

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 22, 2017

**NEW ISSUE
SERIAL BONDS**

**RATING: SEE “RATING” HEREIN
BOOK-ENTRY-ONLY**

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

The City WILL designate the Bonds as “qualified tax-exempt obligations” pursuant to the provision of Section 265(b)(3) of the Code.

**CITY OF PORT JERVIS
ORANGE COUNTY, NEW YORK**

\$4,694,285*
VARIOUS PURPOSES SERIAL BONDS – 2017
(the “Bonds”)

Dated Date: Date of Delivery

Maturity Date: September 1, 2018-2035

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

The Bonds will be dated the date of delivery, will bear interest from such date payable September 1, 2018 and semiannually thereafter on each March 1 and September 1 until maturity and will mature on the September 1, in the years and amounts as set forth on the inside cover page hereof. The Bonds will be subject to optional redemption prior to maturity as described herein. (See “Optional Redemption” herein.)

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as the securities depository for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof, except for one necessary odd denomination in the first maturity of the Bonds. Purchasers will not receive certificates representing their ownership interests in the Bonds. Payment of the 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 disbursement to the beneficial owners of the Bonds as described herein. (See “Book-Entry-Only System” herein.)

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Capital Markets Advisors, LLC has served a Municipal Advisor to the City in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the offices of DTC on or about September 12, 2017.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”). FOR A DESCRIPTION OF THE CITY’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKINGS” HEREIN.

Dated: August __, 2017

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2018	\$214,285	%	%	2028	\$265,000**	%	%
2019	215,000			2029	275,000**		
2020	220,000			2030	280,000**		
2021	225,000			2031	290,000**		
2022	225,000			2032	300,000**		
2023	230,000			2033	310,000**		
2024	235,000			2034	325,000**		
2025	245,000			2035	335,000**		
2026	250,000**						
2027	255,000**						

* The principal maturities of the Bonds are subject to adjustment following their sale, pursuant to the terms of the accompanying Notice of Sale to achieve substantially level or declining annual debt service as provided in the Local Finance Law.

** Subject to optional redemption prior to maturity. (See “Optional Redemption” herein.)

**CITY OF PORT JERVIS
ORANGE COUNTY, NEW YORK**

**KELLY DECKER
Mayor**

COMMON COUNCIL

DAVID W. BAVOSOCouncilman-At-Large

REGIS FOSTER.....Councilman

SARAH HENDRYCouncilman

GEORGE BELCHER.....Councilman

LISA M. RANDAZZO.....Councilman

GINA FITZPATRICKCouncilman

KRISTIN TROVEI.....Councilman

KIEL VANHORN.....Councilman

STANLEY SIEGELCouncilman

ROBIN WAIZENEGGERCity Clerk-Treasurer

WILLIAM D. BAVOSO.....Corporation Counsel

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

FINANCIAL ADVISOR

Capital Markets Advisors, LLC
Great Neck and New York, New York
(516) 472-7049

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the 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 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 PORT JERVIS
ORANGE COUNTY, NEW YORK

relating to

\$4,694,285*

VARIOUS PURPOSES SERIAL BONDS – 2017
(the “Bonds”)

This Official Statement (the “Official Statement”), which includes the cover page, inside cover page, and appendices hereto, presents certain information relating to the City of Port Jervis, in the County of Orange, State of New York (the “City”, “County” and “State”, respectively), in connection with the sale of \$4,694,285* Various Purposes Serial Bonds – 2017 (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 there to are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

THE BONDS

Description

The Bonds are dated their date of delivery and will bear interest from that date until maturity, payable on September 1, 2018 and semiannually thereafter on each March 1 and September 1 until maturity. The Bonds shall mature on September 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds will be subject to optional redemption prior to maturity. (See “*Optional Redemption*” herein.)

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository (defined herein) for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 and integral multiples thereof, except for one necessary odd denomination in the first maturity. Purchasers will not receive certificates representing their ownership interests in the Bonds.

Principal and interest on the Bonds will be made by the City to DTC, which will in turn remit such principal and interest to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners of the Bonds as described under “Book-Entry-Only System,” herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the City referred to therein.

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

* Preliminary, subject to change.

Authority for and Purpose of the Bonds

The Bonds are issued pursuant to the Constitution and Laws of the State, including among others, the General Municipal Law, the Local Finance Law, the City Law, the City Charter and a bond resolution duly adopted by the Common Council on June 26, 2017. The proceeds of the Bonds will be used to provide original financing for the projects listed below:

<u>Purpose</u>	<u>PPU</u>	<u>Amount to Bonds</u>
2 Chemical Storage Tanks	40	\$ 25,107
Reservoir #1 Dam Study & Repair	40	150,642
Backhoe	15	115,492
Runoff Brook Repair	30	788,359
2 Dump Trucks w/ plows	15	351,498
Bucket Truck	15	150,642
Garbage Truck	15	190,813
Backhoe/Loader	15	120,513
Trench Box	10	20,086
Replacement Traffic Control Devices	20	251,070
Fuel Dispensing Unit	5	27,116
Pavement Roller	15	55,235
City Share of NYSDOT bridge project	20	1,004,278
City Share of NYSDOT promenade project	10	251,070
City Share of NYSDOT sidewalk project	10	115,492
City Hall Building Repair/ Improvements	15	500,818
Comprehensive IT System	5	100,428
City Signage	5	40,171
Demolition of City Owned Buildings	10	25,107
Farnum House Refurbish	15	100,428
Window Replacements Youth Center	15	5,021
Playground Equipment Replacement	15	9,440
Police Enforcement Equipment	5	210,095
Impound Yard	5	75,321
Paving Fire House Entrance	15	<u>10,043</u>
Total:		<u>\$4,694,285</u>

Optional Redemption

The Bonds maturing on or before September 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing on or after September 1, 2026 will be subject to redemption prior to maturity, at the option of the City, on any date on or after September 1, 2025, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The City may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the City shall determine to be in the best interest of the City at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the City Comptroller. Notice of such call for redemption shall be given by mailing such notice to the registered owner not less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Nature of Obligation

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

The Bonds will be general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Bonds, the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See “*Tax Levy Limit Law*” herein.)

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the City’s power to increase its annual tax levy. As a result, the power of the City to levy real estate taxes on all the taxable real property within the City is subject to statutory limitations set forth in Tax Levy Limit Law, unless the City complies with certain procedural requirements to permit the City to levy certain year-to-year increases in real property taxes. (See “*Tax Levy Limit Law*” herein.)

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds issued in book-entry form. Said 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 Bond bearing the same rate of interest and CUSIP number, 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 note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note 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 C believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

NO PAST DUE DEBT

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

BANKRUPTCY

The undertakings of the City should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended (“Chapter IX”) and, in general, to other bankruptcy laws affecting creditors’ right and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner’s creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the City could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provision intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provision of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the City, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptions situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State, Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The State has consent (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporation to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the City in the future cannot be assured.

No current state law purports to create any priority for holders of the Bonds should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above reference to the Bankruptcy Act are not to be construed as an indication that the City is currently considering or expects to resort to the provisions of the Bankruptcy Act.

FINANCIAL CONTROL BOARDS

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its ‘property, affairs and government’ by a two-thirds vote of the total membership of its

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

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

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

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

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

MARKET FACTORS

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

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

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

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

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

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

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

LITIGATION

The City, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, property damage or personal injury or other types of claims. Of the claims pending, none are expected to have a material effect on the City, if adversely settled.

The City is a defendant in pending certiorari proceedings, the results of which could require the payment of future tax refunds by the City, if existing assessment rolls are modified based on the outcome of the litigation proceedings. The amount of the possible refunds cannot be determined at the present time. Any payments pursuant to such judgments will be funded in the year in which the payment is made.

The City of Port Jervis currently owns an 8.67 acre property within the City that is contaminated with hazardous wastes as a result of the prior, long-term use of the property by the railroad industry. From 2000 through 2012, the New York State Department of Environmental Conservation (NYSDEC) expended \$164,271 to perform investigations and interim remedial work at the site. Also the NYSDEC spent approximately \$1.5 million in 2013 and 2014 to construct a barrier wall and monitoring wells near the property to prevent contamination from migrating from the property. The NYSDEC continues to incur additional costs of an indeterminate amount each year to monitor the barrier wall and the monitoring wells.

In 2007, the City of Port Jervis and the NYS Attorney General's Office entered into an agreement that the State of New York would not sue the City for the costs incurred from 2000 through 2005, if the City continued to seek

funding to perform a cleanup of the site. The City has applied to several funding programs, and it has received a small grant for a limited remediation project. However, the City has not been able yet to secure the large amount of funding needed to remediate the site. In 2012, NYSDEC representatives estimated that a final remediation of the site could cost up to six million dollars. The 2007 agreement between the NYS Attorney General's Office and the City has expired. It is doubtful that the State of New York would sue for the costs that were covered by the agreement with the Attorney General (2000 – 2005) since the statutes of limitation probably have expired. The City continues to seek funding for a final remediation of the site. To date, no parties that may have liabilities or interests related to the site have filed lawsuits or other proceedings, and the State of New York has not taken action to recoup the NYSDEC's expenditures at the site.

TAX MATTERS

Opinion of Bond Counsel

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

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

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

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Bond Premium

In general, if an owner acquires the Bonds for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible

loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. The form of opinion of Bond Counsel related for the Bonds will be in substantially the form attached hereto as Appendix D.

DISCLOSURE UNDERTAKING

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

Compliance History

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

The City made late filings of its audited financial statements for the fiscal years ending in 2011 and 2012. The City made late filings of its annual financial information and operating data for the fiscal years ending in 2011 through 2013, inclusive. The City made late filings of its adopted budgets for the fiscal years ending in 2011 through 2014, inclusive. Material event notices regarding the late filings of the City's audited financial statements and annual financial information and operating data have been filed.

The City made late filings of the event notices related to the rating downgrades by Moody's Investor Service on March 16, 2016 and December 20, 2016. The City filed a failure to timely file notice with respect to these late filings.

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

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Great Neck and New York, New York, (the "Municipal Advisor") is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the District in connection with this transaction.

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. 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 District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the District. 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 or the Notes.

RATINGS

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

On December 20, 2016, Moody's downgraded the City's underlying credit rating to "Baa1".

With respect to the Moody's rating applicable to uninsured debt, such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

ADDITIONAL INFORMATION

Additional information may be obtained from the City’s Clerk-Treasurer, Ms. Robin Waizenegger, (845) 858-4014, or from the City’s financial advisor, Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York 11021, (516) 472-7049.

So far as any statements made in this Official Statement involve matters or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any other statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

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

Hawkins Delafield & Wood, LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the City for use in connection with the offer or sale of the Bonds, including this Official Statement. This Official Statement is submitted only in connection with the sale of the Bonds by the City and may not be reproduced or used in whole or in part for any other purpose.

CITY OF PORT JERVIS
ORANGE COUNTY, NEW YORK

By: _____
Robin Waizenegger
City Clerk-Treasurer

DATED: August __, 2017

APPENDIX A

THE CITY

THE CITY

General Information

The City was incorporated in 1907 and is located in the southwestern part of Orange County at the juncture of the Delaware and Neversink Rivers at that point where the States of New York, New Jersey and Pennsylvania meet, approximately 80 miles northwest of New York City. According to the 2015 Census, the population of the City is 8,681. The City has a diverse economic base, being one of the retail trading centers for the surrounding rural-suburban area as well as the site of certain industrial, governmental and educational establishments. The City is largely residential in character but has a number of light industries.

Form of Government

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

Elected and Appointed Officials

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

The Mayor is elected at a general election for a two-year term and there is no restriction on the number of terms that may be served. As a member of the Common Council, the Mayor presides over this body but is not eligible to vote on matters before the Common Council. However, he must approve the resolutions adopted by the Common Council in order for such resolutions to become effective.

The Mayor is the Chief Executive Officer of the City. Appointive officers, including those of the City Clerk-Treasurer, Corporation Council and City Assessor, are nominated by the Mayor and appointed by the Common Council.

City Services

The City is responsible for and provides the following services: maintains police, fire, sanitation, water, sewer, streets, and various park and recreational facilities. Pursuant to State law, the County, not the City, is responsible for providing health and social services.

Public education is provided by the City School District of the City of Port Jervis (the "School District"), which serves the City and certain areas outside the City. The School District has a separately elected governing body and has independent taxing and debt issuance authority.

Employees

The City provides services through 77 full-time and 40 part-time employees, some of which are represented by two unions. The Civil Service Employees Association represents clerical workers and various labor groups including certain supervisory personnel and the Police Benevolent Association is the collective bargaining agent for the City policemen. The following table summarizes the current contract status of each unit.

<u>Employees</u>		
<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
36	Civil Service Employees Association	12/31/18
31	Policemen's Benevolent Association ("PBA")	12/31/18

Employee Pension Benefits

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at which time contributions become voluntary. Members hired after January 1, 2010 through and including March 31, 2012 must contribute three percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

Pension reform enacted by New York State changed the billing cycle for employer contributions to the ERS retirement system to match budget cycles of the City. Under the previous method, the City was not provided with the required payment until after its budget was implemented. Under the reforms implemented, the employer contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the City is notified of and can include the actual cost of the employer contribution in its budget. The pension reform law also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible. The pension payment date for all local governments was changed from December 15 to February 1.

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

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

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

City has not prepaid its employer contributions in December but has instead made all of its employer contributions in February. The City amortized a portion of its required contributions in the amount of \$977,090 for 2013, \$1,284,153 for 2014, \$1,248,390 for 2015, \$1,112,738 for 2016 and, \$1,275,906 for 2017. The City plans to amortize a portion of its required contribution in the amount of \$1,359,097 for the 2015 fiscal year.

The City’s contributions to ERS and PFRS for the last three fiscal years are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2016	\$456,904	\$655,834
2017	514,903	761,003
2018(Budget)	521,249	837,848

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contribution rate for the State’s Retirement System continues to be higher than the minimum contribution rate established by the pension reform law. The State calculates contribution amounts based upon a five-year rolling average. As a result, contribution rates are expected to remain higher than the minimum contribution rates set by the pension reform law in the near-term. To mitigate the expected increases in the employer contribution rate, legislation was enacted that authorizes local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 3%. The legislation also required those local governments and school districts, who decide to amortize their pension obligations pursuant to the new law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance.

In Spring 2013, the State and ERS approved a Stable Contribution Option (“SCO”), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. For ERS, the 2013-14 SCO rate is 12%. The City will not be participating in the modified ERS SCO plan at this time.

Other Post Employment Benefits

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 costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

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

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

The City is in compliance with the requirements of GASB 45. The City has determined that its actuarial accrued liability (“AAL”) for OPEB as of December 31, 2016 was approximately \$31,314,033. For financial reporting

purposes, the City has elected to amortize the AAL over 30 years. For the year ended December 31, 2016, the City's ARC was \$2,807,987. At this time, New York State has not developed guidelines for the creation of methods for the funding of OPEB. As a result, the City has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the City be required to fund their unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the City's finances and could force the City to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the City to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the City has decided to continue funding the expenditure on a pay-as-you-go basis.

Related Entities

Port Jervis Community Development Agency. Pursuant to the General Municipal Law, the City established the Port Jervis Urban Renewal Agency (the "Agency") by Chapter 266 of the Laws of 1964, as amended by Chapter 71a of the Laws of 1968, which added Section 584 to the General Municipal Law. The purpose of the Agency is to manage redevelopment projects which correct blighted conditions existing within the City. By statute, the Agency is a body corporate and politic, perpetual in its duration, and possesses the following powers: to borrow money as provided by the General Municipal Law, acquire real property by purchase, condemnation or otherwise, accept grants or other forms of assistance from the Federal and State governments, as well as from public or private sources, and to provide for demolition and site clearance to effectuate development plans. In addition, the Agency possesses such implied powers as are required to conduct its program which are not otherwise inconsistent with the general provisions of law. The Agency is currently involved in Section 8 Housing Projects and in administering UDAG grant programs.

An acting Executive Director is responsible for the general supervision of day-to-day operations and administrative matters for the Community Development Agency.

Port Jervis Industrial Development Agency. The Port Jervis Industrial Development Agency (the "IDA") was created by Chapter 475 of the Laws of 1972, which added Section 890-d to the General Municipal Law pursuant to the request of the Common Council as set forth in its resolution adopted January 24, 1972. In accordance with this statute, the IDA promotes, develops and assists in various industrial and commercial projects that advance job opportunities and improve the quality of life for the residents of the City. In furtherance of these objectives, the IDA may issue bonds or notes which are special obligations of the IDA payable solely from revenue derived from the lease, sale or other disposition of a project, subject only to any agreements with holders of particular bonds or notes pledging any particular moneys or revenues. The State has provided that interest income from such obligations shall be exempt from taxation except for transfer and estate taxes. None of the obligations issued by the IDA constitute a debt of the State of New York or the City, and neither the State nor the City is liable for payment of principal or interest thereon.

An Executive Director is responsible for the general supervision of day-to-day operations and administrative matters for the IDA.

Port Jervis Housing Authority. Public housing in the City is the responsibility of the Port Jervis Housing Authority (the "Authority"), an independent governing agency created by Chapter 228 of the Laws of 1969, which added Section 521 to the Public Housing Law. The Authority currently maintains affordable housing units at Minisink Housing on Minisink Avenue and senior citizens' housing at Hillside Terrace at 39 Pennsylvania in the City.

Port Jervis Parking Authority. Pursuant to the Public Authorities Law, the City established the Port Jervis parking Authority by Chapter 707 of the Laws of 1963, as amended by Chapter 972 of the laws of 1969, which added Section 1585-a to the Public Authorities Law.

FINANCIAL FACTORS

Independent Audit

The financial statements of the City have been audited by O'Connor Davies LLP, independent certified public accountants. Appendix B to this Official Statement presents a summary of the audited financial statements for the City's last five fiscal years.

Fund Structures and Accounts

The City utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are two broad fund categories: (1) governmental funds that are used to account for basic services and capital projects; and (2) fiduciary funds that account for assets held in a trustee or custodial capacity. Account groups, which do not represent funds, are concerned with the measurement of financial position and not the results of operations.

Revenues

The City receives a significant 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). Property taxes accounted for 40.4% of total general fund revenues for the fiscal year ended December 31, 2016, while State aid accounted for 13.1%.

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

	<u>Revenues</u>		
<u>Fiscal Year</u>	<u>Total Revenues⁽¹⁾</u>	<u>Real Property Taxes</u>	<u>Percentage Real Property Taxes to Revenues</u>
2012	\$11,051,179	\$4,353,507	39.4%
2013	11,011,952	4,367,298	39.7
2014	11,175,790	4,578,295	41.0
2015	11,877,998	4,355,603	36.7
2016	12,898,982	5,207,330	40.4
2017 (Adopted Budget)	12,651,879	5,151,083	40.7

(1) General Fund.

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

State Aid

The City receives financial assistance from the State. State aid is budgeted to be 12.47% of the total General Fund revenues in 2017.

Due to the recent fiscal crisis, there have been reductions in State aid to local governments and school districts, including the City, in past fiscal years. 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. (See also "*MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE*" herein.)

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

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

<u>Fiscal Year</u>	<u>Budgeted Amounts</u>		
	<u>Total Revenues</u> ⁽¹⁾	<u>State Aid</u>	<u>Percentage of State Aid to Revenues</u>
2012	\$11,051,179	\$1,607,010	14.5%
2013	11,011,952	1,609,490	14.6
2014	11,175,790	1,558,877	13.9
2015	11,877,997	1,558,428	13.1
2016	12,898,982	1,688,813	13.1
2017 (Adopted Budget)	12,651,879	1,577,962	12.47

(1) General Fund.

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

Budget Process

The budget process begins in late summer as department heads prepare estimates of revenue and expenditures for the following year. Departmental estimates must be submitted to the City Clerk-Treasurer by October 1.

A tentative budget is submitted to the Mayor, on or before October 15. The Common Council reviews the tentative budget and may make changes or revisions that are not inconsistent with the law. After the review by the Common Council has been completed, notice is given of a public hearing on the tentative budget on or before November 10.

The public hearing on the budget is no later than November 30. Members of the public may express their views; however, there is no formal vote on the budget. Following the public hearing, the Common Council may make whatever additional revisions that they deem necessary. The final budget for the next fiscal year is adopted by resolution of the Common Council not later than December 31.

REAL PROPERTY TAXES

The City is responsible for levying taxes for City purposes. The City’s real property tax levying powers, other than for debt service and certain other enumerated purposes, are limited by the State Constitution to two percent of the five-year average full valuation of taxable real property of the City.

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The following table sets forth the computation of the City's real estate tax levying limitation and the determination of its tax margin for the current fiscal year.

Real Property Tax Assessment and Rates

Fiscal Year Ending <u>December 31:</u>	<u>Assessed Valuation</u>	State Equalization <u>Ratio</u>	<u>Full Valuation</u>
2013	164,458,092	0.4100	401,117,298
2014	166,189,121	0.4500	369,309,158
2015	167,013,002	0.4500	371,140,004
2016	166,348,938	0.4500	369,664,307
2017	169,028,739	0.4400	<u>384,156,225</u>
Total Five-Year Full Valuation			<u>\$1,895,386,992</u>
Five-Year Average Full Valuation			<u>379,077,398</u>
2% of Five-Year Average Full Valuation			<u>7,581,548</u>
Total Tax Levy – General City Purposes			4,985,989
Less: Total Exclusions (Debt Service)			<u>941,477</u>
Tax Levy Subject to Tax Limit			<u>4,044,512</u>
Constitutional Tax Margin			<u>\$3,537,036</u>
Percentage of Tax Limit Exhausted			<u>53.35%</u>

Source: City of Port Jervis, Office of the City Clerk-Treasure and the New York State Office of Real Property Services.

Real Property Tax Collection Procedures and History

The real property tax rate in the City is comprised of three separate elements: (1) general City purposes, (2) general County purposes and (3) School District purposes. Each rate is established during the budget process to balance total appropriations and estimated revenue. Real property taxes become payable upon the levy of such taxes by the Common Council, County Legislature and Board of Education, respectively.

The taxes levied by the City and County become a lien on the first day of January. County taxes are billed on a single statement and may be paid in-full during the month of January. City taxes are billed on March 15, with 1/2 payable on April 30 and 1/2 payable on June 30. Late April payments are subject to a 6% penalty until June 30, at which time all unpaid taxes are subject to the 7% penalty.

School taxes are levied and collected by the School District until November 1 at which time the unpaid taxes applicable to properties situated in the City are remitted to the City Tax Collector for collection and enforcement. A five percent administrative fee is added to all delinquent School District tax bills in addition to interest expense, which accrues from November 1 at 1% per month.

The City guarantees the County and School District the full amount of their respective tax levies. Prior to the annual tax sale (generally held in November), County taxes are remitted to the County only to the extent they are actually collected by the City. Following the tax sale, the City must make the County whole with respect to the amount of any taxes remaining unpaid.

According to the Real Property Tax Law, unpaid school taxes are paid to the School District as they are collected or at such time as the unpaid tax is included in the tax sale. The law further requires the City to pay the School District any tax remaining uncollected two years after such unpaid tax was presented to the City for collection.

Delinquent City, County and School District taxes are enforced by the City under Article 11, Title 3 of the Real Property Tax Law which provides for foreclosure by “action in rem”. In general, this section of the law permits foreclosure actions to be instituted for all tax liens due and unpaid for a period of at least four years. The statutory period of four years may be reduced to two years by resolution of the governing body. The City has elected to use the two-year period in order to strengthen its real property tax enforcement procedures.

The following table sets for the total amount of taxes levied and collected by the City for the last five fiscal years. The collection period for the current year begins on March 1.

Tax Levies and Collection

<u>Year</u>	<u>Tax Levy</u>	<u>Current Collections</u>	<u>Percentage Collected</u>
2012	\$4,178,893	\$4,178,893	100.0%
2013	4,339,368	4,339,368	100.0
2014	4,609,759	4,609,759	100.0
2015	4,633,605	4,407,529	100.0
2016	4,985,989	4,721,732	94.7

Source: City of Port Jervis, Office of the City Clerk-Treasurer.

The table below shows the trend during the last five years for taxable assessed valuations, State equalization rates, full valuations, real property tax levies and real property tax rates.

Assessed Valuations

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Value	\$164,458,092	\$166,189,121	\$167,013,002	\$166,348,938	\$169,028,739
Equal. Ratio	41.00%	45.00%	45.00%	45.00%	44.00%
Full Value	401,117,298	369,309,158	371,140,004	369,664,307	384,156,225
Tax levy	4,330,314	4,523,934	4,580,934	4,963,084	5,461,184
Tax rate ⁽¹⁾	\$26.33	\$27.22	\$27.43	\$29.84	\$32.31

(1) Per \$1000 assessed value, for City purposes.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 (the “Tax Levy Limit Law”) on June 24, 2011, all the taxable real property within the City had been subject to the levy of ad valorem taxes to pay the bonds and notes of the City and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law, as amended, imposes a tax levy limitation upon the City for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020 or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the City. As a result, the power of the City to levy real estate taxes on all the taxable real property within the City is subject to statutory limitations set forth in Tax Levy Limit Law.

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

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the City, subject to certain exceptions. The Tax Levy Limit Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the “Allowable Levy Growth Factor”, which is the lesser of one and two-hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior

to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The City is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the City. The City Common Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the City Common Council first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the City, a local law to override such limit for such coming fiscal year.

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

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 (“Chapter 59”), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limit Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Eligible homeowners do not need to do anything to receive the credit. The State Tax Department will review eligibility data and calculate the credit for all qualifying taxing jurisdictions. In the Fall of each of the program's three years (2014, 2015, 2016), the department will mail eligible taxpayers a single check that will be the total of the credits for each jurisdiction that is in compliance.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limit Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

Ten of the Largest Taxpayers

The following table presents the taxable assessments of ten of the City's largest taxpayers for the 2076 fiscal year.

<u>Taxable Assessments</u>			
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Valuation⁽¹⁾</u>
Orange & Rockland Utilities	Utility	\$ 9,718,473	5.84%
Kolmar Laboratories	Mfg. Cosmetics	3,678,500	2.21
RGMOB LP	Foreign Limited Partnership	1,204,400	0.72
Sutton Tudor Gardens Assoc.	Housing Complex	1,188,050	0.71
McKeeby, D. & Miglionico, L.	Housing Units	1,186,300	0.71
Rose Reality Holding Inc.	Real Estate	682,100	0.41
PJ Housing Preservation LP	Housing Complex	677,250	0.41
Mark Rea Real Estate Corp.	Real Estate	597,200	0.36
Kaltec	Food Packaging	590,000	0.35
Blanton Radtke	Real Estate	<u>564,500</u>	<u>0.34</u>
	Total	<u>\$20,086,773</u>	<u>12.08%</u>

(1) The City's total assessed value for the 2016 fiscal year is \$166,348,938.

Source: City of Port Jervis, Office of the City Clerk-Treasurer.

CITY INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. The City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid within three fiscal years, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose (as determined by statute) or, in the alternative, the weighted average period of probable usefulness of the several purposes for which it is contracted, unless the City determines to issue debt amortized on the basis of substantially level or declining annual debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The City is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers. As has been noted under “*Nature of Obligation*”, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the City’s power to increase its annual tax levy. As a result, the power of the City to levy real estate taxes on all the taxable real property within the City is subject to statutory limitations set forth in Tax Levy Limit Law, unless the City complies with certain procedural requirements to permit the City to levy certain year-to-year increases in real property taxes. (See “*Tax Levy Limit Law*” herein.)

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof shall not exceed seven per centum of the most recent five-year average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the final equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such rate shall be determined. The average full valuation is determined by taking the sum of full valuations of such last completed assessment roll and the four preceding assessment rolls, and dividing such sum by five.

There is no constitutional limitation on the amount that may be raised by the City by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the City to increase its annual tax levy. (See “*Tax Levy Limit Law*” herein.)

Statutory Procedure

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

Pursuant to the Local Finance Law, the City authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the City Common Council, the finance board of the City. Certain such resolutions may be subject to permissive referendum, or may be submitted to the City voters at the discretion of the City Common Council.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution (in summary or in full), together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

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

In addition, under each bond resolution, the City Common Council may delegate the power to issue and sell bonds and notes to the Clerk-Treasurer, the chief fiscal officer of the City.

In general, the Local Finance Law contains similar provisions providing the City with power to issue general obligation revenue anticipation notes, tax anticipation notes, capital notes, deficiency notes and budget notes.

Constitutional Debt Limit

The following table sets forth the constitutional debt limit of the City.

<u>Constitutional Debt Limit</u>			
Fiscal Year Ending <u>December 31</u>	<u>Assessed Valuation</u>	State Equalization <u>Ratio</u>	<u>Full Valuation</u>
2013	\$164,458,092	.4100	401,117,298
2014	166,189,121	.4500	369,309,158
2015	167,013,002	.4500	371,140,004
2016	166,348,938	.4500	369,664,307
2017	169,028,739	.4400	<u>384,156,225</u>
Total Five-Year Full Valuation			\$1,895,386,992
Average Five-Year Average Valuation			379,077,398
Debt Limit - 7% of Average Full Valuation			<u>\$ 26,535,418</u>

Source: City of Port Jervis, Assessor’s Office and the New York State Office of Real Property Services

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Statement of Debt Contracting Power

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

Debt Contracting Limitation		\$26,535,418
Gross Direct Indebtedness:		
Serial Bonds:		
General Purpose	\$2,654,000	
Water ⁽¹⁾	6,974,592	
		\$9,628,592
Bond Anticipation Notes:		
General Purpose	\$ 0	
Capital Notes	167,325	
Capital Lease/Purchase Debt	1,033,168	
		<u>\$1,200,493</u>
Total Gross Direct Indebtedness		10,829,085
Exclusions and Deductions		
Water Bonds ⁽¹⁾	\$6,974,592	
Appropriations in Current Budget to Pay Non-Exempt Debt Maturing During Remainder of current Fiscal Year	\$220,000	
		<u>\$7,194,592</u>
Total Net Indebtedness		\$3,634,493
Net Debt-Contracting Margin		\$22,900,925
Percentage of Debt-Contracting Margin Exhausted		<u>13.70%</u>

(1) Inclusive of the New York State Environmental Facilities Loan.

Trend of Outstanding Indebtedness

The following table provides information relating to the capital indebtedness outstanding at year ended for last five fiscal years.

	<u>Outstanding Indebtedness⁽¹⁾</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Serial Bonds	\$4,563,087	\$7,257,300	\$6,745,434	\$6,190,001	\$9,795,000
Bond Anticipation Notes	0	0	0	4,000,000	0
NYS Environmental Facilities Loan ⁽³⁾	502,567	430,772	358,977	287,182	215,381
Capital Notes	<u>215,283</u>	<u>210,484</u>	<u>183,636</u>	<u>236,056</u>	<u>163,000</u>
Totals:	<u>\$5,280,937</u>	<u>\$7,898,556</u>	<u>\$7,288,047</u>	<u>\$10,713,239</u>	<u>\$10,173,387</u>

- (1) Exclusive of Installment Purchase Debt.
- (2) Unaudited.
- (3) Zero Interest Loan.

Source: City of Port Jervis, Office of the City Clerk-Treasurer and Audited Financial Statements of the City.

Bond Anticipation Notes

The City does not have any outstanding bond anticipation notes.

Tax and Revenue Anticipation Notes

The City has not issued tax or revenue anticipation notes in the last five years.

Installment Purchase Contract

The City currently has the following installment contracts outstanding:

Installment Purchase Contract

<u>Purpose</u>	Amount <u>Outstanding</u> ⁽¹⁾	Maturity <u>Date</u>
Fire Truck	\$ 227,688	07/01/22
Energy Lease	643,319	11/22/26
Vehicles	59,142	09/28/17
Vehicles	121,248	04/01/20
Equipment Lease	<u>152,070</u>	12/28/20
Total	<u>\$1,203,467</u>	

(1) As of August 22, 2017.

Source: City of Port Jervis, Office of the City Clerk-Treasurer.

Direct and Overlapping Indebtedness

The real property taxpayers of the City are responsible for a proportionate share of outstanding debt obligations of the County and the City School District of the City of Port Jervis. Such taxpayers' share of this overlapping debt is based upon the amount of the City's equalized property values taken as a percentage of each separate units' total values. The table below sets forth both the total outstanding principal amount of debt issued by the City and the approximate magnitude of the burden on taxable property in the City of the debt instruments issued and outstanding by such other political units. Authorized but unissued debt has not been included.

Statement of Direct and Overlapping Indebtedness

<u>Direct Debt</u>	
Gross Direct Debt	\$10,829,085
Exclusions and Deductions	<u>7,194,592</u>
Net Direct Debt	<u>\$ 3,634,493</u>

Overlapping Debt

<u>Issuer</u>	Net Debt <u>Outstanding</u>	<u>As of</u>	City <u>Share</u>	Amount Applicable to City
Orange County	\$261,379,295	8/25/16	1.51%	\$ 3,946,827
City School District of the City of Port Jervis	23,630,000	6/14/16	42.83	<u>10,120,729</u>
Total Net Overlapping Debt				14,067,556
Total Net Direct Debt				<u>3,634,493</u>
Net Direct and Overlapping Debt				<u>\$17,702,049</u>

Source: Data provided by City and County Officials.

Debt Ratios

The following table presents certain debt ratios relating to the City's net direct and overlapping indebtedness.

	<u>Amount</u>	<u>Debt Per Capita⁽¹⁾</u>	<u>Debt to Full Value⁽²⁾</u>
Net Direct Debt	\$ 3,634,493	\$ 419	0.95%
Net Direct and Overlapping Debt	17,702,049	2,039	4.61

(1) The population of the City is 8,681 as of 2015.

(2) The City's full value of taxable real property for fiscal year 2017 is \$384,156,225.

Debt Service Schedule

The following table sets forth all principal and interest payments required on the City's outstanding bonded indebtedness, exclusive of economically defeased obligations, for each fiscal year.

Bond Principal and Interest Maturity⁽¹⁾⁽²⁾

Fiscal Ending	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service⁽³⁾</u>
<u>December 31:</u>			
2017	\$643,000	\$379,623	\$1,022,623
2018	533,000	348,334	881,334
2019	548,000	319,374	867,374
2020	563,000	289,627	852,627
2021	588,000	205,590	793,590
2022-2026	2,430,000	720,933	3,150,933
2027-2031	1,525,000	312,738	1,837,738
2032-2036	1,005,000	163,794	1,168,794
2037-2041	540,000	119,900	659,900
2042-2046	541,000	83,655	624,655
2047-2051	547,000	46,255	593,255
2052-2054	332,000	9,075	341,075
Totals	<u>\$9,795,000</u>	<u>\$2,998,898</u>	<u>\$12,793,898</u>

(1) Columns may be off slightly due to rounding.

(2) Inclusive of the City's New York State Environmental Facilities loan.

(3) For the entire fiscal year.

Source: City of Port Jervis, Office of the City Clerk-Treasurer and Audited Financial Statements of the City.

Capital Financings and Improvement Programs

The Capital Improvement Program includes all major maintenance projects for existing public assets, additional maintenance projects and the acquisition of new public facilities and equipment. The City expects to continue the practice of issuance of bond anticipation notes and/or capital notes for the acquisition/replacement of equipment as necessary. Other than the projects being financed with the proceeds of the Bonds, there are no capital projects being planned at this time that would require the issuance of long-term debt.

ECONOMIC AND DEMOGRAPHIC DATA

Population

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

	<u>2010</u>	<u>2015</u>	Percentage Change <u>2010/2015</u>
City	8,828	8,681	(0.36%)
County	372,813	375,384	13.78%
State	19,378,102	19,673,174	5.34%

Source: New York State Department of Commerce; New York State Department of Labor, Division of Research Statistics.

Income

The following table presents per capita money income for the County and State. Data provided for the County and State is not necessarily representative of the City.

	<u>2011</u>	<u>2015</u>
County	\$28,880	\$31,023
State	31,796	33,236

Source: New York State Department of Labor, Division of Research Statistics.

Employment and Unemployment

The following tables provide information concerning employment and unemployment data for the County and State. Data provided for the County and State is not necessarily representative of the City.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
County	179.6	178.4	176.3	178.5	178.4
State	9,612.0	9,623.1	9,570.7	9,591.2	9,584.5

Source: New York State Department of Commerce; New York State Department of Labor, Division of Research Statistics.

Unemployment rates are not compiled for the City, but are available for the County and State. Data provided for the County and State is not necessarily representative of the City.

Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2012	7.9	8.5
2013	6.8	7.7
2014	5.5	6.3.
2015	4.7	5.3
2016	4.3	4.8

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

Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
June 2016	4.3	4.7
July	4.5	5.0
August	4.3	4.9
September	4.5	4.9
October	4.3	4.8
November	4.1	4.5
December	4.1	4.5
January 2017	4.5	4.9
February	4.8	5.0
March	4.2	4.4
April	4.3	4.2
May	4.2	4.3

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

Ten Largest Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Approx. Number of Employees</u>
Bon Secour Community Hospital	Healthcare	700
Kolmar Laboratories	Cosmetics Manufacturing	500
Port Jervis Central School District	Education	500
City of Port Jervis	Municipality	105
Swimwear Anywhere Inc.	Swimwear Manufacturing	75
Gillinder Bros	Glass Products	65
SUMMITREHEIS/Summit Research Labs	Chemical Manufacturer	65
100 River Road LLC	Shipping Container Manufacturing	40
A&W Manufacturing	School Supply Manufacturing	30
Kalport Industries	Food Processing	25

Source: City of Port Jervis, Office of the City Clerk-Treasurer.

Financial Institutions

There are six commercial banks serving City residents. The commercial banks are JP Morgan Chase Bank, Bank of America, M & T Bank, TD Bank, Sussex Bank and Charter One. The City is also served by two credit unions.

Communication

The City is served by the major New York metropolitan area newspapers, radio and television stations. In addition, the City has two local newspapers, the Times-Herald Record and the Gazette and one radio station, WTSX. Time-Warner Company, a private corporation, provides cable television service to the City.

Utilities

Electricity and natural gas are supplied to the City by Consolidated Edison. Telephone service is provided by Citizen's Telecom. The City provides sewer facilities and water supply distribution to its residents, and is responsible for financing the construction, operation and maintenance of these systems.

Transportation

The City enjoys the benefits of a favorable transportation system. Interstate 84 serves the City; other major arteries include Routes 23, 97 and 209. There is local and interstate bus service as well as air links from Stewart Airport. The City is located less than two hours from the three major airports that serve the New York City area (Kennedy, LaGuardia, and Newark). The Metro North Railroad also services the City.

Education

There are no colleges or universities located in the City. However, colleges and universities in the area include the United States Military Academy at West Point, Vassar College, and Marist College in Poughkeepsie, State University of New York at New Paltz, Orange County Community College in Middletown and Mt. Saint Mary's College in Newburgh.

END OF APPENDIX A

APPENDIX B

FINANCIAL STATEMENT AND BUDGET SUMMARIES

CITY OF PORT JERVIS, NEW YORK
Statement of Budgeted Revenues and Expenditures - General Fund
Adopted Budgets for Fiscal Years Ending December 31:

	Adopted Budget <u>2016</u>	Adopted Budget <u>2017</u>
<u>Revenues:</u>		
Real Property Taxes	\$5,342,590	\$5,151,083
Real Property Tax Items	250,287	145,287
Non-Property Taxes	3,520,000	3,510,000
Departmental Income	1,518,890	1,764,600
Use of Money and Property	198,805	160,140
Licenses and Permits	26,300	58,300
Fines and Forfeitures	168,000	174,000
Sale of Property and Compensation for Loss	(165,000)	50,000
Miscellaneous	6,500	60,508
Interfund Transfers	200,000	0
State and Federal Aid	1,691,227	1,577,962
Capital Reserve	(195,000)	0
Appropriated Fund Balance	0	0
	<hr/>	<hr/>
Total Revenues	<u><u>\$12,562,599</u></u>	<u><u>\$12,651,880</u></u>
<u>Expenditures:</u>		
General Government Support	\$1,614,693	\$1,463,687
Public Safety	3,972,511	4,121,330
Transportation	908,838	836,040
Economic Opportunity and Development	165,595	165,056
Culture and Recreation	299,362	318,788
Home and Community Services	894,841	897,839
Employee Benefits	3,743,357	4,106,680
Debt Service	963,402	742,460
Transfer Out	0	0
	<hr/>	<hr/>
Total Expenditures	<u><u>\$12,562,599</u></u>	<u><u>\$12,651,880</u></u>

Source: Adopted Budgets of the City.

CITY OF PORT JERVIS, NEW YORK
 Comparative Balance Sheet - General Fund
 Fiscal Years Ending December 31:

	<u>2015</u>	<u>2016</u>
<u>Assets:</u>		
Cash and Equivalents	\$284,995	\$250,928
Tax Receivable	1,416,975	1,731,327
Accounts Receivable	327,642	502,609
Due From Other Governments	1,345,359	1,170,056
State and Federal Aid	54,403	180,861
Prepaid Expenditures	220,630	256,058
Due From Other Funds	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$3,650,004</u></u>	<u><u>\$4,091,839</u></u>
<u>Liabilities:</u>		
Accounts Payable	\$713	\$922
Accrued Liabilities	1,010,826	1,170,364
Due to School District	713,647	660,691
Due to Other Funds	491,429	435,112
Due to Other Governments	1,475	1,346
Deferred Revenues	172,347	159,849
Deferred Tax Revenue	379,810	314,917
Tax Anticipation Notes	<u>63,368</u>	<u>69,549</u>
Total Liabilities	<u><u>\$2,833,615</u></u>	<u><u>\$2,812,750</u></u>
<u>Fund Balance:</u>		
Nonspendable	\$220,630	\$256,058
Restricted	190,815	373,101
Assigned	0	0
Unassigned	404,944	649,930
Total Equity and Other Credits	<u><u>\$816,389</u></u>	<u><u>\$1,279,089</u></u>
Total Liabilities and Fund Balance	<u><u>\$3,650,004</u></u>	<u><u>\$4,091,839</u></u>

Source: Audited Financial Statements of the City.

CITY OF PORT JERVIS, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
Fiscal Years Ending December 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$4,353,507	\$4,367,298	\$4,578,295	\$4,355,603	\$5,207,330
Other Tax Items	188,507	186,116	181,476	239,918	210,994
Non-Property Taxes	3,840,643	3,869,106	3,930,712	3,918,350	3,639,407
Departmental Income	414,424	352,959	263,841	1,105,742	1,521,622
Intergovernmental Charges	0	0	117,162	70,758	94,547
Use of Money and Property	97,904	90,117	64,749	251,412	185,302
Licenses and Permits	63,869	55,867	46,535	47,863	62,095
Fines and Forfeitures	147,178	136,111	161,412	148,239	151,421
Sale of Property and Compensation for Loss	17	318	91,667	46,992	-58,721
State Aid	1,607,010	1,609,490	1,558,877	1,558,428	1,688,813
Federal Aid	296,790	248,887	173,039	133,658	124,833
Miscellaneous	41,330	95,683	8,025	1,034	71,339
Total Revenues	<u>11,051,179</u>	<u>11,011,952</u>	<u>11,175,790</u>	<u>11,877,997</u>	<u>12,898,982</u>
Expenditures:					
General Government Support	1,552,536	1,543,632	1,633,911	1,578,446	1,613,320
Public Safety	3,530,998	4,001,659	3,943,158	4,096,557	4,087,169
Health	0	0	2,773	3,528	1,495
Transportation	944,678	1,068,631	1,086,874	968,131	934,861
Economic Opportunity and Development	152,563	158,733	155,603	70,205	51,991
Culture and Recreation	276,410	284,478	303,965	232,044	268,162
Home Community Services	950,783	543,302	621,944	795,029	1,016,936
Employee Benefits	2,895,052	3,357,584	3,392,281	3,484,396	3,768,921
Debt Service	783,780	732,062	785,562	779,829	704,384
Total Expenditures	<u>11,086,800</u>	<u>11,690,081</u>	<u>11,926,071</u>	<u>12,008,165</u>	<u>12,447,239</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(35,621)</u>	<u>(678,129)</u>	<u>(750,281)</u>	<u>(130,168)</u>	<u>451,743</u>
Other Finance Sources (Uses):					
Insurance Recoveries	229,900	57,237	0	0	0
Transfers In	3,469	0	109,212	210,000	10,957
Transfers Out	(71,792)	0	0	(182,286)	0
Total Other Finance Sources (Uses)	<u>161,577</u>	<u>57,237</u>	<u>109,212</u>	<u>27,714</u>	<u>10,957</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>125,956</u>	<u>(620,892)</u>	<u>(641,069)</u>	<u>(102,454)</u>	<u>462,700</u>
Fund Balance - Beginning of Year	2,037,049	2,163,005	1,542,113	918,843	816,389
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - End of Year	<u><u>\$2,163,005</u></u>	<u><u>\$1,542,113</u></u>	<u><u>\$901,044</u></u>	<u><u>\$816,389</u></u>	<u><u>\$1,279,089</u></u>

Source: Audited Financial Statements of the City.

APPENDIX C

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016***

**CAN BE ACCESSED ON THE ELECTRONIC MUNICIPAL MARKET ACCESS
("EMMA") WEBSITE
OF THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB")
AT THE FOLLOWING LINK:**

<https://emma.msrb.org/ER1068723-ER837213-ER1238101.pdf>

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

* Such Financial Statements and opinion are intended to be representative only as of the date thereof. Bonadio & Co., Certified Public Accountants has not been requested by the City to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.

APPENDIX D

FORM OF BOND COUNSEL'S LEGAL OPINION OF THE BONDS

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

September 12, 2017

The City Council of
the City of Port Jervis,
in the County of Orange, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Port Jervis (the “City”), in the County of Orange, a municipal corporation of the State of New York, in connection with the authorization, sale and issuance of the \$4,694,285 Various Purposes Serial Bonds-2017 (the “Bonds”), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Bonds for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

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

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

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

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

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

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

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

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

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

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

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

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

“Issuer” shall mean the City of Port Jervis, in the County of Orange, a municipality of the State of New York.

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the City Clerk-Treasurer as of August 31, 2017.

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

“Securities” shall mean the Issuer’s **\$4,694,285 Various Purposes Serial Bonds-2017**, dated September 12, 2017, maturing in various principal amounts on September 1 in each of the years 2018 to 2035, inclusive, and delivered on the date hereof.

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

- (i) no later than the last day of the sixth month after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the Annual Information relating to such fiscal year, together with audited financial statements of the Issuer for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided with the Annual Information, and audited financial statements, if any, shall be delivered to the EMMA System within thirty (30) days after they become

available and in no event later than 360 days after the end of each fiscal year; and

- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
 - (7) modifications to rights of Securities holders, if material;
 - (8) bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Securities, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the heading: "Litigation" and in Appendix A under the headings: "The Village," "Financial Factors," "Real Property Taxes," "Village Indebtedness" and "Economic and Demographic Data" and in Appendix B.

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

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

the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time. Such financial statements shall be audited by an independent accounting firm.

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

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

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

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

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

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

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

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

Section 11. No Previous Non-Compliance. Other than as may be set forth in the Official Statement prepared in connection with the sale of the Securities, the Issuer represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

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

CITY OF PORT JERVIS

By _____
City Clerk- Treasurer