commissioner and the proceeds are paid to the County quarterly. The City also collects franchise taxes which are deposited to the fund.

The following table sets forth general fund non-property tax revenues received during the last five audited fiscal years.

TABLE 3
Non-Property Taxes
(General Fund)

| <u>Fiscal Year</u> | <u>Total Revenues</u> | <u>Non-Property Taxes</u> | <u>Non-Property Taxes to Revenues</u> |
|---------------------------|------------------------------|----------------------------------|--|
| 2013 | \$34,287,702 | \$9,553,148 | 27.8% |
| 2014 | 33,508,776 | 8,776,259 | 26.2% |
| 2015 | 34,458,866 | 9,149,735 | 26.6% |
| 2016 | 34,320,017 | 8,901,679 | 25.9% |
| 2017 | 33,682,961 | 8,735,421 | 25.9% |

Source: Audited Financial Statements

State Aid

The City receives financial assistance from the State. In the fiscal year December 31, 2017, 14.8% of the revenues of the City were received through the form of State aid. If the State should 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. Additionally, 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.

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions are likely. State budgetary restrictions which eliminate or substantially reduce State aid could have an 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 "MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES IN THE STATE").

The following table sets forth total general fund revenues and State aid during the last five audited fiscal years.

TABLE 4
State Aid
(General Fund)

| <u>Fiscal Year</u> | <u>Total Revenues</u> | <u>State Aid</u> | <u>State Aid to Revenues</u> |
|---------------------------|------------------------------|-------------------------|-------------------------------------|
| 2013 | \$34,287,702 | \$4,936,294 | 14.3% |
| 2014 | 33,508,776 | 4,963,074 | 14.8% |
| 2015 | 34,458,866 | 4,986,779 | 14.5% |
| 2016 | 34,320,017 | 4,870,565 | 14.2% |
| 2017 | 33,682,961 | 4,973,504 | 14.8% |

Source: Audited Financial Statements

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Bonds are to be issued is the City Charter and the Local Finance Law. The procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law, has been complied with. No principal or interest upon any obligation of the City is past due. The fiscal year of the City is the calendar year.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the City is generally permitted to deposit moneys in banks and trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The City may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the City; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the City pursuant to law, in obligations of the City.

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of instruments and investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the City, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The Common Council has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the City are made in accordance with such policy.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the City as “No Designation”.

For a complete list of municipal fiscal stress scores, visit:

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/localgovernments/pdf/2017/munis-summary.pdf>.

New York State Comptroller’s Audit

The financial affairs of the City are subject to periodic compliance reviews by the Office of the New York State Comptroller (“OSC”) to ascertain whether the City has complied with the requirements of various State and federal statutes. The OSC has not conducted an audit in the last five years.

Building Permits

The following table sets forth information regarding building permits issued by the City:

| TABLE 5 | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>Building Permits</u> | | | | | |
| <u>Fiscal Year End December 31:</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| One & Two Family Residential | | | | | |
| Number of Permits | 14 | 12 | 9 | 6 | 3 |
| Estimated Value | \$2,586,000 | \$1,788,720 | \$1,889,900 | \$1,280,000 | \$655,000 |
| New Retail/Commercial | | | | | |
| Industrial/Other Residential | | | | | |
| Number of Permits | 13 | 15 | 2 | 13 | 11 |
| Estimated Value | \$1,705,900 | \$720,167 | \$132,000 | \$1,941,989 | \$3,776,367 |
| Others | | | | | |
| Number of Permits | 1,384 | 1,408 | 1,533 | 1,525 | 1,590 |
| Estimated Value | \$9,845,711 | \$11,507,104 | \$13,737,436 | \$11,350,924 | \$10,530,421 |
| Yearly Total | | | | | |
| Number of Permits | 1,411 | 1,435 | 1,544 | 1,544 | 1,604 |
| Estimated Value | \$14,137,611 | \$11,757,991 | \$15,759,336 | \$14,572,913 | \$14,961,788 |

TAX INFORMATION

Valuations and Tax Data

| TABLE 6 | | | | | |
|--|------------------------|------------------------|------------------------|----------------------|----------------------|
| <u>Assessed and Full Valuations</u> | | | | | |
| <u>Fiscal Year Ending</u> <u>December 31:</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Assessed Valuation | \$1,197,959,763 | \$1,195,975,642 | \$1,205,228,503 | \$1,211,463,563 | \$1,221,765,407 |
| NYS Equalization Rate | 97.00% | 92.00% | 91.00% | 87.00% | 83.00% |
| Full Valuation | <u>\$1,235,010,064</u> | <u>\$1,299,973,523</u> | <u>\$1,324,426,926</u> | <u>1,392,486,854</u> | <u>1,472,006,514</u> |
| Tax Rate Per \$1,000 | \$13.11 | \$13.11 | \$13.09 | \$13.28 | \$13.29 |

TABLE 7
Tax Collection Record

| Fiscal Year Ending December 31: | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Real Property | | | | | |
| Tax Levy | \$15,768,903 | \$15,699,943 | \$15,929,353 | \$16,025,504 | \$16,162,108 |
| Unpaid Water | 433,189 | 425,362 | 400,161 | 374,912 | 357,880 |
| Unpaid Sewer | 598,540 | 590,481 | 557,197 | 522,146 | 494,616 |
| Special Assessment | <u>20,614</u> | <u>20,330</u> | <u>17,652</u> | <u>6,046</u> | <u>5,763</u> |
| Total: | <u>\$16,821,246</u> | <u>\$16,736,116</u> | <u>\$16,904,363</u> | <u>\$16,928,608</u> | <u>\$17,020,367</u> |
| Uncollected End of Year ⁽¹⁾ | \$407,565 | \$398,651 | \$450,558 | \$534,475 | \$438,366 |
| Percent (%) Collected | 97.59% | 97.63% | 97.31% | 96.84% | 97.43% |

(1) The City holds tax sales annually. See "Tax Collection Procedure" below.

See "TAX LEVY LIMITATION LAW" herein.

Tax Collection Procedure

Taxes are levied on April 1st and are payable during the month of April without penalty. Late payments carry a penalty of 2% during May, 4% during June, 6% during July and an additional 1% for each month thereafter up to a maximum of 11%.

The City collects its own taxes through the City Clerk/Treasurer, and is responsible for the collection of its delinquent taxes. The City holds its annual tax sale in December and any taxes not sold are bought by the City as tax liens.

Ten Largest Taxpayers - Assessment Roll for 2017

TABLE 8
Ten Largest Taxpayers

| <u>Owner</u> | <u>Type</u> | <u>Assessment</u> | <u>% Valuation</u> |
|---------------------------|-------------|-------------------|--------------------|
| National Grid | Utility | \$21,432,979 | 1.75% |
| National Fuel Gas | Utility | 13,571,410 | 1.11% |
| IT Mid City Plaza LLC | Plaza | 11,252,600 | 0.92% |
| Walmart | Retail | 10,371,848 | 0.85% |
| Smith Boys | Marina | 3,900,500 | 0.32% |
| Budwey | Retail | 3,313,000 | 0.27% |
| Bishop Gibbons Assoc. | Apartments | 3,073,090 | 0.25% |
| RJ & WM Young | Apartments | 2,938,600 | 0.24% |
| Verizon | Utility | 2,864,550 | 0.24% |
| Fortistar North Tonawanda | Energy | <u>2,848,500</u> | <u>0.23%</u> |
| Total: | | <u>75,567,077</u> | <u>6.18%</u> |

The ten largest taxpayers listed above represent 6.18% of the City's 2017 assessed valuation of \$1,221,765,407.

Source: City Officials

Constitutional Tax Margin

Computation of Constitutional Tax Margin for the calendar tax years 2014, 2015, 2016, 2017 and 2018 as determined on December 31, 2013, 2014, 2015, 2016 and 2017 respectively.

TABLE 9
Constitutional Tax Margin

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Five-Year Average Full Valuation | \$1,201,521,895 | \$1,213,864,870 | \$1,238,287,831 | \$1,265,410,926 | \$1,298,679,243 |
| Tax Limit – 2% of Five-Year Average | 24,030,438 | 24,277,297 | 24,765,757 | 25,308,219 | 25,973,585 |
| Add: Exclusions from Tax Limit | <u>2,193,088</u> | <u>2,134,330</u> | <u>2,095,709</u> | <u>2,251,407</u> | <u>2,370,916</u> |
| Maximum Taxing Power | 26,223,526 | 26,411,627 | 26,861,466 | 27,559,626 | 28,344,501 |
| Less: Total Tax Levy | <u>15,744,383</u> | <u>15,679,241</u> | <u>15,786,139</u> | <u>16,015,955</u> | <u>16,162,108</u> |
| Constitutional Tax Margin | <u>\$10,479,143</u> | <u>\$10,732,386</u> | <u>\$11,075,327</u> | <u>\$11,543,671</u> | <u>\$12,182,393</u> |
| Percent of Tax Limit Exhausted by Amount of Tax Levy Subject to Limit | 56.39% | 55.79% | 55.28% | 54.39% | 53.10% |

Source: City Officials

CITY INDEBTEDNESS

Constitutional Requirements

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless a determination is made to issue indebtedness with substantially level or declining annual debt service (defined to include principal, redemption price, sinking fund installments or contributions, and interest), in which case, debt service for any year shall not exceed the lowest amount of annual debt service in any prior year by more than the greater of five percent or ten thousand dollars. 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 such required annual installments on its bonds.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, 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 method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 8 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from another law, including specifically the City Charter and the General Municipal Law.

Pursuant to the Local Finance Law and its Charter, the City authorizes the issuance of Bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Common Council, the finance board of the City. Customarily, the Common Council has delegated to the City Clerk/Treasurer, as chief fiscal officer of the City, the power to authorize and sell bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity, is commenced within twenty days after the date of such publication, or

- (3) Such obligations are authorized in violation of the provisions of the Constitution.

It is the policy of the City to comply with this estoppel procedure. It is a procedure that is recommended by Bond Counsel to the City, but is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installment 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.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein.) In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

TABLE 10
Outstanding Debt

| Fiscal Year Ending | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| December 31: | | | | | |
| Bonds | \$11,185,000 | \$ 9,165,000 | \$ 7,570,000 | \$13,670,000 | \$13,022,984 |
| BANs | <u>1,952,600</u> | <u>3,780,000</u> | <u>5,708,102</u> | <u>0</u> | <u>0</u> |
| Totals: | <u>\$13,137,600</u> | <u>\$12,945,000</u> | <u>\$13,278,102</u> | <u>\$13,670,000</u> | <u>\$13,670,000</u> |

Source: City's audited financial statements

Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of July 3, 2018.

TABLE 12
Debt Contracting Margin

| <u>Assessment Year</u> | <u>Assessed Value</u> | Equalization <u>Rate</u> | <u>Full Value</u> |
|--|-----------------------|-----------------------------|----------------------|
| 2013 | 1,197,959,763 | 97.00% | 1,235,010,064 |
| 2014 | 1,195,975,642 | 92.00% | 1,299,973,524 |
| 2015 | 1,205,228,503 | 91.00% | 1,324,426,926 |
| 2016 | 1,211,378,663 | 87.00% | 1,392,389,268 |
| 2017 | 1,221,765,407 | 83.00% | <u>1,472,006,514</u> |
| Five Year Average Full Valuation of Taxable Real Property: | | | \$1,344,761,259 |
| Debt Limit – 7% thereof: | | | \$ 94,133,288 |
| Outstanding Bonds | | | \$ 14,435,000 |
| Bond Anticipation Notes | | | <u>0</u> |
| Gross Direct Indebtedness | | | <u>\$ 14,435,000</u> |
| Exclusions: | | | |
| Appropriations for Non-Exempt Debt ⁽¹⁾ | | | <u>860,000</u> |
| Total Exclusions | | | <u>860,000</u> |
| Total Net Indebtedness Subject to Debt Limit | | | <u>\$ 13,575,000</u> |
| Net Debt-Contracting Margin | | | <u>\$ 80,558,288</u> |
| Percent of Debt Contracting Power Exhausted: | | | <u>14.42%</u> |

(1) Budgeted appropriations are automatically excluded pursuant to provisions of the New York State Constitution and Section 136 of the Local Finance Law.

Source: City Officials

Remedies Upon Default

Under current law, provision is made for contract creditors (including the Bondholders) of the City to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the City's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a bondholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented 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. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal

corporations, under certain circumstances, with easier access to judicially approved adjustment of debts including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

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

Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Estimated bonds and bond anticipation notes are listed as of the close of the last fiscal year of the respective municipalities, adjusted to include subsequent bond issues.

TABLE 13
Overlapping Indebtedness

| <u>Unit</u> | <u>Net</u> <u>Indebtedness</u> | <u>Approximate</u> <u>Applicable</u> | <u>Allocable Net</u> <u>Indebtedness</u> |
|------------------------------------|-----------------------------------|---|---|
| County of Niagara ⁽¹⁾ | \$30,438,617 | 13.07% | \$ 3,978,327 |
| North Tonawanda CSD ⁽²⁾ | 59,221,000 | 100.0% | <u>59,221,000</u> ⁽³⁾ |
| Total Net Overlapping Debt | | | \$63,199,327 |
| Total Net Direct Debt | | | <u>13,575,000</u> |
| Net Direct and Overlapping Debt | | | <u>\$76,774,327</u> |

(1) As of June 29, 2017

(2) As of November 1, 2017

(3) The North Tonawanda City School District has received and expects to continue to receive State Aid on a portion of existing indebtedness contracted for school building purposes pursuant to Section 121.20 of the Local Finance Law, but, under the Local Finance Law, as a small city school district, it is not permitted to deduct such anticipated State building aid from its outstanding indebtedness. However, as a matter of information, State aid for building purposes is currently estimated by North Tonawanda City School District officials at 85.2%.

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness.

TABLE 14
Debt Ratios

| | <u>Amount of</u> <u>Indebtedness</u> | <u>Per</u> <u>Capita</u> ^(a) | <u>% of Full</u> <u>Valuation</u> ^(b) |
|---------------------------------|---|--|---|
| Net Direct Indebtedness | \$13,575,000 | \$430 | 0.92% |
| Net Direct and Overlapping Debt | \$76,774,327 | \$2,432 | 5.22% |

(a) The City's 2010 US Census estimated population is 31,568.

(b) The City's full valuation of taxable real estate for 2017 is \$1,472,006,514. (See "Assessed and Full Valuations" herein).

Bond Anticipation Notes

The City currently does not have any bond anticipation notes outstanding.

Debt Service Schedule

TABLE 15
Debt Service Schedule

(As of July 3, 2018)

| Fiscal Year | | | |
|--------------------|------------------|-----------------|---------------------|
| Ending | Principal | Interest | Total |
| 12/31: | | | Debt Service |
| 2018 | 860,000 | 220,866 | 1,080,866 |
| 2019 | 2,295,000 | 278,226 | 2,388,226 |
| 2020 | 1,880,000 | 214,489 | 1,894,489 |
| 2021 | 1,785,000 | 167,089 | 1,747,089 |
| 2022 | 1,445,000 | 123,145 | 1,388,145 |
| 2023 | 1,095,000 | 90,470 | 995,470 |
| 2024 | 810,000 | 67,989 | 687,989 |
| 2025 | 680,000 | 55,958 | 540,958 |
| 2026 | 665,000 | 45,141 | 510,141 |
| 2027 | 590,000 | 34,219 | 414,219 |
| 2028 | 580,000 | 24,703 | 399,703 |
| 2029 | 450,000 | 16,875 | 286,875 |
| 2030 | 425,000 | 10,913 | 250,913 |
| 2031 | 320,000 | 6,038 | 141,038 |
| 2032 | 280,000 | 3,788 | 93,788 |
| 2033 | 185,000 | 2,963 | 32,963 |
| 2034 | 30,000 | 2,138 | 32,138 |
| 2035 | 30,000 | 1,294 | 31,294 |
| 2036 | <u>30,000</u> | <u>431</u> | <u>30,431</u> |
| | \$14,435,000 | \$1,366,735 | \$12,946,735 |

ECONOMIC AND DEMOGRAPHIC DATA

The majority of the residents are engaged in industry, commerce and professions in the City as well as the Buffalo, Lockport and Niagara Falls metropolitan areas. Some of the major employers located within the City by type of business and the approximate number of employees are as follows:

Major Employers

TABLE 16
Major Employers

| <u>Name of Employer</u> | <u>Type of Business</u> | <u>Approx. Number of Employees</u> |
|--------------------------------|--------------------------------|---|
| North Tonawanda City Schools | Education | 825 |
| DeGraff Memorial Hospital | Health Care | 500 |
| City of North Tonawanda | Government | 247 |
| Tops Supermarkets | Retail | 230 |
| Smurfit - Stone | Manufacturing | 152 |
| Buffalo Pumps | Manufacturing | 120 |
| Swaglock | Manufacturing | 100 |
| Niagara Cutter, Inc. | Manufacturing | 100 |
| Confer Plastics | Manufacturing | 100 |
| Walmart | Retail | 100 |

Source: North Tonawanda Chamber of Commerce

Unemployment Rate Statistics

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

TABLE 17
Civilian Labor Force
(Thousands)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--------|-------------|-------------|-------------|-------------|-------------|
| City | 16.4 | 15.9 | 15.8 | 15.7 | 15.7 |
| County | 105.1 | 102.0 | 101.7 | 100.9 | 101.1 |
| State | 9,659.3 | 9,591.3 | 9,644.6 | 9,586.1 | 9,704.7 |

Source: New York State Department of Economic Development: Bureau of Economic and Demographic Information.

TABLE 18
Yearly Average Unemployment Rates

| <u>Year</u> | <u>City</u> | <u>County</u> | <u>State</u> |
|-------------|-------------|---------------|--------------|
| 2013 | 7.5% | 8.5% | 7.7% |
| 2014 | 6.2% | 7.0% | 6.3% |
| 2015 | 5.3% | 6.2% | 5.3% |
| 2016 | 5.1% | 5.8% | 4.8% |
| 2017 | 5.5% | 6.2% | 4.7% |

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

TABLE 19
Monthly Unemployment Rates

| <u>Month</u> | <u>City</u> | <u>County</u> | <u>State</u> |
|--------------|-------------|---------------|--------------|
| April 2017 | 5.2% | 6.0% | 4.4% |
| May | 5.1% | 5.7% | 4.4% |
| June | 5.1% | 5.7% | 4.6% |
| July | 5.4% | 6.0% | 4.9% |
| August | 5.5% | 6.0% | 4.9% |
| September | 5.3% | 5.4% | 4.6% |
| October | 5.2% | 5.3% | 4.4% |
| November | 5.5% | 5.9% | 4.4% |
| December | 5.6% | 6.6% | 4.4% |
| January 2018 | 6.2% | 7.5% | 5.1% |
| February | 6.3% | 7.7% | 5.1% |
| March | 5.4% | 7.0% | 4.8% |
| April | 4.6% | 5.9% | 4.3% |
| May | 4.0% | 4.9% | 3.7% |

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

Population Trends

TABLE 20
Population Trends

| | <u>City</u> | <u>County</u> | <u>State</u> |
|-------------|-------------|---------------|--------------|
| 1980 | 35,760 | 227,101 | 17,557,288 |
| 1990 | 34,989 | 220,756 | 17,990,445 |
| 2000 | 33,262 | 219,846 | 18,976,457 |
| 2010 | 31,568 | 216,469 | 19,378,102 |

Source: U.S. Census

LITIGATION

In common with other municipalities, the City from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for the City, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or action pending which, if determined against the City, would have an adverse material effect on the financial condition of the City.

End of Appendix A

APPENDIX B

**SUMMARY OF FINANCIAL
STATEMENTS AND BUDGETS**

CITY OF NORTH TONAWANDA, NY
Balance Sheet
General Fund

| Year Ending December 31: | <u>2016</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and Investments | \$6,710,178 | \$5,532,815 |
| Receivables: | | |
| Taxes | 3,616,321 | 3,935,578 |
| Accounts | 558,989 | 317,136 |
| State & Federal Aid | 184,466 | 153,858 |
| Due from Other Funds | 470,696 | 1,079,309 |
| Due From Other Governments | 762,423 | 861,344 |
| Prepaid Expenses | 897,071 | 878,978 |
| Total Assets | <u>\$13,200,144</u> | <u>\$12,759,018</u> |
| <u>Liabilities Deferred Inflows and Fund Balances</u> | | |
| <u>Liabilities</u> | | |
| Accounts Payable | \$843,723 | \$1,261,467 |
| Accrued Liabilities | 221,938 | 209,109 |
| Due to Other Funds | 8,204 | 186 |
| Due to Other Governments | 1,183,338 | 1,397,379 |
| Total Liabilities | <u>\$2,257,203</u> | <u>\$2,868,141</u> |
| <u>Deferred Inflows of Resources:</u> | | |
| Unavailable Revenue - Property Taxes | <u>\$2,469,959</u> | <u>\$2,837,467</u> |
| Total Deferred Inflows of Resources | <u>\$2,469,959</u> | <u>\$2,837,467</u> |
| <u>Fund Balance</u> | | |
| Reserved | | |
| Non-Spendable | 897,071 | 878,978 |
| Restricted Fund Balance | 2,425,649 | 2,840,213 |
| Assigned Fund Balance | 1,634,025 | 690,680 |
| Unassigned Fund Balance | 3,516,237 | 2,643,539 |
| Total Fund Balances | <u>\$8,472,982</u> | <u>\$7,053,410</u> |
| Total Liabilities, Deferred Inflows and Fund Equity | <u>\$13,200,144</u> | <u>\$12,759,018</u> |

*Source: Audited Financial Statements of the City
Summary not audited*

CITY OF NORTH TONAWANDA, NY
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

| Year Ending December 31: | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>Revenues</u> | | | | | |
| Real Property Taxes | \$15,735,652 | \$15,679,247 | \$15,760,892 | \$15,998,775 | \$16,161,948 |
| Real Property Tax Items | 1,107,564 | 1,287,277 | 1,250,758 | 1,176,188 | 1,030,704 |
| Non Property Tax Items | 9,553,148 | 8,776,259 | 9,149,735 | 8,901,679 | 8,735,421 |
| Departmental Income | 1,520,107 | 1,462,687 | 1,650,787 | 1,521,246 | 1,355,825 |
| Intergovernmental Charges | 56,537 | 94,112 | 81,168 | 70,296 | 139,013 |
| Use of Money & Property | 105,102 | 98,444 | 93,659 | 142,882 | 160,390 |
| Licenses and Permits | 279,935 | 275,282 | 290,453 | 289,434 | 445,101 |
| Fines and Forfeitures | 193,520 | 339,306 | 377,446 | 430,501 | 458,266 |
| Sale of Property and Comp for Loss | 668,694 | 347,666 | 574,659 | 726,387 | 209,518 |
| Miscellaneous | 70,697 | 16,421 | 212,828 | 117,093 | 11,218 |
| Interfund Revenue | 38,664 | 5,044 | 9,270 | 0 | 0 |
| State Sources | 4,936,294 | 4,963,074 | 4,986,779 | 4,870,565 | 4,973,504 |
| Federal Sources | 21,788 | 163,957 | 20,432 | 74,971 | 2,053 |
| Total Revenues | <u>\$34,287,702</u> | <u>\$33,508,776</u> | <u>\$34,458,866</u> | <u>\$34,320,017</u> | <u>\$33,682,961</u> |
| <u>Expenditures</u> | | | | | |
| General Government Support | 3,670,578 | 3,760,139 | 4,256,690 | 4,134,261 | 3,843,037 |
| Public Safety | 9,354,414 | 9,931,860 | 10,009,479 | 10,261,132 | 10,423,075 |
| Transportation | 3,806,776 | 4,108,412 | 4,086,336 | 4,240,986 | 4,436,865 |
| Economic Assistance and Opportunity | 61,255 | 64,112 | 58,207 | 57,539 | 58,998 |
| Culture and Recreation | 1,827,296 | 1,908,670 | 2,112,784 | 1,942,150 | 2,107,304 |
| Home and Community Services | 1,404,568 | 1,601,889 | 1,458,046 | 1,477,863 | 1,423,203 |
| Employee Benefits | 10,384,075 | 10,943,340 | 11,178,568 | 11,093,664 | 11,181,791 |
| Debt Service | 1,996,545 | 2,022,894 | 1,790,434 | 1,814,776 | 1,869,368 |
| Total Expenditures | <u>\$32,505,507</u> | <u>\$34,341,316</u> | <u>\$34,950,544</u> | <u>\$35,022,371</u> | <u>\$35,343,641</u> |
| Excess of Revenues over Expenditures | <u>1,782,195</u> | <u>(832,540)</u> | <u>(491,678)</u> | <u>(702,354)</u> | <u>(1,660,680)</u> |
| <u>Other Sources and (Uses)</u> | | | | | |
| Operating Transfers In | 5,066 | 7,787 | 203,670 | 464,374 | 250,174 |
| Operating Transfers Out | (10,862) | (74,190) | (69,328) | (101,427) | (9,066) |
| Total Other Sources and (Uses) | <u>(5,796)</u> | <u>(66,403)</u> | <u>134,342</u> | <u>362,947</u> | <u>241,108</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>1,776,399</u> | <u>(898,943)</u> | <u>(357,336)</u> | <u>(339,407)</u> | <u>(1,419,572)</u> |
| <u>Fund Balance</u> | | | | | |
| Fund Balance - Beginning of Year | <u>8,292,268</u> | <u>10,068,667</u> | <u>9,169,724</u> | <u>8,812,389</u> | <u>8,472,982</u> |
| Fund Balance - End of Year | <u>\$10,068,667</u> | <u>\$9,169,724</u> | <u>\$8,812,388</u> | <u>\$8,472,982</u> | <u>\$7,053,410</u> |

*Source: Audited Financial Statements of the City
Summary not audited*

CITY OF NORTH TONAWANDA, NY
Combining Balance Sheet
Special Revenue Funds

| Year Ending December 31: | <u>2016</u> | <u>2017</u> |
|---|---------------------------|---------------------------|
| <u>Assets</u> | | |
| Cash and Investments | \$5,674,774 | \$5,484,160 |
| Receivables: | | |
| Accounts | 2,507,976 | 2,391,639 |
| Due from Other funds | 0 | 73 |
| Due from Other governments | | 23,758 |
| Prepaid Expenses | 63,409 | 58,962 |
| | <hr/> | <hr/> |
| Total Assets | <u>\$8,246,159</u> | <u>\$7,958,592</u> |
| <u>Liabilities and Fund Equity</u> | | |
| <u>Liabilities</u> | | |
| Accounts Payable | 145,902 | 392,816 |
| Accrued Liabilities | 53,341 | 39,152 |
| Due to Other Funds | 59,122 | 51,273 |
| Due to Other Governments | 15,028 | 15,066 |
| | <hr/> | <hr/> |
| Total Liabilities | 273,393 | 498,307 |
| <u>Deferred Inflows of Resources</u> | | |
| Unavailable Revenue - Property Taxes | 909 | 0 |
| Unavailable Revenue - Loans | 0 | 0 |
| Total Deferred Inflows of Resources | <hr/> | <hr/> |
| | 909 | 0 |
| <u>Fund Equity</u> | | |
| Fund Balance: | | |
| Non Spendable | 63,409 | 58,962 |
| Restricted | 372,410 | 3,664,152 |
| Assigned | 7,536,038 | 3,737,171 |
| Unassigned | 0 | 0 |
| | <hr/> | <hr/> |
| Total Fund Equity | 7,971,857 | 7,460,285 |
| | <hr/> | <hr/> |
| Total Liabilities and Fund Equity | <u>\$8,246,159</u> | <u>\$7,958,592</u> |

*Source: Audited Financial Statements of the City
Summary not audited*

CITY OF NORTH TONAWANDA, NY
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Funds

| Year Ending December 31: | <u>2016</u> | <u>2017</u> |
|--|---------------------------|---------------------------|
| <u>Revenues</u> | | |
| Departmental Income | \$7,161,587 | \$6,812,717 |
| Use of Money and Property | 160,953 | 171,916 |
| Sale of Property and Comp. For Loss | 2,007 | 1,235 |
| Miscellaneous | | 23,758 |
| State Aid | 100,000 | 200,000 |
| Federal Aid | <u>3,269,969</u> | <u>2,802,188</u> |
| Total Revenues | <u>10,694,516</u> | <u>10,011,814</u> |
| <u>Expenditures</u> | | |
| General Government Support | 24,100 | 21,580 |
| Economic Assistance and Opportunity | 2,955,029 | 3,103,409 |
| Home and Community Support | 4,480,556 | 4,836,294 |
| Employee Benefits | 1,346,943 | 1,229,555 |
| Debt Service - Principal | 660,770 | 770,000 |
| Debt Service - Interest | <u>122,017</u> | <u>171,723</u> |
| Total Expenditures | <u>9,589,415</u> | <u>10,132,561</u> |
| Excess (Def) of Revenues Over Expenditures | 1,105,101 | (120,747) |
| <u>Other Sources and Uses:</u> | | |
| Transfer from Other Funds | <u>39,342</u> | 9,174 |
| Transfer to Other Funds | | <u>(400,000)</u> |
| Total Other Sources and (Uses) | <u>39,342</u> | <u>(390,826)</u> |
| Excess (Def) of Revenues and Other Sources over Expenditures and Other Uses | 1,105,101 | (511,572) |
| Fund Balance - Beginning of Year | <u>6,866,756</u> | <u>7,971,857</u> |
| <u>Fund Balance - End of Year</u> | <u>\$7,971,857</u> | <u>\$7,460,285</u> |

*Source: Audited Financial Statements of the City
Summary not audited*

APPENDIX C

**INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

**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/ER1133808-ER887201-ER1287836.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. Amato, Fox & Company, PC 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.**