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██████████
██████ Liberty Street
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Dear ██████████

The State Comptroller's Office was recently presented with a petition, signed by residents of the City of Newburgh, requesting additional State fiscal management beyond the oversight defined in the City of Newburgh Fiscal Recovery Act, which became effective in July, 2010. Specifically, the petition requests that the State Comptroller reject tax increases enacted and planned by the City, reject the three year financial plan submitted by the City and take direct control of the City's financial management and operations. Comptroller DiNapoli has asked me to respond.

The State Comptroller's Office has had extensive involvement with City of Newburgh officials since we became aware of the City's financial difficulties in 2009. In December 2009, we met with City officials and their State Legislative delegation to discuss issues and provided guidance on how they should begin to address their problems. In March 2010, we issued a report on the City's 2010 budget and identified areas that needed immediate action so that the City could avoid a budget shortfall for the 2010 year. Throughout the spring and summer of 2010, we met with City officials, their Legislators, various Legislative Committees and the State Division of Budget to discuss the City's financial problems and provide technical assistance.

In July 2010, the State Legislature passed and the Governor signed the City of Newburgh Fiscal Recovery Act. This Act authorized the City to borrow up to \$15 million to address its accumulated deficit and required additional actions by the State Comptroller's Office to oversee the City's finances. For example, the State Comptroller's Office is now required to:

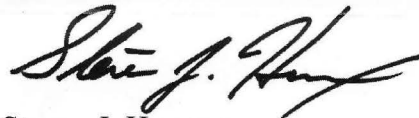
- Certify the City's deficit – after completion of the City's independent audit for the 2010 fiscal year, the State Comptroller will determine the exact amount that the City may borrow (up to \$15 million) to address its accumulated deficit.
- Examine the City's Annual Budget – the State Comptroller will examine the City's proposed budget for each of the next 15 years. The purpose of this review is to determine whether proposed revenues and appropriations are reasonable. Our review of the City's proposed 2011 budget was completed and issued to City officials on November 10, 2010.

- Review Quarterly Budget Reports – at the end of each quarter of the fiscal year, City officials are required to submit budget reports showing actual revenues and expenditures compared to budgeted amounts. We will review these reports to determine whether the City is staying within their budget and will make recommendations for action if material variations occur.
- Review Multi-year Financial Plans – City officials are required to submit a multi-year financial plan, with their proposed budget, to the State Comptroller for each year that deficit financing is outstanding. These multi-year plans cover the next three fiscal years. We have reviewed the City's most recent multi-year plan and have recently offered assistance to City officials to improve the plan.
- Provide Comments on Further Debt Issuances – during the period in which deficit financing is outstanding, City officials must provide the state Comptroller with notice of their intent to issue any bonds or notes, or their intent to enter into an installment purchase contract. We will review such debt issuances and comment, as necessary, on whether the City can afford to pay for such borrowing.
- Oversee the Special Debt Service Fund – the State Comptroller is authorized to intercept City revenues (including State Aid and real property taxes) in such amounts as are necessary to pay for the City's debt service for the succeeding 12 month period. The State Comptroller then authorizes the scheduled debt service payments from this account.

As you can see, the State Comptroller has had and will continue to have significant involvement with the City's financial activities. There are, however, limitations to our involvement. For example, the submitted petition calls upon the State Comptroller to reject previous and future real property tax increases. The State Constitution gives the City authority to levy taxes and does not provide the State Comptroller with authority to change or reject tax levies. Likewise, the petition calls for taking direct control of the City's financial management and operations. Such control, usually in the form of a control board, can only be accomplished by an act of the State Legislature. The State Comptroller has no authority to impose such control over the City. Finally, the petition asks that the State Comptroller reject the City's three year financial plan. As stated above, we have reviewed the plan and have offered assistance to City officials to improve it.

I hope this addresses your concerns. If you have additional questions or concerns, please feel free to contact Christopher Ellis, Chief Examiner of our Newburgh office at (845)567-0858.

Sincerely,



Steven J. Hancox
Deputy Comptroller

cc: C. Ellis