Overview

The City of Middletown is located in the west-central part of Orange County, about 65 miles northwest of New York City. Despite its fairly small population Middletown has a relatively diverse economic base. It serves as the retail, educational and medical center for the surrounding communities and, more broadly, for one of the prime dairy and farming regions of the State.

Orange County Community College, founded in 1950 as the first county-sponsored community college in New York, is one of the largest employers in the City. Other major employers include: Orange Regional Medical Center, Empire Blue Cross-Blue Shield and Mediacom Communication Corporation (a cable television provider). The City’s industrial employers produce garments, rubber products, electrical components and equipment, hand and machine tools and aluminum cans.

- From 1980 to 2010, Middletown’s population increased – from 21,454 to 28,086 (31 percent).

- Middletown’s total revenues increased 4.6 percent, on an average annual basis, from 2002 to 2012, compared to 3.3 percent for all cities in New York. City expenditures increased by 4.5 percent per year over this period, compared to a growth rate of 3.3 percent for all cities.

- Middletown’s unemployment rate was 8.1 percent in 2013, higher than the statewide average of 7.7 percent.

- The median home value in Middletown is more than twice that of the State’s median city, and the City’s median household income ($53,096) is higher than that of the median city ($38,913). The percentage of the City’s children living in poverty (26.3 percent) is slightly less than that of the median city (28.4 percent).

- Middletown’s available fund balance increased from $3.8 million in 2007 to $7.0 million in 2012.
Population and Economic Factors

Unlike most New York cities, Middletown has seen substantial and sustained population increases in recent decades, in part due to its location near job centers in the New York City metropolitan area and relatively affordable housing prices. After a slight decrease from 1960 to 1980, population increased 31 percent from 21,454 in 1980 to 28,086 in 2010.¹

Middletown’s demographic and economic factors compare favorably with those of many other cities in the State. The City’s median household income of $53,096, while lower than the State median household income of $57,683, is still higher than that of the State’s median city ($38,913).² The rate of poverty among Middletown children under age 18 (26.3 percent) is higher than the statewide rate (21.0 percent), but slightly lower than the median city rate of 28.4 percent.³

The City’s annual unemployment rate was 8.1 percent in 2013, compared to 7.2 percent for all of Orange County and 7.7 percent for the State.⁴

¹ Source: United State Census Bureau.
² Source: United State Census Bureau.
³ Source: United State Census Bureau.
⁴ Source: United State Census Bureau.
Tax Base

According to 2010 Census estimates, the City’s homeownership rate was 48.9 percent, slightly less than the median city rate of 49.9 percent. The median home value was $217,400, well above the $102,300 median for all cities. Middletown’s 12.2 percent property vacancy rate, however, is above the median city’s rate of 10.5 percent.\(^5\)

Middletown, along with other cities in the Mid-Hudson region, saw a strong increase in the full value of their total taxable real property between 2002 and 2008, with Middletown’s increasing by 156.6 percent.\(^6\) Meanwhile, cities statewide during the period had an average increase of just more than half this amount, 78.7 percent. As with most cities in the region, Middletown saw a relatively steep decline in property value between 2008 and 2013. By 2013, Middletown’s full value was lower than at any point since 2005. By comparison, while statewide values did not grow as quickly in the first half of the decade, they did not fall as significantly as Middletown’s values did in the second half.

Revenues and Expenditures

Middletown collected $44.3 million in revenues in 2012, 57.5 percent more than in 2002, reflecting an average annual increase of 4.6 percent. This compares to a 3.3 percent average annual increase for all cities in the State.\(^7\)

In 2012, property taxes represented 37.8 percent of Middletown’s revenue, compared with 27.5 percent for all New York cities.\(^8\) Between 2002 and 2012, property tax revenues grew $7.4 million, or an average of 6.0 percent annually. This was much faster than the rate for all cities (3.8 percent).

Charges for services accounted for 27.4 percent of the City’s revenues in 2012, higher than the 20.9 percent in cities overall. This represented a $4.0 million increase (averaging 4.0 percent annually) over 2002. The largest of these charges were for sewer and water fees, which increased from $5.4 million to $10.6 million during the period. Orange County has a 3.75 percent local sales tax, part of which it shares with cities, towns and villages in the county, with the City of Middletown receiving about 3.5 percent of County sales tax collections.\(^9\) The
City received 21.8 percent of its total revenue in 2012 from sales tax and use taxes, almost the same share as for all cities in the State. Middletown’s average annual growth rate for revenues from sales taxes between 2002 and 2012 was 5.5 percent.

State aid to Middletown was $3.2 million in 2012, and comprised 7.3 percent of the City’s total revenues, considerably lower than the 18.0 percent share State aid represented for all cities statewide. Where cities statewide saw an average annual increase of 4.3 percent in State aid from 2002 through 2012, the City of Middletown saw an average annual increase of only 3.1 percent. Between 2002 and 2006, Middletown’s State aid revenues increased by $1.5 million, but from 2007 through 2012, State aid dropped nearly $700,000, a decline of about 17.4 percent.

Middletown’s expenditures grew at an average annual rate of 4.5 percent between 2002 and 2012, compared to 3.3 percent for all cities statewide.

As with most New York cities, Middletown’s 2012 expenditures for public safety (police and fire services, etc.) and employee benefit costs (health insurance and retirement contributions, etc.) were a significant amount of its budget, together accounting for a little over 53 percent of total expenditures.

Employee benefit expenditures have increased by 168 percent (10.4 percent per year, on average) in the last decade and have gone from 16 percent of total expenditures in 2002 to 27 percent in 2012. This rapid increase is typical for all cities in the State.
Current Budget Condition

Between 2007 and 2012, the City’s available fund balance increased by 82 percent, from $3.8 million to $7.0 million in 2012. This represented 21.7 percent of General Fund revenue in that year, slightly higher than the 15 to 20 percent range the City has set for its own fund balance target. Middletown’s cash ratio was 394 percent in 2012, much higher than the 199 percent ratio for the median city.

In 2012, Moody’s warned that rising employee benefit costs, including pension contributions and health insurance, as well as contractual salary obligations, could put upward pressure on expenditures. The State cap on growth in the property tax levy, which went into effect in 2012, could affect the City’s ability to continue to balance its budget by increasing the property tax.

Bond Ratings and Debt

Moody’s Investor Service has assigned an A1 rating to Middletown’s bond debt, and a MIG 1 rating to the City’s bond anticipation notes. The City’s relatively strong A1 long-term rating is based on its healthy reserve position, improving financial trend and manageable debt burden. However, it also reflects Middletown’s moderately-sized tax base with socioeconomic indicators below average for the State as a whole. The MIG 1 rating reflects the City’s good long-term underlying GO Rating, historically strong market access and solid liquidity.

Middletown has debt service costs of 9.4 percent of total revenue compared to 8.7 percent for the median city. Outstanding debt as a percentage of full value is 4.3 percent, compared to 3.2 percent for the median city. Debt per capita for Middletown ($2,304) is also higher than for the median city ($1,385).

City of Middletown’s Fiscal Stress Monitoring System Designation

OSC’s Fiscal Stress Monitoring System (FSMS) uses a number of financial and environmental stress indicators to create scores for every local government and school district in the State.

For fiscal year 2012, Middletown had a 5.0 percent Fiscal Score and a 24.6 percent Environmental Score. Middletown’s scores are below the threshold for the lowest levels of both fiscal stress (45 percent) and environmental stress (30 percent).

For additional information and a description of the categories that comprise the FSMS, please visit: http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm
1. U.S. Census Bureau, 2010 Census.

2. Throughout this report, references to all cities or to the median city exclude New York City.


4. New York State Department of Labor, Local Area Unemployment Statistics.

5. All financial data used in this profile has been reported to OSC by the local government. For the full value data, “cities statewide” does not include the cities of Amsterdam, Binghamton and Niagara Falls (for which 2013 data is not available) or New York City.

6. This discussion uses “full value,” instead of “assessed value” which varies among jurisdictions. Full value was determined by dividing assessed value by the appropriate equalization rate or ratio (total assessed value divided by total market value).

7. Revenue and expenditure data exclude the capital projects fund, and proceeds of debt and other sources/uses (interfund transfers). For revenue and expenditure data, “all cities” and “median city” does not include the cities of Amsterdam, Ithaca and Mechanicville (for which 2012 data is not available) or New York City.

8. Revenues from property taxes and related items in cities include: real property taxes, special assessments, gains from the sale of tax acquired properties, interest and penalties, miscellaneous tax items, and payments in lieu of taxes.


10. For this purpose, “available fund balance” is all fund balance that is not restricted, committed, or appropriated.

11. The cash ratio is cash and short-term investments divided by liabilities; ideally, cash and investments should cover at least 100 percent of liabilities.


## Middletown vs. All Cities and New York State

<table>
<thead>
<tr>
<th></th>
<th>City of Middletown</th>
<th>All Cities (excluding NYC)</th>
<th>New York State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population 2010:</strong></td>
<td>28,086</td>
<td></td>
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<tr>
<td><strong>Demographic Statistics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage Change in Population, 1950-2010</td>
<td>24%</td>
<td>-20%</td>
<td>-25%</td>
</tr>
<tr>
<td>Percentage Change in Population, 2000-2010</td>
<td>10.6%</td>
<td>0.5%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Median Household Income, 2012</td>
<td>$53,096</td>
<td>$38,913</td>
<td>N/A</td>
</tr>
<tr>
<td>Child Poverty Rate, 2012</td>
<td>26.3%</td>
<td>28.4%</td>
<td>N/A</td>
</tr>
<tr>
<td>Unemployment Rate, 2013</td>
<td>8.1%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Property Value Statistics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Home Value, 2012</td>
<td>$217,400</td>
<td>$102,300</td>
<td>N/A</td>
</tr>
<tr>
<td>Owner-Occupied Housing Units, 2012</td>
<td>48.9%</td>
<td>49.9%</td>
<td>46.8%</td>
</tr>
<tr>
<td>Property Vacancy Rate, 2011</td>
<td>12.2%</td>
<td>10.5%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Percentage of Property Value that is Tax Exempt, 2012</td>
<td>23.3%</td>
<td>33.0%</td>
<td>34.2%</td>
</tr>
<tr>
<td><strong>Revenue and Tax Statistics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Aid per Capita, 2012</td>
<td>$115.01</td>
<td>$197.06</td>
<td>$339.21</td>
</tr>
<tr>
<td>Available General Fund Balance as a Percentage of Expenditures, 2012(a)</td>
<td>21.7%</td>
<td>9.0%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Constitutional Tax Limit Exhausted, 2013</td>
<td>47%</td>
<td>45%</td>
<td>N/A</td>
</tr>
<tr>
<td>Cash Ratio, 2012(b)</td>
<td>394%</td>
<td>199%</td>
<td>120%</td>
</tr>
<tr>
<td>Debt Service as a Percentage of Revenues, 2012</td>
<td>9.4%</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

\(a\) For these purposes, available fund balance is all fund balance that is not restricted, committed, or appropriated.

\(b\) Cash Ratio is combined funds cash and investments divided by current liabilities.

Source: U.S. Census Bureau; New York Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.
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