

REFUNDING**S&P GLOBAL RATINGS: "A" POSITIVE OUTLOOK****SERIAL BONDS****SEE "BOND RATING" HEREIN**

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law (1) interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum taxes imposed by the Internal Revenue Code of 1986, as amended (the "Code"), except that the City, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds to become subject to federal income taxation from the date of issuance thereof, and (2) interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See the caption "TAX MATTERS" herein.

The Bonds will NOT be designated as or deemed designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.



\$25,590,000*

CITY OF SCHENECTADY SCHENECTADY COUNTY, NEW YORK

GENERAL OBLIGATIONS**CUSIP BASE #: 806449**

\$25,590,000* Public Improvement Refunding (Serial) Bonds, 2022 (referred to herein as the "Bonds")

Dated: Date of Delivery**Due: May 15, 2022-2038****MATURITIES***

Year	Amount [†]	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP
2022	\$ 30,000	%	%		2028	\$1,420,000	%	%		2034	\$1,860,000**	%	%	
2023	1,075,000				2029	1,505,000				2035	1,910,000**			
2024	1,120,000				2030	1,600,000				2036	1,965,000**			
2025	1,190,000				2031	1,675,000**				2037	2,015,000**			
2026	1,260,000				2032	1,745,000**				2038	2,075,000**			
2027	1,335,000				2033	1,810,000**								

** The Bonds maturing in the years 2031-2038 are subject to redemption prior to maturity as described herein under the heading "Optional Redemption".

The Bonds are general obligations of the City of Schenectady, Schenectady County, New York (the "City"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See "TAX LEVY LIMITATION LAW" herein.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 each or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable on May 15, 2022, November 15, 2022 and semi-annually thereafter on May 15 and November 15. Principal and interest will be paid by the City to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Barclay Damon, Albany, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey on or about February 16, 2022.

ROOSEVELT & CROSS INCORPORATED

January __, 2022

* Preliminary, subject to change.

CITY OF SCHENECTADY

SCHENECTADY COUNTY, NEW YORK



CITY OFFICIALS

GARY R. McCARTHY
MAYOR

CITY COUNCIL

MARION PORTERFIELD
PRESIDENT

DAMONNI FARLEY
CARMEL PATRICK
CARL WILLIAMS

JOHN MOOTOVEREN
DOREEN DITRO
JOHN POLIMENI

ANTHONY R. FERRARI
Commissioner of Finance and Administration

SAMANTA MYKOO
City Clerk

ANDREW KOLDIN
Corporation Counsel



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor



Bond Counsel

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but 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 thereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
CITY OF SCHENECTADY
SCHENECTADY COUNTY, NEW YORK
Relating to

\$25,590,000* Public Improvement Refunding (Serial) Bonds, 2022

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Schenectady, Schenectady County, New York (the "City," "County," and "State," respectively), in connection with the sale by the City of its aggregate principal amount of \$25,590,000* Public Improvement Refunding (Serial) Bonds, 2022 (referred to herein as the "Bonds").

The factors affecting the City's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

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

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery and will mature in the principal amounts and on the dates as set forth on the cover page. The "Record Date" of the Bonds will be the last business day of the calendar month preceding each such interest payment date.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Principal and interest will be paid by the City to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof for any single maturity, and the City will act as paying agent. Interest on the Bonds will be payable on May 15, 2022, November 15, 2022, and semi-annually thereafter on May 15 and November 15 in each year until maturity.

Optional Redemption

The Bonds maturing on or before May 15, 2030 shall not be subject to redemption prior to maturity. The Bonds maturing on or after May 15, 2031 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the City on May 15, 2030 or on any date thereafter at par (100.0%), plus accrued interest to the date of redemption.

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

* Preliminary, subject to change.

NATURE OF OBLIGATION

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

Holders of any series of bonds or notes 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 notes or 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.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

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 is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to override that limitation. See “TAX INFORMATION - Tax Levy Limitation Law.”

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered 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.

Purchases of 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 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 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 within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

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 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 ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF 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.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. 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. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent to be named by the City upon termination of the book-entry-only system. Interest on the Bonds will be payable on May 15, 2022, November 15, 2022 and semi-annually thereafter on May 15 and November 15. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owners of the Bonds, 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. The 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 Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination of the Commissioner of Finance 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 fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

AUTHORIZATION AND PLAN OF REFUNDING

Purpose of Issue

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly section 90.10 of the Local Finance Law, a refunding bond resolution adopted by the City Council of the City on November 8, 2021 (the “Refunding Bond Resolution”) and other proceedings and determinations related thereto. The Refunding Bond Resolution authorizes the refunding of the \$28,160,000 aggregate outstanding principal amount of the City’s Public Improvement (Serial) Bonds, 2014 maturing on and after May 15, 2023, originally issued by the City on May 15, 2014 in the aggregate principal amount of \$37,085,209 (the “Refunded Bonds”).

The Refunded Bonds were issued pursuant to the Constitution and statutes of the State, including among others, the General City Law and the Local Finance Law, the City Charter and various bond resolutions for the following purposes and amounts:

\$37,085,209 Public Improvement (Serial) Bonds, 2014– dated May 15, 2014

<u>Purposes</u>	<u>Amount</u>
Paving of Streets	\$ 1,778,843
Machinery and Apparatus	546,302
Installation of Traffic Improvements	117,174
Embellishment of Parks, Playgrounds and Recreational Areas	359,740
Construction and Reconstruction of Improvements to the Sewer System	1,139,846
Machinery & Apparatus	232,240
Construction of Bureau of Services Facilities	19,284,470
City Sewer System Improvements	2,041,000
Reconstruction and Paving of Streets	873,039
Acquisition of Machinery and Apparatus	201,841
Acquisition of Machinery and Apparatus	50,228
Acquisition of Machinery and Apparatus	9,085
Construction of Buildings	275,912
Reconstruction of Buildings	3,022,809
Acquisition and installation of Parking Meters	10,122
Acquisition of Plotter/Printer	10,122
Construction & Reconstruction of Improvements to Water Distribution System	1,469,558
Construction & Reconstruction of Improvements to Sewer System	436,367
Acquisition of Replacement Machinery, Equipment and Apparatus for Sewer System	321,018
Acquisition of an ATV for use at the Golf Course	15,091
Removal of Soil at the Bureau Services Building	2,477,902
Removal of Soil at the Bureau Services Building	1,907,500
Paving of Streets	<u>505,000</u>
Total:	\$ 37,085,209

The proceeds of the Bonds are intended to be used to purchase a portfolio of non-callable direct obligations of the United States of America (the “Government Obligations”) and pay certain costs of issuance related to the Bonds. The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the Escrow Deposit Fund (as hereinafter defined) are expected to be sufficient to pay the maturing principal of and interest on the Refunded Bonds.

All proceeds of the Refunded Bonds have been heretofore expended.

The Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the City’s refunding financial plan (the “Refunding Financial Plan”). The Refunding Financial Plan provides that the proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance related to the Bonds) are to be applied to the purchase of direct obligations of the United States of America (the “Government Obligations”). The Government Obligations are to be placed in an irrevocable escrow fund (the “Escrow Deposit Fund”) with Wilmington Trust, N.A., an affiliate of M&T Bank Corporation (the “Escrow Holder”), pursuant to the terms of an escrow contract (the “Escrow Contract”) by and between the City and the Escrow Holder. The Refunding Financial Plan further provides that the Government Obligations so deposited will mature in amounts and bear interest sufficient, together with any uninvested cash deposited into the Escrow Deposit Fund from proceeds of the Bonds, to meet principal and interest payments with respect to the Refunded Bonds on their earliest redemption date. The Refunding Financial Plan calls for the Escrow Holder, pursuant to the refunding bond resolution and the Escrow Contract, to call for redemption all the then outstanding Refunded Bonds on their earliest redemption date. The owners of the Refunded Bonds will have a first lien on all of the cash and Government Obligations necessary for the refunding in the Escrow Deposit Fund into which are required to be deposited all investment income on and maturing principal of the Government Obligations, together with the uninvested cash deposit, until the Refunded Bonds have been paid, whereupon the Escrow Contract, given certain conditions precedent, shall terminate.

The City is expected to realize, as a result of the issuance of the Bonds, and in accordance with the Refunding Financial Plan, cumulative dollar and present value debt service savings.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the City and will continue to be payable from City sources legally available therefore. However, inasmuch as the Government Obligations and cash held in the Escrow Deposit Fund will have been verified to be sufficient to meet all required payments of principal and interest on the Refunded Bonds, it is not anticipated that such City sources of payment will be used.

The list of Refunded Bond maturities set forth below may be changed by the City in its sole discretion due to market or other factors considered relevant by the City at the time of pricing of the Bonds and no assurance can be given that any particular maturity thereof will be refunded.

\$37,085,209 Public Improvement (Serial) Bonds, 2014– dated May 15, 2014

<u>Due May 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CSP</u>
2023	\$ 1,290,000	3.250%	5/15/2022	100.00%	P81
2024	1,340,000	3.250	5/15/2022	100.00	P99
2025	1,400,000	3.250	5/15/2022	100.00	Q23
2026	1,455,000	3.250	5/15/2022	100.00	Q31
2027	1,515,000	3.250	5/15/2022	100.00	Q49
2028	1,580,000	3.250	5/15/2022	100.00	Q56
2029	1,645,000	3.250	5/15/2022	100.00	Q64
2030	1,715,000	3.250	5/15/2022	100.00	Q72
2031	1,775,000	3.500	5/15/2022	100.00	Q80
2032	1,845,000	3.500	5/15/2022	100.00	Q98
2033	1,910,000	3.500	5/15/2022	100.00	R22
2034	1,975,000	3.750	5/15/2022	100.00	R30
2035	2,050,000	3.750	5/15/2022	100.00	R48
2036	2,135,000	3.750	5/15/2022	100.00	R55
2037	2,220,000	4.000	5/15/2022	100.00	R63
2038	<u>2,310,000</u>	4.000	5/15/2022	100.00	R71
	<u>\$28,160,000</u>				

The Local Finance Law provides that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal of and interest on the bonds to be refunded by such refunding bonds, such bonds are no longer counted in computing the City’s debt for statutory debt limitation purposes.

Verification of Mathematical Computations

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the City and its representatives. Included in the scope of its engagement will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations listed in the Underwriter’s schedules, used to fund the Escrow Deposit Fund to be established by the Escrow Holder to pay, when due, the maturing principal of and interest on the Refunded Bonds.

The verification performed by Causey Demgen & Moore P.C. will be solely based upon data, information and documents provided to Causey Demgen & Moore P.C. by the City and its representatives. The Causey Demgen & Moore P.C. verification report will state Causey Demgen & Moore P.C. has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	Par Amount of the Bonds	
	Original Issue Premium	
		Total
Uses:	Deposit to Escrow Deposit Fund	
	Underwriter's Discount	
	Costs of Issuance and Contingency	
		Total

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INTRODUCTION

The City of Schenectady, measuring approximately 10.78 square miles and with a population of 67,047 according to the 2020 U.S. Census estimate, is located in the eastern portion of New York State on the Mohawk River about five miles west of Albany. The City is an integral part of the Capital Region, which also includes the cities of Albany and Troy, as well as other smaller cities, towns and villages. Incorporated on March 26, 1798, the City is one of the nation's oldest incorporated cities and serves as the seat of Schenectady County government. The City is the commercial, industrial and cultural center of Schenectady County.

The following is an overview of the City's 2018-2022 budgets. See also "Finances" herein for further detail regarding the City's budgets and financial results.

2018 Results. The City's 2018 budget was adopted by the City Council on October 24, 2017. The 2018 budget of \$85,241,945 included a tax rate decrease of 0.45%, a tax levy increase of 3.0% (due to increase in taxable assessed value) and percentage of Constitutional Tax Limit used of 65.23%. The City remained within its tax cap for the 2018 fiscal year.

The audited results for FY 2018 include General Fund revenues of \$84.9 million, \$1.1 million less than the revised adopted budget. The 2018 General fund expenses of \$83.1 million which is under the revised adopted budget by \$3.15 million. The General Fund ended 2018 with a surplus of \$1.8 million. Revenues from sale of City owned properties, budgeted at \$1.4 million, actual revenues of \$1.98 million. Revenues from the Casino, budgeted at \$2.2 million, actual at \$2.6 million. Allowance for uncollected taxes, budgeted at \$4.12 million, actual is \$3.02 million. Management has been working diligently to control expenses and cut costs. The City's General Fund - Fund Balance increased to \$15.3 million.

The City's Water and Sewer funds both ended the year with surpluses, \$1,105,807 and \$1,353,837, respectively. The City's Golf/Recreation fund ended the year with a slight deficit of \$10,448 – the City appropriated \$103,000 of Golf Type Capital Reserve during 2018.

On January 29, 2018, a mudslide occurred in the City that destroyed one privately-owned apartment building and damaged another. As a matter of public safety, the City arranged for demolition of several buildings. The City has paid a total of \$205,812 as of March 28, 2018. Of this amount, the City paid \$124,412 for stabilization of the slope, \$72,000 for City demolitions and \$9,400 for the removal of trees. Funds from the City's Contingency Account were used to pay for those expenses.

In December 2018, the buildings at 6-8 Grand Street became unstable. As a matter of public safety, the City arranged for the demolition of the building at a cost of \$110,000, which amount was paid from the City's contingency fund in 2018.

There are two large tax certiorari claims pending for Home Depot and Rite Aid Corporation. The City plans to accrue the value of these settlements in the 2018 financial statements (approximately \$452,000) (expense and liability in the General Fund).

2019 Results. The 2019 budget was adopted by the City Council on October 26, 2018. The adopted budget of \$86,735,149 included a tax rate decrease of 1.29% with a tax levy decrease of .57% and a percentage of Constitutional Tax Limit used of 62.88%. The City remained within its tax cap for the 2019 fiscal year. The 2019 budget estimated \$2.63 million in revenue from the Casino and \$1.6 million in revenues from the sale of City owned properties. The 2019 budget did not include the sale of tax liens.

The audited results for the 2019 fiscal year include General Fund revenues of \$84.87 million with General Fund expenditures of \$85.78 million. This resulted in a deficit of \$916,750. The deficit is primarily due to settlement of the police union contract that required retro payments for 2018 and 2019 in the amount of \$1.01 million.

The City's Water and Sewer funds both ended the year with surpluses \$90,300 and \$536,837 respectively. The City's Golf/recreation fund had a slight deficit of \$37,270 which is primarily due to the appropriation of Golf Type Capital Reserves of \$92,000 instead of borrowing.

2020 Budget. The 2020 budget was adopted by the City Council on October 28, 2019. The adopted budget of \$89,459,143 included a tax rate decrease of 1.6% with tax levy decrease of 1.1% and a Constitutional Tax Limit used of 60.17%. The City remained within its tax cap for the 2020 budget year. The 2020 budget estimates \$2.925 million in revenue from the Casino, New Agreement for the operation of City's Solid Waste Transfer Station. The 2020 budget did not include the sale of tax liens.

2020 Audited Results: the City's Golf/Recreation Fund finished the year with a \$148,000 surplus. The City's Water Fund finished the year with a \$890,000 surplus. The City's Sewer Fund finished the year with a slight deficit of \$168,000 (due to use of capital reserves during the year).

The City's General Fund finished the year with a deficit of \$3,688,309 (far less than the revised budgeted use of Fund Balance of \$5,058,955). During the COVID-19 pandemic, the Finance Commissioner and the Mayor cut the overtime and non personnel budget lines by 20%, a no hiring directive was issued and all purchase orders required the approval of the Mayor and Commissioner of Finance. These directives helped to keep the deficit manageable. Driving factors contributing to this deficit were the financial downturn in the economy due to the COVID-19 pandemic (decrease in Casino revenues, NYS AIM payments, Prior Year tax lien collection and various departmental income streams). The City's cash flow remained healthy throughout 2020; the City issued a \$7.0 million TAN in September of 2020 to cover any potential cash flow issues. The City repaid the TAN in full at maturity in 2021.

2021 Budget. The 2021 budget was adopted by the City Council on October 26, 2020. The adopted budget of \$88,539,604 included a tax rate increase of 1.5%, a tax levy increase of 2.6% and a Constitutional Tax Limit used of 57.99%. The City remains within its tax cap for the 2021 budget year. The 2021 budget estimates \$2.3 million in revenue from the casino. The 2021 budget does not include the sale of tax liens. President Biden has signed into law the American Rescue Plan ("ARP"), a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The City received ARP aid in the amount of \$26,485,899 in 2021 and anticipates receiving ARP aid in the amount of \$26,485,899 in 2022.

2021 Estimates: The 2021 fiscal year end results are not available as of the date of this Official Statement. However, the City anticipates breaking even for the 2021 fiscal year.

2022 Budget The 2022 budget was adopted by the City Council on October 25, 2021. The adopted budget of \$97,587,611 included a tax rate increase of .027%, a tax levy increase of 1.7% and a Constitutional Tax Limit used of 55.35%. The City remains within its tax cap for the 2022 budget year. The 2022 budget estimates \$2.75 million in revenue from the casino. The 2022 budget does not include the sale of tax liens. The City budgeted \$4.618,553 of ARPA fund in the 2022 Budget. The City received ARPA aid in the amount of \$26,485,899 in 2021 and anticipates receiving ARPA aid in the amount of another \$26,485,699 in 2022. The funds received are put into a separate account and considered Deferred Revenue until such time as the revenue is earned. The balance of funds is currently unallocated by the City and the City is in the process of accepting and reviewing proposals for the use of such funds.

Some of the major initiatives that increase recurring revenues and/or decrease recurring costs are as follows:

- **COUNTY SALES TAX AGREEMENT** – In October 2020, the City entered into an agreement with the County effective December 1, 2020, through November 30, 2028. In year one, the City shall receive the same percentage of the 3% sales tax revenue collected as it did in year eight of the prior agreement, plus \$1,000,000, which represents the aggregate total due under the Hazmat (\$600,000), Police (\$200,000) and Community Redevelopment and Demolition of Structures (\$200,000) agreements. Thereafter in years two through eight, the City shall receive the same percentage of the 3% sales tax as it did in year one, and the calculation of this amount shall include the \$1,000,000 added to the base of year one for the appropriate percentage calculations in years two through eight.
- **COUNTY PROPERTY TAX AGREEMENT** – The City is responsible to extend, apportion, collect and enforce collection of the real property tax within the City. In February 2014, the City entered into an agreement with the County that addresses payment of County taxes (collected or uncollected) by the City beginning with the 2012 taxes. The February 2014 agreement requires that the City pay to the County an amount equal to the County taxes uncollected for 2012 in 2014; pay to the County an amount equal to the County taxes uncollected for 2013 over a multi-year period with payments due February 2015 and 2016; and thereafter only pay to the County the amount of taxes collected. The agreement also contains terms regarding enforcement of unpaid taxes and reporting requirements.

HEALTH CARE – The City is striving to control health care costs while preserving benefits. In 2011, the City facilitated the movement of retired employees to a Medicare Advantage Plan. In 2013 the City became partners with the C.S.E.A. Strategic Benefit Trust ("Trust"). As a result of the partnership with the Trust, the City has: separated the pharmacy component from its health insurance; self-insured the City's Exclusive Provider Organization health plan ("EPO") and has and will continue to conduct programs to expand its employees' awareness of preventative care and wellness information. In 2014, the Trust exited the agreement, but the agreement continues between MVP Select Care, Inc. ("MVP") and the City with no substantial change in terms. Discussions also continue with Ellis Medicine, Schenectady County, Schenectady School District, and MVP regarding the potential to create a uniform public employee benefit package. Effective, 2017, as the City negotiates its union contracts, it is creating a uniform benefit package, the *EPO15*, which is composed of its health plan's most efficient options. The City is not currently in negotiations with: any union.

- **FIGHTING BLIGHT** - The City has implemented a comprehensive demolition program to reduce blight and enhance quality of life throughout the City's neighborhoods. Selective demolition of blighted properties is expected to stabilize neighborhood property values, reduce criminal activity, and save taxpayer dollars. The City has received HUD Section 108 funds totaling \$2.5 million for this purpose. The City plans to utilize any available additional grant and/or loan funds and, potentially, private investment to fund this effort.

- **H.O.M.E.S.** – Home Ownership Made Easy (“H.O.M.E.S.”) in Schenectady is an innovative program created by Mayor McCarthy that is unique to the City. H.O.M.E.S. endeavors to make home ownership easier and encourage long-term owner-occupied housing within the City. This is accomplished by bringing buyers, available property (City and privately-owned) and financing options together, thereby revitalizing neighborhoods within the City. When City-owned properties are sold, in addition to providing positive value to the City neighborhoods, the City benefits by returning parcels to the tax roll, thereby strengthening its tax base. In 2021, thru November 30th, the City has sold approximately 111 properties for \$2,825,609 (un-audited). In 2020 (audited), even with the COVID-19 pandemic, the City received \$1,081,885 (audited) from the sale of 76 properties. In 2019 City received \$926,200 (audited) of revenue from the sale of 68 City owned properties. In 2018 the City received \$1,985,143 (audited), in 2017, the City received \$1,409,563 (audited); in 2016, the City received \$1,162,314 (audited); in 2015 the City received \$1,300,207 (audited); in 2014 the City received \$577,900 (audited). The program’s marketing efforts include open houses, press releases, website presence and public access television. Future marketing efforts are being developed that will include social media and an enhanced website. The City’s current strategic partners include lenders, realtors, contractors, Schenectady City School District and the local newspaper, Daily Gazette. An example of financing options available include: KeyBank that offers “Key to the City”, a Schenectady-only mortgage package for qualified buyers that includes a \$500 down payment, no private mortgage insurance requirement and mortgage funding of up to \$50,000 over the appraised value of the property; Schenectady Housing Development Fund Corporation offers up to 10% or \$10,000 to qualified first time home buyers to use for down payment and/or closing costs; and NBT Bank offers 1/4% lower interest rate to qualified 1st time homebuyers.
- **LAND BANK** - In April 2012, the State authorized the New York State Land Bank Act to develop new not-for-profit entities focused on revitalizing vacant and abandoned properties. As a result, the Land Reutilization Corporation of the Capital Region (“Land Bank”), a partnership among the City of Schenectady, City of Amsterdam and Schenectady County, was established. The Land Bank demolishes unsafe properties while renovating others to increase value in the service district. Proceeds from the sale of renovated properties are reinvested for further demolition and rehabilitation projects. Since its inception, the Land Bank has received grant funding from Schenectady County as well as through New York State’s Land Bank Community Revitalization program of over \$9.1 million, with \$8 million dedicated to work within the City. In collaboration, the Land Bank and City have demolished over 200 vacant and/or blighted tax foreclosed buildings and an additional 33 structures with over 250 units of new housing have been created or renovated. Projects that support neighborhood corridor focus areas have included: the historic preservation of long vacant schools as affordable housing, a new library branch at the site of a demolished, blighted, notorious former convenient store, multiple new community green spaces and parks, complete with "splash pad" water features, and new infill homeownership and affordable rentals on formerly vacant land. These projects have been advanced in partnerships with local housing and service partners Better Community Neighborhoods Inc., the SEAT Center and Habitat for Humanity of Schenectady County, among others. In total the Land Bank investment has leveraged over \$96 million of new investment in our service communities.
- **RESUMING TAX FORECLOSURES**– From 2005-2011 the City sold its tax liens to American Tax Funding (“ATF”). Beginning in 2012, the City commenced foreclosure activities for properties with tax delinquencies dating to 2008 and 2009. This represented the first foreclosure action by the City in nearly a decade and resulted in the City taking title to 148 properties. The City took title to 57 properties in 2013, 265 properties in 2014, 133 properties in 2015, 176 in 2016, and 165 in 2017. 2018 was the first year the City took over the ATF tax liens. The City took title to 203 properties in 2018 and 98 properties in 2019. The City did not have any foreclosures in 2020 or 2021. The City anticipates another round of foreclosures will occur in 2022.
- **CO-GENERATION PLANT**–On May 2, 2012, the City announced completion of a project that turns gas emitted by sewage into energy to power its wastewater treatment plant, a key goal of the City’s comprehensive energy conservation strategy. The plant can now generate an estimated 1,700-megawatt hours of electricity per year which can power more than 156 private homes annually. The City issued obligations in the amount of approximately \$5.5 million to pay for this project, additional plant improvements and other upgrades within the wastewater treatment plant. An approximately \$1.5 million grant was received from New York State Energy Research and Development Authority to support the costs of the co-generation plant project. The City estimates annual savings of \$200,000 in electricity and heating costs are being achieved.

THE CITY

General Information

The City of Schenectady is located in Schenectady County and is part of the Albany, Schenectady, Troy Metropolitan Statistical Area (MSA) generally referred to as the Capital Region of New York State.

The local economy has fared well despite the Covid pandemic. One reason for a stable outlook, despite the pandemic, is the fact that the largest employer in Schenectady is the State of New York. As nearby Albany is the State Capital, government employment has a major impact on the local job market and serves as a stabilizing factor in the region's overall economy.

Schenectady is home to multiple state agencies including the headquarters for the NYS Lottery, the NYS Workers Compensation Board and the NYS Gaming Commission. The NYS Justice Center for People with Disabilities also has a regional office downtown with many other state employees commuting to jobs in surrounding counties in the Capital Region. The state workforce remained stable throughout the pandemic.

The City of Schenectady is part of the County's unified economic development team that works to attract development to the City and nearby business parks in the Towns that are located in close proximity to the City of Schenectady. The unified economic development team kept up its strong progress in 2020 with over 1.6 million square feet of new building projects underway. This includes new distribution/fulfillment centers for Home Depot, FedEx and United Auto Supply. A new \$30 million, 100,000 square foot manufacturing facility for BelGioioso Cheese opened in 2020 at the Glenville Business & Tech Park which employs many City residents. BelGioioso in early December of 2021 has announced plans for a 120,000 square foot expansion. Adirondack Beverages opened a new 100,000 square foot facility bringing the company's total footprint to over 1 million square feet.

Other major projects completed in 2020 or underway in 2021 in the City of Schenectady include:

- The \$10 million renovation of the former Trustco building for apartments and commercial space.
- Phase I of the Yates Village renovation valued at more than \$24 million completed and Phase II worth more than \$70 million now underway.
- A new \$14 million apartment complex called the Reserve at Towpath Trail.
- Completion of the 140,000 square foot, \$40 million Mill Artisan District downtown with tech offices, retail and apartments.
- A new \$4 million Alltown Market built by a Fortune 500 energy company.
- A \$2.4 million renovation at 426 Franklin Street downtown.
- A new \$11 million retail/residential building at 501 State Street.
- Renovation of the former OTB regional headquarters and Gazette Press buildings downtown.
- A new, mixed-use medical arts building at 500 State Street downtown that represents an investment of more than \$20 million. Another smaller new medical arts building also completed construction in downtown with 10,000 square feet of space.
- A new tech manufacturing plant in the City that will create 50 new jobs moving here from Colorado. The owner now has three manufacturing plants in the City of Schenectady.
- The \$19 million Renaissance Square development on Eastern Avenue.
- The \$40 million Hillside Crossings development.
- Modern Love, an Amazon Studios production, completed filming of Season 2 at the former NYS Armory in downtown Schenectady that has been successfully converted into a TV/film production studio. In the fall of 2021, SHOWTIME filmed a new series in Schenectady at Armory Studios and at locations in the City.

- Many software technology companies are located downtown including Transfinder and the Jahnel Group. Both companies continued to expand in 2021.
- To accommodate all the new residential construction in downtown, an investor from Atlanta began construction of a 100,000 squarefoot, \$ 7 million self-storage facility downtown.
- The City was awarded a \$10 million Downtown Revitalization Grant and 13 new development projects funded in part by this grant will get underway in 2022.

The City's economy has become more Schenectady has diversified its economy in recent years as the metro area has evolved as a center for advanced R&D and manufacturing operations in the technology sector. The City is also home to a growing set of software companies.

The City serves as the headquarters for Mohawk Valley Physicians Health Care ("MVP"), a large health insurance company which employs almost 900 workers in the downtown area.

The City continues to play a leading role in power generation technologies including green energy. In the past 15 years, GE has invested over \$700 million at its 650-acre technology campus adjacent to downtown Schenectady transforming the site into one of the largest technology centers in New York State. This campus is home to several GE power businesses including Renewable Energy and Gas Power which produces steam turbines and generators at the site. GE's Global Research Center is located in the nearby Town of Niskayuna. GE has more than 4,000 employees in Schenectady County. Despite the pandemic employment at GE operations in the City remained stable.

Since 2004, the City has worked closely with the Schenectady County Metroplex Development Authority (the "Authority") to attract over \$1 billion in new investment.

Completed projects in the downtown area include: a new Hampton Inn hotel; six-screen first-run movie cinema; new restaurants, apartments and loft housing; new class-A office space; new YMCA; new Clarkson Graduate Campus; a major expansion of SUNY Schenectady that includes a new \$11 million 262-room student housing complex owned and operated by a private entity, and offices for technology companies including Transfinder, a leading software company that opened a new \$7 million headquarters building in downtown Schenectady.

Other economic development projects include: the construction of a \$50 million, 240,000 square foot Golub Corporation headquarters which added 700 employees in the downtown area; a new store for Marcella's Appliances; the expansion of Benchmark, a major commercial printing company, into a new building with a \$1 million investment, and Ellis Hospital completed a \$70 million expansion. The hospital employs more than 3,000 people in Schenectady.

Mohawk Harbor in the City continues to make strong progress. This is a \$600 million project on a 60-acre waterfront site that hosts a casino/resort, two new hotels, apartments, condos, retail and tech office space, along with greenspace, bike trails, a new harbor with 50 boat slips, and other amenities. Schenectady was one of only four communities in the State selected as a site for a new casino. The master developer of Mohawk Harbor, the Galesi Group, is one of the largest developers in the State. The casino operator is Rush Street Gaming, which has a long record of operating successful regional casinos in Pittsburgh, Philadelphia, Chicago and Niagara Falls, Ontario.

While the pandemic resulted in a temporary shutdown of the casino, the rest of the harbor property continued to do very well, and the casino has reopened and is prospering.

The riverfront development also includes a new \$15 million Courtyard by Marriott and a new \$25 million Landing Hotel with 165 rooms. Over 1,500 good paying jobs now exist at Mohawk Harbor. The 206-unit River House waterfront apartments also opened at Mohawk Harbor along with 15 new waterfront townhomes. Over 100,000 square feet of tech office space at the complex has been leased. The City is receiving many financial benefits from this new development, including host community revenue from the casino, increased sales tax, property tax, mortgage recording tax and a share of the casino licensing fee.

A new \$23 million Amtrak station is now open.

The following economic development projects have recently been completed:

- A former County Social Services building near Mohawk Harbor has been converted to loft apartments with a \$3 million investment.
- A group of private investors is building 15 new townhomes on Barrett Street in Schenectady with a \$3 million investment.
- A \$7 million restoration of the former Foster Hotel complex as apartments, office and retail space has been completed. The complex is fully leased.
- The Crosstown Plaza, a retail center in Schenectady, has been renamed Crosstown Commons and a \$3 million renovation was completed.
- The former Schaffer Senior Center has been transformed into a \$6 million loft apartment complex.
- Fluor, a leading engineering and defense company, now has 104,000 square feet of office space downtown.
- Union College has recently completed a new \$100 million engineering building.
- A new \$17.6 million apartment complex has opened on Albany Street in Schenectady.
- Cambridge Towers, a \$5 million new apartment complex, has finished construction.
- 118 Jay Street received a \$650,000 investment as mixed-use retail and residential building.
- Construction has been completed on the \$20 million Electric City Apartments at the corner of Erie Boulevard and State Street.
- The \$18 million renovation of the former YMCA at 13 State Street has been completed.
- A \$7 million renovation of Summit Towers on Albany Street has been completed.
- The former Labor Temple on Clinton Street has been renovated as loft apartments with a \$500,000 investment.
- 148 Clinton Street has been renovated as apartments and ground floor retail with a \$1.7 million investment.
- A new apartment building has been completed near Mohawk Harbor. This was a \$5 million investment.
- A \$20 million renovation of two former schools on Craig Street is completed.
- A fast-growing national company, Beekman 1802, has opened its corporate headquarters at Mohawk Harbor along with several other new employers including Delta Engineering and LeChase Construction.
- The Jahnel Group, a fast-growing software company has more than 100 employees in 17,000 square feet of leased space downtown.
- A fast-growing pharmaceutical company, ICPD, has moved its headquarters and research facility to Schenectady.
- Distributed Solar Development (DSD), a leader in solar technology created by GE and Black Rock moved its corporate HQ to Mohawk Harbor in Schenectady.

Recreation and sports facilities within the City include a 600-acre park system, a golf course, playgrounds, tennis courts and swimming pools.

The City provides police and fire protection, water and sanitation services. Education is provided by the City School District as well as private and parochial schools. Higher education is available at Union College, founded in 1795, SUNY Schenectady, and Clarkson University's graduate school located in Schenectady.

The Schenectady County Airport is home to the Stratton Air National Guard Base which employs more than 1,000. The base has a \$100 million impact on the local economy. Commercial airline service is available at the Albany International Airport. The City is located on the New York State Barge Canal and has access to direct water transportation to the Atlantic Ocean, the Great Lakes and the St. Lawrence River through Lake Champlain. Passenger and freight rail transportation is also available. An extensive network of highway facilities includes the New York State Thruway (Interstate I-90) which has two interchanges in the City, Interstate I-890 and Interstate I-88 and New York State Routes 5 and 7.

Note: The impact of the COVID-19 pandemic on the aforementioned projects cannot be predicted at this time.

Schenectady Metroplex Development Authority

The Authority was created under the New York Public Authorities Law to pursue a comprehensive, coordinated program of economic development activities in the Route 5 and 7 corridors of Schenectady County, with special emphasis on the downtown area of the City. In creating the Authority, the State Legislature determined that its establishment was necessary for the economic prosperity, health, safety and general welfare of the people of the State, through the construction, development, location and operation of infrastructure improvements and new facilities to redevelop an area characterized by deteriorated industrial and commercial structures, uncoordinated and incompatible commercial uses, inadequate public facilities and substandard economic conditions. The Authority's general purpose is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage and/or maintain buildings, parks, structures and other facilities within its service district.

The primary source of funding of the Authority is the receipt of sales tax revenues received by the county for the benefit of the Authority.

As of December 31, 2021, the Authority has approximately \$43.0 million of General Resolution Bonds outstanding. The Authority's bonds are not an obligation of the City and the City does not guarantee the debt of the Authority.

The Authority has a bond rating of "A+" from Standard and Poor's and an "A1" rating from Moody's.

Larger Employers (over 400 employees)

<u>Company</u>	<u>Type</u>	<u>Number of Employees</u>
GE	Research, Manufacturing, Engineering	4,000
Ellis Medicine	Hospital/Medical Facilities	3,450
County of Schenectady	County Government	1,446
Golub Corporation	Food Distributors	1,401
Rivers Casino & Resort	Entertainment	1,065
Schenectady City Schools	Education	730
Union College	Education	865
MVP Health Care	Health Insurance	850
City of Schenectady	City Government	523
Fluor	Navy Nuclear Engineering	500
SUNY Schenectady County Community	Education	428
NYS Workers Compensation Board	State Government Agency	400

Source: City officials.

Population Trends

	<u>City of Schenectady</u>	<u>County of Schenectady</u>	<u>New York State</u>
U.S. Census 1970	77,958	161,078	18,236,882
U.S. Census 1980	67,972	149,946	17,558,072
U.S. Census 1990	65,566	149,285	17,990,455
U.S. Census 2000	61,908	146,555	18,976,457
U.S. Census 2010	66,135	154,727	19,378,102
U.S. Census 2018	65,575	155,350	19,542,209
U.S. Census 2019	65,273	155,299	19,453,561
U.S. Census 2020	67,047	158,061	20,201,249

Source: U.S. Census Bureau.

Form of City Government

Subject to the State Constitution, the City operates pursuant to the City Charter and in accordance with State laws to the extent such laws are applicable to the City. The City operates under the "Strong Mayor and Council" form of government.

The Mayor is the chief executive and administrative officer of the City and is elected at large for a four-year term. The duties of the Mayor include appointment of officers and employees, preparation of the tentative budget and review and approval (or disapproval) of resolutions and ordinances of the City Council.

The City Council is the legislative branch of government and consists of seven members who are elected to staggered four-year terms. One member of the City Council is designated at the annual organization meeting to be City Council President to preside over the meetings of the City Council. The City Council meets at both regular and special meetings throughout the year and utilizes the committee system to review legislation. In addition, the City Council adopts the annual budget, levies taxes, approves modifications to the budget and authorizes indebtedness to be incurred by the City.

The Commissioner of Finance and Administration is the Chief Fiscal Officer of the City. The Commissioner of Finance and Administration is appointed by the Mayor and the duties of the Commissioner of Finance and Administration include supervision of general accounting and bookkeeping and other financial functions of the City.

Budgetary Procedures

The tentative budget of the City is prepared by the Mayor and is submitted to the City Council by October 1 of each year. The budget includes estimates of expenditures required for each department of the City as well as estimates of revenue from all sources including ad valorem real property taxes. The Mayor submitted the 2022 Proposed Budget to the City Council on October 1, 2021. Adoption of the budget by the City Council follows a public hearing and is required to be adopted on or before November 1st. The 2022 budget was adopted by the City Council on October 25, 2021.

Upon adoption of the budget, the tax roll and levy are determined for the ensuing year. Under present 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 further transfers with respect to general operations. In addition, the Commissioner of Finance and Administration updates the Mayor and City Council Finance Committee on operations as necessary.

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Investment Policy

Pursuant to the statutes of the State, the City is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, certificates of deposit issued by or deposit placement program with a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account, certificate of deposit or deposit placement program is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) 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; (4) obligations of the State; (5) with the approval of the State Comptroller, in tax anticipation bonds or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the City; (6) certificates of participation issued by political subdivisions of the State, as those terms are defined in the law; (7) obligations of a New York public corporation which are made lawful investments for the City pursuant to the enabling laws of such public corporation; or (8) in the case of moneys held in certain reserve funds established by the City pursuant to law, in obligations of the City. Any investments made by the City pursuant to law are required to be payable or redeemable at the option of the City 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 obligations 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. These statutes also require that the City's investments, unless registered or inscribed in the name of the City, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law. Historically, the City has not chosen to invest in repurchase agreements and by law cannot and does not invest in so-called derivatives.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Employees

The City currently employs approximately 580 full-time and part-time active employees, 491 of whom are represented by the following bargaining units:

<u>Union</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
Schenectady PBA (Police)	151	December 31, 2022
AFSCME, Local 1037	119	December 31, 2025
IAFF, Local 28 (Firefighters)	120	December 31, 2024
CSEA	80	December 31, 2024
IUOE, Local 106 (Operating Engineers)	10	December 31, 2024
National Union of Painters & Allied Tradesman, Local 62	3	December 31, 2023
Brotherhood of Electrical Workers, Local 236	5	December 31, 2023
United Brotherhood of Carpenters & Joiners of America, Local 146	3	December 31, 2023

Pension Payments

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"; with ERS, the "Retirement Systems"). The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law" or "NYSRSSL"). 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. Other than members of Tier V and Tier VI described below, all members hired on or after July 27, 1976, with less than 10 years service, must contribute 3% of gross annual salary toward the cost of retirement programs.

The investment of monies, and assumptions underlying the same, of the Retirement Systems covering the City's employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. For further information on the latest actuarial valuations of the Retirement Systems, investors should contact the Retirement Systems administrative staff.

Historically, there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement Systems in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the ERS and PFRS, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments. While the City is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

The City's actual aggregate contributions to the Retirement Systems from since the 2014 fiscal year and the 2021 and 2022 budgeted contributions are as follows:

<u>Year</u>	<u>Amount</u>	
2014	\$ 7,854,951	(1)
2015	8,156,195	(2) (3)
2016	8,456,457	(4)
2017	8,565,029	(4)
2018	8,687,040	(4)
2019	8,300,360	(4)
2020	8,891,623	(4)
2021 (Budgeted)	9,766,510	
2022 (Budgeted)	10,500,500	

- (1) The City, as budgeted, amortized a portion (\$1.5 million) of the pension contribution payable February 2015.
- (2) The February 2016 pension contribution was paid in full.
- (3) The City's adopted 2016 budget included a potential amortization of \$250,000. Upon the adoption of its 2015 audit, the City amended the 2016 budget using unassigned funds to budget for pension payments in full, payable February 2017.
- (4) The City paid the February pension payment in full and did not amortize its pension contribution.

Amortization of Certain Pension Payments

The payment schedule from the NYS Retirement System for the amortization of all deferred retirement payments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 527,123	\$ 43,050
2023	545,635	24,538
2024	170,608	5,374
Total	<u>\$ 1,243,366</u>	<u>\$ 72,962</u>

The City, as budgeted, amortized a portion (\$3.3 million) of the pension contribution payable February 2014 at an interest rate of 3.7%.

The City, as budgeted, amortized a portion (\$1.5 million) of the pension contribution payable February 2015 at an interest rate of 3.15%.

The City's adopted 2016 budget included a potential amortization of \$250,000. However, as done for the 2015 pension budget after the adoption of the 2014 audit, the City amended the 2016 pension budget upon adoption of the 2015 audit using unassigned funds to pay for pension payments in full, payable February 2017. The February 2017, February 2018, February 2019, February 2020 and February 2021 pension payments have been made in full.

Retirement System Rates

A chart of average ERS and PFRS rates (2017 to 2021) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2017	15.5%	24.3%
2018	15.3	24.4
2019	14.9	23.5
2020	14.6	23.5
2021	14.6	24.4

New Tiers

On December 12, 2009, a new Tier V was signed into law. The law became effective for new hires on January 1, 2010. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, a State law further reforming public employee pensions added a new Tier VI. The Tier VI plan only applies to those employees hired after April 1, 2012.

Below is a brief summary highlighting a number of components from the Tier VI legislation:

- The employee contribution rates will vary based on a salary sliding scale from 3% to 6% of salary.
- Under previous tiers, there was no limit to the number of public employers a public employee worked for from which retirement benefits could be calculated. Tier VI only permits two salaries to be included in the calculation
- The legislation includes an optional defined contribution plan for new non-union employees with annual salaries of \$75,000 and over. The employer will make an 8% contribution to employee contribution accounts. This is a voluntary option for those employees.
- The new tier increases the minimum retirement age from 62 to 63 and allows for early retirement with penalties. There will be a permanent reduction of a pension payout for each year a person retires *prior to age 63*.
- The pension multiplier for Tier VI will be 1.75% for the first 20 years of service and 2% starting in the 21st year.
- Employees will vest after 10 years of service. This is not a change from Tier V.
- The number of sick and leave days that can be applied toward retirement service credit is reduced from 200 to 100.
- The final average salary will be based on a 5-year average instead of the current 3-year average. The annual growth in salary used to determine pension allowances is capped at 10% of the average salary of the previous four years (lump sum payments of unused sick and vacation time are eliminated from the calculation)
- Pension eligible overtime for civilian and non-uniformed employees will be capped at \$15,000 plus inflation. For uniformed employees (primarily police and fire) outside of New York City, the cap is set at 15% of base pay.
- The State will be required to fund any pension enhancements on an ongoing basis. This is a potential future cost savings for local governments.

Stable Rate Option

The 2013-14 State Enacted Budget included a provision that provides local governments, including the City, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2016-17, the stable contribution option rate is 15.1% for ERS and 23.5% for PFRS. The pension contribution rates under this program would reduce near-term payments for employers but will require higher than normal contributions in later years. The City determined it will not avail itself of this option when and if it amortizes any portion of a payment.

Other Post-Employee Benefits

Healthcare Costs. It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

OPEB. Other Post-Employment Benefits (“OPEB”) refers to “other post-employment benefits,” meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, 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.

GASB 75. In 2015, the GASB released new accounting standards for public other postemployment benefits (OPEB) plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended December 31, 2018 the City implemented GASB 75. The implementation of this statement requires municipalities to report Other Post-Employment Benefits (“OPEB”) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required municipalities to calculate and report a net other postemployment benefit obligation. However, under GASB 45 municipalities could amortize the OPEB liability over a period of years, whereas GASB 75 requires municipalities to report the entire OPEB liability on the statement of net position.

The City contracted with an actuarial firm to calculate its actuarial valuations under GASB 75. The following outlines the changes to the total OPEB liability during the 2019 and 2020 fiscal year, by source.

	<u>2019</u>	<u>2020</u>
Balance at Beginning of Fiscal Year:	\$ 251,252,110	\$ 290,845,065
<u>Changes for the Year:</u>		
Service cost	\$ 8,420,038	\$ 10,968,897
Interest	9,476,551	7,799,069
Changes in benefit terms	0	618,654
Differences between expected and actual experience	(15,111,910)	(12,171,161)
Changes in assumptions or other inputs	45,287,299	43,828,482
Benefit payments	<u>(8,479,023)</u>	<u>(9,600,731)</u>
Net Changes	\$ 39,592,955	\$ 41,443,210
Balance at End of Fiscal Year:	<u>\$ 290,845,065</u>	<u>\$ 332,288,275</u>

Source: GASB 75 Actuarial Valuation of the City. The above tables are not audited.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The City has reserved \$0 towards its OPEB liability. The City funds this liability on a pay-as-you-go basis.

The City’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the City’s finances and could force the City to reduce services, raise taxes or both.

Under GASB 75, an actuarial valuation will be required every 2 years for all plans, however, the Alternative Measurement Method continues to be available for plans with less than 100 members.

Unemployment Rate Statistics

Below are unemployment statistics for the City, County and State. The information set forth below with respect to the County and State is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County and State are necessarily representative of the City, or vice versa.

	<u>Annual Averages</u>						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Schenectady City	6.6%	5.8%	5.3%	5.4%	4.7%	4.5%	10.7%
Schenectady County	5.4%	4.7%	4.3%	4.5%	4.0%	3.7%	8.1%
State of New York	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%	10.0%

2021 Monthly Figures

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>
Schenectady City	9.2%	9.2%	8.5%	7.2%	6.9%	7.2%	7.5%	7.2%	6.1%	5.6%	5.0%
Schenectady County	6.8%	7.0%	6.5%	5.5%	5.1%	5.4%	5.4%	5.2%	4.5%	4.2%	3.7%
State of New York	9.4%	9.7%	8.4%	7.7%	7.0%	7.2%	7.4%	7.1%	6.3%	5.9%	5.5%

Note: December 2021 unemployment figures are not available as of the date of this Official Statement.

Source: State of New York, Department of Labor. (Note: Figures not seasonally adjusted).

Per Capita Income

Per capita income statistics for the City, County and State are listed below.

	<u>City of Schenectady</u>	<u>County of Schenectady</u>	<u>State of New York</u>
1990	\$ 12,569	\$ 15,378	\$ 16,501
2000	17,076	21,992	29,221
2010	19,810	27,500	30,948
2019	24,456	32,417	39,326

Source: U.S. Census Bureau, 1990, 2000, 2010 and 2015-2019 5-Year American Community Survey.

Other Information

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes for which the Bonds are to be issued, is the Charter of the City, the City Law, the General Municipal Law and the Local Finance Law.

No principal or interest upon any obligation of this City is past due.

The fiscal year of the City is January 1 through December 31.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

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 reports of the State Comptroller for the past five years for the City are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2020	No Designation	33.8
2019	No Designation	15.8
2018	No Designation	6.3
2017	No Designation	15.8
2016	No Designation	15.8

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

Financial Statements and Accounting Procedures

The City maintains its financial records in accordance with the Uniform System of Accounts for Cities prescribed by the State Comptroller. Independent accountants audit the financial records of the City. The last such audit made available for public inspection covers the fiscal year ended December 31, 2020. Such Audit is attached hereto as "APPENDIX – C"

The 2021 unaudited Annual Update Document is expected to be available by April 30, 2022. The 2021 audited report is expected to be available by June 30, 2022.

New York State Comptroller Report of Examination

In addition, the financial affairs of the City are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the City has complied with the requirements of various State and Federal statutes.

The most recent audit report was released by the State Comptroller's office on August 3, 2018. The objective of the audit was to determine if municipalities are utilizing resources to perform fire safety and property maintenance inspections. The audit period was from January 1, 2015, through May 12, 2017. The audit scope was extended back to October 2004 to review inspections and January 2010 to review building permits. A copy of the audit and City's response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptrollers audits of the City that are currently in progress or pending release.

Fund Structure and Accounts

The City utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity, which segregates the transactions of specific programs in accordance with regulations, restrictions or limitations. The audited financial statements of the City are not yet GASB-34 compliant. The City recognizes the requirements of GASB-34, has purchased software for the GASB-34 process and will address the requirement when possible.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and (3) fiduciary funds that account for assets held in a trustee capacity which is now being accounted for in the General Fund (as of 12/31/2019), per GASB 84. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The City maintains the following governmental funds: General Fund, Water Fund, Sewer Fund, Special Grant Fund, Capital Projects Fund, Recreation Fund, Downtown Schenectady Improvement Fund and a Miscellaneous Special Revenue Fund. The General Fund is the operating fund of the City and accounts for general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to other funds, general operating expenses, and fixed charges. The Water Fund is used to account for water operations which are not required to be accounted for on an enterprise basis. The Sewer Fund is used to account for sewer operations which are not required to be accounted for on an enterprise basis. The Special Grant Fund is used to account for Local, State and Federal agency grants that are legally restricted to expenditures for a specific grant purpose. The Capital Projects Fund is used to account for moneys used for the acquisition of capital facilities and improvements. The Recreation Fund is used to account for the operations of the municipal golf course. The Downtown Schenectady Improvement Fund is used to account for the Downtown Schenectady Improvement Corporation (DSIC) working with the City to expand the functions of the DSIC to provide a broader focus on the revitalization of Downtown Schenectady. The Miscellaneous Special Revenue Fund is used to account for the Upper Union Street Revitalization Program. The City does not utilize any funds of a proprietary nature. Fiduciary funds consist of the Trust and Agency Fund.

Basis of Accounting

The City maintains its records and reports on the modified accrual basis of accounting for recording transactions in its Governmental Funds. Under this method, (1) revenues are recorded when received in cash except for revenues which are material and susceptible to accrual (measurable and available to finance the year's operations) which are recorded when earned, and (2) expenditures, other than retirement plan contributions, vacation and sick pay and accrued interest on bond anticipation notes and general long-term debt, are recorded at the time liabilities are incurred.

Revenues

The City receives most of its revenues from real property taxes and assessments. A summary of such revenues and other financings sources for the fiscal years December 31, 2015 through December 31, 2020 may be found under the Statement of Revenues, Expenditures and Changes in Fund Balance in Appendices A1-A2 hereto.

Real Property Taxes

See "TAX INFORMATION", herein.

Non-Property Taxes

The following table illustrates the percentage of total revenues of the City for each of the last five completed fiscal years, and the budgeted figures for the 2021 and 2022 fiscal year comprised of Non-Property Taxes.

<u>Fiscal Year</u>	<u>Total Non-Property Taxes</u>	<u>Total Revenues</u>	<u>Percentage of General Fund Revenues Consisting of Non-Property Tax</u>
2016	\$ 13,676,705	\$ 81,449,875	16.79%
2017	14,633,519	82,024,184	17.84
2018	14,687,730	84,874,527	17.31
2019	15,066,811	84,871,058	17.75
2020	14,915,589	80,856,232	18.44
2021 (Budgeted)	15,069,913	88,539,604	17.02
2022 (Budgeted)	16,525,000	97,587,611	16.93

Source: 2016-2020 audited financial statements and 2021 and 2022 adopted budget of the City. Table itself not audited.

State Aid

The following table illustrates the percentage of total revenues of the City for each of the last five completed fiscal years, and the budgeted figures for the 2021 and 2022 fiscal year comprised of Revenues from State sources.

<u>Fiscal Year</u>	<u>Total Revenues From State Sources</u>	<u>Total Revenues</u>	<u>Percentage of General Fund Revenues Consisting of Revenues from State Sources</u>
2016	\$ 15,566,130	\$ 81,449,875	19.11%
2017	14,239,846	82,024,184	17.36
2018	14,689,814	84,874,527	17.31
2019	15,229,977	84,871,058	17.94
2020	12,926,097	80,856,232	15.98
2021 (Budgeted)	12,222,174	88,539,604	13.80
2022 (Budgeted)	14,879,994	97,587,611	15.25

Source: 2016-2020 audited financial statements, and 2021 and 2022 adopted budget of the City. Table itself not audited.

Like all cities in the State, the City receives financial assistance from the State under Aid and Incentives for Municipalities. State aid through Aid and Incentives for Municipalities stabilized beginning in 2011. The City received \$11,434,688 in 2010 and \$11,205,994 in each year from 2011 through 2020.

The New York State 2019-20 Enacted Budget maintained State Aid funding at the prior year level. The City budgeted \$11,205,994 for this State aid in its 2020 budget, which represents approximately 12.5% of the 2020 Adopted Budget General Fund operating revenues of the City. In 2021 the City budgeted \$12,222,174 to be received from the State which represents 13.8% of the 2021 Adopted Budget General Fund operating revenues of the City.

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

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

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

Due the outbreak of COVID-19 the State declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Schools and businesses have reopened under strict State guidelines. It is not possible to predict the long term impact of the COVID-19 pandemic and the dramatic steps taken by the State to address it on the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time.

The State's 2020-2021 Adopted Budget authorized the State's Budget Director to make periodic adjustments to nearly all State spending, including State aid to municipalities and school districts, in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceeded 101% of estimates. Specifically, the legislation provided that the State Budget Director would determine whether the State's 2020-2021 budget was balanced during three measurement periods : April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if a General Fund imbalance occurred during any Measurement Period, the State's Budget Director was empowered to adjust or reduce any general fund and/or State special revenue fund appropriation and related cash disbursement by any amount needed to maintain a balanced budget, and such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed. The legislation further provided that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature had 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature failed to approve its own plan, the Budget Director's reductions would take effect automatically. On August 13, 2020, the New York State Division of the Budget ("DOB") released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update (the "First Quarterly Update"), which projected a \$14.5 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projected a total revenue loss of \$62 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State announced that in the absence of Federal funding to offset this revenue loss, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back aid payments to local governments and school districts. However, the State returned to full State funding and made local governments and school district whole for all withheld payments. . (See "MARKET AND RISK FACTORS -COVID-19" herein).

Expenditures

The major categories of expenditure for the City are General Government Support, Public Safety, Transportation, Culture and Recreation, Employee Benefits and Debt Service. A summary of the expenditures for the seven most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A - Financial Statements.

Finances

2018 Fiscal Year

The 2018 budget of \$85,239,086 included a tax rate decrease of 0.45%, a tax levy increase of 3.03% (due to increase in taxable assessed value) and percentage of Constitutional Tax Limit used of 65.23%. Audited results indicate the City ended fiscal year 2018 General Fund revenues at \$84,874,527, which is \$1.1 million less than the revised adopted budget, and General Fund expenses were \$83,063,866 which is under the revised adopted budget by \$3.15 million. the fiscal year ending December 31, 2018 with a cumulative unassigned fund balance of \$8,216,682 and total fund balance at \$15,296,351. Revenues from sale of City owned properties, budgeted at \$1.4 million are projected to closed with revenues of \$1.98 million. The City received \$2.6 million from Casino Revenue Sharing, which was budgeted at \$2.2 million. Management has been working diligently to control expenses and cut costs. The City's Water and Sewer funds ended with surpluses, at \$1,105,807 and \$1,353,837, respectively. The City's Golf/Recreation fund is ended the year with a slight deficit of \$10,448 – the City appropriated \$100,000 of Golf Type Capital Reserve during 2018.

2019 Fiscal Year

The 2019 budget was adopted by the City Council on October 26, 2018. The adopted budget of \$86,735,149 included a tax rate decrease of 1.29% with a tax levy decrease of .57% and a percentage of Constitutional Tax Limit used of 62.88%. The 2019 budget estimates \$2.63 million in revenue from the Casino and \$1.6 million in revenues from the sale of City owned properties. The 2019 budget does not include any sale of tax liens.

The audited results for the 2019 fiscal year include General Fund revenues of \$84.87 million with General Fund expenditures of \$85.78 million. This resulted in a deficit of \$916,750. The deficit is primarily due to settlement of the police union contract that required retro payments for 2018 and 2019 in the amount of \$1.01 million.

The City's Water and Sewer funds both ended the year with surpluses \$90,300 and \$536,837 respectively. The City's Golf/recreation fund had a slight deficit of \$37,270 which is primarily due to the appropriation of Golf Type Capital Reserves of \$92,000 instead of borrowing.

2020 Fiscal Year

The 2020 budget was adopted by the City Council on October 28, 2019. The adopted budget of \$89,459,143 included a tax rate decrease of 1.6% with tax levy decrease of 1.1% and a Constitutional Tax Limit used of 60.17%. The 2020 budget estimates \$2.925 million in revenue from the Casino, New Agreement for the operation of City's Solid Waste Transfer Station. The 2020 budget did not include the sale of tax liens.

2020 audited results: The City's Golf/Recreation Fund finished the year with a \$148,000 surplus. The City's Water Fund finished the year with a \$890,000 surplus. The City's Sewer Fund finished the year with a slight deficit of \$168,000 (due to use of type capital reserves during the year).

The City's General Fund finished the year with a deficit of \$3,688,309 (far less than the revised budgeted use of Fund Balance of \$5,058,955). During the COVID-19 pandemic, the Finance Commissioner and the Mayor cut the overtime and non personnel budget lines by 20%, a no hiring directive was issued and all purchase orders required the approval of the Mayor and Commissioner of Finance. These directives helped to keep the deficit manageable. Driving factors contributing to this deficit were the financial downturn in the economy due to the COVID-19 pandemic (decrease in Casino revenues, NYS AIM payments, Prior Year tax lien collection and various departmental income streams). The City's cash flow remained healthy throughout 2020; the City issued a \$7.0 million TAN in September of 2020 to cover any potential cash flow issues. The City repaid the TAN in full at maturity in 2021.

2021 Fiscal Year

2021 Budget. The 2021 budget was adopted by the City Council on October 26, 2020. The adopted budget of \$88,539,604 included a tax rate increase of 1.5%, a tax levy increase of 2.6% and a Constitutional Tax Limit used of 57.99%. The City remains within its tax cap for the 2021 budget year. The 2021 budget estimates \$2.3 million in revenue from the casino. The 2021 budget does not include the sale of tax liens. President Biden has signed into law the American Rescue Plan ("ARP"), a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The City received ARPA aid in the amount of \$26,485,899 in 2021 and anticipates receiving ARPA aid in the amount of \$26,485,899 in 2022.

2021 Estimates: The 2021 fiscal year end results are not available as of the date of this Official Statement. However, the City anticipates breaking even for the 2021 fiscal year.

Note: These projections are based upon certain current assumptions and estimates, and the audited results may vary therefrom
2022 Fiscal Year

2022 Budget The 2022 budget was adopted by the City Council on October 25, 2021. The adopted budget of \$97,587,611 included a tax rate increase of .027%, a tax levy increase of 1.7% and a Constitutional Tax Limit used of 55.35%. The City remains within its tax cap for the 2022 budget year. The 2022 budget estimates \$2.75 million in revenue from the casino. The 2022 budget does not include the sale of tax liens. The City budgeted \$4.618,553 of ARPA fund in the 2022 Budget. The City received ARPA aid in the amount of \$26,485,899 in 2021 and anticipates receiving ARPA aid in the amount of another \$26,485,699 in 2022. The funds received are put into a separate account and considered Deferred Revenue until such time as the revenue is earned. The balance of funds is currently unallocated by the City and the City is in the process of accepting and reviewing proposals for the use of such funds.

TAX INFORMATION

Taxable Valuations ⁽¹⁾

<u>Years Ending December 31:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Assessed Valuation	\$ 2,340,415,615	\$ 2,358,144,377	\$ 2,368,396,811	\$ 2,397,323,987	\$ 2,438,097,929
New York State Equalization Rate	118.00%	111.00%	105.00%	100.00%	90.70%
Full Valuation	\$ 1,983,403,064	\$ 2,124,454,394	\$ 2,255,616,010	\$ 2,397,323,987	\$ 2,688,090,330

⁽¹⁾ The valuations shown are the original valuations on which the fiscal years tax bills were based. Any changes that occurred after the roll was finalized, such as resulting from tax certiorari proceedings, would change the amounts shown above.

Tax Rate per \$1,000 (Assessed)

<u>Years Ending December 31:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	\$ 13.15	\$ 12.98	\$ 12.78	\$ 12.96	\$ 12.99

Tax Levy and Tax Collection Record

<u>Year Ending December 31:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Tax Levy ⁽¹⁾	\$30,782,655	\$ 30,752,680	\$ 30,269,673	\$ 31,083,411 ⁽¹⁾	\$31,609,000
Uncollected Dec. 31	1,541,377 ⁽²⁾	1,464,801 ⁽²⁾	1,525,601 ⁽²⁾	\$1,768,185 ⁽³⁾	N/A
% Uncollected Dec. 31	5.01% ⁽²⁾	4.76% ⁽²⁾	5.04% ⁽²⁾	5.67% ⁽³⁾	N/A

⁽¹⁾ Budgeted amount reflected.

⁽²⁾ Reflects audited amounts.

⁽³⁾ Reflects unaudited amounts for 2021 as of November 30, 2021.

Tax Collection Procedure

The City collects its own current taxes and delinquent taxes. Until the City Council passed Local Law 2011-02 in July 2011, which removed the City's obligation to make the County whole for unpaid County taxes owed by City property owners, the City paid to the County the full amount of taxes levied on real property within the City by the County. This change was effective January 1, 2012. This determination was challenged by the County and in February 2014, the City and the County entered into an agreement wherein the City would make the County whole for uncollected County taxes owed by City property owners for the 2012 and 2013 tax years, with the 2012 amount payable in 2014 and the 2013 amount payable over a multi-year period through 2016. Thereafter, the City will pay to the County only the taxes actually collected on its behalf and the County is responsible for the collection of uncollected taxes levied on real property within the City by the County.

Prior to 2007, the City acted as a Tax Collecting Agent of School District taxes in order to avoid expenses of duplicate tax collection agencies. The City also pays the School District the full amount of taxes levied on real property within the City by the School District. In 2007, the School District started collecting its own taxes. However, the City is still obligated to make the School District whole. Making the School District "whole" in uncollected taxes has a negative financial impact on the City due to the inability to collect unpaid taxes.

City, School District and County taxes and sewer and water rents are payable in quarterly installments due January 1, April 1, July 1 and October 1, with each installment becoming delinquent fifteen days after the respective due date. Penalties are 1.75% per month during the period of delinquency. All taxes must be paid by December 28th to avoid additional penalties and avoid a tax sale. The liens are charged 21% interest.

Unpaid taxes levied against real property situated in the City and taxes paid by the City to the School District may be redeemed by payment of the amount due the City plus 21% interest per annum until an "in rem" foreclosure action is commenced. Amounts paid by the City to the School District for uncollected taxes due, if any, are included in the annual budget as uncollected taxes and constitute a lien held by the City.

In the fall, the first foreclosure notices are sent to delinquent property owners. In the beginning of the following year, the City initiates a foreclosure proceeding by filing a list of delinquent taxes with the County Clerk, sending out letters to all necessary parties and publishing names of delinquent property owners in the local newspaper. Until the redemption date (the last day for a delinquent property owner to pay the delinquent taxes before foreclosure - typically in/near midyear) an additional foreclosure fee is added to the final payment for those owners who come to clear their tax lien. The foreclosure file is prepared and sent to a judge and the judge executes the order granting foreclosure. Additionally, the City may elect to do a second foreclosure during the year. From 2004 through 2011, the City sold its tax liens to American Tax Funding and, accordingly, during that period the City did not commence any in rem foreclosure proceedings. In 2012, the City stopped selling its tax liens to American Tax Funding and resumed foreclosing on tax delinquent parcels, with both 2008 and 2009 tax liens being foreclosed upon. The City took ownership of many of the unredeemed 2008 and 2009 tax lien parcels in October of 2012. Beginning in 2013, the City began and expects to continue annual foreclosures adhering to the timeline above. Due to the pandemic the City did not foreclose on any unpaid tax liens in 2020 or 2021. The City plans to continue foreclosures in 2022 state permitting.

Larger Taxpayers 2021 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>City Taxable Assessed Value</u>
Niagara Mohawk dba National Grid	Utility	\$102,812,891
Maxon Alco Holdings LLC ⁽¹⁾	Casino	86,140,000
New York Central Lines (CSX)	Railroad	12,339,157
40 Love Associates	Real Estate	11,672,000
Kingsway Arms Nursing Center	Aged Home	10,542,100
Maxon Alco Holdings LLC ⁽¹⁾	Hotel	10,000,000
National Affordable Housing	Apartments	9,650,000
Home Depot	Retail	9,000,000
Verizon New York, Inc	Communications	7,975,870
Niagara Mohawk dba National Grid	Utility	7,716,603

- ⁽¹⁾ Maxon Alco Holdings LLC and Mohawk Property Company LLC v. Assessor of the City of Schenectady, et al. (Index 2020-960) This tax certiorari challenges the 2020 assessment of 1 Rush Street, a property identified as SBL 39.49-2-1.71. The property is the site of Rivers Casino. The property does not include the hotel that is attached to the casino. The property is currently assessed at \$86,140,000. The property owner seeks a reduction of assessment to \$57,600,000, based upon a full market value of \$64,000,000 and an equalization rate of 90%. This property is unique in that there are no other similar casinos in the area. The City intends to vigorously defend the current assessed value, which will require hiring an appraiser with the ability to provide a valuation of a casino. No trial date has been scheduled on this matter.

Note: 40 Love Associates, Ltd. v. Assessor of the City of Schenectady, et al. (Index 2019-1411 and Index 2020-0820) 40 Love Associates Ltd. challenged the 2019 and 2020 assessments of a property identified as SBL 39.80-3-1.111. The property, located at 1 Broadway Center, is a large building, most notably housing the headquarters for the State Gaming Commission. For assessment years 2019 and 2020, the property was assessed at \$11,672,000. In its 2019 and 2020 petitions, the property owner alleges that the property should be assessed at \$7,000,000. The owner is not listed as a larger taxpayer above as it is currently exempt from property taxation due to a PILOT agreement. The PILOT agreement ends at the end of the 2021 fiscal year. In addition, there was a tax certiorari proceeding filed to challenge the 2021 assessment. It is indexed as 2021-1463. The City anticipates that matters 2019-1411 and 2020-0820 will be dismissed by stipulation due to the fact that a PILOT agreement was in place through 2021. The City is actively negotiating with Petitioner 40 Love Associates, Ltd. to resolve the challenge to the 2021 assessment.

The ten largest taxpayers listed above have a total taxable assessed valuation of \$267,848,621, which represents 10.99% of the 2022 tax base of the City.

Source: City tax rolls.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2019-2022:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Five Year Average Full Valuation	\$ 1,938,405,304	\$ 2,021,099,147	\$ 2,124,134,770	\$ 2,291,008,793
Tax Limit - 2% of 5 yr. average	38,768,106	40,421,983	42,482,695	45,820,176
Total Levy	30,606,400	30,269,673	31,129,510	31,655,099
Less: Exclusions from Tax Limit	6,208,552	5,948,245	6,492,528	6,295,122
Tax Levy Subject to Tax Limit	24,397,848	24,321,428	24,636,982	25,359,977
Tax Margin	14,370,258	16,100,555	17,845,713	20,460,199

For 2022, the City is at 55.35% of its Constitutional Tax Limit.

Source: Constitutional Tax Limit filings submitted to the Office of the State Comptroller.

The Constitutional Tax Limit

Although the State Constitution requires the City to pledge its power to tax real property to pay principal and interest on the Notes, which is unlimited by the Constitution for that purpose, and the State is specifically precluded from limiting that power, the power to tax real property for all other purposes is constitutionally limited to two percent of the five-year average assessed full valuation of taxable real property in the City.

From 2007 until 2012, the City reduced the percentage of the Constitutional Tax Limit used by 19.48% overall. From 2013 through 2019 the percentage of Constitutional Tax Limit used increased 7.5%. The statistics for each of the years from 2007 through 2022 are shown below:

<u>Fiscal Year</u>	<u>Amount Subject to Tax Limit</u>	<u>Percentage of Constitutional Tax Limit</u>
2007	\$ 23,738,905	74.52%
2008	23,530,546	67.48
2009	23,945,376	62.98
2010	24,752,383	59.91
2011	25,302,237	57.33
2012	25,381,036	55.04
2013	25,800,814	55.38
2014	26,064,582	56.48
2015	26,258,484	59.83
2016	23,243,135	62.84
2017	24,743,471	62.44
2018	25,248,703	65.23
2019	24,397,848	62.88
2020	24,321,428	60.17
2021	24,636,982	57.99
2022	25,359,977	55.35

2022 Levy Limit Calculation

Pursuant to Chapter 97, the City's Levy Limit calculation pertains to property taxes levied for the general fund. The 2021 adopted levy was \$31,083,411. To calculate the 2022 Levy Limit, a tax base growth factor of 1.0003, as determined by the Office of State Comptroller, was applied to the actual 2021 levy [adjusted to include actual loss of exemptions, actual taxes billed, if different from the adopted levy, and the Upper Union Street Business District ('BID') amount and the 2021 PILOT receivable was added to the 2021 adjusted levy to establish a beginning base levy, \$31,199,411. The 1.0200 levy growth factor was then applied to the beginning base levy, then the 2022 PILOT revenue of \$2,600,000 was subtracted and the prior year's maximum carryover of \$214,000 was added to arrive at the 2022 allowable levy limit of \$32,083,600. The City's 2022 adopted levy of \$31,609,000 along with the budgeted \$70,000 loss of exemption and budgeted \$46,000 BID and Police and Fire retirement exclusion of \$493,490 is under the allowable levy by \$968,090.

Additional Tax Information

The 2021 assessment roll of the City consists of the following approximate parcel counts: 86% residential, 14% commercial, approximately <1% industrial and other properties and the total 2021 property tax bill (based off the 2020 Assessment Roll) of a typical residence with an assessed value of \$100,000 is estimated to be \$4,066.47 including City, County and School District taxes.

There were several additions to the 2020 tax roll; Several new apartment buildings, townhouses and restaurants came online, National Grid added over \$5 million in value to their infrastructure, and combined the railroads added over \$1million taxable value to the roll.

Certain exemptions such as, but not limited to, veterans' and senior citizens' exemptions are administered to those who apply and qualify.

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 a particular year, beginning with fiscal years commencing on or after January 1, 2012. It was to expire on June 15, 2020; recent legislation has made it permanent. It has been widely reported that the State's adopted 2019-20 budget includes a permanent extension of the Tax levy Limitation Law. 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.

CITY INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized by the Council, no installment may be more than fifty percent in excess of the smallest prior installment. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

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

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five year average of the full valuation of all taxable real property.

Statutory Procedure

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

Pursuant to the Local Finance Law and its Charter, the City authorizes the issuance of bonds by the adoption of a bond ordinance approved by at least two-thirds of the members of the City Council, the finance board of the City. Customarily, the City Council delegated to the Commissioner of Finance and Administration, 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 contesting such validity, is commenced within twenty days after the date of such publication, or

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

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 ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the issuance of the first of such bond anticipation notes and, subject to certain exceptions, provided that such renewals do not exceed five years beyond the original date of borrowing. (See “Payment and Maturity” under “Constitutional Requirements” herein).

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

Debt Outstanding End of Fiscal Year

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds and Capital Notes	\$ 68,840,000	\$ 86,659,501	\$ 86,624,815	\$ 106,591,055	\$ 102,555,000
EFC Short-Term Financing	0	34,686	2,223,068	11,673,924	21,033,855
Tax Anticipation Notes	0	0	0	0	7,000,000
Bond Anticipation Notes	<u>43,862,072</u>	<u>28,901,055</u>	<u>40,249,425</u>	<u>19,125,010</u>	<u>18,615,010</u>
Total Debt Outstanding	<u>\$112,702,072</u>	<u>\$115,595,242</u>	<u>\$129,097,308</u>	<u>\$ 137,389,989</u>	<u>\$ 149,203,865</u>

Note: Does not include lease purchase obligations, HUD obligations and pension amortizations. See “Amortization of Certain Pension Payments” and “Other Obligations” herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as evidenced by bonds and notes as of January 13, 2022:

<u>Description</u>	<u>Due</u>	<u>Amount Outstanding</u>
<u>Bonds</u>	2022-2043	\$ 115,345,010
<u>Bond Anticipation Notes</u>		
Various Projects	May 6, 2022	\$ 7,447,551
EFC Short-Term Financing	February 2, 2022	<u>25,276,725</u>
	Total Indebtedness	<u>\$ 148,069,286</u>

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Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of January 13, 2022:

Five-Year Average Full Valuation of Taxable Real Property	\$ 2,289,777,557
Debt Limit - 7% thereof.....	160,284,428

Inclusions:

Bonds	\$ 115,345,010
Bond Anticipation Notes	7,447,551
EFC Short-Term Financing.....	<u>25,276,725</u>
Total Inclusions.....	<u>\$ 148,069,286</u>

Exclusions:

Appropriations - Bonds	\$ 3,291,055
Sewer - Bonds ⁽¹⁾	26,534,624
Water – Bonds ⁽²⁾	13,443,746
EFC Short Term Financing	<u>369,610</u>
Total Exclusions.....	<u>\$ 43,639,035</u>

Total Net Indebtedness	<u>\$ 104,430,251</u>
Net Debt-Contracting Margin.....	<u>\$ 55,854,177</u>

The percent of debt contracting power exhausted is 65.15%

⁽¹⁾ Excluded pursuant to Section 124.10 of the Local Finance Law. The City was granted sewer exclusion by the New York State Office of the State Comptroller.

⁽²⁾ Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Note: Does not include lease purchase obligations, tax anticipation notes, HUD obligations and pension amortizations. See “Amortization of Certain Pension Payments” and “Other Obligations” herein.

Bonded Debt Service

A schedule of Bonded Debt Service, including the principal of the Bonds, may be found in “APPENDIX-B” to this Official Statement.

Cash Flow Borrowing

The City historically does not issue cash flow borrowings. However, due to the COVID-19 pandemic, the City issued \$7,000,000 tax anticipation notes on September 30, 2020, in anticipation of the collection of taxes levied or to be levied for the fiscal year beginning January 1, 2020. The City repaid the outstanding tax anticipation notes in full at maturity on September 30, 2021. There are no current cash flow borrowings outstanding at this time.

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Authorized But Unissued Debt

Historically, the City issues bond anticipation notes and/or serial bonds annually for capital projects.

On August 27, 2018, City Council authorized a bond ordinance for the issuance of \$16 million to finance the construction of a new North Ferry Street Pump Station. The City anticipates applying to the New York State Environmental Facilities Corporation (“EFC”) for grants and loans related to this project.

In 2019, the City passed two supplemental bond ordinances:

- 1) Ordinance 2019-9 for an \$8 million increase of the 2016-13 Ordinance of \$24 million for a maximum of \$32 million for the reconstruction and improvements to the wastewater treatment plant.
- 2) Ordinance 2019-10 for \$8 million increase of Ordinance 2018-08 of \$16 million for a maximum of \$24 million for the construction of a new North Ferry Street Pump Station. The City is in the application process for additional loans and grant. The breakdown is as follows: \$11,021,500 in grants, \$6,364,250 at 0% financing, \$1,364,250 Short-term market rate financing, \$3,250,000 serial bonds issued in 2017 and \$1,980,000 bond anticipation notes currently outstanding.
- 3) Ordinance 2021-16 for \$7,775,470 is for the construction of three (3) water wells. The city plans to use NY State grants and Federal Infrastructure Grants to help offset the cost. The local amount of debt expected to issue is not to exceed \$7,775,470.

Other Obligations

On April 9, 2018, the City approved a \$329,136 lease purchase agreement for police vehicles at an interest rate of 3.55%. Annual principal payments commence February 3, 2019 in the amount of \$72,604 with the last payment scheduled in the fiscal year ending December 31, 2023.

2017-2021 Obligations

In February 2017, the City secured a loan from EFC in the amount of \$23,480,500 to finance the reconstruction and improvement of its Wastewater Treatment Plant and construction of a new force main. Of the \$23,480,500, principal amount of the loan, \$15 million will be borrowed at 0% interest, \$5 million will be disbursed in the form of a grant and \$3,480,500 will be borrowed at a low-cost interest rate. \$18,141,796 has been issued as short-term financing at 0% interest. Of the \$18,141,796 EFC short term financing, \$34,686 was booked to 2017, \$3,871,691 was booked in 2018, \$7,767,547 was booked in 2019 and the balance will be booked as a Bond Anticipation Note Liability in the 2020 financial statements. The City anticipates issuing long-term financing through EFC in 2022.

See also “THE CITY - Pension Payments, Amortization of Certain Pension Payments” herein.

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Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. The estimated net outstanding indebtedness of such political subdivisions is as follows:

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> ⁽¹⁾	<u>Net Indebtedness</u>	<u>% Within City</u>	<u>Applicable Net Indebtedness</u>
County of Schenectady	\$ 71,165,000	\$ 0 ⁽²⁾	\$ 71,165,000	21.33%	\$ 15,180,413
Schenectady City					
School District	85,870,000	84,152,600 ⁽³⁾	1,717,400	97.50%	<u>1,674,437</u>
					<u>\$ 16,854,850</u>

(1) Bonds and bond anticipation notes not adjusted to include subsequent bond or note sales, if any.

(2) Sewer and water debt.

(3) State Building aid.

Source: State Comptroller's reports for fiscal year ending 2019 for the county and fiscal year ending 2020 for the school district.

Debt Ratios

The following table sets forth certain ratios relating to the City's net indebtedness as of January 13, 2022:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$104,430,251	\$ 1,557.57	3.88%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	121,285,101	1,808.96	4.51

(a) The current 2020 estimated population of the City is 67,047. (See "THE CITY – Population Trends" herein.)

(b) The City's full value of taxable real estate for the 2022 fiscal year is \$2,688,090,330. (See "TAX INFORMATION – Taxable Valuations" herein.)

(c) See "Debt Statement Summary" for the calculation of Net Direct Indebtedness, herein.

(d) Estimated net overlapping indebtedness is \$16,854,850. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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 shall not exceed nine per centum per annum. 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 or interest on the Bonds.

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.

The Federal Bankruptcy Code allows public bodies 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 to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

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 such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any city, county, 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.

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."

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

Bondholders would have additional statutory protections. The General Municipal Law of the State provides that it is the duty of a governing board to assess, levy and cause to be collected a sum of money sufficient to pay a final judgment for a sum of money or judgment directing the payment of money which has been recovered against a governmental unit and remains unpaid. The General Municipal Law further provides that the rate of interest to be paid by a municipal corporation upon any judgment against a municipal corporation shall not exceed the rate of nine per centum per annum. This provision might be construed to have application to the holders of the Bonds. Execution or attachment of governmental property cannot be obtained to satisfy a judgment by holders of the Bonds.

The Federal Bankruptcy Code allows public bodies 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, including the City, to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. As of the date hereof, the City does not reasonably anticipate the filing of such a petition in the foreseeable future.

HISTORICAL CONTINUING DISCLOSURE COMPLIANCE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the City will enter into an Undertaking to provide continuing disclosure the forms, substantially of which, is attached hereto as "APPENDIX – D".

Except as noted below, the City is in compliance, in all material respects, with all prior undertakings pursuant to the Rule for the past five years.

The City failed to provide notice of lease purchase agreements entered into in the 2020 and 2021 fiscal year for the purchase of fire safety vehicles. On January 7, 2022, the City filed a material event notice disclosing the lease purchase agreements and the City's failure to provide notice of such events as required pursuant to the City's outstanding continuing disclosure agreements.

In addition, on occasion, the City has failed to provide material event notices relating to changes to the ratings of municipal bond insurers that have rated certain series of the City's serial bonds.

MARKET AND RISK FACTORS

The financial condition of the City as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State or in other jurisdictions of the country, 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 in other jurisdictions of the country 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 significant part on financial assistance from the State. In several recent 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. (See also "THE CITY - State Aid" herein).

COVID -19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid, as well as resulting in a delay or reduction of sales tax receipts or other revenues of the City. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The current outbreak had caused the Federal government to declare a national state of emergency. The State had also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including temporarily closing schools and non-essential businesses for several months. It is not possible to predict the long term impact of the outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the City's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities located in the State, including the City. The City is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

Many of the City's largest employers were deemed essential and remained open and fully staffed during the period that the State ordered all non-essential businesses to close. Price Chopper Supermarkets is headquartered in the City and it has experienced a growth in sales and employment since the beginning of the pandemic.

Ellis Hospital – one of the City's largest employers also played a key role during the pandemic treating patients from the New York City area during the peak of the virus. Ellis Medicine commenced an affiliation with Roswell Park, a well known cancer hospital based in Western New York in the summer of 2021.

SUNY Schenectady also stayed open and enrollment is increasing as more students choose to study closer to home. There have not been any layoffs at this college.

MVP Insurance, various state agencies located in Schenectady and Fluor, a major defense contractor with operations downtown, all maintained employment during the pandemic.

The City adjoins the Town of Glenville and the Town of Rotterdam home to major business parks that provide many good paying jobs to City residents. The nearby business parks contain more than 6 million square feet of industrial and warehouse space.

During the pandemic, construction of new facilities continued including almost 500,000 square feet of space for national tenants, such as Home Depot, BelGioioso Cheese and Polar Beverages creating hundreds of new jobs.

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

In the opinion of Barclay Damon LLP, Bond Counsel, Albany, New York, under existing law, (1) interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes and is not an “item of tax preference” for purposes of the individual alternative minimum taxes imposed by the Code, except that the City, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds to become subject to Federal income taxation from the date of issuance thereof, and (2) interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Certain maturities of the Bonds (the “Discount Bonds”) may be sold to the initial purchasers at prices less than the stated principal amounts thereof. The difference between the stated principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity were sold constitutes original issue discount that is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

Certain maturities of the Bonds (the “Premium Bonds”) may be sold to the initial purchasers at prices greater than the stated principal amount thereof. The Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner’s original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Bonds from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The City will covenant in the Tax Certificate as to Arbitrage and Instructions as to Compliance with Provisions of Section 103(a) of the Code, that, to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the City shall comply with each applicable provision of the Code.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the IRS.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company’s deduction for loss is reduced by 15% of the sum of certain items, including interest on the Bonds; (2) interest on the Bond earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Bond, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Bond, may disqualify the recipient thereof from obtaining the earned income credit.

A Bondholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of these other consequences will depend upon the Bondholder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Bonds should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

The Bonds will NOT be designated or deemed designated by the City as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price for, or the marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding the foregoing matters.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinion of Barclay Damon LLP, Bond Counsel, Albany, New York to the effect that the Bonds are valid and legally binding obligations of the City, all the taxable real property therein will be subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon without limitation as to rate or amount, subject to the statutory limitations of Chapter 97 of the Law of 2011 of the State of New York, that, among other things, the Code includes certain requirements that must be met subsequent to the issuance of the Bonds in order that interest thereon be and remain excludable from gross income to the recipients thereof, and that under existing law and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for Federal income tax purposes and is not an "item of preference" for purposes of the individual alternative minimum tax imposed by the Code. In addition, by virtue of the Local Finance Law, interest on the Bonds is exempt from personal income taxes of the State of New York and its political subdivisions. The foregoing opinions will be subject to the following: (a) the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity; (b) Bond Counsel expresses no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds; and (c) such opinion is given as of its dated date and that Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may hereafter come to their attention or any changes in law that may occur thereafter.

Certain legal matters will be passed upon for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York.

ABSENCE OF LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City, threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the outstanding bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the outstanding bonds or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the outstanding bonds or contesting the corporate existence or boundaries of the City.

BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC assigned their rating of "A" with a positive outlook to the Bonds.

A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Any desired explanation of the significance of such ratings should be obtained from Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the ratings of the Bonds may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the City to the Municipal Advisor may be partially contingent on the successful closing of the Bonds.

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by Roosevelt & Cross Incorporated (the "Underwriter") for reoffering to the public. The purchase contract for the Bonds provides that, subject to certain conditions precedent, the Underwriter will purchase all of the Bonds, if any are purchased, at a purchase price equal to \$_____ (being the par amount of the Bonds plus a net original issue premium of \$_____, less an underwriter's fee for the transaction of \$_____). The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the cover page but the Underwriter may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriter.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the City provided, however; the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

MISCELLANEOUS

So far as 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 that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

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 District's files with the repositories. When used in City documents or oral presentation, 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.

Barclay Damon LLP, Albany, New York, Bond Counsel to the City, expresses no opinions 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, 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 Official Statement is submitted only in connection with the sale of the Bonds by the City and may not be reproduced or used in whole or in part for any other purpose.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. 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. Fiscal Advisors & Marketing, Inc. 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 Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. 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. Fiscal Advisors & Marketing, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City will act as Paying Agent for the Bonds.

The City contact information is as follows: Mr. Anthony R. Ferrari, Commissioner of Finance and Administration, City Hall, Room 103, 105 Jay Street, Schenectady, New York 12305, Phone: (518) 382-5011, Fax: (518) 382-5030, Email: AFerrari@schenectadyny.gov.

This Official Statement has been duly executed and delivered by the Commissioner of Finance and Administration of the City of Schenectady.

CITY OF SCHENECTADY

Dated: January 13, 2022

/s/ ANTHONY R. FERRARI
Commissioner of Finance and Administration

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31st	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
ASSETS						
Cash	\$ 19,678,497	\$ 21,015,958	\$ 20,261,439	\$ 20,884,788	\$ 19,315,385	\$ 18,655,747
Restricted Cash	5,680,994	4,375,591	3,552,089	3,144,006	2,963,168	2,663,732
Taxes Receivable (Net)	2,940,057	2,850,151	2,488,198	2,579,084	2,595,750	3,175,417
Other Receivables (Net)	1,700,004	1,852,683	2,598,860	2,869,146	2,120,358	3,387,199
Due from Other Funds	782,565	1,730,366	2,014,375	1,764,010	2,632,471	2,225,794
Due From Other Governments	3,787,211	3,761,965	4,032,130	4,266,096	4,205,457	4,508,221
Due from State and Federal Governments	300,008	286,946	762,054	733,667	921,495	3,028,226
Inventories	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Restricted Assets	-	-	-	-	-	-
TOTAL ASSETS	<u><u>\$ 34,869,336</u></u>	<u><u>\$ 35,873,660</u></u>	<u><u>\$ 35,709,145</u></u>	<u><u>\$ 36,240,797</u></u>	<u><u>\$ 34,754,084</u></u>	<u><u>\$ 37,644,336</u></u>
LIABILITIES AND FUND EQUITY						
Accounts Payable	\$ 1,141,413	\$ 1,419,851	\$ 1,307,351	\$ 1,661,681	\$ 1,703,317	\$ 2,440,012
Accrued Liabilities	951,906	917,020	2,195,388	2,058,012	2,042,450	1,123,934
Notes Payable	-	-	-	-	-	-
Other Liabilities	2,960,882	2,880,367	2,693,376	2,729,755	3,203,114	3,568,145
Due to Other Funds	-	-	-	-	-	-
Due to Other Governments	14,718,507	14,802,584	13,962,958	13,237,111	13,054,285	12,022,365
Overpayments	-	-	-	-	-	-
Tax Anticipation Notes	-	-	-	-	-	7,000,000
Deferred Inflows of Resources	553,148	688,481	2,064,382	1,257,887	371,317	798,588
TOTAL LIABILITIES & Deferred Inflows	<u><u>20,325,856</u></u>	<u><u>20,708,303</u></u>	<u><u>22,223,455</u></u>	<u><u>20,944,446</u></u>	<u><u>20,374,483</u></u>	<u><u>26,953,044</u></u>
FUND EQUITY						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Fund Balance:						
Snow and Ice Removal	202,809	203,214	204,739	206,274	207,821	156,543
Capital	3,325,897	1,695,794	1,094,428	1,253,978	1,172,708	1,163,958
Litigation and Claims	422,527	1,000,250	1,216,209	667,650	683,124	431,874
Tax Certiorari	464,774	449,129	148,298	175,514	107,513	144,645
Tax Stabilization	585,394	586,565	590,964	8,841	8,841	-
Debt	679,593	440,639	297,451	831,749	783,161	766,712
Miscellaneous	-	-	-	-	-	-
Assigned	124,026	3,894,046	3,763,101	3,935,663	3,609,074	1,624,606
Unassigned	8,738,460	6,895,720	6,170,500	8,216,682	7,807,359	6,402,954
TOTAL FUND EQUITY	<u><u>14,543,480</u></u>	<u><u>15,165,357</u></u>	<u><u>13,485,690</u></u>	<u><u>15,296,351</u></u>	<u><u>14,379,601</u></u>	<u><u>10,691,292</u></u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 34,869,336</u></u>	<u><u>\$ 35,873,660</u></u>	<u><u>\$ 35,709,145</u></u>	<u><u>\$ 36,240,797</u></u>	<u><u>\$ 34,754,084</u></u>	<u><u>\$ 37,644,336</u></u>

Source: Audited financial reports of the City.
This appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31st	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 28,289,460	\$ 28,096,772	\$ 28,252,324	\$ 29,614,992	\$ 28,518,936
Real Property Tax Items	3,717,664	3,524,968	4,083,347	4,282,866	3,997,464
Non-Property Tax Items	13,790,346	13,676,705	14,633,519	14,687,730	15,066,811
Departmental Income	8,425,192	8,718,381	8,640,812	8,486,848	9,382,943
Intergovernmental Charges	132,467	171,095	122,891	100,000	133,583
Use of Money & Property	56,830	59,581	149,194	333,282	606,952
Licenses and Permits	1,336,538	2,336,423	1,988,646	2,093,935	2,032,594
Fines and Forfeitures	880,696	910,305	797,315	912,737	882,072
Sale of Property and					
Compensation for Loss	2,626,623	2,547,143	3,052,107	3,152,354	2,409,524
Miscellaneous	406,377	754,209	626,941	579,055	327,731
Interfund Revenues	4,486,036	5,022,745	5,058,735	5,537,028	5,705,176
Revenues from State Sources	11,905,634	15,566,130	14,239,846	14,689,814	15,229,977
Revenues from Federal Sources	211,970	64,502	113,264	176,040	127,388
Interfund Transfers	199,768	917	265,243	227,846	449,907
Total Revenues	<u>\$ 76,465,601</u>	<u>\$ 81,449,876</u>	<u>\$ 82,024,184</u>	<u>\$ 84,874,527</u>	<u>\$ 84,871,058</u>
<u>EXPENDITURES</u>					
General Government Support	\$ 6,170,366	\$ 6,366,677	\$ 8,179,242	\$ 7,981,083	\$ 7,051,572
Public Safety	28,454,676	29,947,532	30,876,686	31,038,327	32,639,786
Transportation	4,312,826	4,328,168	4,938,833	4,959,609	5,689,992
Economic Assistance and					
Opportunity	5,000	5,000	4,500	4,500	4,500
Culture and Recreation	926,124	838,672	674,739	734,569	774,961
Home and Community Services	5,752,686	5,668,330	5,180,250	5,288,029	4,622,057
Employee Benefits	26,908,501	26,525,922	27,611,996	27,826,731	28,735,617
Debt Service	5,637,966	5,514,145	5,628,092	5,127,797	6,179,323
Total Expenditures	<u>\$ 78,168,145</u>	<u>\$ 79,194,446</u>	<u>\$ 83,094,338</u>	<u>\$ 82,960,645</u>	<u>\$ 85,697,808</u>
Excess of Revenues Over (Under)					
Expenditures	<u>\$ (1,702,544)</u>	<u>\$ 2,255,430</u>	<u>\$ (1,070,154)</u>	<u>\$ 1,913,882</u>	<u>\$ (826,750)</u>
Other Financing Sources (Uses):					
Proceeds of Debt Issuance	-	-	-	-	-
Operating Transfers Out	(550,723)	(1,633,553)	(609,513)	(103,221)	(90,000)
Total Other Financing	<u>(550,723)</u>	<u>(1,633,553)</u>	<u>(609,513)</u>	<u>(103,221)</u>	<u>(90,000)</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures					
and Other Uses	<u>(2,253,267)</u>	<u>621,877</u>	<u>(1,679,667)</u>	<u>1,810,661</u>	<u>(916,750)</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	16,796,749	14,543,480	15,165,357	13,485,690	15,296,351
Prior Period Adjustments (net)	(2)	-	-	-	-
Fund Balance - End of Year	<u>\$ 14,543,480</u>	<u>\$ 15,165,357</u>	<u>\$ 13,485,690</u>	<u>\$ 15,296,351</u>	<u>\$ 14,379,601</u>

Source: Audited financial reports of the City. This appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31st	2020			2021	2022
	Adopted <u>Budget</u>	Modified <u>Budget</u>	<u>Actual</u>	Adopted <u>Budget</u>	Adopted <u>Budget</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 29,133,512	\$ 29,133,512	\$ 27,986,737	\$ 29,361,053	\$ 29,811,500
Real Property Tax Items	4,253,980	4,253,980	3,920,962	4,102,000	3,901,800
Non-Property Tax Items	14,870,000	14,870,000	14,915,589	15,069,913	16,525,000
Departmental Income	9,612,714	9,391,714	8,109,700	10,678,643	9,938,602
Intergovernmental Charges	100,000	100,000	160,411	100,000	-
Use of Money & Property	334,359	334,359	153,388	86,224	60,109
Licenses and Permits	1,854,700	1,854,700	1,939,226	2,060,550	2,072,300
Fines and Forfeitures	1,085,000	1,085,000	595,035	918,000	844,000
Sale of Property and Compensation for Loss	2,973,000	2,973,000	2,763,109	3,452,450	4,228,455
Miscellaneous	120,000	120,000	849,216	135,000	165,000
Interfund Revenues	5,922,423	5,922,423	5,922,423	6,659,423	6,309,423
Revenues from State Sources	15,017,454	15,017,454	12,926,097	12,222,174	14,879,994
Revenues from Federal Sources	103,000	103,000	90,556	1,534,549	4,745,553
Interfund Transfers	-	-	523,783	-	-
Total Revenues	<u>\$ 85,380,142</u>	<u>\$ 85,159,142</u>	<u>\$ 80,856,232</u>	<u>\$ 86,379,979</u>	<u>\$ 93,481,736</u>
<u>EXPENDITURES</u>					
General Government Support	\$ 8,106,272	\$ 8,128,624	\$ 6,763,661	\$ 7,508,186	\$ 8,476,829
Public Safety	32,399,832	33,492,429	31,013,050	31,910,892	36,330,255
Transportation	5,654,692	5,671,742	5,753,225	5,167,552	5,767,573
Economic Assistance and Opportunity	4,500	4,500	4,500	4,500	4,500
Culture and Recreation	1,077,472	1,079,937	593,678	796,874	1,188,160
Home and Community Services	5,464,193	5,549,082	4,791,450	4,850,697	5,852,747
Employee Benefits	30,261,109	30,684,178	29,187,043	31,723,593	33,398,951
Debt Service	6,491,073	6,491,073	6,398,934	6,577,310	6,568,596
Total Expenditures	<u>\$ 89,459,143</u>	<u>\$ 91,101,565</u>	<u>\$ 84,505,541</u>	<u>\$ 88,539,604</u>	<u>\$ 97,587,611</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (4,079,001)</u>	<u>\$ (5,942,423)</u>	<u>\$ (3,649,309)</u>	<u>\$ (2,159,625)</u>	<u>\$ (4,105,875)</u>
Other Financing Sources (Uses):					
Appropriated Reserves/Fund Balance	4,079,001	5,774,651	-	2,159,625	4,105,875
Operating Transfers Out	-	(39,000)	(39,000)	-	-
Total Other Financing	<u>4,079,001</u>	<u>5,735,651</u>	<u>(39,000)</u>	<u>2,159,625</u>	<u>4,105,875</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>(206,772)</u>	<u>(3,688,309)</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year			14,379,601		
Prior Period Adjustments (net)			-		
Fund Balance - End of Year			<u><u>\$ 10,691,292</u></u>		

Source: 2020 audited financial report and 2021 & 2022 budgets of the City. This appendix is not itself audited.

CHANGES IN FUND EQUITY

Fiscal Years Ending December 31st	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>SPECIAL GRANT FUND</u> ⁽¹⁾						
Fund Equity - Beginning of Year	\$ 268,773	\$ 440,400	\$ 380,471	\$ 370,891	\$ 401,236	\$ 221,575
Prior Period Adjustments (net) and/or						
Residual Equity Transfers	-	-	400	-	-	-
Revenues & Other Sources	5,416,933	7,936,312	6,916,788	7,770,540	7,476,882	8,702,876
Expenditures & Other Uses	5,245,306	7,996,241	6,926,768	7,740,195	7,656,543	8,858,008
Fund Equity - End of Year	\$ 440,400	\$ 380,471	\$ 370,891	\$ 401,236	\$ 221,575	\$ 66,443
<u>WATER FUND</u>						
Fund Equity - Beginning of Year	\$ 5,657,214	\$ 6,140,107	\$ 6,949,553	\$ 7,574,987	\$ 8,680,794	\$ 8,771,094
Prior Period Adjustments (net) and/or						
Residual Equity Transfers	-	-	-	-	-	-
Revenues & Other Sources	8,048,130	8,721,787	8,084,538	8,735,735	8,201,534	8,848,557
Expenditures & Other Uses	7,565,237	7,912,341	7,459,104	7,629,928	8,111,234	7,958,384
Fund Equity - End of Year	\$ 6,140,107	\$ 6,949,553	\$ 7,574,987	\$ 8,680,794	\$ 8,771,094	\$ 9,661,267
<u>SEWER FUND</u>						
Fund Equity - Beginning of Year	\$ 8,327,917	\$ 9,139,508	\$ 9,425,746	\$ 11,002,930	\$ 12,356,767	\$ 12,893,604
Prior Period Adjustments (net) and/or						
Residual Equity Transfers				-	-	-
Revenues & Other Sources	11,536,159	12,040,128	11,724,651	12,732,814	12,784,838	12,559,651
Expenditures & Other Uses	10,724,568	11,753,890	10,147,467	11,378,977	12,248,001	12,727,312
Fund Equity - End of Year	\$ 9,139,508	\$ 9,425,746	\$ 11,002,930	\$ 12,356,767	\$ 12,893,604	\$ 12,725,943
<u>RECREATION FUND</u>						
Fund Equity - Beginning of Year	\$ 599,029	\$ 732,295	\$ 876,216	\$ 938,590	\$ 928,142	\$ 890,872
Prior Period Adjustments (net) and/or						
Residual Equity Transfers	-	-	-	-	-	-
Revenues & Other Sources	1,168,930	1,222,287	1,139,200	1,156,742	1,173,643	1,175,470
Expenditures & Other Uses	1,035,664	1,078,366	1,076,826	1,167,190	1,210,913	1,026,887
Fund Equity - End of Year	\$ 732,295	\$ 876,216	\$ 938,590	\$ 928,142	\$ 890,872	\$ 1,039,455

⁽¹⁾ The Special Grant Fund and the Special Revenue Fund are combined commencing with the 2018 audited financial reports.

Source: Audited financial reports of the City.
This appendix is not itself audited.

APPENDIX - B
City of Schenectady

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	PRIOR TO REFUNDING			REFUNDED BONDS DEBT SERVICE	REFUNDING BONDS DEBT SERVICE			TOTAL NEW DEBT SERVICE
	Principal	Interest	Total		Principal	Interest	Total	
2022	\$ 5,375,010	\$ 3,717,925	\$ 9,092,935	\$ -	\$ -	\$ -	\$ -	9,092,934.50
2023	5,740,000	3,358,950	9,098,950	-	-	-	-	9,098,950.00
2024	5,950,000	3,158,288	9,108,288	-	-	-	-	9,108,287.50
2025	6,175,000	2,949,688	9,124,688	-	-	-	-	9,124,687.50
2026	6,400,000	2,732,769	9,132,769	-	-	-	-	9,132,768.75
2027	5,980,000	2,532,819	8,512,819	-	-	-	-	8,512,818.75
2028	6,175,000	2,350,603	8,525,603	-	-	-	-	8,525,603.13
2029	6,390,000	2,159,238	8,549,238	-	-	-	-	8,549,237.50
2030	6,610,000	1,958,638	8,568,638	-	-	-	-	8,568,637.50
2031	6,075,000	1,765,881	7,840,881	-	-	-	-	7,840,881.25
2032	6,270,000	1,581,556	7,851,556	-	-	-	-	7,851,556.25
2033	6,455,000	1,391,369	7,846,369	-	-	-	-	7,846,368.75
2034	6,650,000	1,191,994	7,841,994	-	-	-	-	7,841,993.75
2035	6,860,000	981,653	7,841,653	-	-	-	-	7,841,653.13
2036	7,080,000	763,081	7,843,081	-	-	-	-	7,843,081.25
2037	5,775,000	558,913	6,333,913	-	-	-	-	6,333,912.50
2038	5,965,000	369,506	6,334,506	-	-	-	-	6,334,506.25
2039	3,015,000	233,688	3,248,688	-	-	-	-	3,248,687.50
2040	1,930,000	165,238	2,095,238	-	-	-	-	2,095,237.50
2041	1,990,000	106,438	2,096,438	-	-	-	-	2,096,437.50
2042	2,050,000	44,819	2,094,819	-	-	-	-	2,094,818.75
2043	435,000	6,525	441,525	-	-	-	-	441,525.00
TOTALS	\$ 115,345,010	\$ 34,079,575	\$ 149,424,585	\$ -	\$ -	\$ -	\$ -	\$ 149,424,584.51

CITY OF SCHENECTADY
SCHENECTADY COUNTY, NEW YORK

FINANCIAL REPORT

For the Year Ended December 31, 2020

Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CITY OF SCHENECTADY, NEW YORK

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INTRODUCTION

This discussion and analysis of financial performance provides an overview of the City of Schenectady, New York's (the "City") financial activities for the fiscal year ended December 31, 2020. Readers are asked to consider this information in conjunction with the City's financial statements.

The financial statements of the City of Schenectady, New York have been prepared in accordance with accounting principles generally accepted in the United States of America with the exception of the following:

Acquisitions of equipment and capital facilities should be recorded at cost in the balance sheet in a non-current governmental asset account group to account for all land, buildings, improvements and equipment utilized by the City. The City maintains a general fixed assets account group, however it is at insurance appraised values and, as a result, is not in accordance with generally accepted accounting principles.

Further information can be found in the Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

In April 2021, Standard & Poor's affirmed the City's general obligation bond A rating with a stable outlook. In January 2021, Moody's Investor Services affirmed the City's general obligation bond A3 rating.

General Fund

- Expenditures of \$84,544,541 exceeded revenues of \$80,856,232 resulting in a deficit of \$3,688,309. Those results included the following:
 - Expenditures were under budget by \$6,596,024.
 - The Mayor instituted a hiring freeze at the start of the COVID-19 National Emergency.
 - In addition, the Mayor and Commissioner of Finance cut all overtime and non personnel budget lines by 20% to help control costs.
 - The Transportation Department was over budget by \$81,483, the main driver of this was the December 17, 2020 snow storm in which the City had over 30 inches of snow.
 - In February of 2020 the City settled the PBA contract. Council Ordinance 2020-4 revised the 2020 budget (through appropriation of Fund Balance) for an increase of \$1,656,650.
- Operational Revenues fell short of the budgeted amount by \$4,826,693.
 - Highlights include:
 - Prior year tax lien collection fell short by \$942 thousand.
 - Interest and Penalties on Real Property tax was under budget by \$773 thousand (these were waived for a good portion of the year).
 - Casino revenue fell short by \$1,593,113 (due to Pandemic closures).
 - NYS AIM revenue fell short by \$560 thousand.

FINANCIAL HIGHLIGHTS (Continued)

General Fund (Continued)

- Property sales fell short by \$368 thousand.
- Sales Tax revenue exceeded the budget of \$13,295,000 by \$117 thousand.
- An audit of the City's energy bills resulted in a net prior year refund of \$598 thousand.

The 2020 General Fund budget called for the combined use of \$5,774,651 in reserve funds and unassigned fund balance. The City used \$3,688,309 of that amount.

Ending Fund Balance was \$10.7 million and was comprised of \$2.7 million of restricted funds, \$1.6 million of assigned funds and \$6.4 million of unassigned funds.

Total Fund Balance decreased approximately 26% when compared to last fiscal year.

Unassigned Fund Balance is 7.2% of the 2021 Adopted Budget.

Water Fund

- Actual total revenues were sufficient to support operations.
- Operations produced a surplus of \$890,173.
- Ending fund balance of \$9.7 million was comprised of \$7 million of restricted funds and \$2.7 million of assigned funds.
- Total fund balance increased approximately 10% when compared to last fiscal year.

Sewer Fund

- Actual total revenues and fund balance were sufficient to support operations.
- Operations produced a deficit of \$167,661 - the City used \$436 thousand in type capital reserves during the year. Otherwise, the City would have had a surplus.
- Ending Fund Balance of \$12.7 million was comprised of \$9.5 million of restricted funds and \$3.2 million of assigned funds.
- Total Fund Balance decreased approximately 1.3% when compared to last fiscal year.

Recreation Fund

- Operations resulted in a surplus of \$148,583.
- Ending fund balance of \$1.0 million was comprised of \$637 thousand of restricted funds, \$394 thousand of assigned funds and \$8 thousand that is unspendable (inventory).
- Total fund balance increased approximately 17% when compared to last fiscal year.

FINANCIAL HIGHLIGHTS (Continued)

The City's Funds

The table, in millions, that follows illustrates the recent changes in the City's General, Water, Sewer and Recreation funds' balance sheets. The funds, when combined, represent a decrease in fund balance of 7.83%.

	<u>General Fund</u>		<u>Other Governmental Activities (Water, Sewer, Recreation)</u>		<u>Total *</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash	18.7	19.3	3.2	1.7	21.9	21.0
Restricted Cash	2.7	3.0	17.1	18.0	19.8	21.0
Receivables	<u>16.3</u>	<u>12.5</u>	<u>4.1</u>	<u>3.6</u>	<u>20.4</u>	<u>16.1</u>
Total Assets	<u>37.7</u>	<u>34.8</u>	<u>24.4</u>	<u>23.3</u>	<u>62.1</u>	<u>58.1</u>
Total Short Term Liabilities	26.2	20.0	0.6	0.6	26.8	20.6
Deferred Inflows of Resources	<u>0.8</u>	<u>0.4</u>	<u>0.4</u>	<u>0.1</u>	<u>1.2</u>	<u>0.5</u>
Total Liabilities and Deferred Inflows	<u>27.0</u>	<u>20.4</u>	<u>1.0</u>	<u>0.7</u>	<u>28.0</u>	<u>21.1</u>
Fund Balance:						
Restricted	2.7	3.0	17.1	18.0	19.8	21.0
Assigned	1.6	3.6	6.3	4.6	7.9	8.2
Unassigned	<u>6.4</u>	<u>7.8</u>	<u>0.0</u>	<u>0.0</u>	<u>6.4</u>	<u>7.8</u>
Total Fund Balance	<u>10.7</u>	<u>14.4</u>	<u>23.4</u>	<u>22.6</u>	<u>34.1</u>	<u>37.0</u>

* Excludes Capital Projects Fund.

CITY OF SCHENECTADY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
DECEMBER 31, 2020

The City's Funds (Continued)

	General Fund		Other Governmental Activities (Water, Sewer, Recreation)		Total *	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Real Property Taxes	28.0	28.5	-	-	28.0	28.5
Real Property Tax Items	3.9	4.0	-	-	3.9	4.0
Non Property Tax Items	14.9	15.1	-	-	14.9	15.1
Departmental Income	8.1	9.4	22.4	21.5	30.5	30.9
Intergovernmental						
Charges	0.2	0.1	0.1	-	0.3	0.1
Use of Money and Property	0.2	0.6	-	0.4	0.2	1.0
Licenses and Permits	1.9	2.0	-	-	1.9	2.0
Fines and Forfeitures	0.6	0.9	-	-	0.6	0.9
Sale of Property and						
Compensation for Loss	2.8	2.4	-	-	2.8	2.4
Miscellaneous						
Local Sources	0.8	0.4	0.1	0.1	0.9	0.5
Interfund Revenue	5.9	5.7	-	-	5.9	5.7
State Aid	12.9	15.2	-	-	12.9	15.2
Federal Aid	0.1	0.1	-	-	0.1	0.1
Total Revenues	<u>80.3</u>	<u>84.4</u>	<u>22.6</u>	<u>22.0</u>	<u>102.9</u>	<u>106.4</u>
Program Expenses						
General Government						
Support	6.8	7.0	1.1	1.3	7.9	8.3
Public Safety	31.0	32.6	-	-	31.0	32.6
Transportation	5.7	5.7	-	-	5.7	5.7
Culture and Recreation	0.6	0.8	0.8	0.9	1.4	1.7
Home and Community						
Service	4.8	4.6	12.0	11.9	16.8	16.5
Employee Benefits	29.2	28.7	2.9	2.4	32.1	31.1
Debt Service	6.4	6.2	4.4	4.1	10.8	10.3
Total Expenses Before						
Transfers	<u>84.5</u>	<u>85.6</u>	<u>21.2</u>	<u>20.6</u>	<u>105.7</u>	<u>106.2</u>
Excess (Deficiency)						
Before Transfers	<u>(4.2)</u>	<u>(1.2)</u>	<u>1.4</u>	<u>1.4</u>	<u>(2.8)</u>	<u>0.2</u>
Transfers In	0.5	0.4	0.0	0.1	0.5	0.5
Transfers Out	0.0	(0.1)	(0.5)	(0.9)	(0.5)	(1.0)
Increase (Decrease) in						
Fund Balance	<u>(3.7)</u>	<u>(0.9)</u>	<u>0.9</u>	<u>0.6</u>	<u>(2.8)</u>	<u>(0.3)</u>

* Excludes Capital Projects Fund.

The City's Funds (Continued)

The table on the preceding page illustrates the operation of the City's General, Water, Sewer and Recreation Funds, in millions, over a two-year period. Across all the funds represented, Fund Balances remained relatively unchanged. Further details for those funds as well as other City funds are as follows:

Governmental

General Fund

This is the chief operating fund of the City. The 2020 operations produced a \$3.7 million deficit. The Actual Total Revenues, excluding Appropriated Fund Balance and Interfund Transfers, fell short of the Total Revised Revenue budget by approximately \$4.8 million and Actual Total Expenditures were under the Revised Total Expenditure budget by approximately \$6.6 million. In the 2020 Adopted Budget, \$5.8 million of Fund Balance was appropriated to support expenditures. Some of these funds were needed to support overall expenditures (\$3.7 million). Regarding expenditures, most departments were within budget due to efficient operations (the exception is Transportation, which was over budget by \$81 thousand, due to the December 17, 2020 snow storm).

During 2020 the City, as planned, used \$39 thousand of its capital project reserve that was funded with previous years' surplus to fund certain of its capital needs instead of bonding. The City anticipates continuance of this practice and with the close of fiscal year 2020 has a capital project reserve of \$1.2 million. The current fiscal year end's Unassigned Fund Balance is \$6.4 million and the Total Fund Balance is \$10.7 million. As a measure of the General Fund's liquidity, the Unassigned Fund Balance is 7.2% of the 2021 General Fund Budget and the Total Fund Balance is 12.8%.

Special Revenue Funds

Water

Operations of the City's water district are reported here. The 2020 operations produced a \$890 thousand surplus.

The current fiscal year end's Total Fund Balance is \$9.7 million, compared to \$8.8 million in the previous year.

The City's Funds (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

Sewer

Operations of the City's sewer district are reported here. The 2020 operations, including the use of \$436 thousand in type capital reserves, produced a \$167.6 thousand deficit.

The 2020 Year End Restricted Fund Balance includes a capital project reserve balance of \$8.6 million, a reserve for bonded debt of \$648 thousand and a reserve for repairs of \$220 thousand. The current year end's Total Fund Balance is \$12.7 million, compared to \$12.9 million the previous year.

Recreation

Operations of the City's golf course are reported here. The 2020 operations produced a \$149 thousand surplus.

The 2020 Year End Restricted Fund Balance includes a capital project reserve of \$631 thousand. The current year end's Total Fund Balance is \$1 million, compared to \$891 thousand in the previous year.

Miscellaneous Revenue Fund

This fund is for all other activities that do not fall into the definition of the other funds; the largest of which are as follows:

- Activities related to the Revitalization of the Upper Union Street area. The City implementation of billing and collection of a component of the Upper Union Street Business District annual revenue is represented within this fund.
- Activities related to the City working with the Downtown Schenectady Improvement Corporation (DSIC) on the revitalization of Downtown Schenectady. The City implementation of billing and collection of a component of DISC's annual revenue is presented within this fund.
- Great Flats Aquifer fund - agreement with the Town of Niskayuna as per Note 5B.
- Handicap ADA improvement activities funded from Handicap parking violation tickets.

The City's Funds (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

Special Grant Fund

Reflects accounting of federal, state or local grants wherein expenditures are restricted for a specific purpose. The City managed approximately 35 grants through this fund. The fund's receivables and deferred revenues are largely comprised of loan activities through the Community Development Agency and the Schenectady Housing Development Fund Corporation. The City's direct COVID-19 pandemic costs of \$548,432 are reported in the special grant fund with a receivable from FEMA for the same amount.

Capital Projects Fund

Reflects accounting of financial resources used or available for capital facilities or equipment. The fund has a deficit totaling \$28.1 million, which reflects the temporary financing of project costs through the issuance of bond anticipation notes (BANs). The deficit will be offset when permanent financing is issued and/or BAN principle payments are budgeted and paid in the governmental fund(s) responsible for the debt.

Custodial Fund

The custodial fund represents fiduciary activities that are not required to be reported in pension and other employee benefit trust funds, investments trust funds or private-purpose trust funds.

SERIAL BONDS, EFC NOTES, BOND AND TAX ANTICIPATION NOTES (BANs and TANs)

Serial Bonds mature over time, 2030-2043, and have interest rates ranging from 3.0% to 4.0%. The NYS Environmental Facilities Corporation (EFC) Notes are zero interest and considered short-term until the completion of the underlying project at which point they will be refinanced to long-term. The BANs mature May 07, 2021 with a 1.39-2.0% interest rate. The TANs mature September 30, 2021 with an interest rate of 1%.

The table that follows shows that Total Debt Outstanding has increased by approximately 8.6% when compared to 2019. The City continues to use capital reserves created from surpluses to assist in the funding of its capital projects.

	<u>2020</u>	<u>2019</u>
Serial Bonds	\$ 102,555,000	\$ 106,591,055
NYS EFC Notes	21,033,855	11,673,925
Bond Anticipation Notes	18,615,009	19,125,009
Tax Anticipation Notes	7,000,000	-
Total Debt Outstanding	<u><u>\$ 149,203,864</u></u>	<u><u>\$ 137,389,989</u></u>

ECONOMIC FACTORS

Economic factors that influence the City's operations include:

- Creation of Mohawk Harbor
 - \$480 million project on a 60-acre waterfront site, hosting:
 - Casino
 - Hotels
 - Apartments and Condominiums
 - Retail and Office Space
- A re-energized Downtown
 - Home to Proctors Theatre and
 - Containing new restaurants and diverse corporations added during the last several years.
- Reliance on state aid
- Rising healthcare and retirement costs
- Distressed housing stock in many neighborhoods
- In March of 2020, the Governor of New York and the President of the United States declared a State of Emergency due to the Coronavirus (COVID-19).
- In March 2021, Congress passes legislation granting state and local governments federal aid (due to COVID-19 pandemic and related downturn). The City of Schenectady is slated to receive approximately \$28.9 million in May 2021 and \$28.9 million in May 2022.

CONTACTING THE CITY'S MANAGEMENT

The City's financial statements are designed to provide all interested parties with a general overview of the City's finances as well as to reflect accountability for all funds/property managed by the City. The address of the City's Commissioner of Finance and Administration is:

City of Schenectady
105 Jay Street-Room 103
Schenectady, NY 12305-1938

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MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of
the City Council - City of Schenectady
Schenectady, New York

We have audited the accompanying financial statements of the general fund, water fund, sewer fund, recreation fund, other special revenue funds, capital projects fund, custodial fund and the non-current governmental liabilities account group of the City of Schenectady, New York (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, water fund, sewer fund, recreation fund, other special revenue funds, capital projects fund, custodial fund and the non-current governmental liabilities account group of the City of Schenectady, New York, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the general fund, water fund, sewer fund, recreation fund, other special revenue funds, capital projects fund, custodial fund and the non-current governmental liabilities account group and do not purport to, and do not present fairly the government-wide financial position of the City as of December 31, 2020, or the changes in its government-wide financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the City adopted the Governmental Accounting Standards Board's Statement No. 84, *Fiduciary Activities*, as of and for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 1-8 and 61-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 73-74 is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
June 7, 2021

CITY OF SCHENECTADY, NEW YORK

BALANCE SHEETS - GOVERNMENTAL FUNDS

ALL FUND TYPES

DECEMBER 31, 2020

	Governmental Fund Types						Total Memorandum Only
	General Fund	Water Fund	Sewer Fund	Recreation Fund	Other Special Revenue Funds	Capital Projects Fund	
Assets							
Cash	\$ 18,655,747	\$ 938,542	\$ 1,865,233	\$ 411,700	\$ 619,415	\$ 16,062,135	\$ 38,552,772
Cash restricted	2,663,732	7,013,977	9,485,545	637,148	-	-	19,800,402
Taxes receivable, net	3,175,417	-	-	-	-	-	3,175,417
Other receivables, net	3,387,199	1,538,875	1,914,095	5,419	198,978	-	7,044,566
State and federal receivables	3,028,226	-	-	-	3,384,465	2,704,458	9,117,149
Due from other funds	2,225,794	498,170	163,926	-	-	1,276,980	4,164,870
Due from other governments	4,508,221	-	-	-	-	-	4,508,221
Inventory	-	-	-	8,444	-	-	8,444
Total Assets	<u>\$ 37,644,336</u>	<u>\$ 9,989,564</u>	<u>\$ 13,428,799</u>	<u>\$ 1,062,711</u>	<u>\$ 4,202,858</u>	<u>\$ 20,043,573</u>	<u>\$ 86,371,841</u>
Liabilities							
Accounts payable	\$ 2,440,012	\$ 111,179	\$ 334,869	\$ 12,444	\$ 1,597,196	\$ 4,363,535	\$ 8,859,235
Accrued liabilities	1,123,934	22,038	96,454	-	17,872	1,676,243	2,936,541
Other liabilities	3,568,145	-	15,215	10,812	-	-	3,594,172
Due to other funds	-	-	-	-	1,860,400	2,304,470	4,164,870
Due to other governments	5,170,220	-	-	-	51,160	-	5,221,380
Due to retirement systems	6,852,145	-	-	-	-	-	6,852,145
Unearned revenues	-	-	-	-	302,070	133,947	436,017
Tax anticipation note	7,000,000	-	-	-	-	-	7,000,000
Bond anticipation and other notes	-	-	-	-	-	39,648,864	39,648,864
Total Liabilities	<u>26,154,456</u>	<u>133,217</u>	<u>446,538</u>	<u>23,256</u>	<u>3,828,698</u>	<u>48,127,059</u>	<u>78,713,224</u>
Deferred Inflows of Resources	<u>798,588</u>	<u>195,080</u>	<u>256,318</u>	<u>-</u>	<u>307,717</u>	<u>-</u>	<u>1,557,703</u>
Fund Balance (Deficit)							
Nonspendable	-	-	-	8,444	-	-	8,444
Restricted	2,663,732	7,013,977	9,485,545	637,148	-	-	19,800,402
Assigned	1,624,606	2,647,290	3,240,398	393,863	66,443	-	7,972,600
Unassigned (deficit)	<u>6,402,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,083,486)</u>	<u>(21,680,532)</u>
Total Fund Balance (Deficit)	<u>10,691,292</u>	<u>9,661,267</u>	<u>12,725,943</u>	<u>1,039,455</u>	<u>66,443</u>	<u>(28,083,486)</u>	<u>6,100,914</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 37,644,336</u>	<u>\$ 9,989,564</u>	<u>\$ 13,428,799</u>	<u>\$ 1,062,711</u>	<u>\$ 4,202,858</u>	<u>\$ 20,043,573</u>	<u>\$ 86,371,841</u>

CITY OF SCHENECTADY, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Governmental Fund Types						Total
	General Fund	Water Fund	Sewer Fund	Recreation Fund	Other Special Revenue Funds	Capital Projects Fund	Memorandum Only
Revenues							
Real property taxes	\$ 27,986,737	\$ -	\$ 7,606	\$ -	\$ 351,259	\$ -	\$ 28,345,602
Real property tax items	3,920,962	-	-	-	-	-	3,920,962
Non-property tax items	14,915,589	-	-	-	-	-	14,915,589
Departmental income	8,109,700	8,727,162	12,486,783	1,171,700	42,304	-	30,537,649
Intergovernmental charges	160,411	-	-	-	-	-	160,411
Use of money and property	153,388	39,365	55,250	3,770	5	100	251,878
Licenses and permits	1,939,226	-	-	-	-	-	1,939,226
Fines and forfeitures	595,035	-	-	-	-	-	595,035
Sales of property and compensation for loss	2,763,109	-	-	-	51,353	-	2,814,462
Miscellaneous local sources	849,216	-	-	-	704,948	-	1,554,164
Interfund revenues	5,922,423	59,912	7,324	-	-	-	5,989,659
State aid	12,926,097	-	-	-	2,408,301	6,280,441	21,614,839
Federal aid	90,556	-	-	-	5,144,706	3,417,216	8,652,478
Total revenues	80,332,449	8,826,439	12,556,963	1,175,470	8,702,876	9,697,757	121,291,954
Other Financing Sources							
Interfund transfers in	523,783	22,118	2,688	-	-	484,816	1,033,405
BAN and notes redeemed	-	-	-	-	-	665,000	665,000
Installment Purchase Debt	-	-	-	-	-	2,496,509	2,496,509
Total revenues and other financing sources	80,856,232	8,848,557	12,559,651	1,175,470	8,702,876	13,344,082	125,486,868

CITY OF SCHENECTADY, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Governmental Fund Types						Total Memorandum Only
	General Fund	Water Fund	Sewer Fund	Recreation Fund	Other Special Revenue Funds	Capital Projects Fund	
Expenditures							
General government support	\$ 6,763,661	\$ 870,623	\$ 247,285	\$ 13,494	\$ 420,106	\$ 2,263,192	\$ 10,578,361
Public safety	31,013,050	-	-	-	-	3,690,500	34,703,550
Transportation	5,753,225	-	-	-	-	2,677,268	8,430,493
Economic assistance and opportunity	4,500	-	-	-	-	-	4,500
Culture and recreation	593,678	-	-	781,792	-	318,006	1,693,476
Home and community services	4,791,450	5,323,878	6,753,577	-	8,345,766	21,408,037	46,622,708
Employee benefits	29,187,043	734,300	2,073,805	75,767	-	-	32,070,915
Debt service (principal and interest)	6,398,934	1,029,583	3,216,719	145,944	92,136	-	10,883,316
Total expenditures	<u>84,505,541</u>	<u>7,958,384</u>	<u>12,291,386</u>	<u>1,016,997</u>	<u>8,858,008</u>	<u>30,357,003</u>	<u>144,987,319</u>
Other Financing Uses							
Interfund transfers out	<u>39,000</u>	<u>-</u>	<u>435,926</u>	<u>9,890</u>	<u>-</u>	<u>548,589</u>	<u>1,033,405</u>
Total Expenditures and Other Uses	<u>84,544,541</u>	<u>7,958,384</u>	<u>12,727,312</u>	<u>1,026,887</u>	<u>8,858,008</u>	<u>30,905,592</u>	<u>146,020,724</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(3,688,309)	890,173	(167,661)	148,583	(155,132)	(17,561,510)	(20,533,856)
Fund Balance (Deficit), January 1, 2020	<u>14,379,601</u>	<u>8,771,094</u>	<u>12,893,604</u>	<u>890,872</u>	<u>221,575</u>	<u>(10,521,976)</u>	<u>26,634,770</u>
Fund Balance (Deficit), December 31, 2020	<u>\$ 10,691,292</u>	<u>\$ 9,661,267</u>	<u>\$ 12,725,943</u>	<u>\$ 1,039,455</u>	<u>\$ 66,443</u>	<u>\$ (28,083,486)</u>	<u>\$ 6,100,914</u>

CITY OF SCHENECTADY, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2020

	<u>Custodial</u>
Cash (Total Assets)	<u>\$ 1,356,643</u>
Due to other governments (Total Liabilities)	<u>\$ 1,356,643</u>

Statement of Changes in Fiduciary Net Position

Property tax collection for other governments	<u>\$ 18,710,984</u>
Payments of property taxes to other governments	<u>\$ 18,710,984</u>
Change in net position	-
Net position, beginning	<u>-</u>
Net position, ending	<u>\$ -</u>

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES ACCOUNT GROUP
DECEMBER 31, 2020

Assets

Provisions to be made in future budgets	\$ 520,077,994
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Liabilities

Serial Bonds Payable	\$ 102,555,000
Due to Retirement Systems	1,752,608
Due to Other Governments	133,651
Compensated Absences	2,530,611
Other Debt	2,245,000
Judgements and Claims Payable	18,606,334
Installment Purchase Debt	4,406,724
Other Post-Employment Benefits	332,288,275
Net Pension Liability - Proportionate Share	<u>55,559,791</u>
Total Liabilities	<u>\$ 520,077,994</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Schenectady, New York (the City) has prepared its general, water, sewer, recreation, other special revenue, capital projects, custodial funds and the non-current governmental liabilities account group financial statements in accordance with accounting principles generally accepted in the United States of America as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretations).

The City does not comply with GASB Statement No. 34, which requires the City to present the government-wide financial statements on a full accrual government-wide basis as well as the fund basis. The financial statements present only the general, water, sewer, recreation, other special revenue, capital projects, custodial funds and the non-current governmental liabilities and do not purport to, and do not present fairly the financial position or changes in financial position of the City.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Financial Reporting Entity

The City of Schenectady was incorporated in 1789 and is governed by the City Charter, other general laws of the State of New York and various local laws and ordinances. The City Council, which is the legislative body of the City, consists of seven council members. The Mayor serves as chief executive officer and the Commissioner of Finance and Administration serves as the chief fiscal officer of the City.

The City provides the following basic services: police and law enforcement, fire protection, maintenance of city streets, water and sewer utilities, parks and recreation programs, health services and refuse and garbage services.

GASB Statement No. 61 defines the financial reporting entity for the City to include all funds, account groups, agencies, boards, commissions and authorities where the elected officials (the Mayor and/or the City Council, respectively) are financially accountable and for which a financial benefit or burden relationship exists. The following terms are used to describe the components of a reporting entity:

- Primary Government

A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

- Component Unit

A legally separate organization for which the elected officials of the primary government are financially accountable. Also the primary government is able to impose its will on the component unit, or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

As required by GAAP, the financial statements include the City of Schenectady as the primary government and its blended component units. The blended component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units have been included in the other special revenue funds of the City.

Operational or financial responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

- Blended Component Units

The City of Schenectady Community Development Agency ("CDA"), a legally separate entity, is governed by a board appointed by the City Council. The CDA is reported as if it were part of the City's operations because its sole activity is to administer federal funds received by the City for urban renewal. The CDA has been included in the City's Special Grant Fund since it was established.

The Schenectady Urban Renewal Agency ("SURA") is governed by a board that consists of the members of the City Council of the City of Schenectady and the Mayor of the City of Schenectady. The SURA was formed to undertake activities which benefit the City of Schenectady, and influence is assumed due to the composition of the board.

The SURA blended component unit's financial statements were audited as of and for the year ended December 31, 2020 by other auditors whose report expressed an unmodified opinion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

• Blended Component Units (Continued)

The Schenectady Housing Development Fund Corporation (“SHDFC”) provides down-payment loans to low and moderate income people to purchase homes within the City of Schenectady. The initial funding comes from the CDA. The board is comprised of the Mayor of the City of Schenectady and two Schenectady City Council members who then elect eight other members. The day-to-day operations are performed by City of Schenectady personnel.

The SHDFC blended component unit’s financial statements were audited as of and for the year ended December 31, 2020 by other auditors whose report expressed an unmodified opinion.

B. Excluded from the Financial Reporting Entity

The following potential component units have been excluded from the financial statements based on the criteria established by GASB 61.

a. Municipal Housing Authority (“MHA”)

The Housing Authority of the City of Schenectady (“MHA”) is organized under the laws of the State of New York by the City of Schenectady for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the City appoints a Governing Board for five-year staggered terms but the Board designates its own management. Additionally, the MHA has entered into annual contracts with the U.S. Department of Housing and Urban Development (“HUD”) to be the administrator of the housing and housing related programs.

The MHA is considered to be a potential component unit because five of the members are appointed by the Mayor of the City of Schenectady, and the MHA must receive City Council approval to expand their operations. Additionally, all assets and operations can revert to the City after 40 years, if the City Council chooses to assume operations.

The MHA is not considered a component unit and, therefore, not included in the reporting entity as the day-to-day operations are independent of City personnel. The MHA’s financial statements can be obtained from City Hall, Schenectady, New York, 12305.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Excluded from the Financial Reporting Entity (Continued)

b. City of Schenectady Industrial Development Agency

The City of Schenectady Industrial Development Agency (“IDA”) was created in 1977 by the City Council of the City of Schenectady under the provisions of Chapter 783, Section 856.1-a of General Municipal Laws of New York State for the purpose of encouraging economic growth in the City of Schenectady. The IDA is a separate entity and operates independently of the City of Schenectady.

The IDA is not considered a component unit and, therefore, not included in the reporting entity as the day-to-day operations are independent of City personnel. The IDA’s financial statements can be obtained from City Hall, Schenectady, New York, 12305.

The following organizations are also excluded from the reporting entity.

c. Schenectady City School District

The Schenectady City School District was created by State legislation which designates the school board as the governing authority. School board members are elected by the qualified voters of the District. The school board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school district operations.

d. Land Reutilization Corporation of the Capital Region

The Land Reutilization Corporation of the Capital Region (the “Land Bank”) was incorporated in June 2012. The Land Bank was organized and operates as a not-for-profit corporation under the provisions of Article 16 of New York’s Not-For-Profit Corporation Law and the Intergovernmental Cooperation Agreement by and between participating foreclosing governmental entities.

The Land Bank was created by three governmental entities: The City of Schenectady, the County of Schenectady and the City of Amsterdam. The governments will make foreclosed properties available to the Corporation with remuneration being made in the future as the properties are sold, based on a profit margin sharing formula.

Since the City of Schenectady does not appoint a majority of the board members to the Land Bank, and the Land Bank is not financially dependent on the City of Schenectady, the Land Bank is not considered a component unit to be reported in the City financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Excluded from the Financial Reporting Entity (Continued)

d. Land Reutilization Corporation of the Capital Region (Continued)

The Land Bank is currently operated under contract by Schenectady Metroplex Development Authority and the 2020 financial statements have been audited by an independent CPA firm engaged by the Land Bank. The Land Bank's financial statements can be obtained from Schenectady Metroplex Development Authority, 433 State Street, Schenectady, New York, 12305.

C. Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types and account group are used:

1. Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally or otherwise restricted to expenditures for specified purposes. The Special Revenue Funds are:

Water Fund - used to account for water district operations.

Sewer Fund - used to account for sewer district operations.

Recreation Fund - used to account primarily for golf course operations and other similar operations.

Other Special Revenue Funds - used to account for federal, state or local grants that are legally restricted to expenditures for a specific grant purpose.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

1. Governmental Funds (Continued)

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

2. Custodial Fund

The custodial fund represents fiduciary activities that are not required to be reported in pension and other employee benefit trust funds, investments trust funds or private-purpose trust funds.

3. Account Groups

Used to establish accounting control and accountability for non-current assets and liabilities. Account groups are not “funds.” They are concerned with measurement of financial position and not results of operations.

The Non-Current Governmental Assets Account Group is used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes. The City does not report the non-current governmental assets account group as historical records of fixed assets at cost have not been maintained. As the City has not reported the non-current governmental asset account group, the financial statements, as presented, are not in accordance with accounting principles generally accepted in the United States of America.

The Non-Current Governmental Liabilities Account Group is used to account for general obligation bonds and other forms of long-term debt not required to be recorded in other funds. The bonds are backed by the full faith and credit of the City and are supported by general revenues to be provided for in future budgets.

D. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus. Measurement focus is the determination of what should be measured.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter, within one year, to be used to pay liabilities of the current period with the exception of property taxes, water and sewer rents in which a sixty day collection period is utilized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

Material revenues that are accrued include state and federal aid and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made unless it will not be received within one year after the fiscal year has ended.

Expenditures are recorded when the fund liability is incurred except that:

- a. Principal and interest on indebtedness are recognized as an expenditure when due.
- b. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure if anticipated to be paid with available current resources.
- c. Non-current governmental liabilities are recorded at the par value of the principal amount; no liability is recorded for interest payable to maturity.

E. Property Taxes and Collections

City property taxes are levied annually on January 1st on real property in the City. The annual levy includes City and County taxes, water and sewer rents, and delinquent metered charges for water and sewer. The Schenectady City School District returns its delinquent taxes to the City for collection. The City assumes the responsibility of collection of all unpaid taxes.

F. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a. No later than October 1, the Mayor submits a tentative budget to the City Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all governmental funds, except for the Downtown Schenectady Improvement Fund, Miscellaneous Special Revenue Fund and the Special Grant Fund.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than November 1, the City Council adopts the budget.
- c. The Commissioner of Finance and Administration, with the approval of the Mayor, is authorized to transfer certain budgeted amounts within departments; however, all revisions that alter appropriations of any department or fund must be approved by the Mayor and City Council.
- d. Budgetary controls are established for the capital project fund through resolutions authorizing individual projects and a capital program budget which remains in effect for the life of the project.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data (Continued)

2. Encumbrances

Encumbrances are reservations of fund balance for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

- a. Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years.
- b. Budgetary controls for the Special Grant Fund are established in accordance with applicable grant agreements which generally cover a period other than the City's fiscal year.
- c. Budgetary controls for the component units are established in accordance with internal policies and applicable grant agreements which may cover a period other than the City's fiscal year.

G. Departure from Accounting Principles Generally Accepted in the United States of America

Acquisitions of equipment and capital facilities are appropriately recorded as expenditures in the various governmental funds of the City. These acquisitions should also be recorded in the balance sheet in a non-current governmental assets account group, as required by accounting principles generally accepted in the United States of America, to account for all land, buildings, improvements and equipment utilized by the City. The City does not maintain a non-current governmental assets account group and the amount that should be recorded in this account group is not known.

H. Estimates

The preparation of financial statements in accordance with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

The significant estimates included in the financial statements include the estimated incurred but not recorded ("IBNR") liability for workers' compensation, health insurance and the realizable value of the taxes receivable. It is at least reasonably possible that a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future events.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Self-Insurance, Risk Retention, Workers' Compensation and Health Insurance Plans

Excluding certain vision coverage, the City is self-insured for the healthcare benefits offered and all workers' compensation.

The City has retained a portion of the liability to cover losses under §207-A and §207-C of the Workers' Compensation Law for firefighters and police officers. Employees are entitled to their full pay, when out on leave, until age seventy. The City is required to cover any amount of losses not reimbursed by workers' compensation.

Workers' compensation claims are subject to approval by a Workers' Compensation board. Approved claims are paid and charged to the appropriate fund.

The City maintains general liability insurance which carries a deductible of \$50,000 to \$100,000 per claim based on the type of claim.

The City pays health insurance on a cost-reimbursement basis. The plan allows for an up to 20% coinsurance by the employee/subscriber. Each fund is responsible for the claims incurred for their employees. In 2020, the City is self-insured up to \$175,000 per individual, and is commercially insured for claims exceeding \$175,000 up to \$1,000,000 per subscriber per year. Individual claims exceeding \$1,000,000 per subscriber per year are self-insured. The risk of future claims is retained by the City.

The City establishes workers' compensation and health insurance claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculations because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Self-Insurance, Risk Retention, Workers' Compensation and Health Insurance Plans (Continued)

As discussed above, the City establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the City during the past year:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Risk</u> <u>Retention</u>
Unpaid Claims and Claims Adjustment Expenses at Beginning of Year	\$ 9,714,240	\$ 946,692	\$ 1,366,247
Provision for Incurred Claims Expense for Events of the Current and Prior Years	9,133,045	13,602,469	(267,153)
Payments Made During the Current Year	<u>1,577,299</u>	<u>13,602,469</u>	<u>235,346</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 17,269,986</u>	<u>\$ 946,692</u>	<u>\$ 863,748</u>
Reflected as Follows:			
General Fund	\$ 2,145,299	\$ 946,692	\$ 431,874
Non-Current Governmental Liability Account Group	<u>15,124,687</u>	<u>-</u>	<u>431,874</u>
	<u>\$ 17,269,986</u>	<u>\$ 946,692</u>	<u>\$ 863,748</u>

J. New Accounting Pronouncements

GASB has issued the following Statement which became effective in the current year.

GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. New Accounting Pronouncements (Continued)

GASB Statement No. 84 (Continued)

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The City has implemented this Statement for the year ended December 31, 2020.

K. Future Accounting Pronouncements

GASB Statement No. 87

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will become effective for fiscal years beginning after June 15, 2021.

L. Total Columns

Total columns in the financial statements are captioned *Memorandum Only* to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregate of this data.

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Capital Projects Fund

Capital Projects Fund had a deficit fund balance totaling \$28,083,486 at December 31, 2020. This deficit is caused by allowing contracts for projects funded with bond anticipation and other notes. The deficit will be eliminated when serial bonds are issued.

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY (CONTINUED)

B. Overdrawn Appropriations

<u>General Fund:</u>	
Transportation	\$ 81,483
<u>Sewer Fund:</u>	
General Government Support	\$ 9,394

The over expended amounts were due to the City's approval of expenditures without budgetary transfers or amendments to finance the payments.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

Cash and Investments

The City's investment policies are governed by State statutes. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City is authorized to use demand accounts, certificates of deposit, obligations of the United States of America, New York State and local municipalities and school districts, certificates of participation and repurchase agreements with certain restrictions.

Collateral is required for demand deposits and certificates of deposit for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of any state and its municipalities and school districts.

At December 31, 2020, the book amount of the primary government's deposits (excluding \$6,900 in petty cash) was \$59,702,917 and the bank balances were \$62,276,877. The insured and collateral status of the year-end bank balances was as follows:

	<u>Amount</u>
Covered by federal deposit insurance	\$ 531,010
Collateralized with securities held by a third party custodian for the benefit of the City, pursuant to a three-party custody agreement (\$62,310,436 available)	<u>61,745,867</u>
Total	<u><u>\$ 62,276,877</u></u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

B. Cash Restricted

Cash restricted consists of the following at December 31, 2020:

General Fund

Reserve for Debt	\$ 766,712
Capital Reserve	1,163,959
Snow and Ice Removal	156,542
Tax Certiorari	144,645
Litigation and Claims	431,874
	<u>2,663,732</u>

Water Fund

Reserve for Debt	65,467
Reserve for Capital	6,948,510
	<u>7,013,977</u>

Sewer Fund

Reserve for Debt	648,249
Reserve for Capital	8,616,818
Reserve for Repairs	220,478
	<u>9,485,545</u>

Recreation Fund

Reserve for Debt	5,966
Reserve for Capital	631,182
	<u>637,148</u>

Total Cash - Restricted	<u><u>\$ 19,800,402</u></u>
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3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Property Taxes

The City tax levy may be paid in four equal installments due January 1, April 1, July 1, and October 1.

At December 31, 2020, taxes receivable consisted of the following:

<u>Year</u>	<u>Schenectady School District</u>	<u>Schenectady County</u>	<u>City of Schenectady</u>	<u>Total</u>
2005	\$ -	\$ -	\$ 3,749	\$ 3,749
2006	-	-	11,336	11,336
2007	4,046	2,701	6,005	12,752
2008	7,175	3,609	8,914	19,698
2009	19,047	6,619	32,469	58,135
2010	24,320	8,341	50,191	82,852
2011	35,683	11,484	55,410	102,577
2012	39,714	13,436	80,209	133,359
2013	53,846	33,091	76,796	163,733
2014	60,268	16,598	99,613	176,479
2015	78,600	17,928	114,792	211,320
2016	101,158	25,472	181,902	308,532
2017	141,921	32,188	223,060	397,169
2018	325,426	141,833	530,023	997,282
2019	965,392	340,588	1,269,844	2,575,824
2020	<u>2,465,449</u>	<u>1,109,427</u>	<u>3,379,949</u>	<u>6,954,825</u>
Total	<u>\$ 4,322,045</u>	<u>\$ 1,763,315</u>	<u>\$ 6,124,262</u>	12,209,622
Allowance for Uncollectible Amounts				<u>(9,034,205)</u>
Taxes Receivable, Net				<u>\$ 3,175,417</u>

The above-mentioned net realized taxes receivable at December 31, 2020 also includes the amount of taxes the City must collect on behalf of the Schenectady City School District and Schenectady County. At December 31, 2020 the City is obligated to pay the Schenectady School District and Schenectady County \$4,787,484 and \$1,684,034, respectively, which is reflected in Due to Other Governments on the general and custodial fund balance sheets.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Other Receivables and Liabilities

Other receivables are comprised of the following at December 31, 2020:

	General Fund	Water Fund	Sewer Fund	Recreation Fund	Other Special Revenue Funds	Total
Franchise Fees	\$ 679,560	\$ -	\$ -	\$ -	\$ -	\$ 679,560
Sale of City Owned Equipment and Property	925,624	-	-	-	-	925,624
Utility Refunds	797,870	-	-	-	-	797,870
Miscellaneous (*)	325,705	-	24,943	6,395	-	357,043
Municipal Voucher Billings	880,465	946,965	1,109,917	-	-	2,937,347
Parking Fines	97,618	-	-	-	-	97,618
Water Rents	-	722,891	-	-	-	722,891
Sewer Rents	-	-	862,394	-	-	862,394
Special Grants	-	-	-	-	145,938	145,938
Loans, Net	-	-	-	-	53,040	53,040
Allowance for Uncollectible Accounts	(319,643)	(130,981)	(83,159)	(976)	-	(534,759)
Total	<u>\$ 3,387,199</u>	<u>\$ 1,538,875</u>	<u>\$ 1,914,095</u>	<u>\$ 5,419</u>	<u>\$ 198,978</u>	<u>\$ 7,044,566</u>

* Miscellaneous consists primarily of trash, code violation fees and other assessments.

A majority of the other receivables and deferred inflows of resources in the City's Special Grant Fund are comprised of the following loan activities at December 31, 2020.

Community Development Agency (a blended component unit)

The CDA is the recipient of Community Development Entitlement Grants to operate revolving loan funds. These funds are to be loaned to industry, not-for-profit organizations and individuals for the purpose of creating and retaining permanent jobs within the City or for rehabilitation of property. Loans outstanding at December 31, 2020 require periodic payments of principal and interest, or interest only for loans that have not been fully drawn down. The principal loan balances at December 31, 2020 are as follows:

Total Loans Outstanding	\$ 344,199
Less Allowance for Uncollectible Accounts	<u>(344,199)</u>
Net Loans Receivable	<u>\$ -</u>

Loans are recorded as a receivable with a corresponding entry to deferred inflows of resources. When the loan payments are received, revenue is recognized to the extent of principal received. As funds are reloaned a corresponding expenditure is recorded. When a loan is written off as uncollectible, a corresponding decrease in the amount of deferred inflows of resources is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Other Receivables and Liabilities (Continued)

Schenectady Housing Development Fund Corporation (a blended component unit)

The SHDFC is a subrecipient of federal funds received by the City through its Community Development Block Grant (CDBG). Draw down requests are made to the City as CDBG funds are needed to meet loan commitments, and revenue is recognized when received by the SHDFC.

Loans are recorded as a receivable with a corresponding entry to deferred inflows of resources. As loans are repaid, the principal is recognized as revenue to be used for future housing loans. As funds are reloaned, a corresponding expenditure is recorded. Many of these loans are subject to a higher than normal risk of default.

Loans receivable consist of the following at December 31, 2020:

Loans receivable, January 1	\$ 64,949
Add new loans made	26,321
Less principal payments received	(24,034)
Write-offs and adjustments	(14,196)
Loans receivable, December 31	<u>\$ 53,040</u>

See Note 3E6 for other deferred inflows of resources and unearned revenues in the special grant fund.

Other liabilities are comprised of the following at December 31, 2020:

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
Workers' Compensation	\$ 2,145,299	\$ -	\$ -	\$ 2,145,299
Health Insurance	946,692	-	-	946,692
Deposits *	455,138	-	8,400	463,538
Overpayments and Clearing	21,016	15,215	-	36,231
Other	-	-	2,412	2,412
	<u>\$ 3,568,145</u>	<u>\$ 15,215</u>	<u>\$ 10,812</u>	<u>\$ 3,594,172</u>

* Represents seized asset funds, payroll related liabilities and other miscellaneous deposits.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities

1. Pension Plans

General Information

The City participates in the New York State and Local Employees' Retirement System ("ERS") and New York State and Local Police and Fire Retirement System ("PFRS"), collectively referred to as the "Systems". The Systems are cost sharing multiple-employer, public employee retirement systems. The 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.

Plan Description and Benefits Provided

The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position allocated to the Systems. The Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the Systems. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). Once a public employer elects to participate in the Systems, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for ERS employees who joined the System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 who generally must contribute 3% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Plan Description and Benefits Provided (Continued)

The City is required to contribute at an actuarially determined rate. Required contributions for the current and preceding two years were:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Amount</u>	<u>Rate*</u>	<u>Amount</u>	<u>Police/Fire Rates*</u>
2020	\$ 1,921,216	16.1%	\$ 7,214,978	25.6/31.8%
2019	\$ 1,869,257	15.8%	\$ 6,288,653	24.3/30.0%
2018	\$ 1,939,680	15.8%	\$ 6,788,031	24.0/29.6%

* Reflects rates of most populated tier.

The City's contributions made to the Systems were equal to 100 percent of the contributions required for 2020. In 2013 the City, as anticipated in its adopted budget, elected to amortize (pay over time) \$3,250,427, the maximum allowed. In 2014 the City, as anticipated in its adopted budget, elected to amortize the amount of \$1,489,734, a portion of the amount allowed. All amortizations were done under the NYS Original Contribution Stabilization Program.

Pursuant to the Chapter 260 of the Laws of 2002, the state legislature authorized local governments to make available retirement incentive programs. Additional retirement incentive programs were authorized in 2004 and 2007. The costs of these programs are being billed and paid over ten years and include interest at 8.75%.

The outstanding balance as of December 31, 2020 for the amortized pension liabilities was \$1,752,608, of which \$1,100,805 is for the 2013 amortization and \$651,803 is for the 2014 amortization.

Covered Payroll

The City of Schenectady's covered payrolls (as defined in GASB 85) for 2020 are as follows:

ERS	\$ 14,955,208
PFRS	27,425,373
	<u>\$ 42,380,581</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

At December 31, 2020, the City reported a liability in the non-current governmental liabilities account group of \$12,269,212 for ERS and \$43,290,579 for PFRS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020, the City's proportion was .0463329% ERS and .8099361% PFRS.

At December 31, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,604,789	\$ (725,112)
Change of assumptions	3,947,341	(213,318)
Net difference between projected and actual investment earning on pension plan investments	25,784,906	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	314,483	(3,297,468)
Contributions made subsequent to measurement date	6,852,145	-
	<u>\$ 40,503,664</u>	<u>\$ (4,235,898)</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

The net amount of the employer's balances of deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2021	\$ 12,428,758
December 31, 2022	6,939,790
December 31, 2023	9,165,795
December 31, 2024	7,682,340
December 31, 2025	<u>51,083</u>
	<u>\$ 36,267,766</u>

ERS and PFRS Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Interest rate	6.8%	6.8%
Salary increase	4.2%	5.0%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period August 1, 2010 - March 31, 2015.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

ERS and PFRS Actuarial Assumptions (Continued)

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	4.05%
International equity	6.15%
Private equity	6.75%
Real estate	4.95%
Absolute return strategies	3.25%
Opportunistic portfolio	4.65%
Real assets	5.95%
Bonds and mortgages	.75%
Cash	- %
Inflation-indexed bonds	.50%

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for both ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>ERS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (22,517,468)	\$ (12,269,212)	\$ (2,830,525)

<u>PFRS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (77,404,436)	\$ (43,290,579)	\$ (12,740,847)

Pension Plan Fiduciary Net Position

The components of the net pension liability of the Systems as of March 31, 2020 was as follows (in thousands):

	<u>ERS</u>	<u>PFRS</u>
Systems total pension liability	\$ (194,596,261)	\$ (35,309,017)
Systems net position	168,115,682	29,964,080
Systems net pension liability	<u>(26,480,579)</u>	<u>(5,344,937)</u>
Ratio of systems net position to the employers' total pension liability	<u>86.39%</u>	<u>84.86%</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Deferred Compensation

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their current salary (up to \$19,500 for participants under age 50 and \$26,000 for those 50 years of age and older) until future years. During the past year, the employees contributed approximately \$1,567,992. The deferred compensation amounts are not available to the employees until termination, retirement, death, or unforeseeable emergency.

The City has significant administrative involvement for the assets of the deferred compensation plans and is involved in the investment function of the plans. The City has entered into two separate agreements with the trustees of the two plans who invest the funds in accordance with the trust agreements. The City appoints a committee of employees that represent the City in all matters concerning the administration of the plans. The committee has full power and authority to adopt rules and regulations for the administration of the plans. The committee also contracts with providers to manage the investment of plan assets and is responsible for selecting the plan investment options. Additionally, the committee reviews and approves withdrawals, terminations and benefit payments.

The City accounts for and reports its deferred compensation plans under the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

The plans issue separate financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the City of Schenectady.

2. Compensated Absences

Pursuant to contractual agreements, City employees are entitled to accrue sick, vacation and personal leave. The maximum accrual of these absences depends upon the contractual agreement each employee falls under. All employees who leave the employment of the City are entitled to be paid for unused vacation leave up to a maximum of 10 weeks. Unused sick leave, at rates ranging from twenty-five to seventy-five percent, depending on the contract and hire date, is paid to all employees, except police and fire, upon retirement, layoff or death.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

2. Compensated Absences (Continued)

The expenditure is recorded at the time the benefit is paid or when anticipated to be paid with available current resources. Estimated vested vacation and sick leave and compensated absences accumulated by City employees have been recorded in the General Fund, for those amounts anticipated to be paid with available current resources, with the remainder recorded in the Non-Current Governmental Liabilities Account Group.

The City has accrued compensated absences for vacation, vesting sick leave and other compensated absences with similar characteristics in accordance with Governmental Accounting Standards Board (GASB) Pronouncement Number 16 - Accounting for Compensated Absences. In accordance with GASB No. 16, additional amounts for employees who are expected to attain vested status and the related fringe benefits have also been accrued.

3. Short-Term Debt

Liabilities for bond and tax anticipation notes (BANs and TANs) are generally accounted for in the Capital Projects and General Fund, respectively. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

At December 31, 2020, BANs and TANs outstanding of \$18,615,009 and \$7,000,000 are reflected in the Capital Projects and General Fund, respectively. The BANs fund various improvements and have a maturity date of May 07, 2021 with an interest rate of 1.39-2.0%. The TANs fund anticipated short-term revenue loss and have a maturity date of September 30, 2021 with an interest rate of 1.0%. In addition, at December 31, 2020 short-term borrowings on an interest-free loan with the NYS Environmental Facilities Corporation amounted to \$21,033,855. This debt will be converted to long-term after completion of the underlying projects.

The following is a summary of changes in short-term debt for the year ended December 31, 2020:

	<u>Payable at</u> <u>January 1, 2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at</u> <u>December 31, 2020</u>
NYS Environmental Facilities Corporation	\$ 11,673,925	\$ 9,514,930	\$ 155,000	\$ 21,033,855
Bond Anticipation Notes	19,125,009	-	510,000	18,615,009
Tax Anticipation Notes	-	7,000,000	-	7,000,000
	<u>\$ 30,798,934</u>	<u>\$ 16,514,930</u>	<u>\$ 665,000</u>	<u>\$ 46,648,864</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt

At December 31, 2020 the total outstanding serial bonds of the primary government were \$102,555,000.

The City, like most governmental units, borrows money in order to acquire land or equipment or construct buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Non-Current Governmental Liabilities Account Group. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

In addition to the above long-term debt the City has the following noncurrent liabilities:

Due to Retirement Systems - Represents amounts accrued for early retirement incentives adopted by the City Council and the amortization of a portion of the bills due in 2013 and 2014 under the contribution stabilization program.

Compensated Absences - Represents the value of earned and unused portion of the liability for compensated absences.

Installment Purchase Debt - Represents the future minimum lease payments on capital leases.

Judgments and Claims - Represents legal judgments, claims and tax certiorari proceedings that are anticipated to be settled against the City. In addition, the judgments and claims liability represents the estimate of the City's share of incurred but not reported claim costs for the self-insured workers' compensation and health insurance obligations, net of the amounts recorded in the general fund. See Note 1 I.

Disability Payable - General Municipal Law, Sections 207A and 207C provide for firemen and police officers to receive continued salary payments to age seventy in the event of disability. The payments are funded partially by the City and partially by the retirement system. As of December 31, 2020, the present value of the payments the City was obligated to make to eight firemen and one police officer totaled \$2,471,195 which has been reflected in the Non-Current Governmental Liabilities Account Group. The related expense for the year ended December 31, 2020 approximated \$485,521.

Due to Other Governments - Represents the estimated net present value of the liability to the Downtown Schenectady Improvement Corporation.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Other Debt - Other debt at December 31, 2020 includes the total outstanding of \$2,245,000 on a \$3,000,000 US Department of Housing and Urban Development contract for loan guarantee assistance provided under section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. 5308. \$2,500,000 was to be used for the acquisition of real property in fee or by long-term lease pursuant to 24 CFR 570.703 (a), including acquisition of properties from the Schenectady Urban Renewal Agency, which may include costs of surveys, appraisals, the preparation of legal documents, recording fees and other similar costs that are necessary to effect the acquisition; and the clearance, demolition, and removal of building and improvements on real property acquired with Guaranteed Loan Funds. The remaining \$500,000 was utilized in support of the development and redevelopment of a low-income residential facility.

Net Pension Liability - Represents the City of Schenectady's proportionate share of the NYS pension liability under GASB 68.

Other Post-Employment Benefits - Represents the actuarial present value for the continuation of certain medical and dental insurance for current and future retirees and their spouses.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020:

	<u>Payable at</u> <u>January 1, 2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other</u> <u>Increase</u> <u>(Decrease)</u>	<u>Payable at</u> <u>December 31, 2020</u>
Serial Bonds Payable	\$ 106,591,055	\$ -	\$ 4,036,055	\$ -	\$ 102,555,000
Due to Retirement Systems	2,244,579	-	491,971	-	1,752,608
Compensated Absences	2,328,311	-	-	202,300	2,530,611
Installment Purchase Debt	3,464,627	2,496,509	1,547,572	(6,840)	4,406,724
Judgments and Claims					
Payable (*)	9,024,454	-	-	7,110,685	16,135,139
Disability Payable	2,177,959	-	-	293,236	2,471,195
Due to Other Governments	173,255	-	39,604	-	133,651
Other Debt	2,400,000	-	155,000	-	2,245,000
Net Pension Liability					
Proportionate Share	17,963,339	-	-	37,596,452	55,559,791
Other Post-employment					
Benefits	290,845,065	-	9,600,731	51,043,941	332,288,275
Total	<u>\$ 437,212,644</u>	<u>\$ 2,496,509</u>	<u>\$ 15,870,933</u>	<u>\$ 96,239,774</u>	<u>\$ 520,077,994</u>

* Workers' Compensation (\$15,124,687), Risk Retention (\$431,874) and Tax Certiorari Proceedings (\$578,578) as of December 31, 2020.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Serial bonds are comprised of the following at December 31, 2020:

<u>Payable From/ Description</u>	<u>Issued</u>	<u>Original Amounts</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Balance Outstanding 2020</u>
General Fund					
General Purpose	2014	\$ 28,340,209	3.5%	2038	\$ 23,391,904
General Purpose	2016	\$ 5,677,245	4.0%	2030	3,890,616
General Purpose	2016	\$ 2,140,000	3.0%	2043	1,943,000
General Purpose	2017	\$ 3,700,190	4.0%	2038	6,430,525
General Purpose	2017	\$ 7,203,751	3.0%	2036	3,468,665
General Purpose	2019	\$ 13,865,722	3.0%	2042	13,624,140
Water Fund					
Water Fund	2014	\$ 1,469,558	3.5%	2038	1,212,968
Water Fund	2016	\$ 1,930,575	4.0%	2030	1,312,127
Water Fund	2016	\$ 1,595,000	3.0%	2043	1,448,190
Water Fund	2017	\$ 1,788,285	4.0%	2038	2,839,380
Water Fund	2017	\$ 3,180,797	3.0%	2036	1,670,060
Water Fund	2019	\$ 4,729,040	3.0%	2042	4,646,630
Sewer Fund					
Sewer Fund	2014	\$ 6,779,671	3.5%	2038	5,595,919
Sewer Fund	2016	\$ 5,849,721	4.0%	2030	4,283,925
Sewer Fund	2016	\$ 4,250,000	3.0%	2043	3,858,810
Sewer Fund	2017	\$ 4,821,525	4.0%	2038	9,690,095
Sewer Fund	2017	\$ 10,855,267	3.0%	2036	4,506,275
Sewer Fund	2019	\$ 7,709,360	3.0%	2042	7,575,050
Recreation Fund					
Golf Course	2014	\$ 495,771	3.5%	2038	409,209
Golf Course	2016	\$ 67,459	4.0%	2030	38,332
Golf Course	2019	\$ 731,933	3.0%	2042	<u>719,180</u>
Total Serial Bonds					<u>\$ 102,555,000</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Serial bond maturities, and the related interest, are as follows:

	<u>Serial Bonds</u>	<u>Interest</u>
2021	\$ 4,560,000	\$ 3,372,081
2022	4,725,000	3,208,744
2023	4,905,000	3,033,300
2024	5,100,000	2,849,488
2025	5,305,000	2,658,088
2026-2030	26,945,000	10,546,366
2031-2035	27,220,000	6,209,553
2036-2040	19,320,000	1,910,475
2041-2043	4,475,000	157,781
Total	<u>\$ 102,555,000</u>	<u>\$ 33,945,876</u>

Other Long-Term Debt

Principal payments and interest due are as follows:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 155,000	\$ 71,203
2022	155,000	67,560
2023	155,000	63,762
2024	155,000	59,423
2025	160,000	55,005
2026-2030	800,000	200,705
2031-2034	665,000	62,100
Total	<u>\$ 2,245,000</u>	<u>\$ 579,758</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Installment Purchase Debt

Minimum future lease payments for vehicles and energy improvements are:

2021	\$ 1,100,798
2022	1,322,633
2023	812,240
2024	417,050
2025	<u>1,142,050</u>
Total Payments	4,794,771
Less: interest	<u>(388,047)</u>
Total	<u><u>\$ 4,406,724</u></u>

Due to Employees' Retirement System and Police and Fire Retirement System

The Due to Retirement Systems maturities are as follows:

The principal payment schedule from the New York State Retirement Systems for the amortization of its retirement payment as described in Note 3 E 1 is reflected below.

2021	\$ 509,242
2022	527,123
2023	545,635
2024	<u>170,608</u>
	<u><u>\$ 1,752,608</u></u>

5. Postemployment Benefits Payable

A. General Information about the OPEB Plan

Plan Description - The City's defined benefit OPEB plan provides OPEB for all permanent full-time general and public safety employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided - The City provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which employment contract each employee falls under. The specifics of each contract are on file at the City offices and are available upon request.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms - At January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefit payments	14
Active employees	529
Total	<u>543</u>

B. Total OPEB Liability

The City's total OPEB liability of \$332,288,275 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary Increases	2.0 percent, average, including inflation
Discount Rate	2.0 percent

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

B. Total OPEB Liability (Continued)

Healthcare Cost Trend Rates

Assumed pre-65 medical trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed post 65 Medicare Advantage medical trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	4.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed prescription drug trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed Medicare Part B trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	5.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed trend rates for additional benefits at end of year

Trend for administrative fees per annum	3.25%
Trend for dental benefit costs per annum	3.0%

Sensitivity to Discount Rate and Healthcare Trend Rate

Discount Rate at Measurement Date	2.0%
Net OPEB Liability (NOL) at Current Discount Rate and Healthcare Trend Rates	\$ 332,288,275

Net OPEB Liability (NOL) at 1% Decrease in Discount Rate	\$ 397,558,422
Net OPEB Liability (NOL) at 1% Increase in Discount Rate	\$ 281,511,469

Net OPEB Liability (NOL) at 1% Decrease in Healthcare Trend Rates	\$ 275,705,311
Net OPEB Liability (NOL) at 1% Increase in Healthcare Trend Rates	\$ 407,308,731

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

B. Total OPEB Liability (Continued)

Healthcare Cost Trend Rates (Continued)

As of the December 31, 2020 measurement date, the discount rate was updated from 2.7% to 2.0%. The change in discount rate resulted in an increase in liabilities.

As of the December 31, 2020 measurement date, the mortality assumption was updated to the sex-distinct and job category-specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and healthy retirees, and then adjusted for mortality improvements with a Scale MP-2020 mortality improvement scale on a generational basis. The revised assumption resulted in a net increase in liabilities.

As of the December 31, 2020 measurement date, the annual rate of increase in healthcare costs was revised to better reflect future expectations, including updating long-term rates based on the SOA Long Term Healthcare Cost Trends Model v2021_b (the Getzen model).

Retirees' Share of Benefit-Related Costs

Firefighters hired after October 2006 will pay 5% for medical and dental. Police officers hired after April 2010 will pay 5% for medical and dental. Police officers hired between April 26, 2010 and January 1, 2020 will pay 5% for medical. Police officers hired after January 1, 2020 will pay 10% for medical. Management hired after January 2008 will pay 20% of medical and dental. Everyone else hired after 2006 will pay 20% for medical and 100% for dental.

The discount rate was based on the Bond Buyer General Obligation 20-Year AA Municipal Bond Index.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

C. Changes in the Total OPEB Liability

Balance at December 31, 2019	<u>\$ 290,845,065</u>
<u>Change for the Year -</u>	
Service cost	10,968,897
Interest	7,799,069
Change of benefit terms	618,654
Differences between expected and actual experience	(12,171,161)
Change in assumptions or other inputs	43,828,482
Actual benefit payments	<u>(9,600,731)</u>
Net Changes	<u>41,443,210</u>
Balance at December 31, 2020	<u><u>\$ 332,288,275</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.75 percent in 2019 to 2.0 percent in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate (2.0%)</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 397,558,422</u>	<u>\$ 332,288,275</u>	<u>\$ 281,511,469</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare care cost trend rate:

	<u>1% Decrease</u>	<u>Current Discount Rate (2.0%)</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 275,705,311</u>	<u>\$ 332,288,275</u>	<u>\$ 407,308,731</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

D. OPEB Expense and Deferred Inflows of Resources and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of \$24,843,650.

At December 31, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 302,516	\$ (20,969,907)
Change of assumptions	<u>69,132,267</u>	<u>(13,693,763)</u>
	<u>\$ 69,434,783</u>	<u>\$ (34,663,670)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31, 2020

2021	\$ 5,457,030
2022	5,457,030
2023	5,457,030
2024	6,741,119
2025	7,489,851
Thereafter	<u>4,169,053</u>
	<u>\$ 34,771,113</u>

6. Deferred Inflows of Resources and Unearned Revenues

Deferred inflows of resources arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflows of resources are reduced and revenue is recognized.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

6. Deferred Inflows of Resources and Unearned Revenues (Continued)

Unearned revenue arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the City has legal claim to the resources, the liability is removed and revenue is recognized.

Deferred inflows of resources and unearned revenues at December 31, 2020 consist of the following:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenues</u>
<u>General Fund</u>		
2021 real property taxes collected in 2020	\$ 118,248	\$ -
NYS AIM Payments	560,300	-
Special Assessments	120,040	-
Total	<u>\$ 798,588</u>	<u>\$ -</u>
<u>Water Fund</u>		
Water rents	<u>\$ 195,080</u>	<u>\$ -</u>
<u>Sewer Fund</u>		
Sewer rents	<u>\$ 256,318</u>	<u>\$ -</u>
<u>Other Special Revenue Funds</u>		
Community Development Agency Federal and State Aid	\$ -	\$ 21,302
Community Development Agency Program Income	-	44,164
Schenectady Housing Development Fund Corporation (see Note 3 D)	-	53,040
Miscellaneous Grants	-	183,564
Special Revenue - Assessments Held for Future Use	307,717	-
Total	<u>\$ 307,717</u>	<u>\$ 302,070</u>
<u>Capital Projects Fund</u>		
Vale Park Project	<u>\$ -</u>	<u>\$ 133,947</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

F. Interfund Balances

Interfund transfers and receivables and payables at December 31, 2020 and for the year then ended are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 523,783	\$ 39,000	\$ 2,225,794	\$ -
Water	22,118	-	498,170	-
Sewer	2,688	435,926	163,926	-
Recreation	-	9,890	-	-
Special Grant	-	-	-	1,860,400
Capital Projects	484,816	548,589	1,276,980	2,304,470
Total	<u>\$ 1,033,405</u>	<u>\$ 1,033,405</u>	<u>\$ 4,164,870</u>	<u>\$ 4,164,870</u>

G. Fund Equity and Reserves

The City has implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB 54 defines five categories of fund balances as follows:

- **Non-spendable** fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City's non-spendable fund balance includes \$8,444 of inventory recorded in the recreation fund at December 31, 2020.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City's restricted fund balance consists of the following at December 31, 2020:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>
Reserve for Debt	\$ 766,712	\$ 65,467	\$ 648,249	\$ 5,966
Reserve for Capital	1,163,959	6,948,510	8,616,818	631,182
Snow and Ice Removal	156,542	-	-	-
Tax Certiorari	144,645	-	-	-
Litigation and Claims	431,874	-	-	-
Reserve for Repairs	-	-	220,478	-
	<u>\$ 2,663,732</u>	<u>\$ 7,013,977</u>	<u>\$ 9,485,545</u>	<u>\$ 637,148</u>

3. DETAIL NOTES ON ALL FUNDS AND GROUPS (CONTINUED)

G. Fund Equity and Reserves (Continued)

- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City had no committed fund balances at December 31, 2020.
- **Assigned** fund balance includes amounts that are constrained by the City to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the City or designated by the City for the ensuing year's budget. Assigned fund balance includes the following:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>	<u>Special Grant</u>
Encumbrances	\$ 196,381	\$ 16,686	\$ 38,045	\$ 3,275	\$ -
Appropriated Fund Balance	1,428,225	-	-	-	-
Home and Community Services	-	2,630,604	3,202,353	-	66,443
Culture and Recreation	-	-	-	390,588	-
	<u>\$ 1,624,606</u>	<u>\$ 2,647,290</u>	<u>\$ 3,240,398</u>	<u>\$ 393,863</u>	<u>\$ 66,443</u>

- **Unassigned** fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

The City determines whether restricted, committed, assigned or unassigned amounts are considered to have been spent first when resources are available from multiple constraint levels. The default policy is that resources are first spent from the highest constraint level.

4. COMMITMENTS AND CONTINGENCIES

- A. **Grants** - The City has received many federal and state grants for special purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, would not be material.
- B. **Parking Lots** - In 2004, the City of Schenectady entered into an agreement with Schenectady Metroplex Development Authority (Metroplex) for the sale of five parking lots and the Broadway Center Garage facility for \$1,000,000. As part of the sale agreement the City has agreed to pay the Downtown Schenectady Improvement Corporation the total sum of \$1,000,000 in annual installments of \$50,000 per year for a term of twenty years. The estimated net present value of the liability of \$133,651, calculated using an assumed rate of interest of 6%, has been recorded in the Non-Current Governmental Liabilities Account Group at December 31, 2020.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- C. *Tax Review Cases*** - Tax review cases are pending against the City for reductions in the assessed value of property. The petitions are for taxes collected in 2013 through 2019. Management believes that the likelihood of reductions is probable. Provision for losses for cases settled to date of \$723,223 are included in the Non-Current Governmental Liabilities Account Group in judgments and claims payable of \$578,578 and in a General Fund reserve of \$144,645 that comprise the balance.
- D. *Litigation*** - The City has been named defendant in various actions. A review of these actions with the City's Attorney indicates that the risk of loss to the City is probable for certain cases, reasonably possible for other cases or unable to assess the risk of loss. The remaining cases are either fully covered by insurance or without substantial merit. Provision for losses for these cases that have a probable risk of loss are included in the Non-Current Government Liability Account Group of \$431,874 and those that are reasonably possible for which a range of loss has been estimated are included in the miscellaneous reserves in the General Fund of \$431,874 at December 31, 2020.
- E. *Downtown Schenectady Improvement Corporation*** - The City has entered into an agreement with the Downtown Schenectady Improvement Corporation (the "Corporation") to provide certain services to the Downtown Special Assessment District (the "District"). If unanticipated expenses are incurred by the Corporation as a result of performing the contracted services, the District would be required to pay the Corporation the additional amount. For the year ended December 31, 2020, no additional amount was owed.
- F. *Environmental Concerns*** - The City is engaged in many activities (*e.g.*, water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. Except as previously described, as of December 31, 2020, the City is not aware of any significant environmental conditions that should be disclosed in the financial statements. In May 2014, the City received a Consent Order from the New York State Department of Environmental Conservation (DEC) to remedy sewer overflow events. Under the Consent Order, the City has until December 2023 to complete the necessary infrastructure changes.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

G. *Union Contracts* - Police, Fire Department and general city employees are each represented by collective bargaining agents. The agents that represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
* AFSCME - Local 1037A	December 31, 2020
* Civil Service Employees Association - Local 1000	December 31, 2019
United Brotherhood of Carpenters & Joiners of America, Local 146	December 31, 2023
* Brotherhood of Electrical Works - Local 236	December 31, 2019
Schenectady Police Benevolent Association	December 31, 2022
* IAFF, Local 28 (City Fire Fighters Union)	December 31, 2018
National Union of Painters & Allied Tradesman, Local 62	December 31, 2023
* IOUE, Local 106 (Operating Engineers)	December 31, 2020

* These union contracts are currently under negotiation.

H. *Constitutional Debt Limit* - As of December 31, 2020, the City had exhausted approximately 68.77% of its constitutional debt limit.

5. JOINT VENTURES

The following activities are undertaken jointly with other municipalities. These activities are excluded from the financial statements of all participating municipalities. Separate financial statements are issued for such joint ventures.

5. JOINT VENTURES (CONTINUED)

A. Intermunicipal Watershed Rules and Regulations Board

The City of Schenectady and the Towns of Niskayuna, Glenville, Rotterdam and the Village of Scotia, New York jointly comprise the Intermunicipal Watershed Rules and Regulations Board. The venture operates under the terms of an agreement dated July 11, 1991. The agreement is for the period of five years with an option for renewal increments of five year periods. The first option for renewal was executed in 1996. Although no written extension has been negotiated since, the venture has been operating as if renewal options have been exercised. Significant provisions of the agreement are as follows:

1. The boards of each municipality jointly act as the governing body for the joint venture.
2. The governing body has established a contribution formula to fund the costs of the Board. The initial formula for municipal contributions to the operating budget of the Board was based upon the total number of gallons pumped from the aquifer by each of the municipalities between 1980 and 1989. In subsequent years the allocation has been based on actual gallons used during that year. The fee based on the water used by the Town of Niskayuna was initially reported and paid for by the City of Schenectady and is included in the cost of the water purchased by the Town of Niskayuna from the City of Schenectady.

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the year ended December 31, 2019 (most recent available):

Total Assets	\$ 5,578
Total Liabilities	\$ 1,433
Joint Venture Equity	\$ 4,145
Total Revenues	\$ 5,000
Total Expenses	\$ 3,443

B. Great Flats Aquifer

In 1987, the City of Schenectady and the Town of Niskayuna entered into an agreement on the use of \$300,000 received from a developer as a settlement of a legal proceeding. The two parties agreed to use the proceeds for matters related to the Great Flats Aquifer and to require all expenditures of these funds and the related interest earned to be approved by the Chief Executive Officer of each municipality.

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the year ended December 31, 2020:

Total Assets	\$ 194,133
Joint Venture Equity	\$ 194,133
Total Revenues	\$ -
Total Expenses	\$ -

6. SALES TAX

In October 2020, the City entered into an agreement with the County effective December 1, 2020 through November 30, 2028. In year one, the City shall receive the same percentage of the 3% sales tax revenue collected as it did in year eight of the prior agreement, plus \$1,000,000, which represents the aggregate total due under the Hazmat (\$600,000), Police (\$200,000) and Community Redevelopment and Demolition of Structures (\$200,000) agreements. Thereafter in years two through eight, the City shall receive the same percentage of the 3% sales tax as it did in year one, and the calculation of this amount shall include the \$1,000,000 added to the base of year one for the appropriate percentage calculations in years two through eight.

7. TAX ABATEMENTS

GASB Statement No. 77 requires municipalities to disclose agreements with various taxpayers to reduce the amount of taxes they would otherwise have to pay. The agreements may call for Payment in Lieu of Taxes (PILOT) payments, Payment in Lieu of Services payments, reduced taxable assessed value or no tax payments at all. These agreements place certain limitations on a government's ability to raise revenues from property taxes (or other tax revenue sources).

The City of Schenectady has a number of Payments in Lieu of Taxes ("PILOTS") and other tax abatement agreements in place with local businesses. All agreements are for abatement of property taxes. Most of these agreements are entered into by agencies other than the City of Schenectady.

1. The City of Schenectady Industrial Development Agency (IDA) enters into such agreements under Article 18-A of the General Municipal Law of the State of New York. They are located at: Center City Plaza; Schenectady, NY 12305; Jayme Lahut, Executive Director.
2. There are a small number of agreements under the Moral & Mental Health Improvements Law (under the IDA, under Title 1 of Article 18-A of GML, Chapter 24 of consolidated Laws of NYS, Chapter 389 of 1978 Laws, Section 874 of the act and Section 412-a of the Real Property Tax Law).
3. The Schenectady Metroplex Development Authority enters into such agreements under Title 28-B of Article 8 of the Public Authorities Law of NYS. They are located at: Center City Plaza; Schenectady, NY 12305; Ray Gillen, Chairman.
4. There are a small number of agreements under Section 125 of the Private Housing Finance Law of the State of New York (City agreement).

Items one and three above are for commercial or industrial development for the purpose of attracting or retaining businesses within their jurisdictions. PILOT agreements normally provide for payment of amounts lesser than would have been collected for real estate taxes for a number of years.

7. TAX ABATEMENTS (CONTINUED)

For the year ended December 31, 2020, the City recognized \$2,660,725 in PILOT revenue for all programs listed above. Abated property taxes amounted to \$2,287,845 under these programs.

<u>Parcel Count</u>	<u>Agency</u>	<u>Full Tax Potential</u>	<u>Pilot Revenue Paid</u>	<u>Abatement</u>
47	IDA	\$ 3,678,878	\$ 2,275,726	\$ 1,403,152
2	IDA/Moral and Mental Health Improvements	157,948	26,419	131,529
54	Metroplex	1,093,267	281,425	811,842
1	City of Schenectady/PHF Law 125	<u>18,477</u>	<u>77,155</u>	<u>(58,678)</u>
104	Total	<u>\$ 4,948,570</u>	<u>\$ 2,660,725</u>	<u>\$ 2,287,845</u>

The City of Schenectady will identify all individual tax abatements over 8.5% of the total abatements of \$194,467 (\$2,287,845). They are as follows:

- The Schenectady Industrial Development Agency has an agreement with DMN Realty Associates, LLC for a property located at 526 Altamont Avenue, for which the amount of abated property taxes is \$196,370 (at 8.58% of the total abatements).
- The Schenectady Metroplex Development Authority has an agreement with BN Partners Associates LLC for a property at 461-467 Nott Street, for which the amount of abated property taxes is \$229,074 (at 10.01% of the total abatements).

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions as to potential material impact on operations or financial position occurring through June 7, 2021, the date the financial statements were available to be issued. The following were noted:

- A. The City has a \$18,615,010 BAN due May 07, 2021. After reflecting a principal paydown of \$1,265,000 it anticipates it will refinance \$17,350,010 of that amount with a new Serial Bond. The City plans to issue a new BAN in 2021 for \$7,355,606 (does not include cost of issuance).

8. SUBSEQUENT EVENTS (CONTINUED)

- B. In January 2017, the City entered into an agreement with NYS Environmental Facilities Corporation to assist the City with complying with the NYS DEC consent order mentioned in Note 4. This agreement has a \$5,000,000 grant component, a \$15,000,000 zero interest loan and a \$3,480,500 low interest loan. In 2020, the City entered into a new (supplemental) agreement with NYS Environmental Facilities Corporation for the same purpose; for additional loans in the amount of \$7,844,500. The funds will be drawn upon to offset expenditures by the City. The debt repayment schedule will be established based on the draw down schedule. During 2017 the City received \$2.5 million of the grant component. The City has borrowed \$21,188,855 (\$21,188,855 less principal payment of \$155,000 paid in 2020 equals the net liability of \$21,033,855) of the loan balance as of December 31, 2020 and all of the amounts are reflected in the Capital Projects Fund as short term liabilities. In early 2021, the City borrowed an additional \$2,379,214 (related to 2020 expenses).
- C. The City of Schenectady provides water services to the Town of Niskayuna for which the Town pays the City. The Town has failed to pay the City for their 2018 and 2019 bills. The Town has alleged that the City's bills were incorrect due to a mistake in the fully executed agreement (from 2007) to provide such services. The City has retained outside counsel to assist in resolving this matter for the City. In the 2019 financial statements, the amount of \$567,376 of prior year revenue was deferred. This is also creating a cash flow issue for the Water Fund, and as a result, the General Fund is covering these shortages.
- During 2020, the Town of Niskayuna made payments on most of their outstanding bills. As of March 9, 2021, only \$80,987 from 2018 is outstanding.
- D. The City of Schenectady has been named as a defendant in a lawsuit brought by BCI Construction, related to the City's Water Resource Recovery Facility Sanitary Sewer Overflow Mitigation and Improvements Project. BCI's allegations are, in essence, breach of contract claims that the City is disputing on grounds that BCI is in breach of its contractual obligations. Currently, this litigation is being handled by the City's outside counsel.
- E. In March of 2021, the United States Congress passed legislation granting state & local governments federal aid (due to the COVID-19 pandemic & related downturn). The City of Schenectady is slated to receive approximately \$26.5 million in May 2021 and \$26.5 million in May 2022. The following restrictions apply: To respond to the public health emergency with respect to the Coronavirus Disease (COVID-19) or its negative economic impacts, including assistance to households, small businesses, non-profits or aid to impacted industries such as tourism, travel and hospitality; hazard pay to essential workers; government services to the extent of reduction in revenue due to the economic impact of COVID-19 compared to the most recent full fiscal year (2019); or to make necessary investments in water, sewer or broadband infrastructure. The City will be required to report to the US Treasury Department on the uses of these funds.

8. SUBSEQUENT EVENTS (CONTINUED)

- F. There are two large pending tax certiorari claims against the City:

Maxon Alco Holdings LLC and Mohawk Property Company LLC v. Assessor of the City of Schenectady, et al. (Index 2020-960)

This tax certiorari challenges the 2020 assessment of 1 Rush Street, a property identified as SBL 39.49-2-1.71. The property is the site of Rivers Casino. The property does not include the hotel that is attached to the casino. The property is currently assessed at \$86,140,000. The property owner seeks a reduction of assessment to \$57,600,000, based upon a full market value of \$64,000,000 and an equalization rate of 90%. This property is unique in that there are no other similar casinos in the area. The City intends to vigorously defend the current assessed value, which will require hiring an appraiser with the ability to provide a valuation of a casino. No trial date has been scheduled on this matter.

40 Love Associates, Ltd. v. Assessor of the City of Schenectady, et al. (Index 2019-1411 and Index 2020-0820)

These tax certioraris challenge the 2019 and 2020 assessments of a property identified as SBL 39.80-3-1.111. The property, located at 1 Broadway Center, is a large building, most notably housing the headquarters for the NYS Gaming Commission. For assessment years 2019 and 2020, the property was assessed at \$11,672,000. In its 2019 and 2020 petitions, the property owner alleges that the property should be assessed at \$7,000,000. These matters are scheduled for a pre-trial conference on July 9, 2021.

The city has accounted for this in the General Fund Reserves and in the Non-Current Governmental Liabilities Account Group (see note 4C).

- G. During the summer of 2020, the NYS Department of Budget announced potential AIM reductions of 20% for municipalities. During 2020, the City received \$8,964,795 in AIM funding (80% of the normal \$11,205,994). In March of 2021, NYS restored a portion of that funding in the amount of \$1,680,899, which is reflected in the General Fund as revenue and a receivable. The balance of the unpaid AIM funding is \$560,300, which the City has recorded as a receivable & deferred inflow of resources. This amount was paid in full during May 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SCHENECTADY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 29,133,512	\$ 29,133,512	\$ 27,986,737	\$ (1,146,775)
Real property tax items	4,253,980	4,253,980	3,920,962	(333,018)
Non-property tax items	14,870,000	14,870,000	14,915,589	45,589
Departmental income	9,612,714	9,391,714	8,109,700	(1,282,014)
Intergovernmental charges	100,000	100,000	160,411	60,411
Use of money and property	334,359	334,359	153,388	(180,971)
Licenses and permits	1,854,700	1,854,700	1,939,226	84,526
Fines and forfeitures	1,085,000	1,085,000	595,035	(489,965)
Sales of property and compensation for loss	2,973,000	2,973,000	2,763,109	(209,891)
Miscellaneous local sources	120,000	120,000	849,216	729,216
Interfund revenues	5,922,423	5,922,423	5,922,423	-
State aid	15,017,454	15,017,454	12,926,097	(2,091,357)
Federal aid	103,000	103,000	90,556	(12,444)
Total Revenues	<u>85,380,142</u>	<u>85,159,142</u>	<u>80,332,449</u>	<u>(4,826,693)</u>
Other Financing Sources				
Interfund transfers	<u>-</u>	<u>-</u>	<u>523,783</u>	<u>523,783</u>
Total Revenues and Other Financing Sources	<u>85,380,142</u>	<u>85,159,142</u>	<u>80,856,232</u>	<u>(4,302,910)</u>
Expenditures				
General government support	8,106,272	8,128,624	6,763,661	1,364,963
Public safety	32,399,832	33,492,429	31,013,050	2,479,379
Transportation	5,654,692	5,671,742	5,753,225	(81,483)
Economic assistance and opportunity	4,500	4,500	4,500	-
Culture and recreation	1,077,472	1,079,937	593,678	486,259
Home and community services	5,464,193	5,549,082	4,791,450	757,632
Employee benefits	30,261,109	30,684,178	29,187,043	1,497,135
Debt service (principal and interest)	6,491,073	6,491,073	6,398,934	92,139
Total Expenditures	<u>89,459,143</u>	<u>91,101,565</u>	<u>84,505,541</u>	<u>6,596,024</u>
Other Financing Uses				
Transfers to other funds	<u>-</u>	<u>39,000</u>	<u>39,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>89,459,143</u>	<u>91,140,565</u>	<u>84,544,541</u>	<u>6,596,024</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(4,079,001)</u>	<u>(5,981,423)</u>	<u>(3,688,309)</u>	<u>\$ 2,293,114</u>
Appropriated Fund Balance	4,079,001	5,774,651		
Prior Year Encumbrances	<u>-</u>	<u>206,772</u>		
Total Budget Appropriations and Adjustments	<u>\$ 4,079,001</u>	<u>\$ 5,981,423</u>		
Fund Balance, Beginning of Year			<u>14,379,601</u>	
Fund Balance, End of Year			<u>\$ 10,691,292</u>	
Open Encumbrances, End of Year			<u>\$ 196,381</u>	

CITY OF SCHENECTADY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 8,371,848	\$ 8,371,848	\$ 8,727,162	\$ 355,314
Use of money and property	101,676	101,676	39,365	(62,311)
Interfund revenue	<u>60,000</u>	<u>60,000</u>	<u>59,912</u>	<u>(88)</u>
Total Revenues	8,533,524	8,533,524	8,826,439	292,915
Other Financing Sources				
Interfund transfers	<u>-</u>	<u>-</u>	<u>22,118</u>	<u>22,118</u>
Total Revenues and Other Financing Sources	<u>8,533,524</u>	<u>8,533,524</u>	<u>8,848,557</u>	<u>315,033</u>
Expenditures				
General government support	995,664	995,664	870,623	125,041
Home and community services	5,767,419	5,904,749	5,323,878	580,871
Employee benefits	888,969	888,969	734,300	154,669
Debt service (principal and interest)	<u>1,029,583</u>	<u>1,029,583</u>	<u>1,029,583</u>	<u>-</u>
Total Expenditures	<u>8,681,635</u>	<u>8,818,965</u>	<u>7,958,384</u>	<u>860,581</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	<u>(148,111)</u>	<u>(285,441)</u>	890,173	<u>\$ 1,175,614</u>
Appropriated Fund Balance	148,111	148,111		
Prior Year Encumbrances	<u>-</u>	<u>137,330</u>		
Total Budget Appropriations and Adjustments	<u>\$ 148,111</u>	<u>\$ 285,441</u>		
Fund Balance, Beginning of Year			<u>8,771,094</u>	
Fund Balance, End of Year			<u>\$ 9,661,267</u>	
Open Encumbrances, End of Year			<u>\$ 16,686</u>	

CITY OF SCHENECTADY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ -	\$ -	\$ 7,606	\$ 7,606
Departmental income	12,715,301	12,715,301	12,486,783	(228,518)
Use of money and property	155,000	155,000	55,250	(99,750)
Miscellaneous local sources	-	-	-	-
Interfund revenues	<u>7,800</u>	<u>7,800</u>	<u>7,324</u>	<u>(476)</u>
Total Revenues	<u>12,878,101</u>	<u>12,878,101</u>	<u>12,556,963</u>	<u>(321,138)</u>
Other Financing Sources				
Interfund transfers	<u>-</u>	<u>-</u>	<u>2,688</u>	<u>2,688</u>
Total Revenues and Other Financing Sources	<u>12,878,101</u>	<u>12,878,101</u>	<u>12,559,651</u>	<u>(318,450)</u>
Expenditures				
General government support	237,891	237,891	247,285	(9,394)
Home and community services	7,359,789	7,359,969	6,753,577	606,392
Employee benefits	2,221,617	2,221,617	2,073,805	147,812
Debt service (principal and interest)	<u>3,426,604</u>	<u>3,426,604</u>	<u>3,216,719</u>	<u>209,885</u>
Total Expenditures	<u>13,245,901</u>	<u>13,246,081</u>	<u>12,291,386</u>	<u>954,695</u>
Other Financing Uses				
Transfers to other funds	<u>-</u>	<u>435,926</u>	<u>435,926</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>13,245,901</u>	<u>13,682,007</u>	<u>12,727,312</u>	<u>954,695</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(367,800)</u>	<u>(803,906)</u>	<u>(167,661)</u>	<u>\$ 636,245</u>
Appropriated Fund Balance	367,800	803,726		
Prior Year Encumbrances	<u>-</u>	<u>180</u>		
Total Budget Appropriations and Adjustments	<u>\$ 367,800</u>	<u>\$ 803,906</u>		
Fund Balance, Beginning of Year			<u>12,893,604</u>	
Fund Balance, End of Year			<u>\$ 12,725,943</u>	
Open Encumbrances, End of Year			<u>\$ 38,045</u>	

CITY OF SCHENECTADY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 1,173,375	\$ 1,173,375	\$ 1,171,700	\$ (1,675)
Use of money and property	12,000	12,000	3,770	(8,230)
Total Revenues	<u>1,185,375</u>	<u>1,185,375</u>	<u>1,175,470</u>	<u>(9,905)</u>
Expenditures				
General government support	15,618	15,618	13,494	2,124
Culture and recreation	930,005	930,906	781,792	149,114
Employee benefits	86,968	86,968	75,767	11,201
Debt service (principal and interest)	<u>152,784</u>	<u>152,784</u>	<u>145,944</u>	<u>6,840</u>
Total Expenditures	<u>1,185,375</u>	<u>1,186,276</u>	<u>1,016,997</u>	<u>169,279</u>
Other Financing Uses				
Transfers to other funds	<u>-</u>	<u>9,890</u>	<u>9,890</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>1,185,375</u>	<u>1,196,166</u>	<u>1,026,887</u>	<u>169,279</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>-</u>	<u>(10,791)</u>	148,583	<u>\$ 159,374</u>
Appropriated Fund Balance	-	9,890		
Prior Year Encumbrances	<u>-</u>	<u>901</u>		
Total Budget Appropriations and Adjustments	<u>\$ -</u>	<u>\$ 10,791</u>		
Fund Balance, Beginning of Year			<u>890,872</u>	
Fund Balance, End of Year			<u>\$ 1,039,455</u>	
Open Encumbrances, End of Year			<u>\$ 3,275</u>	

CITY OF SCHENECTADY, NEW YORK
SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES RETIREMENT SYSTEM
FOR THE YEARS ENDED DECEMBER 31, 2015-2020

Schedule of Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,797,845	\$ 1,745,886	\$ 1,816,309	\$ 1,826,333	\$ 1,994,989	\$ 2,021,771
Contribution in relation to contractually required contribution	\$ 1,797,845	\$ 1,745,886	\$ 1,816,309	\$ 1,826,333	\$ 1,994,989	\$ 2,021,771
Contribution deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,955,208	\$ 15,139,389	\$ 14,659,565	\$ 14,035,676	\$ 14,298,820	\$ 14,834,343
Contributions as % of covered payroll	12.02%	11.53%	12.39%	13.01%	13.95%	13.63%

Schedule of Proportionate Share of the Net Pension Liability

% proportionate share of net pension liability	0.046%	0.047%	0.047%	0.049%	0.052%	0.056%
\$ proportionate share of net pension liability	\$ 12,269,212	\$ 3,350,401	\$ 1,513,253	\$ 4,568,212	\$ 8,285,607	\$ 1,860,740
Covered payroll	\$ 14,955,208	\$ 15,139,389	\$ 14,659,565	\$ 14,035,676	\$ 14,298,820	\$ 14,834,343
% proportionate share of net pension liability as % of covered payroll	82.04%	22.13%	10.32%	32.55%	57.95%	12.54%
Plan fiduciary net position as a % of total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

Note: 10 years of historical information was not available upon implementation in 2015. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

CITY OF SCHENECTADY, NEW YORK
SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE YEARS ENDED DECEMBER 31, 2015-2020

Schedule of Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,768,175	\$ 5,841,849	\$ 6,341,227	\$ 6,168,521	\$ 5,931,063	\$ 5,430,763
Contribution in relation to contractually required contribution	\$ 6,768,175	\$ 5,841,849	\$ 6,341,227	\$ 6,168,521	\$ 5,931,063	\$ 5,430,763
Contribution deficit	-	-	-	-	-	-
Covered payroll	\$ 27,425,373	\$ 26,293,248	\$ 25,997,961	\$ 25,531,570	\$ 24,802,158	\$ 23,175,679
Contributions as % of covered payroll	24.68%	22.22%	24.39%	24.16%	23.91%	23.43%

Schedule of Proportionate Share of the Net Pension Liability

% proportionate share of net pension liability	0.810%	0.871%	0.823%	0.831%	0.845%	0.854%
\$ proportionate share of net pension liability	\$ 43,290,579	\$ 14,612,938	\$ 8,314,171	\$ 17,233,283	\$ 25,017,585	\$ 2,326,563
Covered payroll	\$ 27,425,373	\$ 26,293,248	\$ 25,997,961	\$ 25,531,570	\$ 24,802,158	\$ 23,175,679
% proportionate share of net pension liability as % of covered payroll	157.84%	55.58%	31.98%	67.50%	100.87%	10.04%
Plan fiduciary net position as a % of total pension liability	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%

Note: 10 years of historical information was not available upon implementation in 2015. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

CITY OF SCHENECTADY, NEW YORK**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2018-2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Other Postemployment Benefit Liability, Beginning of Year	\$ 290,845,065	\$ 251,252,110	\$ 265,443,401
Service Costs	10,968,897	8,420,038	9,634,136
Interest	7,799,069	9,476,551	8,966,149
Change of Benefit Terms	618,654	-	-
Differences Between Expected and Actual Experience	(12,171,161)	(15,111,910)	551,159
Change in Assumptions or Other Inputs	43,828,482	45,287,299	(24,948,908)
Benefit Payments	<u>(9,600,731)</u>	<u>(8,479,023)</u>	<u>(8,393,827)</u>
Other Postemployment Benefit Liability, End of Year	<u>\$ 332,288,275</u>	<u>\$ 290,845,065</u>	<u>\$ 251,252,110</u>
Covered Payroll	<u>\$ 42,380,581</u>	<u>\$ 42,042,190</u>	<u>\$ 41,282,500</u>
Total Other Postemployment Benefit Liability as Percentage of Payroll	<u>784.06%</u>	<u>691.79%</u>	<u>608.62%</u>

Note: 10 years of historical information was not available upon implementation in 2018. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**ADDITIONAL REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of the City Council of the
City of Schenectady, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general fund, water fund, sewer fund, recreation fund, other special revenue funds, capital projects fund, custodial fund and the non-current governmental liabilities account group of the City of Schenectady, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Schenectady, New York's basic financial statements, and have issued our report thereon dated June 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Schenectady, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Schenectady, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Schenectady, New York's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Schenectady, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
June 7, 2021

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members
of the City Council of the
City of Schenectady, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Schenectady, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Schenectady, New York's major federal programs for the year ended December 31, 2020. The City of Schenectady, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Schenectady, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Schenectady, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Schenectady, New York's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Schenectady, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City of Schenectady, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Schenectady, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Schenectady, New York's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the general fund, water fund, sewer fund, recreation fund, other special revenue funds, capital projects fund, custodial fund and the non-current governmental liabilities account group of the City of Schenectady, New York as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Schenectady, New York's basic financial statements. We issued our report thereon dated June 7, 2021, which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
June 7, 2021

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Federal Financial Assistance of the Primary Government:			
<u>U.S. Department of Housing and Urban Development</u>			
Direct:			
Community Development Block Grants/Entitlement Grants	14.218	\$ 784,664	\$ 2,810,411
Community Development Block Grants/Section 108 - Loan Guarantees	14.248	-	29,821
* Community Development Block Grants/ Disaster Recovery Grants (Hurricane Sandy)	14.269	-	2,447,750
Total Community Development Block Grants		<u>784,664</u>	<u>5,287,982</u>
Emergency Shelter Grant:			
E-20-MC-36-0107	14.231	129,573	129,573
E-19-MC-36-0107	14.231	100,554	110,154
E-18-MC-36-0107	14.231	6,232	13,585
E-17-MC-36-0107	14.231	4,298	4,298
Total Emergency Shelter Grant		<u>240,657</u>	<u>257,610</u>
HOME Investment Partnership Program:			
M14-MC360510	14.239	25,358	25,358
M17-MC360510	14.239	62,809	62,808
M18-MC360510	14.239	105,899	256,042
M19-MC360510	14.239	248,572	144,983
M20-MC360510	14.239	-	13,958
Total HOME Investment Partnership Program		<u>442,638</u>	<u>503,149</u>
Shelter Plus Care	14.238	<u>143,602</u>	<u>146,345</u>
Lead Hazard Reduction Demonstration Grant Program	14.905	<u>118,910</u>	<u>553,624</u>
Total U.S. Department of Housing and Urban Development		<u>1,730,471</u>	<u>6,748,710</u>
<u>U.S. Department of Justice</u>			
Direct:			
Drug Enforcement Administration (DEA)			
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001	-	56,923
Alcohol, Tobacco, and Firearms Training Assistance	16.012	-	5,440
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	-	33,972
Joint Law Enforcement Operations (JLEO)	16.111	-	25,505
National Criminal History Improvement Grant (NCHIP)	16.554	-	17,850
Bullet Proof Vest Partnership Program (BVP)	16.607	-	13,698
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	-	10,919
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	-	12,190
Total U.S. Department of Justice		<u>-</u>	<u>176,497</u>

* CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through to Subrecipients	Federal Expenditures
Federal Financial Assistance of the Primary Government (Continued):			
<u>U.S. Department of Transportation</u>			
Passed Through NYS Department of Transportation			
Highway Planning and Construction	20.205	-	969,465
<u>U.S. Department of Homeland Security</u>			
Passed Through NYS Division of Homeland Security and Emergency Services			
Homeland Security Grant Program (C175382)	97.067	-	91,077
Homeland Security Grant Program (T175379)	97.067	-	40,425
Homeland Security Grant Program (T180115)	97.067	-	25,000
Homeland Security Grant Program (WM16175362)	97.067	-	37,064
Total Homeland Security Grant Program		-	193,566
Hazard Mitigation Grant (4031-DR-NY-4031-0034)	97.039	-	184,105
Hazard Mitigation Grant (Hurricane Irma)	97.039	-	2,688
COVID-19 - Hazard Mitigation Grant (FEMA-4480-DR)	97.039	-	548,432
Total U.S. Department of Homeland Security		-	928,791
Total Expenditures of Federal Awards of the Primary Government		\$ 1,730,471	\$ 8,823,463

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents expenditures under federal financial assistance programs administered by the City of Schenectady, New York and is presented on the accrual basis of accounting.

Relationship to Financial Statements

Federal awards revenue is reported in the City of Schenectady, New York's financial statements as follows:

General Fund	\$ 90,556
Other Special Revenue Funds	5,144,706
Capital Projects Fund	<u>3,417,216</u>
Federal Awards Revenue	8,652,478
Special Grant Funds (Program Income)	<u>170,985</u>
Total Federal Financial Assistance	<u><u>\$ 8,823,463</u></u>

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The City of Schenectady, New York is an independent municipal corporation. All federal grant operations of the primary government and its blended component unit are included in the scope of the single audit.

3. SUBRECIPIENTS

The City of Schenectady, New York is the primary government and provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Shelter Plus Care YMCA	14.238	<u>\$ 143,602</u>
Emergency Shelter Grants		
SCAP	14.231	52,655
Cares, Inc.	14.231	75,366
Safe, Inc.	14.231	53,062
Bethesda House	14.231	<u>59,574</u>
Total		<u><u>240,657</u></u>

CITY OF SCHENECTADY, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

3. SUBRECIPIENTS (CONTINUED)

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
CDBG Subrecipients:		
Hamilton Hill Arts Center	14.218	\$ 15,994
The Schenectady Foundation	14.218	17,262
SCAP	14.218	26,100
Boys and Girls Club	14.218	241,565
Habitat for Humanity	14.218	35,405
Capital District Community Loan Fund	14.218	20,000
Big Brothers Big Sisters of the Capital Region	14.218	5,000
Bethesda House	14.218	10,000
Ancient Order of Hibernians	14.218	24,640
Schenectady Inner City Mission	14.218	5,000
Community Fathers	14.218	5,000
YWCA	14.218	91,800
YMCA	14.218	31,827
Schenectady Youth Boxing & Fitness	14.218	14,000
Schenectady County Youth Bureau	14.218	70,000
Schoharie River Center	14.218	7,000
Better Community Neighborhoods, Inc. (BCNI)	14.218	40,000
Miracle on Craig St	14.218	28,268
Working Group on Girls	14.218	10,000
Albany Barn	14.218	33,500
Schenectady County Job Training Agency	14.218	50,000
COCOA House	14.218	2,303
Total		<u>784,664</u>
HOME Subrecipients (Includes Program Income):		
City of Troy, New York	14.239	133,496
Town of Colonie, New York	14.239	59,878
Better Community Neighborhoods, Inc. (BCNI)	14.239	26,851
Habitat for Humanity	14.239	149,335
Schenectady Housing Development Fund Corporation	14.239	59,850
Bethesda House	14.239	13,228
Total		<u>442,638</u>
Lead Hazard Reduction Demonstration Grant Program		
Schenectady County, New York	14.905	118,910
		<u>\$ 1,730,471</u>

4. HUD SECTION 108 LOAN PAYABLE

The City of Schenectady has an outstanding HUD Section 108 loan payable granted under the Housing and Community Development Act of 1974 for Loan Guarantee Assistance (CFDA 14.248) for the following projects and with the following outstanding loan balances as of December 31, 2020.

• Neighborhood Stabilization Project, Long-Term Commitment No. B-13-MC-36-0107	\$ 2,245,000
• Neighborhood Stabilization Project - due within one year	<u>(155,000)</u>
• Neighborhood Stabilization Project - Long-Term	<u><u>\$ 2,090,000</u></u>

5. INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The City's indirect cost rates are set by the individual grantors.

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.269	* Community Development Block Grants/Disaster Recovery Grants (Hurricane Sandy)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings or matters were reported

SECTION III - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

No findings or matters were reported

SECTION IV - RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

No findings or matters were reported

* CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the City has agreed to provide, or cause to be provided,

- (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (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 the Final Official Statement dated January 20, 2022 of the City relating to the Bonds under the headings "The City", "Tax Information", "Status of Indebtedness", "Litigation" and all Appendices (other than Appendix D and any Appendix related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2021, 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, 2021; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding 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 each such succeeding 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 succeeding 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;
- (ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults, if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bonds, unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) 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 or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds
 - (g) modifications to rights of Bondholders, if material
 - (h) Bond calls, if material, and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds, if material
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the City
 - (m) 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

- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a financial obligation (as defined in the Rule) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Bond holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

The City may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the City 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 material event except those events listed above.

- (iii) in a timely manner to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The City reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its continuing disclosure undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, provided that, the City agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.