

## SERIAL BONDS

Ratings: See “Ratings” herein

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.*

*In the opinion of Bond Counsel, interest on the Series B Bonds is not excluded from gross income for Federal income tax purposes pursuant to the Code.*

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

*Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount accrual or receipt of interest on, the Bonds. See “TAX MATTERS – SERIES B BONDS” herein.*

*The Series A Bonds will be designated as “qualified tax-exempt obligations” pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.*

### **CITY OF NIAGARA FALLS NIAGARA COUNTY, NEW YORK**

**\$5,243,305**

#### **GENERAL OBLIGATION (SERIAL) BONDS, 2017 SERIES A** (the “Series A Bonds”)

Dated Date: Date of Delivery

Maturity Dates: August 15, 2019-42

and

**\$2,850,000**

#### **GENERAL OBLIGATION (SERIAL BONDS), 2017 SERIES B (FEDERALLY TAXABLE)** (the “Series B Bonds”)

Dated Date: Date of Delivery

Maturity Dates: August 15, 2019-42

**(Collectively, the “Bonds”)**

*Security and Sources of Payment:* The Bonds will constitute general obligations of the City of Niagara Falls, Niagara County, New York (the “City”) and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds, and all the taxable real property within the City will be subject to the levy of ad valorem taxes, sufficient to pay the principal and interest on the Bonds, subject to applicable statutory limitations. See “The Bonds - Nature of the Obligation” and “Tax Information - Tax Levy Limitation Law” herein.

*Form and Denomination:* The Bonds will be issued in book-entry-only form, in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination maturing in 2019 for Series A Bonds. The Bonds will be registered in the name of Cede & Co., as the partnership nominee of The Depository Trust Company, (“DTC”) New York, New York, which will act as the securities depository for the Bonds and Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. See “Book-Entry-Only System” herein.

*Payment:* Payment shall be made in Federal Funds to the Beneficial Owners of the Bonds by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name.” Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. See “Book-Entry-Only System” under “The Bonds,” herein.

The Bonds will be dated their date of delivery, which is expected to be August 30, 2017, and will bear interest from that date until maturity at the annual rate or rates as shown on the inside cover page hereof, payable on August 15, 2018 and semiannually thereafter on each February 15 and August 15 until maturity. The Bonds will mature on August 15 in each year until maturity, as shown on the inside cover page hereof.

The Bonds are offered when, as and if issued and received by the Purchaser and subject to the receipt of the respective approving legal opinions, as to the validity of the Bonds by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. It is expected that the delivery of the Bonds in book-entry form will be made through the offices of DTC facilities in Jersey City, New Jersey on or about August 30, 2017.

FOR A DESCRIPTION OF THE TOWN’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AND THE NOTES AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING,” HEREIN.

Dated: August 16, 2017

**Roosevelt and Cross, Inc. & Associates**

The Bonds mature on August 15<sup>th</sup> in each year, subject to prior redemption, as set forth below:

**The Series A Bonds**

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #</u> <sup>(1)</sup>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #</u> <sup>(1)</sup>
2019	\$ 628,305	3.000%	1.500%	653369 Y51	2031	\$ 240,000 <sup>(2)</sup>	3.125%	3.250%	653369 Z92
2020	840,000	3.000%	1.700%	653369 Y69	2032	225,000 <sup>(2)</sup>	3.250%	3.320%	653369 2A5
2021	305,000	3.000%	1.850%	653369 Y77	2033	110,000 <sup>(2)</sup>	3.250%	3.400%	653369 2B3
2022	310,000	3.000%	2.000%	653369 Y85	2034	110,000 <sup>(2)</sup>	3.375%	3.450%	653369 2C1
2023	215,000	3.125%	2.200%	653369 Y93	2035	115,000 <sup>(2)</sup>	3.375%	3.500%	653369 2D9
2024	220,000	3.125%	2.400%	653369 Z27	2036	115,000 <sup>(2)</sup>	3.500%	3.540%	653369 2E7
2025	225,000	3.125%	2.600%	653369 Z35	2037	110,000 <sup>(2)</sup>	3.500%	3.580%	653369 2F4
2026	225,000	3.125%	2.750%	653369 Z43	2038	70,000 <sup>(2)</sup>	3.500%	3.620%	653369 2G2
2027	235,000	3.125%	2.900%	653369 Z50	2039	70,000 <sup>(2)</sup>	3.625%	3.660%	653369 2H0
2028	220,000 <sup>(2)</sup>	3.125%	3.000%	653369 Z68	2040	70,000 <sup>(2)</sup>	3.625%	3.680%	653369 2J6
2029	230,000 <sup>(2)</sup>	3.125%	3.125%	653369 Z76	2041	70,000 <sup>(2)</sup>	3.625%	3.700%	653369 2K3
2030	235,000 <sup>(2)</sup>	3.125%	3.200%	653369 Z84	2042	50,000 <sup>(2)</sup>	3.625%	3.720%	653369 2L1

**The Series B Bonds**

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #</u> <sup>(1)</sup>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #</u> <sup>(1)</sup>
2019	\$ 95,000	4.75%	2.60%	653369 V54	2031	\$ 120,000 <sup>(2)</sup>	5.00%	4.80%	653369 W95
2020	100,000	5.00%	2.90%	653369 V62	2032	120,000 <sup>(2)</sup>	5.00%	4.85%	653369 X29
2021	100,000	5.00%	3.20%	653369 V70	2033	125,000 <sup>(2)</sup>	5.00%	4.90%	653369 X37
2022	105,000	5.00%	3.50%	653369 V88	2034	125,000 <sup>(2)</sup>	5.00%	4.95%	653369 X45
2023	105,000	5.00%	3.70%	653369 V96	2035	130,000 <sup>(2)</sup>	5.00%	5.00%	653369 X52
2024	105,000	5.00%	3.90%	653369 W20	2036	130,000 <sup>(2)</sup>	5.00%	5.00%	653369 X60
2025	110,000	5.00%	4.10%	653369 W38	2037	130,000 <sup>(2)</sup>	5.00%	5.00%	653369 X78
2026	110,000	5.00%	4.30%	653369 W46	2038	135,000 <sup>(2)</sup>	5.00%	5.04%	653369 X86
2027	115,000	5.00%	4.40%	653369 W53	2039	135,000 <sup>(2)</sup>	5.00%	5.08%	653369 X94
2028	115,000 <sup>(2)</sup>	5.00%	4.50%	653369 W61	2040	140,000 <sup>(2)</sup>	5.00%	5.12%	653369 Y28
2029	115,000 <sup>(2)</sup>	5.00%	4.60%	653369 W79	2041	140,000 <sup>(2)</sup>	5.00%	5.14%	653369 Y36
2030	120,000 <sup>(2)</sup>	5.00%	4.70%	653369 W87	2042	125,000 <sup>(2)</sup>	5.00%	5.15%	653369 Y44

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

(2) Subject to optional redemption, see “The Bonds - Optional Redemption” herein

**CITY OF NIAGARA FALLS  
NIAGARA COUNTY, NEW YORK**

**MAYOR**

Hon. Paul A. Dyster

**CITY ADMINISTRATOR**

Nicholas Melson

**CITY CLERK**

Lisa A. Vitello

**COUNCIL CHAIRPERSON**

Charles Walker

**COUNCIL MEMBERS**

Andrew Touma                      Kristen A. Grandinetti  
Kenny Tompkins                      Ezra Scott, Jr.

**CORPORATION COUNSEL**

Craig H. Johnson

**CITY CONTROLLER**

Daniel Morello

\*\*\*\*\*

**AUDITORS**

BONADIO & CO., LLP  
Williamsville, New York

**BOND COUNSEL**

ORRICK HERRINGTON & SUTCLIFFE, LLP  
New York, New York

**MUNICIPAL ADVISOR**



**CAPITAL MARKETS ADVISORS, LLC**  
Hudson Valley \* Long Island \* Southern Tier \* Western New York  
(716) 662-3910

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereon.

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**OFFICIAL STATEMENT  
RELATING TO THE ISSUANCE OF**

**CITY OF NIAGARA FALLS,  
NIAGARA COUNTY, NEW YORK**

**\$5,243,305  
GENERAL OBLIGATION (SERIAL) BONDS, 2017 SERIES A**  
(the “Series A Bonds”)

*and*

**\$2,850,000  
GENERAL OBLIGATION (SERIAL) BONDS, 2017 SERIES B (FEDERALLY  
TAXABLE)**  
(the “Series B Bonds”)

**(Collectively, the “Bonds”)**

This Official Statement (the “Official Statement”), which includes the cover page and appendices hereto, presents certain information relating to the City of Niagara Falls, Niagara County, New York (the “City,” the “County” and the “State,” respectively). It has been prepared by the City in connection with the sale of its \$5,243,305 General Obligation (Serial) Bonds, 2017 Series A (the “Series A Bonds”) and \$2,850,000 General Obligation (Serial) Bonds, 2017 Series B (Federally Taxable) (the “Series B Bonds”) (collectively the “Bonds”)

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

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of such information is intended to show recent historical data and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience will necessarily continue or be repeated in the future.

**THE BONDS**

***Description***

The Bonds will be issued as registered bonds, registered to the Depository Trust Company (“DTC” or the “Securities Depository”).

The Bonds will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination maturing in 2019 for the Series A Bonds. The purchaser of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds.

The Bonds will be dated the date of delivery, which is expected to be August 30, 2017 and will bear interest from such date at the annual rate or rates as specified by the purchaser, payable on, August 15, 2018, and semi-annually thereafter on February 15 and August 15 in each year until maturity (or earlier redemption). The Bonds will mature

in each of the years and will bear interest at the rates as shown on the inside cover page hereof.

Certain maturities of the Bonds will be subject to redemption prior to maturity, see “*Optional Redemption for the Bonds*,” herein.

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

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

The Series A Bonds are authorized to be issued pursuant to the Constitution and the laws of the State, including the Local Finance Law, the City Charter and various bond resolutions duly adopted by the City Council as described below.

<u>Purpose</u>	<u>Authorization Date</u>	<u>Issue Date</u>	<u>New Money</u>	<u>The Series A Bonds</u>
Ice Pavilion Reconstruction	3/9/2015	8/30/2017	\$ 250,000	\$ 250,000
Purchase of Pumper trucks	8/15/2016	8/30/2017	800,000	800,000
Purchase of Vehicles	8/15/2016	8/30/2017	911,000	911,000
ERT truck	8/15/2016	8/30/2017	100,000	100,000
Police department equipment	8/15/2016	8/30/2017	264,450	264,450
Purchase of heavy equipment for DPW A	8/15/2016	8/30/2017	1,081,460	1,081,460
Purchase of heavy equipment for DPW B	8/15/2016	8/30/2017	119,000	119,000
Purchase of heavy equipment for DPW C	8/15/2016	8/30/2017	17,395	17,395
Construction of ADA improvements A	8/15/2016	8/30/2017	496,000	496,000
Construction of ADA improvements B	8/15/2016	8/30/2017	1,204,000	1,204,000
			<u>\$ 5,243,305</u>	<u>\$ 5,243,305</u>

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

The Series B Bonds are authorized to be issued pursuant to the Constitution and the laws of the State, including the Local Finance Law, the City Charter and a bond resolution duly adopted by the City Council as described below.

<u>Purpose</u>	<u>Authorization Date</u>	<u>Issue Date</u>	<u>New Money</u>	<u>The Series B Bonds</u>
Ice Pavilion Reconstruction	3/9/2015	8/30/2017	2,850,000	2,850,000
			<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>

### ***Certificated Bonds***

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity except for one odd denomination maturing in 2019 for Series A Bonds. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the state of New York to be named by the City. Interest on the Bonds will remain payable August 15, 2018 and semiannually thereafter on February 15 and August 15 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for the Bonds of the same if any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the

Bond Determinations Certificate executed by the City Controller authorizing the sale of the Bonds and fixing the details thereof and in accordance with the local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

### ***Optional Redemption for the Bonds***

The Bonds maturing on August 15, 2019 to 2027, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on August 15, 2028 to August 15, 2042, inclusive, will be subject to redemption prior to maturity, at the option of the City, on any date on or after August 15, 2027, 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.

### ***Nature of the Obligation***

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

Holders of any series of bonds of the City may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of bonds.

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 as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the State is specifically precluded from restricting the power of the City to levy taxes on real estate therefor for debt theretofore contracted (see “Tax Information - Tax Levy Limitation Law” herein).

### ***Book-Entry-Only System***

The Bonds will be issued in book-entry form, through the Depository Trust Company (“DTC”), Jersey City, New Jersey, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds and will be deposited with DTC. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a

credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant 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 City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

THE INFORMATION CONTAINED IN THE ABOVE SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SAMPLE OFFERING DOCUMENT LANGUAGE SUPPLIED BY DTC, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. IN ADDITION, THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON



THE BONDS OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OR ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS ; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

Source: The Depository Trust Company

### ***Remedies Upon Default***

***General Municipal Law Contract Creditors' Provision.*** Each Bond when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

***Execution/Attachment of Municipal Property.*** As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

***Authority to File for Municipal Bankruptcy.*** The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns and villages recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

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 rights of the owners of Bonds to receive interest and principal from the City could be adversely affected by the restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the City (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

**State Debt Moratorium Law.** There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

**Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law.** The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may

be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

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

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

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

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene 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 requested FRB assistance. In June 2017, the City received the report and the related recommendations from the NYS FRB. The City is currently reviewing recommendations provided. School districts and fire districts are not eligible for FRB assistance. ([https://frb.ny.gov/recsDeterms/reports/CityofNiagaraFalls\\_ComprehensiveReview.pdf](https://frb.ny.gov/recsDeterms/reports/CityofNiagaraFalls_ComprehensiveReview.pdf))

***Constitutional Non-Appropriation Provision.*** There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “The Bonds – Remedies Upon Default - General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

***Default Litigation.*** In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “The Bonds - Nature of Obligation” and “The Bonds – Remedies Upon Default - State Debt Moratorium Law” herein.

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

## **MARKET AND RISK FACTORS**

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the City as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the City’s control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay,

until sufficient taxes have been received by the State to make State aid payments to the City. In some years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

There are a number of general factors which could have a detrimental effect on the ability of the City to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the City. Unforeseen developments could also result in substantial increases in City expenditures, thus placing strain on the City's financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond will decline, causing the bondholder to incur a potential capital loss if such bond is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the City. Any such future legislation would have an adverse effect on the market value of the Bonds (see "Tax Matters" herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the City and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the City and hence upon the market price of the Bonds. See "Tax Information - Tax Levy Limitation Law" herein.

### **TAX MATTERS – SERIES A BONDS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series A Bonds is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Series A Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series A Bonds is the first price at which a substantial amount of such maturity of the Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series A Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bonds, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series A Bonds. Contemporaneously with the issuance of the Series A Bonds, the City will make certain representations and will covenant to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series A Bonds may adversely affect the value of, or the tax status of interest on, the Series A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series A Bonds is excluded from gross income for federal income tax purposes and that interest on the Series A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition (including sale, redemption, or payment on maturity) of, or the accrual or receipt of interest on, the Series A Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series A Bonds for federal income tax purposes. It is not binding on the U.S. Internal Revenue Service (the “IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Contemporaneously with the issuance of the Series A Bonds, the City will covenant, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Series A Bonds ends with the issuance of the Series A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series A Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series A Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

## **TAX MATTERS – SERIES B BONDS**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is not excluded from gross income under Section 103 of the Code and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series B Bonds. The proposed form of opinion of Bond Counsel relating to the Series B Bonds is contained in APPENDIX C hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Series B Bonds that acquire their Series B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series B Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series B Bonds pursuant to this offering for the issue price that is applicable to such Series B Bonds (i.e., the price at which a substantial amount of the Series B Bonds are sold to the public) and who will hold their Series B Bonds as “capital assets” within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Series B Bonds other than investors that are U.S. Holders.

As used herein, “U.S. Holder” means a beneficial owner of a Series B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Series B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series B Bonds (including their status as U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series B Bonds in light of their particular circumstances.

There are certain tax reform proposals currently being considered in connection with the recent U.S. elections. While it is uncertain whether any such proposals would be enacted into law, and it is impossible to predict whether this will be the case, if any such proposals were to become law, they could materially change the U.S. federal income tax consequences described below.

### **U.S. Holders**

**Sale or Other Taxable Disposition of the Series B Bonds.** Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition of a Series B Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder

of a Series B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series B Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series B Bond (generally, the purchase price paid by the U.S. Holder for the Series B Bond increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series B Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

**Medicare Tax.** Certain non-corporate U.S. Holders of Series B Bonds are subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Series B Bonds and its net gains from the disposition of the Series B Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate, or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Series B Bonds.

**Information Reporting and Backup Withholding.** Payments on the Series B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series B Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid (including OID) on the Series B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **Foreign Account Tax Compliance Act ("FATCA")**

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Notes and sales proceeds of Series B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (iii) certain "pass-thru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series B Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series B Bonds, including the application and effect of state, local, non-U.S., and other tax laws.



## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the respective approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinions will be in substantially the forms attached hereto as Appendix D.

## **DISCLOSURE UNDERTAKING FOR THE BONDS**

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

(1) (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in Appendices A, B, and C hereto by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2017, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2017; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month following the end of each such fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the City of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of the year following the end of such preceding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such preceding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the City of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

### ***Compliance History***

The City made late filings of certain annual financial information and operating data for the fiscal year ended December 31, 2012, it was filed on July 25, 2013. A late filing notice was posted July 2, 2014.

Certain municipal bond insurance companies have had a variety of ratings changes over the past five years. The City filed event notices for these changes affecting the ratings on outstanding City bonds on EMMA on July 2, 2014 and August 29, 2016.

Other than the foregoing, the City is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12 for the past five years.

### **RATINGS**

S&P Global Ratings ("S&P") has assigned a rating of "BBB+" (negative outlook) on the City's outstanding uninsured underlying bonded debt, including the Bonds.

Fitch Ratings has assigned a rating of "BBB+" (stable outlook) on the City's outstanding uninsured underlying bonded debt, including the Bonds.

There can be no assurance that such ratings will continue for any specified period of time or that such ratings will not be revised or withdrawn, if in the judgment of the particular rating agency circumstances so warrant. Any change or withdrawal of a rating may have an adverse effect on the market price of the City's outstanding debt, including the Bonds, or the availability of a secondary market for such debt, including the Bonds.

### **MISCELLANEOUS**

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the City management's beliefs as well as assumptions made by, and information currently available to the City's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City's files with the MSRB. When used in City documents or oral presentations, the words "anticipate," "believe," "intend," "plan," "foresee," "likely," "estimate," "expect," "objective," "projection," "forecast," "goal," "will," or "should," or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion 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 statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the City, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the City, as to which no representation can be made.

The City hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Information pertaining to the Final Official Statement may be obtained upon request after the date of the Final Official Statement from Capital Markets Advisors, LLC, Orchard Park, New York 14127, telephone (716) 662-3910; fax (716) 662-6684 or [www.capmark.org](http://www.capmark.org).

This Official Statement has been duly executed and delivered by the City Controller of the City on behalf thereof.

### **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC (the "Municipal Advisor") has served as the independent Municipal Advisor to the City in connection with the sale of the Bonds.

In preparing this Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

### **ADDITIONAL INFORMATION**

Additional information may be obtained upon request from Dan Morello, City Controller, 745 Main St., Niagara Falls, NY 14302 (716) 286-4346 e-mail: [Daniel.Morello@niagarafallsnys.gov](mailto:Daniel.Morello@niagarafallsnys.gov) or from Capital Markets Advisors, LLC, Orchard Park, New York 14127, (716) 662-3910 and also available at [www.capmark.org](http://www.capmark.org).

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

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at [www.capmark.org](http://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.

CITY OF NIAGARA FALLS

By: /s/: Daniel Morello  
Daniel Morello  
City Controller

DATED: August 16, 2017

**APPENDIX A**

**THE CITY**

## **THE CITY**

### ***General Information***

The City of Niagara Falls was incorporated on March 17, 1892. Subject to the State Constitution, the City operates pursuant to the City Charter, amended as described herein, and in accordance with other laws governing the City, including the General City Law, the General Municipal Law and the Local Finance Law, to the extent that such laws are applicable to a city operating under a charter form of government.

The City is located on the eastern banks of the Niagara River, nearly halfway between Lake Ontario and Lake Erie. The City is approximately 16 square miles, and is located 23 miles northwest of the City of Buffalo, New York, and is one of the principal ports of entry into Canada. Large manufacturing facilities such as Occidental Chemical, Union Carbide, and Goodyear are located in the City.

### ***The Government***

***City Council.*** The legislative power of the City is vested in the City Council. The Council, among other powers, exercises all powers of local legislation, levies taxes, special assessments and other charges, adopts the annual budget and makes appropriations for local purposes, authorizes all indebtedness of the City, and has the power to ratify contracts, franchises and other agreements negotiated by the Mayor. Council members are elected to four-year terms. The City Council meets at regular and special meetings throughout the year. In 1998, the City Charter was amended to provide for a reduction from seven to five at large members of the Council effective January 2002.

***The Mayor.*** Since January 1988 the Mayor has been designated by the charter as the chief executive and administrative officer of the City and head of the executive branch of City government. The Mayor directs and supervises through the City Administrator, the operation and administration of all departments, offices and agencies of City government, unless otherwise provided by law. The Mayor may attend City Council meetings, but does not have the right to vote. The Mayor has veto power over proposed local legislation which may be overridden by the affirmative vote of four Council members. The Mayor has the power to negotiate contracts, franchises and other agreements on behalf of the City. The Mayor is responsible for the appointment of the City Administrator, the City Controller, the Corporation Counsel, the City Clerk and certain other officers. The Mayor is also responsible for the appointment of the members and executive officers of certain boards, commissions, or other agencies and instrumentalities of the City, including the Niagara Falls Urban Renewal Agency, as provided by the City Charter or law. In November 2015, the current Mayor Paul Dyster was elected for a four-year term expiring December 31, 2019.

***City Administrator.*** The City Administrator, is responsible for directing, coordinating and supervising the operation of all departments, offices and agencies of the City government. Together with the City Controller, the City Administrator assists the Mayor in the preparation and presentation of the budget and capital improvement programs. The City Administrator is also charged with the duties to review and monitor departmental budgets and actual expenditures and investigate variances, supervise city and departmental purchasing and monitor public works contracting and supervise the function of electronic data processing and development of systems. All department heads and employees of the executive branch serve under the direction and supervision of, and report directly to the City Administrator, except the City Controller, Corporation Counsel and the City Clerk (and their respective staffs), who report directly to the Mayor. The City Administrator exercises all duties and responsibilities delegated by the Mayor, which however, do not include the power to propose legislation, appoint or remove any mayoral appointment or veto on the Mayor's behalf. The City Administrator is appointed by the Mayor and is not subject to confirmation by the City Council.

***City Controller.*** The City Controller is the chief fiscal officer of the City and is charged with the duties, among others, to develop and recommend policies and objectives relating to financial services, provide fiscal information, monitor financial systems and reorganize as needed, assist in determining capital projects, direct the auditing function, assist in the preparation of the annual budget, monitor and review contract and lease administration, supervise the auditing of all bills, accounts, and vouchers of the City, supervise the preparation of all necessary and required reports and statements, supervise the collection of taxes and other revenue and investment of City funds,

and execute checks and warrants. The City Controller, the Corporation Counsel and the City Clerk are appointed by the Mayor and subject to confirmation of the City Council.

### ***City Services***

The City has the general power and responsibilities inherent in the operation of a municipal government. The City is responsible for and maintains police, fire, sanitation, streets, parks and playgrounds. Pursuant to State law, the County, not the City, is responsible for the local funding of mandated social service programs such as Medicaid, Aid to Families with Dependent Children, and home relief programs. As of September 25, 2003, the Niagara Falls Water Board is responsible for water and sewer services within the City. (See also "Recent Developments" herein).

### ***Related Entities***

The NFC Development Corporation ("NFC") is governed by the Mayor, the five members of the City Council, four members appointed by the Mayor and nine at large members elected by the existing NFC Board. The purpose of the NFC is to identify and develop business opportunities within the City and to package needed financing and develop financial programs to support development. In conformity with generally accepted accounting principles, the NFC is deemed to be a component unit and accordingly is discretely reported within the financial data of the City, however in a separate column to emphasize that it is legally separate from the City.

With respect to the Niagara Falls Urban Renewal Agency, the Niagara Falls Neighborhood Housing Services, Inc., the Niagara Falls Economic Development Agency, the Niagara Falls Housing Authority and the Center City Neighborhood Development Corporation, the members of the City Council and the Mayor serve as members of the board of directors of some of these entities, the Mayor has the power to appoint certain other members of the board of directors of some of these entities, and the City serves as a conduit for Federal and State grants to some of these entities. Except for the appropriations of limited operating expenses for some of these entities, the City does not have any financial obligation to such entities.

With respect to the Niagara Falls Public Water Authority ("Water Authority"), only one of the three members of the Water Authority and two of the five members of the Niagara Falls Public Water Board ("Water Board") are appointed by either the Mayor or the Common Council. Except as requested by the Water Board the City continues to provide certain support services such as billing, collection and accounting. Accordingly the Water Authority and the Water Board are not deemed to be related entities to the City.

### ***Recent Developments-***

***Seneca Niagara Casino.*** Pursuant to a Gaming Compact ("Compact") between the Seneca Nation of Indians ("Seneca Nation") and the State of New York, approximately 55 acres of downtown property, including the former site of the Niagara Falls Convention Center that had been owned by the New York State Urban Development Corporation, has been transferred to the Seneca Nation for the purpose of operating casino gambling. On December 31, 2002, the Seneca Nation opened the Seneca Niagara Casino ("Casino") in downtown Niagara Falls.

Pursuant to the Compact, the State initially received 18% of the proceeds of the net drop from electronic gaming devices (slot machines). The Compact states that the State's share shall increase from 18% to 25% over 5 years. Pursuant to the enabling legislation, the City expected to receive 25% of the State's share.

During 2003 the Governor appointed a Commission to determine how the Casino income due to the City for 2003 would be allocated. For the year ended December 31, 2003 the City received nearly \$9.4 million or 25% of the State's share of \$38 million. The Commission allocated \$3.2 million to the City, \$3.0 million for the Third Street Business Revitalization Project, \$1.2 million to the new Niagara Falls Convention/Conference Center and \$1.0 million to each of the Niagara Falls Housing Authority and the Niagara Tourism and Convention Center. Revenues earned by the City were accrued for the year ended December 31, 2003 and received in March 2004.

On November 23, 2005, a two-year memorandum of understanding (MOU) was announced by State lawmakers on the distribution of approximately \$24 million in local revenue due from the Casino for income earned during calendar years 2004 and 2005, to be distributed in 2006. Under the MOU which was finalized in June 2006, approximately 45% of the casino revenue or approximately \$10.577 million went to the City for the purposes of

creating and administering a Tribal Revenue Account for Community and Economic Development for expenditures as follows: \$3.927 million to support City programs and/or services that benefit City residents (including but not limited to HOPE VI, community development, extraordinary expenses being incurred by the Departments for Public Works and Public Safety in relation to Casino operations, and lost interest revenue); \$2.750 million for debt service associated with the City's capital plan for infrastructure improvements, 75% of which must be spent on actual construction or "hard costs"; and \$3.9 million for sub-allocation to the Niagara Falls Urban Renewal Agency for economic development to facilitate private investment, private sector job creation and expansion of the tax base within the City.

Under the MOU the next 25% or \$6.1 million was allocated as follows: \$2.0 million to the Niagara County Industrial Development Agency for disbursement to the Niagara Frontier Transportation Authority ("NFTA") toward capital costs of a new terminal at Niagara Falls International Airport; \$2.0 million to the Niagara Tourism and Convention Corporation for tourism promotion/marketing efforts for the City and the County; \$1.0 million to each of the Niagara Falls Memorial Hospital and the Niagara Falls City School District upon receipt of a detailed capital expenditure plan; and \$100,000 to the Niagara County Industrial Development Agency's economic development fund to facilitate private investment, private sector job creation and to expand the tax base within the County. Under the MOU, the final 30% or \$7.25 million is allocated to USA Niagara Development Corporation for the Niagara Experience Center Project (\$3 million) infrastructure improvements and economic development capital projects (\$3.113 million) and the Conference Center Niagara Falls operating, maintenance and capital expenditure budget (\$1.137 million).

Also in June 2006, the State Legislature adopted a bill (A11731), which was signed by the Governor, to provide a plan for the expenditure of monies appropriated and received by the State to be effective throughout the remaining years of the Compact (through December 31, 2016). Pursuant to this legislation 75% of the total annual amount received shall be available for expenditure by the City for such public purposes as are determined by the City to be necessary and desirable to accommodate and enhance economic development, neighborhood revitalization, public health and safety, and infrastructure improvement in the City. The remaining 25% shall be allocated for the County to be available for the Niagara Falls Memorial Medical Center and Niagara Falls City School District for capital construction, the Niagara Tourism and Convention Center Corporation for marketing and tourism promotion and to the Niagara County Industrial Development Agency to be applied to a new terminal construction at Niagara Falls or other purposes. The City has used and plans to use these monies primarily for capital and debt service.

In June 2009, State Finance Law Section 99-h was amended to set forth the distribution formula for the City's share. Pursuant to Section 99-h, 75% of the total annual amount received shall be available for expenditure by the City for such public purposes as are determined by the City to be necessary and desirable to accommodate and enhance economic development, neighborhood revitalization, public health and safety, and infrastructure improvement in the City. The remaining 25% shall be allocated as follows: 5.5% not to exceed \$750,000 to Niagara Falls Memorial Medical Center for capital construction; 5.5% not to exceed \$750,000 to Niagara Falls City School District for capital construction; 6.0% to Niagara Tourism and Convention Center Corporation for marketing and tourism promotion in the County of Niagara including the City; lesser of \$1,000,000 or 7.0% to Niagara Frontier Transportation Authority for new terminal at Niagara Falls Airport; 1.0% or \$350,000 whichever is greater to Niagara Falls Underground Railroad Heritage Commission and; any additional funds not allocated to the City for infrastructure and road repairs.

In March 2011 State Finance Law Section 99-h was further amended to set forth the distribution formula for the City's share. Pursuant to Section 99-h, 73.5% of the total annual amount received shall be available for expenditure by the City for such public purposes as are determined by the City to be necessary and desirable to accommodate and enhance economic development, neighborhood revitalization, public health and safety, and infrastructure improvement in the City provided however, that any amount allocated to the Niagara Falls Underground Railroad Heritage Commission, to the extent that its share pursuant to the formula established therein exceeds one percent, such amounts shall be distributed from the funds available to the City for its public purposes. The remaining 26.5% shall be allocated as follows: 5.5% not to exceed \$750,000 to Niagara Falls Memorial Medical Center for capital construction; 5.5% not to exceed \$750,000 to Niagara Falls City School District for capital construction; 7.0% to Niagara Tourism and Convention Center Corporation for marketing and tourism promotion in the County of Niagara including the City; lesser of \$1,000,000 or 7.0% to NFTA for new terminal at Niagara Falls Airport; 1.0% or \$350,000 whichever is greater to Niagara Falls Underground Railroad Heritage Commission and; any additional funds not allocated to the City for infrastructure and road repairs.



In June 2013, Governor Andrew M. Cuomo announced a landmark agreement was reached between the State and the Seneca Nation that resolved a multi-year dispute since 2010 between the State and the Seneca Nation.

With this agreement, the Seneca Nation agreed to resume payments and to make pro-rated repayments for past amounts that were in dispute.

Under this agreement, in August of 2013, the City received its full 25% share of local impact payments, a total of \$88.9 million, attributable to fiscal years 2009 through May of 2013. Payments have been continued to be made on a quarterly basis pursuant to the Nation-State Gaming Compact for years eight through fourteen.

In April, 2016, Governor Andrew M. Cuomo and State Senate and Assembly leaders finalized an agreement that produced an extension of the existing State Finance Law Section 99-h provision governing the distribution of the local casino revenue share (“99-h”) with a few changes. The agreement maintains the existing funding schedule covered under the current provisions of 99-h except for the modification for the City’s Underground Railroad Heritage Area Commission (NFURR) which reduced the amount from \$350,000 to \$200,000. The modification provides adding annual payments of \$50,000 for the Niagara Falls Housing Authority, Mount St. Mary’s Neighborhood Health Center in Niagara Falls and the Western New York First Response & Preparedness Center that is currently under development in the Town of Niagara. The Niagara County Industrial Development Agency will receive an allocation of \$1.6 million to finance “economic development and job creation” which will not be funded from the City’s annual share. The agreement would extend the effective date of 99-h to December 31, 2023.

As of March 2017, the Seneca Nation has taken the position that the casino revenue sharing section of the compact is no longer applicable. The Seneca Nation claims that while the compact has been extended until December 31, 2023, the revenue sharing agreement was only intended to last through 2016. Both New York State and the City of Niagara Falls believe that the extension of the compact from December 31, 2016 to December 31, 2023 also extended the casino revenue sharing agreement through December 31, 2023.

***Niagara Falls Public Water Authority.*** Effective September 25, 2003 and pursuant to State legislation an independent Water Authority and a Water Board were created to own, operate and finance the business of accumulating, supplying, transmitting, distributing, disposing or treating water, waste water and storm water within the City of Niagara Falls. The primary objectives of the Water Authority and Water Board were to restructure existing debt and reduce principal and interest payments over the next few years, thereby reducing the size of water and sewer rate increases that would otherwise be deemed necessary. The Water Board as owner, employer, and operator is charged with day-to-day responsibility for capital improvements, customer service, rate setting and collecting monies. The Water Authority serves as the administrative body responsible for issuing the bonds to finance the acquisition and ongoing capital improvements, as well as to receive money from the Water Board to pay debt service when due. At acquisition, the Water Authority issued sufficient bonds to refund all of the existing general obligation debt previously issued by the City and outstanding for water and sewer purposes. The City continues to provide support services, as requested by the Water Board, including billing and collection.

***Public Safety Complex.*** In 2007, the City borrowed \$45,000,000 for a new Public Safety Complex that was completed in May 2009. The total cost of the project was \$46,390,327 of which the City had funding available in the amount of approximately \$48,271,000. Funds remaining will be used to pay down the existing debt. Casino funds are being used to offset each year’s principal and interest payment of the City’s outstanding debt for such Complex.

## **FINANCIAL FACTORS**

### ***Fiscal and Budget Procedures***

Prior to August 31, the Mayor furnishes all City department heads and the heads of other spending agencies instructions for submitting budget requests. Within 30 days, the budget request of each department and spending agency is returned to the Mayor. Departmental reviews are held, after which the Mayor's proposed budget is submitted to the City Council on or before October 1. The City Council has the power to delete, reduce or add items to the Mayor's proposed budget. The Council transmits the Executive Budget with any amendments to the Mayor on or before December 1. The Mayor may veto any such amendments within five (5) working days after the budget

shall have been transmitted by the Council. The Council may reconsider and accept or reject the Mayor's veto and shall adopt the budget on or before December 15.

Upon the adoption of the budget, the tax rate and levy are determined for the ensuing year. Under current law, the tax rate and levy cannot thereafter be amended. The City Council and the Mayor may, during the course of the year, revise appropriations and make fund transfers with respect to general operations.

Currently, the City adopts a one-year capital improvement program. During the year, the City adopts bond resolutions as needed to finance the City's share of the capital program. A five-year capital improvement plan is established annually by the Mayor and reviewed with the City Council. However, no formal action is taken to adopt the five-year plan.

### ***Independent Audit***

The City's general purpose financial statements and the Auditors Report for the year ended December 31, 2016 are shown as an appendix to the Official Statement.

### ***Fund Structure and Accounts***

The General Fund and the Special Revenue Funds are the principal funds used to account for the City's financial resources. The General Fund is the general operating fund that is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for substantially all of the City's operating and maintenance costs. The Special Revenue Funds (which represents the Tribal Revenue account) are used to account for proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The Debt Service Fund accounts for transfers from all funds for the payment of debt service on the long-term obligations of these funds and the Capital Projects Fund accounts for financial resources such as proceeds from bonds, notes, transfers from governmental funds, and federal and state grants which are to be applied for permanent or semi-permanent capital improvements.

### ***Cash Management***

Cash balances of most City funds are pooled and invested from a single account. Interest earned from investments is allocated to the applicable funds. Working capital deficits of the individual funds included in the pool have been financed through interfund borrowings.

The following table presents the City's cash and working capital position of the City's governmental fund types including General, Special Revenue, Debt Service and Capital Funds as of December 31 of each year.

	<b>TABLE 2</b> <b><u>Cash and Working Capital</u></b> (000's omitted)				
	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Cash (including temporary investments)	\$15,277	\$73,587	\$57,772	\$44,196	39,989
Total Assets	62,344	110,950	98,070	83,445	77,114
Total Liabilities	35,530	24,069	28,044	26,305	29,872
Ratio of Assets to Liabilities	1.75	4.61	3.50	3.17	2.58

Source: Annual Audited Financial Statements.

### ***Investment Policy***

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

The City may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; or (4) in the case of moneys held in certain reserve funds established by the City pursuant to law, in obligations of the City.

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

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

### ***Basis of Accounting***

The City's General Fund is accounted for on a modified accrual basis whereby revenues, other than those susceptible to accrual, are recorded when received in cash. Revenues susceptible to accrual include real property taxes, special taxes, intergovernmental revenues, and transfers between operating funds.

The City records pension costs billed by the State for the Employee's Retirement System and the Police and Fire Retirement System as expenditures when incurred. Except for the omission of the general fixed assets account group, the City's financial statements conform to generally accepted accounting principles.

### ***General Fund Revenues***

***Real Property Taxes.*** The City's property tax levying powers, other than for debt service and certain other purposes, are limited by the State Constitution to 2% of the most recent 5-year average full valuation of taxable real property of the City. The City's total levy of \$28,732,191 of real property taxes in 2016 reflects a decrease from the levy in the amount of \$306,910 from the prior year. This levy reflected an increase of 0.1% and an increase of 0.1% in the tax rate for the non-homestead and homestead property owners, respectively. The City's levy consists of \$26,594,693 for General Fund purposes, \$1,847,000 for the Library Fund, and \$290,498 for the Golf Course Fund.

The General Fund accounts for the full receipt of the tax levy, including that portion of the levy transferred to the Debt Service Fund for the payment of debt service on general obligation bonds.

The City derives a major portion of its general fund revenues from such taxes. (See "Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund" in Appendix B, herein). Property tax revenues accounted for 40.9% of total general fund revenues, for the year ended December 31, 2016. See also "Tax Levy Limitation Law," herein.

The following table sets forth total General Fund revenues and Real Property Taxes, net of uncollected and re-levied taxes, received during the last five years and the budgeted amounts for the current year.

**TABLE 3**  
**Property Tax Revenues**

<b><u>Year</u></b>	<b><u>Total</u></b> <b><u>Revenues</u></b>	<b><u>Real</u></b> <b><u>Property Taxes</u></b>	<b><u>Real Property Taxes</u></b> <b><u>To Revenues</u></b>
2012	\$73,887,947	\$30,300,909	41.0%
2013	80,830,237	30,110,047	37.3%
2014	76,383,739	31,068,764	40.7%
2015	77,313,269	33,044,725	42.7%
2016	76,245,409	31,178,831	40.9%
2017 <i>Budgeted</i>	77,033,548	33,138,181	43.0%

*Source: City Audited Financial Statements and the Budget as adopted*

**Non-Property Taxes.** Section 1210 of the New York Tax Law (the “Tax Law”) authorizes counties to levy sales and compensating use taxes of up to 4% in addition to the 4.25% sales tax levied by the State. As of June 1, 2005, the State sales tax was reduced to 4.0%. The Tax Law also permits cities to impose certain sales and compensating use taxes within their city limits preemptively. Sales and compensating use taxes are collected by the State and distributed on a monthly basis.

As authorized by the Tax Law, on April 1, 1991, the City imposed hotel, restaurant and utility (“HRU”) taxes on a preemptive basis. Revenues derived therefrom are not shared with other jurisdictions.

The County levies 3% sales and compensating use tax of the 4% permitted by the Tax Law. Pursuant to an agreement among the County, the City and other jurisdictions in the County as permitted by the Tax Law, at the present time, the County receives 47% of the revenue derived therefrom and the remaining 53% is distributed to the jurisdictions within the County. The City will receive 11.9% of the amount distributed to other jurisdictions.

The following table sets forth total General Fund revenues and Non-Property Tax revenues received during the last five years and the budgeted amount for the previous and current years.

**TABLE 4**  
**Non-Property Tax Revenues**

<u>Year</u>	<u>HRU Sales Tax</u>	<u>General Sales Tax</u>	<u>Utility Tax</u>	<u>Franchise Tax</u>	<u>Occupancy Room Tax</u>	<u>Total Non- Property Tax</u>	<u>Total Revenues</u>	<u>Non-Property Tax to Revenues</u>
2012	\$6,210,764	\$8,560,588	\$1,421,681	\$607,792	\$1,969,912	\$18,770,737	\$73,887,947	25.4%
2013	6,937,518	8,818,411	1,370,262	607,504	1,974,759	19,708,454	80,830,237	24.3%
2014	6,869,401	8,932,716	1,291,222	587,509	2,134,683	19,815,513	76,383,739	25.9%
2015	6,975,380	8,887,948	1,092,631	601,242	2,175,890	20,286,643	77,313,269	26.2%
2016	7,320,911	8,850,148	1,014,361	599,342	2,562,901	20,996,317	76,245,409	27.5%
2017 Budgeted	7,300,000	9,100,000	1,300,000	600,000	2,000,000	20,860,000	77,033,548	27.1%

*Source: City Records, Audited Financial Statements and the Budget as adopted.*

**Intergovernmental Revenues.** The principal sources of economic aid furnished by the State to the City are State per capita revenue sharing, municipal overburden and State local assistance aid. Additionally, there are several lesser aid, grant and shared revenue programs, including mortgage tax (collected for the City by the State at the rate of 50 cents per \$100 of mortgages), traffic violation fines (collected for the City by the State), and State youth program funds (received on a matching basis for both recreational and delinquency prevention programs). State grants and aid for operating purposes are accounted for in the City's General Fund. The amount of State aid to the City in all of these 27 categories is subject to various contingencies and uncertainties, including the impact of a State revenue shortfall that could occur in any State fiscal year.

The City depends on State aid both to enable the City to balance its budget and to meet its cash requirements. If the State experiences revenue shortfalls or spending increases, such developments could also result in reductions in projected State aid to the City. In addition, there can be no assurance that future State budgets will be adopted by the April statutory deadline for adoption of a State budget or that timely State aid payments will be made to the City.

**State Revenue Sharing (Per Capita State Aid).** Under a formula based in part on population in the most recent decennial census, the cities and general purpose local governments of the State receive a proportionate share of Per Capita State Aid based on 8% of certain of the State's prior fiscal year's tax collections. No assurance can be given that the State will continue this aid and, if the State would change the basis on which this aid is provided, the City may receive Per Capita State Aid in later fiscal years at levels lower than those estimated.

**Miscellaneous.** In the schedule shown below this category comprises all other forms of State aid which are paid to the City on an annual basis, including but not limited to municipal overburden aid, local assistance aid, mortgage tax and income received from the highway improvement, youth and public safety programs. Furthermore, since 1979 the State has provided the City with an annual subsidy for the Convention Center lease payments. The continuance of this subsidy is subject to annual appropriation by the State Legislature. Beginning in 2003, this subsidy has been accounted for as miscellaneous General Fund state aid revenue. The Casino revenue received in 2006 was for the

years 2004 and 2005. The amounts were \$6,823,440 for 2004 and \$6,885,329 for 2005. The Casino revenue for 2006, 2007 and 2008 are \$14,464,932, \$18,740,028 and \$19,149,646 respectively. The City's payments beginning in 2008 were delayed as a result of a payment dispute between the State and the Seneca Nation. In June 2013, the State and the Seneca Nation reached an agreement that resolved a multi-year dispute. The Seneca Nation agreed to resume payments and to make pro-rated repayments for past amounts that were in dispute. Under this agreement, the City received their full 25% share of local impact payments, a total of \$88.9 million. The breakdown of the \$88.9 million received on August 22, 2013 of the Casino revenue for 2009, 2010, 2011, 2012 and 5 months of 2013 are \$17,010,791, \$19,839,655 \$21,685,522, \$21,590,854 and \$8,810,178 respectively. The City received for the remainder of 2013 \$11,328,740 in 2014. The Casino revenue for years 2014, 2015, and 2016 are \$18,621,448, \$16,978,164, and \$16,794,680. The Seneca Nation has identified that no further payments are required under the revenue sharing compact after 2016. See "Recent Developments – Seneca Niagara Casino."

The following table sets forth total General Fund revenues and State aid received during the last five years and the budgeted amount for the previous and current years.

**TABLE 5**  
**State Aid Revenues**

<u>Year</u>	<u>State Revenue</u> <u>Sharing</u>	<u>Miscellaneous*</u>	<u>Total</u> <u>State Aid*</u>	<u>Total</u> <u>Revenues</u>	<u>State Aid</u> <u>To Revenues</u>
2012	\$17,794,424	\$1,343,215	\$19,137,639	\$81,141,730	23.5%
2013	17,794,424	6,857,264	24,663,789	80,830,237	30.5%
2014	17,794,424	1,637,976	19,432,400	76,383,739	25.4%
2015	17,794,424	1,286,956	19,129,560	77,313,269	24.7%
2016	17,794,424	1,385,154	19,179,578	76,245,409	25.2%
2017 Budgeted	17,794,424	1,291,299	19,085,723	77,033,548	24.8%

*\*Starting in 2014 the Casino Revenue of \$5.1M was removed from the State Aid Classification to "Interfund Transfers"*

*Source: City Audited Financial Statements and the Budget as adopted.*

### ***The State Comptroller's Fiscal Stress Monitoring System***

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

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

The most current applicable report of the State Comptroller designates the City as "Susceptible to Fiscal Stress".

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

[http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/munis\\_summary2015.pdf](http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/munis_summary2015.pdf).

### ***New York State Comptroller's Audit***

The financial affairs of the City are subject to periodic compliance reviews by OSC to ascertain whether the City has complied with the requirements of various State and federal statutes.

The most recent audit conducted by OSC was released on June 4, 2013. The purpose of the audit was to assess the City's financial condition, financial activity recording, and the information technology environment for the period January 1, 2009 through January 9, 2013. The audit found that the City had recurring structural budget deficits occurring due to insufficient revenues to fund recurring expenditures, and that the City had not implemented adequate IT controls and restrictions for access to the financial system. OSC recommended that the City develop structurally realistic budgets and establish IT policies and procedures to appropriately match financial system access to employees' duties. The complete report can be obtained from OSC's website.

The City is currently in the process of being audited by OSC for the time period 2013 through current operations. The audit is still in the fieldwork stage. No other OSC audits have been conducted for the City since the audit report released in 2013.

### ***Employee Contracts***

The City employs approximately 633 persons, approximately 539 of whom are represented by collective bargaining units. The City also has approximately 54 part-time and seasonal employees and 6 appointed officials. Pursuant to New York State's Taylor Law (Article 14 of the New York State Civil Service Law), the City is required to enter into collective negotiations with its certified or recognized employee representatives over terms and conditions of employment and enter into written collective bargaining agreements. The City negotiates with seven municipal employee organizations.

The number and percentage of the City's collective bargaining units representing such employees and the employees not represented by any such units are as follows:

**TABLE 6**  
**Employees**

<b><u>Collective Bargaining Unit</u></b>	<b><u>City Employees</u></b>	<b><u>Percentage of Total Employees</u></b>	<b><u>Contract Expiration Date</u></b>
Firefighters Association, Local 714	94	15.0%	6/30/26
Fire Officers Association	42	6.8%	12/31/24
Police Captains and Lieutenants Association	29	4.4%	12/31/24
Police Club, Inc.	132	20.2%	12/31/18
Building and Construction Trades Council	13	1.4%	12/31/13*
U.S.W.A., Local 9434-00 – Civil Service	119	21.6%	12/31/13*
U.S.W.A., Local 9434-02 – Hourly Maintenance	88	15.1%	12/31/13*
U.S.W.A., Local 9434-02 – Seasonal	<u>22</u>	<u>2.4%</u>	12/31/13*
Subtotal	539	86.9%	
Exempt Employees	29	3.6%	
Elected Officials	6	1.0%	
Seasonal & Part-Time Employees	<u>59</u>	<u>8.5%</u>	
Total Employees	<u>633</u>	<u>100.0%</u>	

\* In negotiation. Updated June 2017.

### ***Employee Pension Benefits***

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"). (Both systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally

provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Except as noted below, all members hired on or after July 27, 1976 must contribute 3% of their gross annual salary toward the costs of retirement programs. The 3% contribution is waived when the employee completes ten (10) years of service.

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

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

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

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

The following schedule reflects the City's contribution to each of the Systems for the last five fiscal years and the amount budgeted for 2017.

**TABLE 7**  
**Fiscal Year Ending December 31**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 Budget</u>
ERS	\$2,559,416	\$2,793,152	\$2,202,131	\$2,220,530	\$2,086,029
PFRS	6,139,616	7,156,478	5,908,833	5,959,756	6,335,673

*Source: City's audited financial statements*

The City amortized ERS contributions for the years 2012, 2013, and 2014. The City also amortized PFRS contributions in 2011, 2013 and 2014. The chart below describes the City's contributions over the past five fiscal years and the current budget year.

<u>Budget Year</u>	<u>State Year</u>	<u>Total Cost ERS</u>	<u>ERS Annual Payment Amortized</u>	<u>ERS Annual Payment Amounts</u>	<u>Total Cost Police &amp; Fire</u>	<u>PFRS Annual Payment Amortized</u>	<u>PFRS Annual Payment Amounts</u>
2011	2012	\$1,970,747	N/A	N/A	\$6,179,985	\$1,337,410	\$162,845
2012	2013	\$2,915,532	\$1,133,819	\$132,918	\$5,268,533	N/A	N/A
2013	2014	\$2,559,416	\$722,270	\$87,988	\$6,139,616	\$1,305,918	\$159,089
2014	2015	\$2,793,152	\$715,991	\$83,611	\$7,156,478	\$1,433,920	\$167,450
2015	2016	\$2,712,422	\$0	\$0	\$6,867,419	\$0	\$0
2016	2017	\$2,149,558	\$0	\$0	\$6,154,934	\$0	\$0
2017*	2018	\$2,086,029	\$0	\$0	\$6,335,673	\$0	\$0

\* The 2017 amounts are estimated.

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

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

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

Although GASB 45 encourages earlier adoption, implementation was required by the City for the fiscal year commencing January 1, 2008. The City was in compliance with the requirements of GASB 45. The following table shows the components of the City's annual OPEB cost for the year ending December 31, 2015, the amount actually contributed to the plan, and the City's net OPEB obligation to the Plan:

<b><u>Annual OPEB Cost and New OPEB Obligation</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
Normal Cost	\$15,636,285	\$ 14,373,824
Amortization of unfunded actuarial liability	23,581,470	21,183,454
Interest	<u>625,451</u>	<u>574,953</u>
<b>Annual Required Contribution (ARC)</b>	39,843,206	36,132,231
Interest on OPEB Obligation	3,745,678	2,696,617
Adjustment to Arc	<u>(5,415,323)</u>	<u>(3,898,640)</u>
Annual OPEB Cost	38,173,561	34,930,208
Net OPEB contributions made during the fiscal year	<u>(9,186,358)</u>	<u>(8,703,673)</u>
<b>Net OPEB obligation for the current fiscal year</b>	28,987,203	26,226,535
Net OPEB obligation at beginning of year	<u>93,641,953</u>	<u>67,415,418</u>
<b>Net OPEB obligation of end of year</b>	<u>\$122,629,156</u>	<u>\$ 93,641,953</u>
Percentage of expense contributed	<u>24.1%</u>	<u>24.9%</u>

*Source: City's audited financial statements*

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## ***Funded Status and Funding Progress***

As of the January 1, 2016 actuarial valuation date, the following represents the schedule of funding progress:

<b>Actuarial accrued liability*</b>	\$366,304,988
<b>Actuarial accrued liability**</b>	<u>\$407,771,559</u>
Funded ratio**	<u>0.0%</u>
<b>Annual covered payroll**</b>	<u>\$40,562,609</u>
Ratio of unfunded actuarial accrued liability as a % of covered payroll**	<u>1005.3%</u>

Source: City's audited financial statements

\* Amount from the City's audited financial statement for the fiscal year ended December 31, 2015.

\*\* Amount from the City's audited financial statement for the fiscal year ended December 31, 2016.

The following table provides trend information for the Plan:

	<b><u>Annual OPEB Cost</u></b>	<b><u>Annual Contributions</u></b>	<b><u>% of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation at 12/31:</u></b>
2016	\$38,173,561	\$9,186,358	24.1%	\$122,629,156
2015	34,930,208	8,703,673	24.9%	93,641,953
2014	24,219,250	8,089,325	33.4%	67,415,418
2013	16,724,422	7,423,829	44.3%	51,285,493

Source: City's audited financial statements

## ***Risk Management***

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has determined that it is not economically justifiable to carry insurance for risks of loss related to torts and other general liability claims, except for amounts in excess of \$1,000,000. The City's insurance provides coverage of up to \$5,000,000 per occurrence and \$15,000,000 in the aggregate. The City is self-insured for unemployment insurance.

## **TAX INFORMATION**

### ***Constitutional Real Property Tax Limit***

The City derives its power to levy ad valorem real property taxes from Article 8, Section 10 of the State Constitution. The City is responsible for levying taxes for City purposes. The City's property tax levying powers, other than for debt service and certain other purposes, are limited by the State Constitution to two percent of the five-year average full valuation of taxable real property of the City (See also "Financial Factors-General Fund Revenues" herein). This limitation does not apply to taxes for debt service on the Bonds, subject only to the limitations imposed by the Tax Levy Limit Law.

The State Office of Real Property Services annually establishes State Equalization Rates for the City and all localities in the State which are determined by statistical sampling of market sales/assessment studies. The Equalization Rates are used in calculation and distribution of certain State aid and are used by many localities in the calculation of debt-contracting and real property taxing limitations. The debt-contracting and real property taxing limitations are based on a percentage amount of average full valuation. The City determines the assessed valuation for taxable real properties. The State Office determines the assessed valuation of special franchises and the taxable ceiling of railroad property, and these results are incorporated into the City's assessment. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places. Assessments are made on certain properties which are taxable for school purposes but which the City exempts for general municipal purposes.

The following table indicates the recent five-year trend of assessed valuations, the Equalization Rates assigned to the City by the State and full valuations.

**TABLE 8**  
**Tax Limit – Fiscal Year 2016**

<u>Tax Roll Year</u>	<u>Tax Levy Year</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u> <sup>(1)</sup>	<u>Full Valuation</u>
2012	2013	1,287,835,799	92.00%	1,399,821,521
2013	2014	1,292,262,666	92.00%	1,404,633,333
2014	2015	1,290,750,632	90.00%	1,434,167,369
2015	2016	1,274,907,936	84.00%	1,517,747,543
2016	2017	1,281,107,685	85.00%	<u>1,507,185,512</u>
Total Five-Year Full Valuation				\$7,263,555,278
Five-Year Average Full Valuation				\$1,452,711,056
Tax Limit - 2% of Avg. Full Valuation				\$29,054,221
Tax Levy				\$29,104,014
Less Exclusions				<u>6,339,687</u>
Tax Levy Subject to Tax Limit				\$22,764,327
Tax Margin				\$ 6,105,960
Percent Exhausted				78.57%

(1) Equalization rates established by State Office of Real Property Services each year.

*Source: City officials.*

Preparation of the City assessment roll is the statutory responsibility of the City under the State Real Property Tax Law. A City-wide reassessment of all properties was last undertaken July 1, 2006. The City annually reviews all assessments city-wide. Since that time the Assessment Department of the City has undertaken regular inspections of properties to ensure that new construction, improvements and demolitions are reflected in the annual roll of taxable properties.

### ***Property Tax Collection Procedure***

Real property taxes are levied by the City not later than December 15 in advance of each fiscal year beginning January 1, based on the assessed valuation as of the preceding July 1. Real property tax payments are payable in two equal installments not later than January 31 and May 31. Non-payment of installments as of such dates causes the amounts due to become delinquent and subject to penalty. Penalties for delinquent payments with respect to both installments are two percent of the amount of the installment if the installment is paid within the first month of delinquency or five percent of the amount of the installment if the installment is paid thereafter. Additionally, interest at the rate of twelve percent per annum is charged on the delinquent amount, including penalty, beginning with the third month of delinquency with respect to each installment. In addition, pursuant to the requirements of the Real Property Tax Law, the City is required to guaranty the payment of real property taxes levied by the Niagara Falls City School District on real property located within the City.

The City may borrow in anticipation of the collection of any uncollected real property taxes as well as exercise tax sale or foreclosure remedies as set forth in the City Charter and the State Real Property Tax Law.

### ***Real Property Taxes Receivable***

As of April 2017, the City reported the City portion of taxes receivable to be \$28,596,661.33, of which the amount of \$1,292,851.67 is overdue taxes. At December 31, 2016, the City reported the School portion of real property taxes receivable to be \$6,865,519 and allowance for uncollectible taxes in the amount of \$3,632,920. It is the City's

policy to write off as uncollectible property taxes that have been delinquent for more than five years. The primary mechanism for recovery of delinquent taxes employed by the City to date has been judicial foreclosure proceedings.

### ***Other Real Property Tax Information***

Since 1984, the City's assessment roll and tax levy have been prepared in accordance with Article 19 of the Real Property Tax Law permitting a dual tax-rate structure. Among other things, Article 19 provides for a system of assessment that results in a lower rate for real property qualifying as "homestead property" than the rate applicable to "non-homestead" property. A "homestead" includes all one, two, or three-family dwelling residential real property. Additionally, a mobile home or trailer constitutes a "homestead" if it is owner-occupied and separately assessed. In accordance with Article 19, the respective percentages of the City's annual tax levy to be borne by the homestead and non-homestead categories are the percentages that each category of property respectively bear to the City's total assessed valuation.

### ***Tax Levy Limitation Law***

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

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

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

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

***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 Limitation Law. School district 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 Limitation 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.

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 Limitation Law. The implications of this for future tax levies and for operations and services of the County are uncertain at this time.

## ***Taxable Valuations***

The following table sets forth the City's taxable valuations for the assessment roll years indicated.

**TABLE 9**

<b>Roll/Tax Year</b> <sup>(3)</sup>	<b><u>Assessed Valuation</u></b> <sup>(1)</sup>				<b><u>Full Valuation</u></b> <sup>(2)</sup>		
	<b><u>Homestead Valuation</u></b>	<b><u>Non- Homestead Valuation</u></b>	<b><u>Total Assessed Valuation</u></b>	<b><u>Equalization Rate</u></b>	<b><u>Homestead Valuation</u></b>	<b><u>Non- Homestead Valuation</u></b>	<b><u>Total Full Valuation</u></b>
2011-2012	\$872,234,749	\$400,234,242	\$1,272,468,991	93.00%	\$937,886,827	\$430,359,400	\$1,368,246,227
2012-2013	869,075,293	418,760,506	1,287,835,799	92.00%	944,647,058	455,174,463	1,399,821,521
2013-2014	872,062,693	420,199,973	1,292,262,666	92.00%	947,894,232	456,739,101	1,404,633,333
2014-2015	876,748,984	414,001,648	1,290,750,632	90.00%	974,165,538	460,001,831	1,434,167,369
2015-2016	876,492,885	398,415,051	1,274,907,936	84.00%	1,043,443,911	474,303,632	1,517,747,543
2016-2017	874,922,720	406,184,965	1,281,107,685	85.00%	1,029,320,847	477,864,665	1,507,185,512

(1) See "Other Real Property Tax Information" under "Real Property Taxes" herein.

(2) Reflects application of State equalization rate to City's determination of assessed value.

(3) Assessment roll year used for subsequent tax levy.

## ***Tax Levies***

The following table sets forth the City's budgeted tax levies for the years indicated.

**TABLE 10**

<b><u>Tax Year</u></b>	<b><u>Homestead Levy</u></b> <sup>(1)</sup>	<b><u>Non-Homestead Levy</u></b> <sup>(1)</sup>	<b><u>Gross Tax Levy</u></b>
2007	\$14,702,602	\$13,571,633	\$28,274,235
2008	14,403,871	12,970,364	27,374,235
2009	14,687,523	12,686,712	27,374,235
2010	18,614,480	8,759,755	27,374,235
2011	19,119,232	8,997,286	28,116,518
2012	19,176,540	8,799,361	27,975,901
2013	18,827,000	9,273,000	28,100,000
2014	18,798,236	9,258,833	28,057,069
2015	19,746,589	9,292,512	29,039,101
2016	19,753,094	8,979,097	28,732,191
2017	15,370,749	13,733,265	29,104,014

(1) See "Other Real Property Tax Information" herein.

## ***Tax Rates and Equalization Rates***

The following table sets forth the City's tax rates and State equalization rates for the years indicated.

**TABLE 11**

<b><u>Tax Year</u></b>	<b><u>Homestead Tax Rate</u></b> <sup>(1)</sup>	<b><u>Non-Homestead Tax Rate</u></b> <sup>(1)</sup>	<b><u>Total Tax Rates per \$1,000 Assessed Value</u></b>	<b><u>State Equalization Rate</u></b>
2007	\$16.640	\$33.410	\$21.730	93.00%
2008	16.624	32.766	21.810	93.00%
2009	16.890	32.920	22.840	91.00%
2010	17.135	30.568	27.920	94.00%
2011	17.592	31.581	22.043	93.00%
2012	17.664	31.403	21.985	92.00%
2013	17.660	30.451	21.819	92.00%
2014	17.692	30.111	21.710	92.00%
2015	17.966	32.096	22.490	90.00%
2016	17.983	32.553	22.536	84.00%
2017	17.568	33.810	22.717	85.00%

(1) See "Other Real Property Tax Information" herein.

## ***Largest Taxpayers***

The following table of the top 10 taxpayers indicates the distribution of taxable properties for the 2017 Tax Year.

**TABLE 12**  
**Largest Taxpayers**

<b><u>Taxpayer</u></b>	<b><u>Nature of Business</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>% of Non-Homestead Assessed Value</u></b> <sup>(1)</sup>	<b><u>% of Total Assessed Valuation</u></b> <sup>(1)</sup>
Niagara Mohawk Power Corp.	Utility	\$56,383,348	13.88%	4.40%
National Fuel Gas	Utility	24,137,890	5.94%	1.88%
NFNY Hotel Management LLC	Hotel	17,115,000	4.21%	1.34%
Wal Mart Real Estate Business	Retail	9,045,510	2.23%	0.71%
CSX Transportation	Railroad	7,840,609	1.93%	0.61%
Occidental Chemical Corp	Manufacturing	7,248,851	1.78%	0.57%
Sam's East Inc-Lease	Retail	7,198,040	1.77%	0.56%
BG Robinson Stop II LLC	Retail	7,175,220	1.77%	0.56%
Target Corporation	Retail	5,177,500	1.27%	0.40%
The Chemours Company FC LLC	Industrial	<u>4,852,802</u>	<u>1.19%</u>	<u>0.38%</u>
Total		<u>\$146,174,770</u>	<u>35.99%</u>	<u>11.41%</u>

(1) As per the City's 2016 assessment roll used to levy 2017 taxes with total assessed valuation of \$1,281,107,685 and non-homestead assessed valuation of \$406,184,965.

Source: City Assessor's Office

## **CITY INDEBTEDNESS**

### ***Constitutional Requirements***

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

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

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

***Payment and Maturity.*** Except for certain short-term indebtedness contracted in anticipation of taxes, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute. No installment may be more than fifty per centum in excess of the smallest prior installment unless the City determines to issue a particular debt obligation amortizing 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 on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the City so as to prevent abuses in the exercise of such powers; however, 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.

***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 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 ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

There is no constitutional limitation on the amount that may be raised by the City by tax on real estate in any fiscal year to pay principal and interest on all indebtedness.

### ***Statutory Procedure***

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

Pursuant to the Local Finance Law, the City Charter and the General Municipal Law, the City authorizes the issuance of Bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the City Council, the finance board of the City. Customarily, the City Council has delegated to the Controller, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds. The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
2. There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations; and  
An action, suit, or proceeding contesting such validity, is commenced within twenty days after the date of such publication, or
3. Such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions, the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

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.

The Local Finance Law permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such bonds outstanding, commencing no later than two years from the date of the first of such bonds and provided that such renewals do not extend five years beyond the original date of borrowing.

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness, including budget notes, capital notes, deficiency notes and tax and revenue anticipation notes.

## ***Constitutional Debt Limit***

The following table sets forth the constitutional debt limit of the City, as August 8, 2017.

**TABLE 13**  
**Constitutional Debt Limit**

Five-Year Average Full Valuation	\$1,452,711,056
Debt Limit (7% of Average)	101,689,773
Inclusions:	
Serial Bonds	\$52,979,863
Exclusions:	
Appropriations for Non-Exempt Debt	1,940,000
Total Net Indebtedness	<u>\$51,039,863</u>
Debt Margin	\$50,649,910
Percentage of Debt Limit Exhausted	<u>50.19%</u>

Source: City Officials

## ***Trend of Outstanding Indebtedness***

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

**TABLE 14**  
**Outstanding Bonded Indebtedness**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Serial Bonds	\$69,130,884	\$65,774,833	\$62,438,221	\$58,752,331	\$55,077,593
Total	<u>\$69,130,884</u>	<u>\$65,774,833</u>	<u>\$62,438,221</u>	<u>\$58,752,331</u>	<u>\$55,077,593</u>

Source: City's audited financial statements.

## ***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 Niagara Falls. 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.

**TABLE 15**  
**Statement of Direct and Overlapping Indebtedness**

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of:</u>	<u>City Share</u>	<u>Applicable to City</u>
Niagara County	\$39,721,000	11/09/16	41.58%	\$ 16,515,991
Niagara Falls City School District	86,755,000 <sup>(1)</sup>	10/26/16	100.00%	<u>86,755,000</u>
Total Net Overlapping Debt				\$ 103,270,991
Total Net Direct Debt				<u>\$ 51,039,863</u>
Net Direct and Overlapping Debt				<u>\$154,310,854</u>

<sup>(1)</sup> School District indebtedness does not include state building aid estimated at 98%.



## ***Debt Ratios***

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

**TABLE 16**  
**Debt Ratios**

	<u>Amount</u>	<u>Debt Per</u> <u>Capita</u> <sup>(a)</sup>	<u>Debt to</u> <u>Full Value</u> <sup>(b)</sup>
Net Direct Debt	\$ 51,039,863	\$1,016	3.38%
Net Direct and Overlapping Debt	\$154,310,854	\$3,074	10.23%

(a) The population of the City is 50,193, according to the 2010 Census.

(b) The City's full value of taxable real property for the tax levy year 2016 is \$1,507,185,512.

## ***Short-Term Indebtedness Outstanding***

The City currently has no bond anticipation notes or revenue anticipation notes outstanding.

## ***Authorized and Unissued Indebtedness***

The City has no authorized but unissued indebtedness following this issue.

## ***Debt Service Schedule***

The following table sets forth all principal and interest payments required on the City's outstanding bonded indebtedness as of August 7, 2017.

**TABLE 17**

<b>Fiscal Year</b>			<b>Total</b>
<b>Ending</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Debt Service</u></b>
<b><u>12/31</u></b>			
2017	\$1,940,000	\$916,792	\$2,856,792
2018	4,169,863	1,708,915	5,878,778
2019	3,090,000	1,589,274	4,679,274
2020	3,170,000	1,487,511	4,657,511
2021	3,245,000	1,394,745	4,639,745
2022	3,370,000	1,281,633	4,651,633
2023	3,480,000	1,164,095	4,644,095
2024	3,510,000	1,041,423	4,551,423
2025	2,490,000	925,309	3,415,309
2026	2,600,000	834,238	3,434,238
2027	2,085,000	724,625	2,809,625
2028	2,195,000	617,625	2,812,625
2029	1,685,000	520,625	2,205,625
2030	1,765,000	452,025	2,217,025
2031	1,825,000	398,175	2,223,175
2032	1,900,000	342,300	2,242,300
2033	1,970,000	284,250	2,254,250
2034	2,040,000	224,100	2,264,100
2035	2,070,000	162,450	2,232,450
2036	2,150,000	99,150	2,249,150
2037	<u>2,230,000</u>	<u>33,450</u>	<u>2,263,450</u>
	<u>\$52,979,863</u>	<u>\$16,202,710</u>	<u>\$69,182,573</u>

## ***Other Obligations***

**New York State Urban Development Corporation.** The City entered into an agreement dated March 15, 1971, with the New York State Urban Development Corporation (UDC) for the purpose of financing and constructing the Convention Center (the "Project"). Under terms of the agreement (as subsequently amended) UDC has leased the Project to the City for the period January 1, 1974 through December 31, 2013. The City has been obligated to make payments in an amount equal to the annual sum of money necessary to amortize the Project over a period of forty calendar years at an interest factor not exceeding 7.5% per annum, payable in advance monthly on the first day of each month. In addition, the City is required to remit to UDC a financing charge of 3/4 of 1%. This amounts to a payment of \$3,103,386 annually or a total of \$37,462,058. Upon expiration of the lease, title to the Project will remain with the UDC.

The State of New York, since 1979, has provided the City with an annual subsidy for the Convention Center lease payments (\$3,341,661 in 2001). The continuance of this subsidy has been subject to annual appropriation by the New York State Legislature.

Effective September 2002, the Seneca Nation, with the approval of the State, took over the Project and reconstructed the area into a legalized gaming facility. Pursuant to a Memorandum of Understanding ("MOU") dated as of September 20, 2002 by and between the City and UDC d/b/a Empire State Development Corporation, the City essentially is no longer responsible for terms of the lease agreement except that as long as, and to the extent the City continues to receive the appropriation of monies from the State, the City shall continue to make monthly payments when due.

The MOU was extended to provide funding through 2013. The City, subject to the receipt of funds from the State, will provide UDC i) funds for operating deficits incurred as a result of the operations of the Conference Center and Old Falls Street; and ii) funds to support economic development projects related to the Conference Center or otherwise located within the USA Niagara Development District.

## **ECONOMIC AND DEMOGRAPHIC DATA**

The City is located on the eastern banks of the Niagara River, nearly halfway between Lake Ontario and Lake Erie. The geographical region of the City is called the Niagara Frontier. Due to the location, availability of power, the concentration of transportation, climate, historical forces, and human resources, the Niagara Frontier is one of the nation's dynamic economic centers.

The City is approximately 16 square miles, and is located 23 miles northwest of the City of Buffalo, New York, and is one of the principal ports of entry into Canada. The City is best known as the location of "Niagara Falls."

Historically, the City has been an important industrial center as a result of the development of low cost hydro-electric power. In recent years, the City's manufacturing sector has reflected the nationwide trends of smaller, light industrial development. This in turn, has translated into a population decline and a weakening in certain socioeconomic indices. Nevertheless, the City remains an important segment of the diversified Niagara Frontier industrial complex.

**TABLE 19**  
**Major Employers in Niagara Falls Area**

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
Niagara Falls Air Reserve Station	Air National Guard	3,310
Seneca Niagara Casino	Gaming Facility	2,528
GM Component Holdings LLC	Heating/Cooling Systems	1,675
Niagara County	County Government	1,554
Fashion Outlets of Niagara	Retail Shopping Center	1,434
Mount St. Mary's Hospital	Medical Center	1,250
Niagara Falls School District	Education	1,120
Niagara Falls Memorial Medical Center	Medical Center	925
Eastern Niagara Health System	Medical Center	806
Lockport School System	Education	728
Niagara County Community College	Education	746
City of Niagara Falls	City Government	658

Source: Niagara County Center for Economic Development.

### ***Population***

Changes in the City's population as compared to changes in the population of the County and the State as reported by the US Bureau of the Census is as follows:

**TABLE 20**

	<u>2000</u>	<u>2010</u>	<u>% Change 2000-2010</u>
City of Niagara Falls	51,712	50,193	(3.0)%
Niagara County	219,846	216,469	(1.6)%
New York State	18,876,457	19,378,102	2.1%

Source: U.S. Bureau of Census.

### ***Employment and Unemployment Data***

**TABLE 21**  
**Civilian Labor Force**  
(000s)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City	22.8	22.4	21.8	21.6	21.4
County	105.8	104.7	102.0	101.4	100.8
State	9,612.2	9,623.1	9,570.7	9,591.2	9,584.5

Source: NY State Dept. of Labor.

**TABLE 22**  
**Yearly Average Unemployment Rates**

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2012	11.7%	9.3%	8.5%
2013	10.3%	8.5%	7.7%
2014	8.5%	7.0%	6.3%
2015	7.6%	6.2%	5.3%
2016	7.2%	5.8%	4.8%

Source: NY State Dept. of Labor.

**TABLE 23**  
**Monthly Unemployment Rates**

<u>Month</u>	<u>City</u>	<u>County</u>	<u>State</u>
July 2016	6.5%	5.5%	5.0%
August	6.5%	5.4%	4.9%
September	6.7%	5.5%	4.9%
October	7.0%	5.4%	4.8%
November	7.1%	5.5%	4.5%
December	7.8%	6.2%	4.5%
January 2017	8.9%	7.1%	4.9%
February	9.0%	7.2%	5.0%
March	7.8%	6.4%	4.4%
April	7.5%	5.9%	4.2%
May	7.0%	5.5%	4.3%
June	7.7%	5.6%	4.5%

Source: NY State Dept. of Labor.

### ***Comparative Housing, Income and Population Data (2010)***

**TABLE 24**

	<u>City</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
<u>Age Distribution:</u>				
% Under 5 Years	6.1	5.3	6.0	6.5
% 20 to 64	60.0	53.3	61.2	60.0
% 65 and Over	15.5	16.0	13.2	13.1
Median Age	39.8	41.9	38.0	37.2
Person/Household	2.20	2.34	2.57	2.58
<u>Housing:</u>				
% Owner Occupied Housing Units	54.8	70.3	54.7	65.9
Median Value Housing (\$)	68,500	102,500	304,100	187,500
Median Gross Rent (\$)	604	617	996	850
% Housing Built 2000-2010	0.7	5.3	5.7	13.6
% Housing Built Before 1939	54.8	35.2	31.2	13.9
% With 5 or More Units in Structure	13.2	10.1	32.3	17.7
<u>Income:</u>				
Per Capita Income (\$)	19,821	23,846	30,791	26,942
Median Family Income (\$)	44,478	58,749	67,059	62,112
% People Below Poverty Level	22.8	13.7	14.4	14.4

Source: Census of Population and Housing, U.S. Department of Commerce, Bureau of the Census.

### ***Utilities***

Sewer and water facilities are furnished by the Niagara Falls Water Board. Gas and electric services are provided by the National Fuel Corporation and National Grid Power Corporation, respectively.

### ***Transportation***

The City is served by the Niagara Falls International Airport and the nearby Buffalo-Niagara International Airport. The City is also served by several railroads, including an international railroad to Canada, Interstate and State highways, and two international bridges to Canada.

## ***Educational, Cultural and Recreational Facilities***

Cultural and educational facilities in the immediate area include, among others, the Aquarium, Artpark Performing Arts Center, Niagara Community College and Niagara University. City residents also have easy access to the communities of Buffalo, NY- 23 miles to the south and, Toronto, Ontario, Canada - 70 miles northwest of the City.

## **LITIGATION**

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

On April 10, 2012 three families commenced a lawsuit against the Niagara Falls Water Board (the “Board”), the City of Niagara Falls, Glenn Springs Holdings, Inc. (“GSH”) and Conestoga Rovers & Associates (Abbo-Bradley v. Glenn Springs Holdings, Inc.) alleging that the excavation of a sanitary sewer line in January, 2011 exposed them to chemical contaminants associated with the Love Canal Containment Site. During the process of excavating and replacing a sewer line the contractor encountered a strong chemical odor and work was stopped. Under the supervision of the DEC, GSH remediated the contaminated soil found in this area. The plaintiffs asserted six causes of action against all of the defendants: negligence, abnormally dangerous activity, gross negligence, private nuisance, trespass, and equitable request for medical monitoring. The complaint also included a claim for punitive damages against GSH, Conestoga Rovers and the Board. The Defendants denied all of the material allegations in the complaint. The complaint does not quantify the amount of damages sought by the plaintiffs.

In March, 2013 the plaintiffs in the Abbo-Bradley action amended their complaint and added eleven new defendants, including Occidental Chemical Corporation and Scott Lawn Yard. The amended complaint is based on a broader set of factual allegations, going back to the original dumping of chemicals in the Love Canal by Hooker Chemical Corporation in the 1940s and 1950s. The complaint also alleges that the containment system that was implemented by Occidental Chemical and other defendants to contain chemicals in the Love Canal Containment Area was defectively designed and constructed. The amended complaint also included allegations based on the January, 2011 discovery of chemicals in the excavation site.

The plaintiffs’ law firm has filed seventeen other lawsuits on behalf of approximately 1,100 claimants, naming all of the same defendants, alleging to have sustained personal injuries or property damages as a result of the release of chemicals from the Love Canal site. In May, 2014 Judge Kloch in Niagara County Supreme Court dismissed virtually all of the Abbo-Bradley claims other than those relating directly to the excavation. In October 2015, the Appellate Division, Fourth Department reinstated some of the claims. While the City has meritorious defenses to all claims brought, it is not possible at this time to determine the ultimate outcome of such litigation or the potential liability to the City as a result of a decision adverse to the City.

## **End of Appendix A**

**APPENDIX B**

**FINANCIALS**

**CITY OF NIAGARA FALLS, NY**  
**Balance Sheet**  
**General Fund**

**As of December 31:**

<b><u>Assets</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Cash and cash equivalents	\$9,928,592	\$10,445,575
Due from State and Federal governments	1,468,672	2,733,806
Due From Other Governments	1,629,274	1,053,967
Loans receivable	0	2,083,002
Notes receivable	255,145	117,714
Taxes receivable	14,829,912	16,330,014
Accounts receivable	2,378,356	1,561,984
Prepaid Expenses	2,027,741	2,047,865
Due From Other Funds	1,874,144	561,860
<b>Total Assets</b>	<b>\$34,391,836</b>	<b>\$36,935,787</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	1,915,759	5,129,725
Accrued Liabilities	4,484,748	3,082,687
Due to Other Funds	1,162,479	1,462,185
Due to Other Governments	8,390,009	9,414,233
Unearned Revenue	0	2,836,299
<b>Total Liabilities</b>	<b>15,952,995</b>	<b>21,925,129</b>
<b><u>Deferred Inflows</u></b>		
Deferred Property Taxes	7,539,940	7,714,176
Deferred Tax Revenue	280,485	0
	<b>7,820,425</b>	<b>7,714,176</b>
<b><u>Fund Balances</u></b>		
Nonspendable	2,129,548	2,047,865
Restricted	3,142,749	2,826,032
Assigned	236,042	2,422,585
Unassigned	5,110,077	0
<b>Total Fund Balance</b>	<b>10,618,416</b>	<b>7,296,482</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$34,391,836</b>	<b>\$36,935,787</b>

Source: Compiled from prior years audited financial reports although this statement was not subject to audit

**CITY OF NIAGARA FALLS, NY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**

Year Ending December 31:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>Revenues</u></b>					
Real Property Taxes	\$30,300,909	\$30,110,047	\$31,068,764	\$33,044,725	\$31,178,831
Non Property Tax Items	19,268,713	20,201,311	20,338,163	20,286,643	20,996,317
Interdepartmental Charges	0	0	0	1,243,106	1,478,236
Departmental Income	1,901,183	2,615,986	2,167,740	615,949	516,676
Use of Money & Property	624,787	679,938	665,750	646,881	604,642
Licenses and Permits	1,001,626	1,111,495	1,136,267	1,042,701	1,170,352
Fines and Forfeitures	609,984	577,938	646,220	567,095	538,093
Interfund Revenues	37,699	132,148	207,503	228,036	74,992
Sale of Property and Comp for Loss	125,884	89,627	110,377	88,185	134,091
Miscellaneous	498,078	533,885	549,493	345,616	311,089
State Sources	19,140,438	24,663,789	19,432,400	19,129,560	19,179,578
Federal Sources	378,646	114,073	61,062	74,772	62,512
Total Revenues	<u>73,887,947</u>	<u>80,830,237</u>	<u>76,383,739</u>	<u>77,313,269</u>	<u>76,245,409</u>
<b><u>Expenditures</u></b>					
General Government Support	11,151,500	10,280,854	11,079,931	10,970,870	11,086,722
Public Safety	35,829,620	38,645,580	41,595,759	38,495,728	39,930,781
Transportation	3,800,585	4,264,548	4,545,731	4,086,874	4,339,363
Economic Assistance and Opportunity	5,592,586	2,213,400	2,450,566	3,022,991	3,282,224
Culture and Recreation	2,358,337	2,300,906	2,398,546	2,440,255	2,424,287
Home and Community Services	5,470,363	5,397,653	5,973,350	5,452,377	5,259,759
Employee Benefits	14,344,795	14,163,982	15,952,182	17,194,150	17,605,903
Total Expenditures	<u>78,547,786</u>	<u>77,266,923</u>	<u>83,996,065</u>	<u>81,663,245</u>	<u>83,929,039</u>
Excess of Revenues over Expenditures	<u>(4,659,839)</u>	<u>3,563,314</u>	<u>(7,612,326)</u>	<u>(4,349,976)</u>	<u>(7,683,630)</u>
<b><u>Other Sources and (Uses)</u></b>					
Operating Transfers In	10,604,293	22,327,152	9,103,201	9,741,207	15,019,143
Operating Transfers Out	<u>(9,175,894)</u>	<u>(9,294,185)</u>	<u>(9,088,184)</u>	<u>(9,171,126)</u>	<u>(8,819,172)</u>
Total Other Sources and (Uses)	<u>1,428,399</u>	<u>13,032,967</u>	<u>15,017</u>	<u>570,081</u>	<u>6,199,971</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(3,231,440)</u>	<u>16,596,281</u>	<u>(7,597,309)</u>	<u>(3,779,895)</u>	<u>(1,483,659)</u>
<b><u>Fund Balance</u></b>					
Fund Balance - Beginning of Year	8,630,776	5,399,336	21,995,617	14,398,311	10,618,416
Prior Period Adjustment*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,838,275)</u>
Fund Balance - End of Year	<u>\$5,399,336</u>	<u>\$21,995,617</u>	<u>\$14,398,308</u>	<u>\$10,618,416</u>	<u>\$7,296,482</u>

Source: Compiled from prior years audited financial reports although this statement was not subject to audit



**CITY OF NIAGARA FALLS, NY**  
**Summary of Estimated Revenues and Budgetary Appropriations**  
**General Fund**

Fiscal Year Ending December 31:	<u>2016</u>	<u>2017</u>
	<u>Adopted Budget</u>	<u>Adopted Budget</u>
<b><u>Estimated Revenues:</u></b>		
Real Property Taxes	\$28,060,691	\$28,541,009
Other Real Property Tax Items	4,765,610	4,597,172
Non Property Taxes	18,300,000	18,300,000
Departmental Income	437,384	486,885
Intergovernmental Charges	771,489	832,317
Use of Money & Property	623,427	602,584
Licenses & Permits	1,136,137	839,960
Fines & Forfeitures	642,500	632,000
Sales of Property and Comp for Loss	265,454	28,398
Miscellaneous	157,900	157,500
Interfund Revenue	242,235	370,000
State Aid	19,398,067	19,085,723
Federal Aid	0	0
Operating Transfers	14,012,509	15,932,481
Total Estimated Revenues	<u>88,813,403</u>	<u>90,406,029</u>
Appropriated Fund Balance	<u>0</u>	<u>0</u>
<b>Total Estimated Revenues and Appr. Fund Balance</b>	<b><u><u>\$88,813,403</u></u></b>	<b><u><u>\$90,406,029</u></u></b>
<b><u>Appropriations (By Function)</u></b>		
General Support	\$10,931,646	\$10,738,300
Public Safety	37,797,477	38,476,563
Transportation	4,305,533	4,433,647
Economic Assistance	466,446	511,446
Culture & Recreation	2,660,245	2,662,626
Home and Community Services	5,450,322	5,802,462
Employee Benefits	18,217,961	18,779,512
Miscellaneous	<u>8,983,773</u>	<u>9,001,473</u>
<b>Total Appropriations</b>	<b><u><u>\$88,813,403</u></u></b>	<b><u><u>\$90,406,029</u></u></b>
<b><u>Appropriations (By Object)</u></b>		
Personnel Services	\$35,489,852	\$36,459,783
Contractual Expenses	11,037,354	11,244,080
Employee Benefits	33,092,424	33,490,693
Interfund Transfers	8,983,773	9,001,473
Capital Construction	<u>210,000</u>	<u>210,000</u>
<b>Total Appropriations</b>	<b><u><u>\$88,813,403</u></u></b>	<b><u><u>\$90,406,029</u></u></b>

Source: 2016 and 2017 Adopted Budgets

**APPENDIX C**

**INDEPENDENT AUDITORS' REPORT  
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/ER1067414-ER836131-ER1237029.pdf>**

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

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

## **APPENDIX D**

August 30, 2017

City of Niagara Falls,  
County of Niagara,  
State of New York

Re: CITY OF NIAGARA, NIAGARA COUNTY, NEW YORK  
\$2,850,000 GENERAL OBLIGATION (SERIAL) BONDS, 2017 SERIES B (FEDERALLY TAXABLE)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$2,850,000 General Obligation (Serial) Bonds, 2017 Series B (Federally Taxable) (the "Obligations"), of the City of Niagara Falls, Niagara County, New York (the "Obligor"), dated August 30, 2017, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ per centum (\_\_\_\_%) per annum, payable on August 15, 2018 and semi-annually thereafter on February 15 and August 15, and maturing in the amount of \$95,000 on August 15, 2019, \$100,000 on August 15 in each of the years 2020 and 2021, \$105,000 on August 15 in each of the years 2022 to 2024, both inclusive, \$110,000 on August 15 in each of the years 2025 and 2026, \$115,000 on August 15 in each of the years 2027 to 2029, both inclusive, \$120,000 on August 15 in each of the years 2030 to 2032, both inclusive, \$125,000 on August 15 in each of the years 2033 and 2034, \$130,000 on August 15 in each of the years 2035 to 2037, both inclusive, \$135,000 on August 15 in each of the years 2038 and 2039, \$140,000 on August 15 in each of the years 2040 and 2041, and \$125,000 on August 15, 2042.

The bonds maturing on August 15, 2019 to August 15, 2027, inclusive, are not subject to redemption prior to maturity. The bonds maturing on August 15, 2028 to August 15, 2042, inclusive, will be subject to redemption prior to maturity, at the option of the City, on any date on or after August 15, 2027, in whole or in part, and if 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.

We have examined the Constitution and statutes of the State of New York. We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) Interest on the Obligations is includable in the gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions. Interest on the Obligations is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). We express no opinion regarding other Federal tax consequences arising with respect to the Obligations.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

August 30, 2017

City of Niagara Falls,  
County of Niagara,  
State of New York

Re: CITY OF NIAGARA, NIAGARA COUNTY, NEW YORK  
\$5,243,305 GENERAL OBLIGATION (SERIAL) BONDS, 2017 SERIES A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$5,243,305 General Obligation (Serial) Bonds, 2017 Series A (the "Obligations"), of the City of Niagara Falls, Niagara County, New York (the "Obligor"), dated August 30, 2017, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ per centum (\_\_\_\_%) per annum, payable on August 15, 2018 and semi-annually thereafter on February 15 and August 15, and maturing in the amount of \$628,305 on August 15, 2019, \$840,000 on August 15, 2020, \$305,000 on August 15, 2021, \$310,000 on August 15, 2022, \$215,000 on August 15, 2023, \$220,000 on August 15, 2024, \$225,000 on August 15 in each of the years 2025 and 2026, \$235,000 on August 15, 2027, \$220,000 on August 15, 2028, \$230,000 on August 15, 2029, \$235,000 on August 15, 2030, \$240,000 on August 15, 2031, \$225,000 on August 15, 2032, \$110,000 on August 15 in each of the years 2033 and 2034, \$115,000 on August 15 in each of the years 2035 and 2036, \$110,000 on August 15, 2037, \$70,000 on August 15 in each of the years 2038 to 2041, both inclusive, and \$50,000 on August 15, 2042.

The bonds maturing on August 15, 2019 to August 15, 2027, inclusive, are not subject to redemption prior to maturity. The bonds maturing on August 15, 2028 to August 15, 2042, inclusive, will be subject to redemption prior to maturity, at the option of the City, on any date on or after August 15, 2027, in whole or in part, and if 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.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation,

refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP