

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 23, 2018

**NEW ISSUE
BOOK-ENTRY BONDS**

**RATINGS: SEE “RATINGS” HEREIN
SERIAL BONDS**

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations (but the alternative minimum tax on corporations is repealed for taxable years beginning after December 31, 2017). In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its subdivisions including The City of New York and the City of Yonkers. See “Tax Matters” herein.

The Town WILL NOT designate the Bonds as “qualified tax-exempt obligations” pursuant to the provision of Section 265(b)(3) of the Code.

**TOWN OF BABYLON
SUFFOLK COUNTY, NEW YORK**

**\$14,508,350* VARIOUS PURPOSES SERIAL BONDS – 2018
(the “Bonds”)**

DATED DATE: Date of Delivery

MATURITY DATES: November 1, 2019-2032

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

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Bonds, payable on November 1, 2019 and semiannually thereafter on May 1 and November 1 in each year until maturity. The Bonds shall mature on November 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds will be subject to optional redemption prior to maturity as described herein. (See “Optional Redemption” herein.)

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

The Bonds are offered when, as and if issued and received by the purchasers and subject to the receipt of the respective final approving opinions of Katten Muchin Rosenman LLP, New York, New York, Bond Counsel. Capital Markets Advisors, LLC has served a Municipal Advisor to the Town in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through the offices of DTC in Jersey City, New Jersey or as otherwise agreed upon, on or about November 13, 2018.

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

Dated: November __, 2018

* Preliminary, subject to change.

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

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

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP***</u> (Base)	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP***</u> (Base)
2019	883,350				2026	1,035,000			
2020	895,000				2027	1,065,000**			
2021	915,000				2028	1,095,000**			
2022	935,000				2029	1,130,000**			
2023	960,000				2030	1,165,000**			
2024	980,000				2031	1,200,000**			
2025	1,010,000				2032	1,240,000**			

* The principal amounts of the Bonds are subject to adjustment following the sale of the Bonds, pursuant to the terms of the accompanying Notice of Sale to achieve substantially level or declining annual debt service.

** The Bonds maturing in the years 2027 and thereafter will be subject to redemption prior to maturity, as described herein. (See "Optional Redemption" herein.)

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

**TOWN OF BABYLON
SUFFOLK COUNTY, NEW YORK**

TOWN BOARD

RICHARD SCHAFFER
Supervisor

Antonio Martinez.....Deputy Supervisor
Jacqueline A. GordonCouncilwoman
Terence McSweeney.....Councilman
Anthony ManettaCouncilman

Victoria Marotta.....Comptroller
Gerry CompitelloTown Clerk
Joseph Wilson, Esq.....Town Attorney

BOND COUNSEL

KATTEN MUCHIN ROSENMAN LLP
New York, New York

MUNICIPAL ADVISOR



CAPITAL MARKETS ADVISORS, LLC
Long Island * Hudson Valley * Southern Tier * Western New York
(516) 570-0340

No dealer, broker, salesman or other person has been authorized by the Town 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 Town. 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 Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

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OFFICIAL STATEMENT
TOWN OF BABYLON
SUFFOLK COUNTY, NEW YORK

relating to
\$14,508,350*
VARIOUS PURPOSES SERIAL BONDS – 2018

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Town of Babylon, in the County of Suffolk, in the State of New York (the “Town”, “County” and “State,” respectively) in connection with the issuance and sale of \$14,508,350* Various Purposes Serial Bonds – 2018 (the “Bonds”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Town 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 Town 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 are dated their Date of Delivery and will bear interest from that date until maturity, payable on November 1, 2019 and semiannually thereafter on May 1 and November 1 in each year until maturity or prior redemption. The Bonds shall mature on November 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity as described herein. (See “*Optional Redemption*” herein.)

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

Authority for and Purpose of the Bonds

The Bonds are issued pursuant to the Constitution and Laws of the State, including, among others, the Town Law, the Local Finance Law and various bond resolutions duly adopted by the Town Board on their respective dates. Proceeds from the sale of the Bonds will be used to provide original or additional original financing for certain objects or purposes as noted below. The Bonds are being issued for the following purposes outlined below and on the following page:

<u>Purpose</u>	<u>Resolution Number</u>	<u>Resolution Date</u>	<u>Amount to Bonds</u>
Reconstruction of Oak Beach Community Center	257	3/28/2018	\$ 300,000
Second Phase Funding of the Acquisition and Construction of an Animal Shelter	104	1/27/2015	4,000
Engineering Work for Wyandanch Urban Renewal	977	12/20/2017	250,000
Acquisition of Snowmobile	978	12/20/2017	120,000
Installation and Acquisition of Security Cameras	979	12/20/2017	80,000

* Preliminary, subject to change.

<u>Purpose</u>	<u>Resolution Number</u>	<u>Resolution Date</u>	<u>Amount to Bonds</u>
Conversion of Microfiche/Microfilm	980	12/20/2017	47,000
Pool Pump Acquisition and Marble Dusting	981	12/20/2017	275,000
Reconstruction of Oak Beach Community Center	982	12/20/2017	50,000
Construction of Maintenance Building for Geiger Park	983	12/20/2017	250,000
Acquisition of Passenger Vehicles	987	12/20/2017	50,000
Acquisition of Heavy Machinery and Equipment	984	12/20/2017	1,415,000
Acquisition of Passenger Bus	985	12/20/2017	65,000
Acquisition of Miscellaneous Light Equipment	991	12/20/2017	50,000
Reconstruction of Various Roads	986	12/20/2017	5,500,000
Resurfacing of Gym Floor at Wyandanch Youth Center	988	12/20/2017	50,000
Reconstruction of Recycling Center Parking Lot	989	12/20/2017	138,000
Acquisition of Heavy Equipment for Residential Garbage District	43	1/17/2018	280,600
Various Park Improvements	990	12/20/2017	3,116,250
Dock Upgrades at Various Parks	992	12/20/2017	100,000
Various Park Improvements	256	3/28/2018	200,000
Beach Replenishment at Cedar Park and Overlook Park	616	8/15/2018	500,000
Alterations to Town Buildings	994	12/20/2017	1,500,000
Acquisition of Miscellaneous Equipment	995	12/20/2017	167,500
Totals:			<u>\$ 14,508,350</u>

Optional Redemption

The Bonds maturing on or before November 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing on or after November 1, 2027 will be subject to redemption prior to maturity, at the option of the Town, on any date on or after November 1, 2026, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The Town may select the maturities of the Bonds to be redeemed prior to maturity and the amount to be redeemed of each maturity selected, as the Town shall determine to be in the best interest of the Town at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town. Notice of such call for redemption shall be given by mailing such notice to the registered owner 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 of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Notice of Redemption

Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. 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 notice, become due and payable, together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

The Town may select the maturities of the Bonds to be redeemed prior to maturity and the amount to be redeemed of each maturity selected, as the Town shall determine to be in the best interest of the Town at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds

of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town. Notice of such call for redemption shall be given by mailing such notice to the registered owner 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 of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Nature of Obligation

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

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

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

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), Jersey City, New Jersey, will act as securities depository for the Bonds. Said Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, and will be deposited with DTC.

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each bond (“Beneficial

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

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Town, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, 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 Town. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

Source: The Depository Trust Company

REMEDIES UPON DEFAULT

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

The following information describes the rights and remedies available to owners of the general obligations issued by political subdivisions and school districts of the State, including the Town.

Current Law Remedies

Under current law, provision is made for contract creditors (including the owners of the Bonds) of the Town to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum (9%) from the due date to the date of payment. As a general rule, property and funds of municipal corporations serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials of taxing jurisdictions to appropriate and pay such judgments out of current funds or the proceeds of a tax levy.

Events Relating to the Rights of Bondowners

The State has, by statute, given its consent to any municipality in the State to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, Congress has jurisdiction over such matters under the United States Constitution and has enacted amendments to the existing federal bankruptcy statute, generally affording municipal corporations, under certain circumstances, with access to judicially approved adjustments of debts, including judicial control over identifiable and unidentifiable creditors. The Courts to date have generally upheld and sustained rights of the owners of general obligations of municipal corporations. No assurance can be given, however, that future courts will not limit the rights of owners of general obligations in order to provide for the continuation of essential services to the public.

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Bonds, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

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

If and when an owner of any of the Bonds should elect to sell all or a part of the Bonds prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; for instance, if interest rates rise, the price of a bond will decline, causing the bondholder to incur a potential capital loss if such bond is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. In particular, if a significant default or other financial crisis

should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Town to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

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

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

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

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

LITIGATION

The Town is subject to a number of lawsuits in the ordinary course of its affairs. The Town believes that the vast majority of these lawsuits are not likely to have a material adverse effect on the financial condition of the Town.

Earlier this year, the Town settled the long-standing case, Deer Park Associates, et al. v. The Town of Babylon, et al., which was brought against the Town by less than one hundred property owners or tenants, or agents of owners or tenants with an interest in improved non-residential property in the Town relating to the Town’s solid waste management programs. The plaintiffs in this case had commenced lawsuits each year since 1995 claiming that the Town had improperly charged assessments and fees for solid waste disposal services for the tax years 1993/1994 through 2013/2014. Said action was settled on or about September 27, 2018. Settlement costs were paid through available funds of the Town.

In a separate action against the Town (Fairfield Commons Owners Corp., et al. v. Town of Babylon, et al.), plaintiffs asserted claims similar to the Deer Park Associates plaintiffs related to the authority of the Town to impose fees and charges for solid waste disposal. These claims were resolved at no settlement cost to the Town.

SEC INVESTIGATION

On June 30, 2017, the U.S. Securities and Exchange Commission (the “SEC”) requested that the Town preserve and retain documents relating to: the Town’s issuance of general obligation bonds in 2015 and 2016; Red Hill Professional Services, Inc (“Red Hill”); and Douglas F. Jacob, Red Hill’s President. On November 10, 2017, the

SEC issued a subpoena (“Subpoena”) requiring the Town to produce: agreements with Red Hill and/or Herbert Greene; and documents, agreements, and communications concerning bond offerings by the Town from 2015 to the present including communications with or concerning Red Hill and documents concerning the Town’s use of proceeds from the bond offerings.

Red Hill acts as a consultant to the Town and has acted as municipal advisor to the Town with respect to the sale and issuance of bonds and notes by the Town, including the Town’s general obligation bonds issued in 2015 and 2016. The Town has retained Capital Market Advisors, LLC to act as Independent Registered Municipal Advisor to the Town with respect to the Bonds. Red Hill continues to act as a consultant to the Town for other matters. Herbert L. Greene is a consultant for the Town who subcontracts to Doug Jacob and Red Hill to provide workers for several town departments.

The Town has complied with the Subpoena and cannot predict the scope, duration, or outcome of the SEC’s investigation.

TAX MATTERS

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, and assuming compliance by the Town with certain covenants and the accuracy of certain representations, interest on the Bonds is not includable in gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various limitations, conditions and other requirements which must be met on a continuous basis during the term of the Bonds in order that interest on the Bonds will be and remain not includable in gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Bonds, restrictions on the use of property financed or refinanced by the Bonds and, in certain circumstances, payment of amounts in respect of such proceeds to the United States. Failure to comply with the requirements of the Code may cause interest on the Bonds to be includable in gross income for purposes of federal income tax, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with certain procedures, and it has made certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect of the Bonds. The opinion of Bond Counsel assumes compliance with such covenants and the accuracy, in all material respects, of such representations and certifications. Bond Counsel expresses no opinion with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds in the event that any such representations and certifications are materially inaccurate or that there occurs a failure to comply with such covenants. These covenants, representations and certifications may be modified if the Town obtains an opinion of nationally recognized bond counsel that any action required thereunder is no longer required or that some further action is required.

Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on the Bonds of any such modification or change that occurs or is taken in reliance upon an opinion obtained by the Town from counsel other than Katten Muchin Rosenman LLP.

Bond Counsel is of the further opinion that interest on the Bonds is not an “item of tax preference” for purposes of federal alternative minimum tax on individuals and corporations. For taxable years that began on December 31, 2017, interest on the Bonds owned by certain corporations will be included in the calculation of “adjusted current earnings,” a portion of which is an adjustment to such corporation’s alternative minimum taxable income for purposes of calculating the corporate alternative minimum tax. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018. Corporate purchasers of the Bonds should consult their tax advisers concerning the computation of any alternative minimum tax.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who

fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Certain maturities of the Bonds have been initially offered to the public at prices greater than the principal amount thereof payable at maturity. If Bonds of the same maturities are sold at a price in excess of their principal amount ("Premium Bonds"), the excess constitutes amortizable bond premium which, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. No deduction is allowable for amortizable bond premium. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of such owners and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Certain of the Bonds have been initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or brokers) is less than the principal amount thereof payable at maturity, the difference between such price and the principal amount constitutes original issue discount with respect to each Bond of the same maturity (the “OID Bonds”). Bond Counsel is of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the alternative minimum tax, to the same extent as interest on Bonds. Original issue discount accrues in each taxable year over the term of the OID Bonds under the “constant yield method” described in the regulations interpreting Code Section 1272, with certain adjustments. Original issue discount may be treated as continuing to accrue even if payment of the OID Bonds becomes doubtful. Accruals of original issue discount are treated as tax-exempt interest earned by owners of OID Bonds who are on the accrual basis of tax accounting and as tax-exempt interest received by owners of OID Bonds who are on the cash basis of tax accounting (with possible tax consequences under the alternative minimum tax, as described above), even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of an OID Bond, if held by an original purchaser, can be determined by adding to such owner’s purchase price of such OID Bond, the original issue discount that has accrued. Owners of OID Bonds should consult their own tax advisors with respect to the calculation of the amount of original issue discount that will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of such owner and with respect to other federal, state, and local tax consequences of owning and disposing of the OID Bonds.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds, and the accrual or receipt of interest thereon, may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, taxpayers eligible for the earned income credit, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of the Bonds and their accrual or receipt of interest thereon. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

In the opinion of Bond Counsel, interest on the Bonds is exempt under existing statutes from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issue of the Bonds may adversely affect the value of, or the federal, state and local tax status of interest on, the Bonds. The opinion of Bond Counsel is based on current legal authority. Future 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 or marketability of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Katten Muchin Rosenman LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Bonds and will be to the effect that the Bonds are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation of amount or rate, subject to certain limitations imposed by Chapter 97 of the New York Laws of 2011.

For a discussion of Bond Counsel's opinion as to the exemption of interest on certain of the Bonds from federal income taxes and New York State and New York City personal income taxes, see the section entitled "Tax Matters" herein.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12") with respect to the Bonds, the Town will execute a Certificate to Provide Continuing Disclosure, the form of which is attached hereto as Appendix D to this Preliminary Official Statement.

Compliance History

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

In addition, contrary to the Town's existing continuing disclosure undertaking obligations, the Town's audited financial statements for the fiscal year ended December 31, 2013 were filed 17 days late. Furthermore, in order to reduce costs associated with maintaining three separate ratings, the Town did not maintain a Fitch rating after March 2013. The Town did not provide timely notice of the withdrawal of the Fitch rating. Finally, the continuing disclosure undertaking of the Town with respect to the Town's Public Improvement Serial Bonds, 2011 requires the Town to provide certain annual financial information and operating data of the type contained in the 2011 Official Statement of the Town by no later than the 270th day following the end of each fiscal year of the Town. The Town failed to comply with this requirement with respect to fiscal year ending December 31, 2016. Other than the foregoing, the Town is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12 for the past five years.

Each continuing disclosure undertaking of the Town requires the Town to deliver certain annual financial information and operating data of the type contained in the Town's official statements. For each of its fiscal years ending December 31, 2013 through and including December 31, 2015, the Town provided the requisite annual financial information and operating data in an official statement for each such fiscal year made publically available on EMMA, thereby complying with the Town's continuing disclosure obligation, but did not separately file such

annual information under the separate continuing disclosure tab on EMMA. For convenience, on November 28, 2017, the Town incorporated the official statements by reference on the EMMA continuing disclosure tab.

The Town has adopted a continuing disclosure policy to ensure future compliance with its continuing disclosure obligations.

RATINGS

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

On November 22, 2017, Moody's upgraded the Town's underlying credit rating to 'Aaa' with a stable outlook.

On November 22, 2017, Standard & Poor's ("S&P") affirmed the Town's underlying credit rating of 'AA+' with a stable outlook. The Town has not applied to S&P for a rating on the Bonds.

Any explanation of the significance of any rating should be obtained from the rating agency at the following addresses: Moody's Investors Service, 99 Church Street, New York, New York 10004; Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such a rating will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. A downward revision or withdrawal of such a rating could have an adverse effect on the market price of the Bonds, as well as any outstanding bonds.

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MUNICIPAL ADVISOR

Capital Market Advisors, LLC, Great Neck and New York, New York (the "Municipal Advisor"), has served as the independent Municipal Advisor to the Town in connection with this transaction.

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

ADDITIONAL INFORMATION

Additional information may be obtained from Ms. Victoria Marotta, Comptroller, 200 E. Sunrise Highway, Lindenhurst, New York 11757, (631) 957-3043, or from the Town's Municipal Advisor, Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York 11021, (516) 570-0340.

The Town will act as Paying Agent with respect to the Bonds issued in book-entry form. The Town Comptroller, Ms. Victoria Marotta, (631) 957-3043, vmarotta@townofbabylon.com should be used as the Paying Agent contact.

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

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

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or in part for any other purpose. The preparation and distribution of this Official Statement has been authorized by the Supervisor of the Town, as Chief Fiscal Officer thereof.

TOWN OF BABYLON
SUFFOLK COUNTY, NEW YORK

By: _____
Richard Schaffer
Supervisor

DATED: November __, 2018

APPENDIX A

THE TOWN

THE TOWN

General Information

The population of the Town according to the 2016 U.S. Census was 213,254. The Town encompasses an area of 53 square miles and is located approximately 33 miles east of New York City in southwestern Suffolk County on Long Island. It is bordered by the Town of Oyster Bay to the west, the Town of Islip to the east, the Town of Huntington to the north, and the Great South Bay and Atlantic Ocean to the south.

The Town includes within its borders three incorporated villages: Amityville, Babylon, and Lindenhurst. In addition, there are the unincorporated communities of Copiague, Deer Park, North Babylon, West Babylon, North Amityville, East Farmingdale, North Lindenhurst, Wheatley Heights and Wyandanch.

The Town is responsible for providing most governmental services to its residents. Highway construction and maintenance is a Town function under the direction of the Commissioner of the Department of Public Works. In addition, recreation services are provided, garbage collection, recycling and disposal services are provided, and parks and beaches are maintained through the Town government. Other services performed at the Town level include: property assessment, building inspection and zoning administration. Police protection is provided by the County except in the Village of Amityville which has its own police force. Fire protection is provided by the Town's various fire districts or volunteer fire corporations. Public education is the responsibility of the ten school districts located in the Town, each of which is independent, and has its own taxing and borrowing authority. The County provides various social and health services.

Electric and natural gas services are provided by the Public Service Enterprise Group, Inc. of Long Island ("PSEG-LI"), formerly the Long Island Power Authority, and National Grid Energy Services-Long Island, respectively. Water service is supplied by the Suffolk County Water Authority and the East Farmingdale Water District. Sewer service is provided to most parts of the Town by the Suffolk County Department of Public Works' Southwest Sewer District.

As for transportation, Route 110 is one of the major north-south traffic arteries in the Town and is the center of an industrial corridor. Other major north-south roads are Route 231 and Wellwood Avenue. East-west highways include Route 109, Southern State Parkway, Sunrise Highway (Route 27) and Montauk Highway (Route 27A).

The northern portion of the Town is served by the Main Line of the Long Island Railroad with stations at Republic Airport, Pinelawn, Wyandanch and Deer Park. This line is electrified to Ronkonkoma. The MTA has begun a capital improvement project to add an additional track to ease congestion and prevent bottlenecks. The southern portion of the Town is served by the Babylon Branch of the Long Island Railroad with stations in Amityville, Copiague, Lindenhurst and Babylon. The Babylon Branch is electrified to Babylon. The Central Branch of the railroad connects the Montauk and main lines and provides freight facilities to industry in the area.

Republic Airport, located in the Town, is operated by the New York State Department of Transportation and offers private scheduled service to points in the Northeast United States. LaGuardia Airport, J.F. Kennedy International Airport and Long Island MacArthur Airport are all less than a one hour drive from the Town.

Form of Town Government

The Town was established in 1872 by New York State as a separate political entity vested with independent taxing and debt authority. The legislative power of the Town is vested in the Town Board, which consists of five members, including the Town Supervisor, who is the presiding member. All members of the Board serve four-year terms. All of the Town Board members are elected at large, and there are no limitations as to the number of terms which they may serve.

The Town Clerk serves as custodian of the Town's legal documents and papers, maintains the minutes of proceedings of the Town Board and is responsible for the publication and filing of all official notes. According to the Town Law, the Town Clerk is elected to serve a four-year term. The number of terms the Town Clerk may serve is unlimited. The Receiver of Taxes is elected to a four-year term and has the duty to receive and collect all State, County, Town and school district taxes and all assessments that may be levied in the Town. Other officers of the Town include: the Town Attorney who is appointed by the Town Board to a four-year term, the Town Assessor who is appointed by the Town Board for a six-year term and the Town Comptroller who is appointed by the Town Board to a four-year term.

Financial Organization

Pursuant to Local Law No. 12, 1974 of the Town, certain of the financial functions of the Town are the responsibility of the Town Comptroller. The Supervisor, however, is the chief fiscal officer of the Town. The Comptroller, who is responsible to the Town Board, also acts as the accounting officer of the Town. The duties of the Comptroller include administration, direction and control of the following divisions: Accounting, Accounts Payable, Accounts Receivable, Audit, Control and Risk Management. The term of the current Town Board-appointed position of the Town Comptroller expired December 31, 2017. The Comptroller was reappointed on January 18, 2018 for a four-year term.

Employees

As of December 31, 2017, the Town provides services through approximately 351 full-time employees. The Town's contract with the Civil Service Employees Association, covers approximately 117 employees and expires on December 31, 2024. The Town's contract with the Local 237, covers approximately 174 employees and expires on December 31, 2022.

Employee Pension Benefits

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute 3% of gross annual salary toward the cost of retirement programs until they attain ten years in the Retirement System, at such time contribution become voluntary. Members hired after January 1, 2010 must contribute 3%, or more of their gross annual salary toward the cost of retirement programs for the duration of their employment.

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

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

The New York State Retirement System has advised the Town that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount. The Town has prepaid its employer contributions each December since the option was made available in 2004.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contribution rate for the State's Retirement System continues to be higher than the minimum contribution rate established by

law. Contribution rates are expected to remain higher than the minimum contribution rates set by law in the near-term. To mitigate the expected increases in the employer contribution rate, legislation was enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan. The legislation also requires those local governments and school districts, who decide to amortize their pension obligations pursuant to this law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The Town has not amortized any pension payments in the past five years.

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

In Spring 2013, the State and ERS approved a Stable Contribution Option (“SCO”), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). The plan authorizes municipalities to pay the SCO amount in lieu of the ARC amount. The Town has not participated and will not be participating in the modified ERS SCO plan in the foreseeable future.

Payments by the Town to the Employee Retirement System for the past five years are as follows:

	<u>ERS</u>
2014	4,668,453
2015	4,413,843
2016	3,791,130
2017	3,792,810
2018 (Estimated)	3,817,477

Other Post-Employment Benefits

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

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

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

The Town is in compliance with the requirements of GASB 45. The Town has determined that its actuarial accrued liability (“AAL”) for OPEB as of December 31, 2017 was approximately \$150,291,807. For financial reporting purposes, the Town has elected to amortize the AAL over 30 years. For the year ended December 31, 2017, the Town’s ARC was \$13,111,331. Should the Town be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Town’s finances and could force the Town to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Town to partially fund its actuarial accrued OPEB liability. In addition, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Town has decided to continue funding the expenditure on a pay-as-you-go basis.

In April 2015, the State Comptroller proposed legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The State Comptroller’s proposed legislation

would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State's OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the State Comptroller's proposed legislation, there are no limits on how much a local government can deposit into the trust. The State Comptroller's bill was not enacted in the last legislative session and the Town cannot predict if or when such bill will be enacted into law.

Waste Management Program

The Town's municipal solid waste ("MSW") disposal needs are influenced by a variety of environmental factors unique to Long Island municipalities. Long Island's geology dictates that ground water, the only source of drinking water on the island, is extremely vulnerable to contamination from surface conditions. Consequently, landfilling has been severely curtailed and banned by the State of New York on most of Long Island effective December 18, 1990. In addition, Long Island's geographical location impedes transportation of solid waste to other locations due to the costs associated with long hauls to landfills and other waste disposal facilities in, among other areas, Upstate New York, Pennsylvania or other points west. Accordingly, the MSW disposal options open to Long Island communities, including the Town, are limited.

In response to its unique MSW disposal needs and certain requirements of Federal and New York State law, the Town of Babylon has developed and has implemented a comprehensive and integrated solid waste management program (the "Waste Management Program"). The Waste Management Program is designed to provide the Town with MSW processing and disposal at moderate cost and insulate the Town's residents and businesses from uncertain and potentially high costs now and for the next fifteen to twenty years.

Components of the Waste Management Program include: local ordinances and procured contracts governing the collection and disposal of residential and commercial MSW in the Town; primary facilities for the treatment and disposal of MSW in the Town, including a resource recovery waste-to-energy facility, systems for collection of commercial and residential waste and recyclables; and agreements for the processing and disposal of solid waste for entities located outside of the Town.

The Town created a commercial waste district in October 1994. The Town has collected and disposed of MSW in the commercial waste district pursuant to competitively procured contracts since January 1, 1996. The Town has awarded a contract to Progressive Waste Solutions of LI, Inc. for commercial waste collection for a term commencing January 1, 2011 and ending December 31, 2020; subsequently, Winters Bros. Waste Systems purchased the assets of Progressive Waste Solutions of LI, Inc. and assumed the obligations of the contract. Pursuant to the terms of that contract, the term may be extended for two additional, successive five year periods, at the Town's sole discretion. Since December 1, 1996, the Town has been assessing charges and collecting MSW from eligible parcels situated in the commercial waste district; currently the Town charges an annual charge of \$1,600 per eligible parcel plus additional monthly charges for handling MSW quantities greater than 1.5 cubic yards per week.

Primary facilities of the Waste Management Program include:

Landfill. The Town landfill encompasses approximately 85 acres, 70 acres of which comprise the actual disposal area. The landfill was capped and closed pursuant to New York State Department of Environmental Conservation ("NYSDEC") Part 360 regulations in the late 1990's.

Covanta Energy Corporation Resource Recovery Facility (the "Facility"). The Town entered into agreements whereby Covanta of Babylon, Inc. (formerly known as Ogden Martin Systems of Babylon, Inc.) ("Covanta") has designed, constructed, and currently leases and operates the Facility. Pursuant to such agreements, Covanta has agreed to process the Town's MSW for a 30-year period, expiring in April 2019. The Town is actively negotiating an extension to the Service Agreement with Covanta to operate the Facility and process the Town's MSW. This negotiation is in the final stages and should be complete by year end.

The Facility is designed to receive all acceptable municipal solid waste generated in the Town and produces approximately 17 megawatts of electrical power. Most of this power is sold to PSEG-LI pursuant to an Electricity Agreement with a small portion used to satisfy the operational needs of the Facility. Approximately 90% of the revenues generated from the Electricity Agreement are credited to the Town pursuant to the Service Agreement between the Town and Covanta. Covanta also reclaims and sells recoverable materials from the Facility's ash residue and shares 50% of the revenues from such sale

with the Town. The Facility is also the primary means of waste disposal for all of the Town's residential waste and commercial waste materials that cannot be recovered at the Recycling Facility described below.

Ash Disposal Capacity. The Town has constructed and operates a variety of state-of-the-art resource recovery facility ash landfill cells to be used for disposal of ash residue from the Facility. The ash landfills also have excess capacity which the Town historically has utilized for the disposal of neighboring towns' ash to generate additional revenue. The Town's ash landfill capacity is comprised of two facilities: (1) the Southern Ash Landfill cells; and (2) the Northern U Ash Landfill, both located immediately adjacent to the Facility. An expansion of the Southern Ash Landfill has been completed and is currently accepting ash. The Town estimates that it currently has more than enough permitted ash capacity to continue taking ash from the Covanta facility through the expiration of that Service Agreement in April 2019. The Town has also recently embarked on a project through which it will add ash capacity to Cell 7 at the landfill.

Commercial and Residential Recycling Facility. The Commercial and Residential Recycling Facility (the "Recycling Facility") is operated by Omni Recycling of Babylon, Inc. ("Omni") pursuant to a Recycling Services Agreement between Omni and the Town dated October 31, 1995 (the "Omni Service Agreement"). The Town Board and Omni have recently extended the term of the Omni Service Agreement for an additional 15 years beyond the original expiration in 2016; the terms of the extension also include an additional 5-year option at the Town's sole discretion which would extend directly beyond the new 15-year extension.

Town of Babylon Industrial Development Agency

The Town of Babylon Industrial Development Agency (the "Agency") issued the revenue bonds described below to finance various capital projects which are part of the Town's Waste Management Plan for the handling, processing, recycling and disposal of solid waste. The revenue necessary to repay such bonds is expected to be generated or collected by the Town. Such bonds do not legally constitute a debt or indebtedness of the Town, although the Town makes service payments sufficient to pay the principal and interest due thereon.

On September 14, 1995 the Agency issues its \$80,220,000 Taxable Resource Recovery Refunding Bonds Series 1995 (Ogden Martin Systems of Babylon, Inc. Project) (the "Series 1995 Bonds"). The Series 1995 Bonds were issued on behalf of Covanta (formerly known as Ogden Martin Systems of Babylon, Inc.) and the proceeds of the Series 1995 Bonds were applied to advance refund the outstanding principal balance of the Agency's \$87,700,000 Resource Recovery Revenue Bonds, Series 1985, which were issued to finance a major portion of the cost of construction of the Facility. As part of the plan of finance with respect to the Series 1995 Bonds, the Series 1995 Bonds were refunded with proceeds of the Agency's Weekly Adjustable/Fixed rate Resource Recovery Refunding Bonds, Series 1998 (Ogden Martin Systems of Babylon, Inc. Project) (the "Series 1998 Bonds").

On August 13, 2009, the Agency issued its \$53,730,000 Resource Recovery Bonds (Covanta Babylon, Inc. Project), Series 2009A (the "Series 2009A Bonds") and its \$12,665,000 Resource Recovery Bonds (Covanta Babylon, Inc. Project), Series 2009B Federally Taxable (the "Series 2009B Bonds"). (Collectively, the Series 2009A Bonds and the Series 2009B Bonds are the "Series 2009 Bonds".) The proceeds of the Series 2009 Bonds were issued to (i) refund the outstanding principal balance of the Series 1998 Bonds; (ii) pay a termination payment with respect to a Swap Agreement between Covanta and AIG-FP originally entered into with respect to the Series 1995 Bonds and the Series 1998 Bonds; and (iii) pay certain costs of issuance relating to the Series 2009 Bonds. The Series 2009 Bonds bear interest at a fixed rate to maturity.

In conjunction with the issuance of the Series 1995 Bonds, the Town entered into an Amended and Restated Service Agreement with Covanta dated as of August 1, 1995 as the same has been further amended and supplemented (the "Service Agreement") pursuant to which Covanta has agreed to process municipal solid waste generated in the Town at the Covanta Facility in consideration for the Town paying service fee payments ("Service Fees") under the Service Agreement. Debt service on the Series 2009 Bonds is one of several components of the Service Fee due and payable by the Town under the Service Agreement. The 2009A Bonds mature on January 1, 2019 and are outstanding in the principal amount of \$8,865,000. The Series 2009B Bonds matured on January 1, 2012.

Wyandanch Rising Community Redevelopment Project

The Town has embarked on a major downtown revitalization effort for the Hamlet of Wyandanch located in the northern central part of the Town. In connection with such redevelopment, the Town designated the downtown Wyandanch business district an *Urban Renewal Area* in accordance with Article 15 of the General Municipal Law. The redevelopment is focused on the downtown Wyandanch area which surrounds the existing Long Island Railroad station of the same name.

Since 2008, the Town has been purchasing commercial and residential properties in Wyandanch with available funds which have been reimbursed with issuance general obligation bonds. As property is purchased in the downtown Wyandanch area, the Town plans to complete most pre-development work for the redevelopment project including re-zoning, securing necessary permits and community approvals, demolishing existing structures and grading the properties. Phase I of the construction for the revitalization of the Urban Renewal Area began in the summer of 2013 and consists of the construction of new residential, retail, commercial and civic space in downtown Wyandanch. To date, three buildings have been completed, including a five-story, 91 residential unit building with approximately 17,500 square feet of ground floor retail space, and a four-story, 86 residential unit building, also with 17,500 square feet of ground floor retail space (collectively the “Residential Facilities”), and a five-story parking garage built by the MTA/LIRR. A fourth building of 124 residential units totaling 124,000 square feet is currently under construction and should be completed by the fourth quarter of 2020.

There are several additional structures in the pre-construction phase of development; a 1,200 square foot building to be used as the new Wyandanch Resource Center and a senior living residential building attached to the parking garage. The senior living building will be operated by the non-profit group Self Help. In addition, an approximately 90,000 square foot health and wellness center has been proposed for Wyandanch Plaza and is currently seeking private and public funding sources.

In connection with Phase I and pursuant to a Master Developer Designation Agreement, dated as of October 11, 2011 among the Town, Wyandanch Rising Inc. and WR Communities-A LLC, the Residential Facilities have been sold to affiliates of the Albanese Organization, Inc. the private developer selected by the Town for development of Phase I in accordance with Article 15 of the General Municipal Law. The term of the Master Developer Designation Agreement has been extended to December 31, 2021. It is currently anticipated that Phase I of the redevelopment project will be completed during the fourth quarter of 2022.

FINANCIAL FACTORS

Budgetary Procedures

The Supervisor, with the assistance of the Comptroller (acting in his capacity as Budget Officer) prepares a tentative budget each year and holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Town Board as its final budget for the coming fiscal year. The budget is not subject to referendum. The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions outlined in the new law. All budgets of the Town adopted in accordance with the procedure discussed herein must comply with the requirements of the new law. (See “*The Tax Levy Limit Law*” herein).

Financial Statements

The Town complies with the Uniform System of Accounts as prescribed for towns in the State. This system conforms with generally accepted accounting principles as promulgated in the “Codification of Governmental Accounting and Financial Reporting Standards,” as published by the Governmental Accounting Standards Board in connection with the Government Accounting Research Foundation of the Government Finance Officers’ Association.

Independent Audits

The Town has retained the firm of Albrecht, Viggiano, Zureck & Company, P.C., Certified Public Accountants, to audit its financial statements for the past seven fiscal years. Appendix B to this Official Statement includes summaries of the Town’s most recent audit reports covering the fiscal years ended December 31, 2012 through 2017 for the General Fund.

Results of Operations

Fiscal Year 2013. The Town’s 2013 fiscal year budget was adopted by the Town Board on November 15, 2012. Audited financial results for Fiscal Year 2013 include General Fund revenues of \$50,250,158 with expenses of \$51,909,461. The General Fund ended Fiscal Year 2013 with a fund balance of \$28,117,334 up almost \$6.4 million from the prior year. The Highway Fund recorded revenues of \$18,334,269 with expenses of \$19,759,004 for an ending fund balance of \$7,265,750, down \$1,424,775 from the prior year. The Garbage Improvement District’s audited results include revenues of \$28,839,820

and expenses of \$28,212,672 for an ending fund balance of \$20,243,320 up \$627,148 from the prior year; and the Commercial Garbage District reported revenues of \$22,409,908 with expenses of \$22,445,401 for an ending fund balance of \$5,648,944 down \$35,493 from the prior year.

Fiscal Year 2014. The Town's 2014 fiscal year budget was adopted by the Town Board on November 18, 2013. Audited financial results for Fiscal Year 2014 include General Fund revenues of \$61,077,766 with expenses of \$52,197,228. The General Fund ended Fiscal Year 2014 with a fund balance of \$36,997,870 up almost \$8.9 million from the prior year. The Highway Fund recorded revenues of \$20,721,296 with expenses of \$20,818,722 for an ending fund balance of \$7,168,327, down \$97,426 from the prior year. The Garbage Improvement District's audited results include revenues of \$27,255,322 and expenses of \$27,374,751 for an ending fund balance of \$20,123,891 down \$119,429 from the prior year; and the Commercial Garbage District reported revenues of \$23,629,504 with expenses of \$22,104,683 for an ending fund balance of \$7,173,769 up \$1,524,821 from the prior year.

Fiscal Year 2015. The Town's 2015 fiscal year budget was adopted by the Town Board on November 18, 2014. Audited financial results for Fiscal Year 2015 include General Fund revenues of \$56,610,308 with expenses of \$53,361,541 for a projected ending year fund balance of \$42,790,971 up \$5,793,100 from the prior year; Highway Fund revenues of \$22,914,699 with expenses of \$22,548,155 for a year end fund balance of \$7,605,904 up \$437,579 from the prior year. The Garbage Improvement District's unaudited results include revenues of \$23,571,527 and expenses of \$25,576,314 for a year end projected fund balance of \$18,119,689 down \$2,004,202 from the prior year; and the Commercial Garbage District projects revenues of \$26,017,771 with expenses of \$21,347,381 for a year end fund balance of \$11,844,891 up \$4,671,126 from the prior year.

Fiscal Year 2016. The Town's 2016 fiscal year budget was adopted by the Town Board on November 18, 2015. In the independent audit of the Town for the fiscal year ending December 31, 2016, prepared by AVZ, the General Fund reports revenues of \$57,776,480 with expenses of \$52,504,206 for a closing fund balance of \$49,289,930 up \$6,498,959 from the prior year's balance. The Highway fund recorded revenues of \$23,317,371 and expenses of \$22,381,311 for a year end fund balance of \$9,186,851 up \$1,242,047 from the year prior. The Garbage Improvement District's audited results include revenues of \$22,930,131 and expenses of \$24,824,900 for an end of year balance of \$16,544,358 down \$1,575,331 from the year prior; and the Commercial Garbage District reported revenues of \$25,505,349 with expenses of \$21,649,730 for a year end balance of \$15,920,407 up \$4,075,516 from the year prior.

Fiscal Year 2017. The Town's 2017 fiscal year budget was adopted by the Town Board on November 10, 2016. In the independent audit of the Town for the fiscal year ending December 31, 2017, prepared by AVZ, the General Fund reports revenues of \$58,214,522 with expenses of \$54,333,965 for a closing fund balance of \$53,153,256 up \$3,863,338 from the prior year's balance. The Highway fund recorded revenues of \$24,791,505 and expenses of \$24,732,377 for a year end fund balance of \$9,539,841 up \$352,990 from the year prior. The Garbage Improvement District's audited results include revenues of \$23,134,513 and expenses of \$28,023,252 for an end of year balance of \$13,655,619 down \$2,888,739 from the year prior; and the Commercial Garbage District reported revenues of \$25,079,584 with expenses of \$21,157,815 for a year end balance of \$19,842,176 up \$3,921,769 from the year prior.

2018 Fiscal Year Adopted Budget. The Town's 2018 fiscal year budget was adopted by the Town Board on November 16, 2017. The Town's fiscal year 2018 budget includes General Fund revenues and expenses of \$57,908,450 and total budgeted cumulative Highway Fund revenues and expenses of \$23,961,276. The Town's Fiscal Year 2018 budget for the Garbage Improvement District and Commercial Garbage District includes revenues and expenses of \$23,588,202 and \$25,246,232, respectively.

2019 Fiscal Year Tentative Budget. The Town's 2019 tentative fiscal year budget includes General Fund revenues and expenses of \$56,282,364 and total budgeted cumulative Highway Fund revenues and expenses of \$24,161,313. The Town's tentative fiscal year 2019 budget for the Garbage Improvement District and Commercial Garbage district includes revenues and expenses of \$21,981,306 and \$19,064,524, respectively. (See "*Budgetary Procedures*" herein).

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Town is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the

Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Town may also temporarily invest moneys in: (1) Special Time Deposits; (2) Certificates of deposit issued by a bank or trust company located and authorized to do business in the State of New York; (3) Through a Deposit Placement Program in one or more banking institutions, as defined in Banking Law Section 9-r; (4) Obligations of the United States of America; (5) Obligations guaranteed by agencies of the United States of America where the payments of principal and interest are guaranteed by the United States of America; (6) Obligations of the State of New York; (7) Obligations issued pursuant to Sections 24.00 or 25.00 of the Local Finance Law with approval of the State Comptroller by any municipality, school district or district corporation other than the Town; (8) Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments; (9) Certificates of Participation (COPs) issued pursuant to Section 109-b of the General Municipal Law to the extent that the enabling authority is in effect; and (10) Obligations of this Town, but only with any moneys in a reserve fund established pursuant to Sections 6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m or 6-n of the General Municipal Law.

The Town's investment policy does not permit the Town to invest in so-called derivatives or reverse repurchase agreements and the Town has never invested in derivatives or reverse repurchase agreements.

Real Property Taxes

The Town derives a major portion of its revenues from a tax on real property. (See “*Statement of Revenues, Expenditures and Changes in Fund Balance*” in Appendix B, herein). Property taxes accounted for approximately 63% of total general fund revenues, for the fiscal year ended December 31, 2017. On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town. (See “*Tax Levy Limit Law*” herein).

The following table sets forth total General Fund revenues and real property taxes received for each of the last five fiscal years and the amount budgeted for the current fiscal year.

<u>General Fund Revenues & Real Property Taxes</u>			
<u>Fiscal Year</u> <u>Ended December 31:</u>	<u>Total</u> <u>Revenues⁽¹⁾</u>	<u>Real Property</u> <u>Taxes</u>	<u>Ratio of Real</u> <u>Property Taxes to</u> <u>Total Revenues</u>
2013	\$50,250,158	\$29,145,674	58.00%
2014	54,988,973	34,341,987	62.45
2015	56,610,308	34,875,975	61.61
2016	57,776,480	35,140,048	60.82
2017	58,214,522	36,752,602	63.13
2018 (Adopted Budget)	57,908,450	36,724,800	63.42

⁽¹⁾ General Fund, Townwide.

Source: Audited Financial Statements and Adopted Budget of the Town. Summary is not audited.

State Aid

The Town receives financial assistance from the State. In its General Fund Budget for the 2018 fiscal year, approximately 7.31% of the operating revenues of the Town are estimated to be received in the form of State aid. The State is not constitutionally obligated to maintain or continue State aid to any local government, including the Town. There can be no assurance that the State appropriation for State aid to municipalities will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget and other circumstances including State fiscal stress. State aid appropriated and apportioned to the Town can be paid only if the State has such monies available therefor, State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the Town requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also “*Market Factors and Bondholder Risks*” herein).

The follow table sets forth total General Fund revenues, State aid and Mortgage tax received for each of the last five fiscal years and the amount budgeted for the current fiscal year.

General Fund Revenues & State Aid

Fiscal Year <u>Ended December 31:</u>	Total <u>Revenues⁽¹⁾</u>	<u>State Aid⁽²⁾</u>	Ratio of State Aid to <u>Total Revenues</u>
2013	\$50,250,158	\$4,238,574	8.43%
2014	54,988,973	4,223,587	7.68
2015	56,610,308	4,165,207	7.36
2016	57,776,480	4,822,357	8.35
2017	58,214,522	5,275,507	9.06
2018 ⁽³⁾	57,908,450	4,235,000	7.31

(1) General Fund, Townwide.

(2) Excludes Local aid components (primarily sales tax revenues), which are reflected as Non-Property Tax Items in the Town’s Audited Financial Statements.

(3) Adopted Budget for fiscal year end December 31, 2018.

Source: Audited Financial Statements and Adopted Budget of the Town. Summary is not audited.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State’s 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State’s General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

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 federal 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.

There can be no assurance that the State’s financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

Should the Town fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the Town is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility

of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) have recently provided guidance regarding state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. The Town did not establish a charitable fund.

The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews

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 ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

The most current applicable report of the State Comptroller designates the Town as "no designation."

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

The financial affairs of the Town are subject to periodic compliance reviews by OSC to ascertain whether the Town has complied with the requirements of various State and federal statutes. The Town was one of eight municipalities audited for a Statewide report entitled Long Island Workforce Housing Act for the audit year 2016. In addition, the Town was audited in 2013 in an examination of the town's financial condition and internal controls over selected financial operations for the period January 1, 2011 through July 31, 2012. Complete reports can be obtained from OSC's website. Reference to this website implies no warranty of accuracy of information therein.

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TAX INFORMATION

Valuations and Tax Data

The following table shows the trend during the last five years for taxable assessed valuations, State equalization ratios, full valuations, real property taxes and real property tax rates per \$1,000 assessed valuation.

Valuations and Tax Data

(For the Fiscal Years Ending December 31:)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Value	\$245,456,759	\$244,921,923	\$244,626,105	\$244,492,069	\$244,602,924
Equal. Ratio	0.123	0.125	0.119	0.118	0.112
Full Value	19,955,834,065	19,593,753,840	20,556,815,546	20,719,666,864	21,839,546,786
Total Tax Levy ⁽¹⁾	\$679,072,456	\$684,376,045	\$698,835,658	\$696,777,435	\$700,172,303
Town: General Fund	\$34,341,987	\$34,875,975	\$35,140,048	\$36,752,602	\$36,724,800
Part Town Fund	\$3,315,488	\$3,702,587	\$3,696,409	\$2,755,767	\$2,749,093
Highway Fund	\$17,966,914	\$19,979,109	\$20,988,530	\$21,995,556	\$21,959,776
General Fund Tax Rate ⁽²⁾	\$139.74	\$142.15	\$143.45	\$149.98	\$149.98
Part Town Fund Tax Rate ⁽²⁾	\$17.85	\$20.02	\$20.02	\$14.93	\$14.93
Highway Fund Tax Rate ⁽²⁾	\$96.73	\$108.00	\$113.66	\$119.22	\$119.22

(1) Per \$1,000 assessed valuation of the Town – General Fund.

Source: Town of Babylon, Office of the Comptroller.

Tax Collection Procedure

Property taxes for the Town, together with County, fire and school district taxes are collected by the Town Tax Receiver on a single tax bill. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable and 10% per annum after May 31.

The Town Tax Receiver distributes the collected tax money to the Town Comptroller, the Comptroller distributes to fire and school districts prior to distributing the balance collected to the County. After May 31st, when the rolls are turned over to the County, all taxes are payable to the County Treasurer with an additional penalty to date of payment. Tax sales are held annually by the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The Town thereby is assured of full tax collection.

The following table reflects real property tax levies and collections of the Town for the past five fiscal years:

Real Property Tax Levies and Collections

<u>Fiscal Year</u> <u>Ended December 31:</u>	<u>Gross</u> <u>Tax Levy⁽¹⁾</u>	<u>Current</u> <u>Taxes Collected</u>	<u>Percentage Current</u> <u>Taxes Collected⁽²⁾</u>
2014	4679,072,456	\$647,622,237	95.37%
2015	684,376,045	653,996,255	95.56
2016	698,835,658	669,965,606	95.87
2017	696,777,435	668,729,909	95.97
2018	700,172,303	671,065,525	95.84

(1) Includes School, Fire, County, Town and Special District.

(2) The Town annually receives 100% of its tax levy. See "Tax Collection Procedure".

Largest Taxpayers

The following table presents the taxable assessments of the Town's ten largest taxpayers for the 2018 fiscal year:

Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation⁽¹⁾</u>
Long Island Power Authority	Public Utility	\$ 2,857,204	1.16%
Long Island Lighting Co.	Public Utility	2,104,900	0.86
Keyspan- National Grid	Public Utility	1,551,288	0.63
Airport Plaza LLC	Shopping Center	1,022,550	0.42
MLO Great South Bay LLC	Shopping Center	639,900	0.26
Fairfield Apartments	Apartments	554,850	0.23
Verizon New York Inc.	Public Utility	544,139	0.22
GRI Sunset Plaza LLC	Shopping Center	424,600	0.17
Metropolitan Tower Life Ins. Co.	Insurance	388,810	0.16
Seiff, Saul & Maurice, Barbash	Apartments	<u>372,000</u>	<u>0.15</u>
	Total:	<u>\$10,460,241</u>	<u>4.26%</u>

(1) Based on the 2018 certified assessment roll. The total 2018 assessed value of the Town's General Fund is \$245,775,322.

The Tax Levy Limit Law

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

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

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. The Tax Levy Limit Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Town. The governing board of the Town may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Town first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Town, a local law to override such limit for such coming fiscal year. The Town voted to override such limit in its 2014 Final Budget. The Town's tax levy for the 2013, 2015, 2016, 2017 and 2018 fiscal years did not exceed the cap imposed by the Law.

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

TOWN INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the Town (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 Town and the Bonds include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the Town 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 Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

General. The Town is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers. As has been noted under “*Nature of Obligation*”, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Chapter 97 of the Laws of 2011, as amended, imposes a statutory limitation on the Town’s power to increase its annual tax levy. (See “*Tax Levy Limit Law*” herein).

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) or weighted average period of probable usefulness of the several obligation purposes for which it is contracted; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The Town 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 Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the most recent five-year average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the final equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such rate shall be determined. The average full valuation is determined by taking the sum of full valuations of such last completed assessment roll and the four preceding assessment rolls, and dividing such sum by five.

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

Pursuant to Article VIII of the Constitution and Title 8 of Article 2 of the Local Finance Law, the debt limit of the Town 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 Town to borrow and incur indebtedness by enactment of the Local Finance Law, subject to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the Town Law and the General Municipal Law.

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

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

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution, except for alleged constitutional violations. The Town has complied with such procedure for the validation of the bond resolutions pursuant to which the Bonds are being issued.

Statutory law in New York permits bond anticipation notes to be issued. Bond anticipation notes may be renewed each year, provided annual principal installment payments are made in reduction of the total amount of such notes, commencing no later than two years after the date of the first of such notes and provided that, other than for assessable projects, such renewals do not extend five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Constitutional Requirements" herein.)

In addition, under each bond resolution, the Town Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Supervisor, the chief fiscal officer of the Town.

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

Constitutional Debt-Contracting Limitation

The following table sets forth the current debt-contracting limitation of the Town.

<u>Debt Contracting Limitation</u>			
<u>Fiscal Year Ended</u> <u>December 31:</u>	<u>Assessed</u> <u>Valuation</u>	<u>State Equalization</u> <u>Ratio⁽¹⁾</u>	<u>Full</u> <u>Valuation</u>
2014	\$245,456,759	0.123	\$19,955,834,065
2015	244,921,923	0.125	19,593,753,840
2016	244,626,105	0.119	20,556,815,546
2017	244,492,069	0.118	20,719,666,864
2018	244,602,924	0.112	<u>21,839,546,786</u>
Total Five-Year Full Valuation			\$102,665,617,101
Average Five-Year Full Valuation			\$ 20,533,123,420
Debt Contracting Limitation - 7% of Average Full Valuation			<u>\$ 1,437,318,639</u>

⁽¹⁾ Equalization rates are established by the New York State Board of Real Property Services.

Source: Town of Babylon, Town Receiver of Taxes Office and the New York State Board of Real Property Services.

Statement of Debt-Contracting Power
(as of October 23, 2018)

Debt-Contracting Limitation:		\$1,437,318,639
Gross Direct Indebtedness ⁽¹⁾ :		
Bonds:		
General Purpose	\$144,980,000	
Water	1,200,000	
Sewer	<u>11,240,000</u>	
	157,420,000	
Bond Anticipation Notes:	0	
Revenue Anticipation Notes:	<u>0</u>	
Total Gross Direct Indebtedness		157,420,000
Less Exclusions and Deductions:		
Water Bonds	1,200,000	
Appropriations for Non-Exempt Indebtedness – Balance of 2018 Fiscal Year	6,160,000	
Total Exclusions & Deductions		<u>7,360,000</u>
Total Net Direct Indebtedness		150,060,000
Debt-Contracting Margin		\$1,287,258,639
Percentage of Debt-Contracting Power Exhausted		<u>10.44%</u>

(1) Inclusive of debt issued on behalf of the Town through the New York State Environmental Facilities Corporation. Exclusive of U.S. Department of Housing and Urban Development guaranteed assistance contract loan. (See “U.S. Department of Housing and Urban Development Loan” herein.)

Source: Town of Babylon, Office of the Town Comptroller.

Bond Anticipation Notes

The Town currently has no Bond Anticipation Notes outstanding.

U.S. Department of Housing and Urban Development Loan

The Town’s guaranteed assistance contract loan payable consists of a loan due to the U.S. Department of Housing and Urban Development issued under Section 108 of the Housing and Community Development Act of 1974 (the “HUD Loan”). The HUD Loan dated December 2012, stipulates a maximum commitment amount of \$4,100,000 for a specific capital project. As of December 31, 2017, the Town received the full amount of the commitment, plus interest earnings in the aggregate amount of \$4,103,700. The Loan bears interest at a variable rate, which is adjusted monthly at the London Interbank Offered Rate plus 0.20% and will mature in August 2032. The variable rate as of December 31, 2017 was 1.69%. The HUD Loan is secured by all current and future community development block grant allocations and will be liquidated from the community development agency fund.

Environmental Facilities Corporation State Revolving Loan Fund Program

The Town has participated in the past and expects to participate in the future in the New York State Environmental Facilities Corporation’s (“EFC”) loan programs for various projects in and for the Town. In March, 2016 EFC provided available financing in the amount of \$1,200,000 through a bond anticipation note which matures March 31, 2021 to provide partial funding for a new water system at Oak Beach.

Installment Purchase Obligations

The Town does not have any installment debt obligations.

Trend of Outstanding Indebtedness

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$139,293,000	\$155,217,902	\$158,296,000	\$168,210,000	\$166,385,000
Bond Anticipation Notes	<u>24,590,000</u>	<u>19,480,000</u>	<u>14,650,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
Total Debt Outstanding	<u>\$163,883,000</u>	<u>\$174,697,902</u>	<u>\$172,946,000</u>	<u>\$169,410,000</u>	<u>\$167,585,000</u>

Source: Town Audited Financial Records.

Authorized but Unissued Debt

The Town anticipates issuing additional bond anticipation notes and/or bonds from time to time to provide financing for new projects. As of October 23, 2018, the Town has authorized but unissued debt of \$15,514,000, which includes projects to be funded with proceeds from the Bonds. (See “*Authority for and Purpose of the Bonds*” herein.)

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Overlapping and Underlying Debt

The real property taxpayers of the Town are responsible for a proportionate share of outstanding debt obligations of the County, as well as various villages, school districts, and fire districts. Such taxpayers’ share of this overlapping debt is based upon the amount of the Town’s equalized property values taken as a percentage of each separate units’ total values. The table below sets forth both the total outstanding principal amount of debt issued by the Town and the approximate magnitude of the burden on taxable property in the Town of the debt issued and outstanding by such overlapping entities.

Statement of Direct and Estimated Overlapping Indebtedness

Gross Direct Indebtedness	\$ 157,420,000
Exclusions and Deductions	<u>7,360,000</u>
Net Direct Indebtedness	<u>\$ 150,060,000</u>

Overlapping Debt

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>Town Share</u>	<u>As of</u>	<u>Amount Applicable To Town</u>
Suffolk County	\$1,260,302,121	7.55%	05/25/18	\$95,152,810
Village of Amityville	8,505,000	100.00	05/31/17	8,505,000
Village of Babylon	5,617,607	100.00	02/20/18	5,617,607
Village of Lindenhurst	9,977,000	100.00	07/13/17	9,977,000
Amityville Union Free School District	12,570,000	69.00	05/31/18	8,673,300
Babylon Union Free School District	30,320,000	100.00	10/03/18	30,320,000
Copiague Union Free School District	47,908,526	100.00	08/21/18	47,908,526
Deer Park Union Free School District	9,037,100	100.00	07/11/18	9,037,100
Farmingdale School District	8,230,000	20.94	06/30/17	1,723,362
Half Hollow Hills School District	20,434,885	13.09	09/25/17	2,674,926
Lindenhurst School District	11,679,680	100.00	08/20/18	11,679,680
North Babylon School District	13,145,000	100.00	06/20/18	13,145,000
West Babylon School District	27,645,000	100.00	09/06/18	27,645,000
Wyandanch School District	15,640,000	100.00	07/03/18	15,640,000
Fire Districts (3)	0	100.00	12/31/17	<u>0</u>
Total Net Overlapping Debt				287,699,312
Total Net Direct Debt				<u>150,060,000</u>
Total Net Direct and Overlapping Debt				<u>\$ 437,759,312</u>

Debt Ratios

The following table presents certain debt ratios relating to the Town’s direct and overlapping indebtedness.

Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita⁽¹⁾</u>	<u>Debt to Full Value⁽²⁾</u>
Net Direct Debt	\$ 150,060,000	\$ 703.67	0.69%
Net Direct and Overlapping Debt	437,759,312	2,0523.76	2.00

(1) The population of the Town is 213,254 according to the U.S. Census Bureau 2012-2016 American Community Survey 5 –year Estimates.

(2) The full value of real property located in the Town for the 2018 fiscal year is \$21,839,546,786.

Capital Planning and Budgeting

The Town is responsible for the provision of certain services which require the procurement, construction and maintenance of capital assets. Such capital assets have and may in the future include but are not limited to maintenance of a road system, street lighting, road and storm water drainage, machinery and equipment, improvements and maintenance of Town buildings, facilities, parks, marinas and recreational facilities.

In conjunction with the Town's annual budget process, capital asset inventory and infrastructure needs are cataloged, reviewed and prioritized to develop a plan for the forthcoming year as well as the next three years. The Town's capital improvement plan allows for the continued improvements to infrastructure, buildings and equipment while remaining consistent with the Town's debt service requirements. The Town Board reviews, updates and amends the capital plan on an annual basis. In general, the need for capital funding for the above referenced projects are expected to continue and be in amounts that are substantially the same as in recent years although it is the Town's plan to limit debt issuance such that total Town debt declines from current levels.

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Debt Service Schedule

The following table sets forth the annual debt service requirements on all outstanding long-term Town general obligation bonds, exclusive of the Bonds, exclusive of the HUD Loan and exclusive of refunded bonds.

Bond Principal and Interest Maturity Table

FY Ending Dec. 31	Principal Payments	Interest Payments	Debt Service Payments
2018 ⁽¹⁾	\$ 15,020,000	\$ 5,002,148	\$ 20,022,148
2019	11,285,000	4,464,650	15,749,650
2020	11,630,000	4,131,152	15,761,152
2021	11,975,000	3,777,404	15,752,404
2022	9,135,000	3,413,537	12,548,537
2023	9,340,000	3,150,075	12,490,075
2024	9,565,000	2,862,227	12,427,227
2025	9,805,000	2,559,172	12,364,172
2026	10,065,000	2,239,094	12,304,094
2027	9,520,000	1,901,976	11,421,976
2028	9,760,000	1,581,675	11,341,675
2029	8,405,000	1,250,480	9,655,480
2030	4,395,000	1,038,144	5,433,144
2031	4,490,000	896,515	5,386,515
2032	4,610,000	756,979	5,366,979
2033	4,165,000	604,129	4,769,129
2034	4,245,000	474,820	4,719,820
2035	3,355,000	357,287	3,712,287
2036	2,165,000	250,547	2,415,547
2037	1,110,000	195,225	1,305,225
2038	1,115,000	155,239	1,270,239
2039	1,125,000	114,644	1,239,644
2040	1,145,000	73,204	1,218,204
2041	505,000	30,617	535,617
2042	515,000	18,489	533,489
2043	520,000	6,183	526,183
	<u>\$ 158,965,000</u>	<u>\$ 41,305,608</u>	<u>\$ 200,270,608</u>

(1) For the entire fiscal year.

Source: Town of Babylon, Office of the Comptroller.

ECONOMIC AND DEMOGRAPHIC DATA

While the Town is primarily residential, more than 4,530 acres of the Town are zoned for industrial use. Some of the major employers in the Town and the approximate number of persons employed by each include the following:

<u>Name</u>	<u>Primary Business Activity</u>	<u>Approximate Number of Employees</u>
United Parcel Service	Mailing/Trucking	5,412
PC Richard & Son	Electronic Sales	1,864
Lindenhurst UFSD	Education	1,400
Telephonics Corp.	Electronics	1,200
South Oaks Hospital	Health Services	1,100
Farmingdale State College	Education	987
Broadlawn Manor Adult Day Center	Human Services	900
Copiague UFSD	Education	736
Amityville UFSD	Education	629

Source: Town of Babylon 2019 Tentative Budget, September 2018

Population and Income Trends

	<u>Town</u>	<u>County</u>	<u>State</u>	<u>Town Median Household Income⁽¹⁾</u>
2000	211,792	1,419,369	18,976,457	\$60,064
2010	213,603	1,493,350	19,378,102	79,545
2016 ⁽¹⁾	213,254	1,498,130	19,697,457	81,522

(1) American Community Survey 2012-2016 5-year estimates.
Source: U.S. Census Bureau

Unemployment Rate Statistics

The information set forth below with respect to the County, State and Town is included for information purposes only.

Yearly Average Unemployment Rates

<u>Year</u>	<u>Town</u>	<u>County</u>	<u>State</u>
2012	8.5%	7.8%	8.5%
2013	7.1	6.6	7.7
2014	5.7	5.4	6.3
2015	5.0	4.7	5.3
2016	4.7	4.4	4.8
2017	4.8	4.5	4.7

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Monthly Unemployment Rates

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
September 2017	4.9%	4.4%	4.6%
October	4.6	4.3	4.4
November	4.8	4.5	4.4
December	4.6	4.5	4.4
January 2018	5.2	5.3	5.1
February	5.4	5.4	5.1
March	4.8	4.8	4.8
April	4.3	4.1	4.3
May	4.0	3.6	3.7
June	4.2	3.8	4.2
July	4.5	4.0	4.2
August	4.5	4.0	4.1

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

End of Appendix A

APPENDIX B

SUMMARY OF FINANCIAL STATEMENTS

Town of Babylon
 Adopted Budgets - General Fund
 Fiscal Year Ended December 31:

	<u>2017</u>	<u>2018</u>
Revenues:		
Real Property Taxes	\$ 36,752,602	\$ 36,724,800
Other Tax Items	1,050,000	1,080,000
Non-Property Tax	4,000,000	4,150,000
Departmental Income	3,410,000	3,515,000
Use Of Money And Property	2,150,000	2,375,000
Licenses and Permits	122,250	122,250
Fines and Forfeitures	1,385,000	1,390,000
Sale of Property and Compensation for Loss	156,000	156,000
Miscellaneous Local Sources	915,400	830,400
Interfund Revenues	3,000,000	2,800,000
State and County Aid	3,795,000	4,235,000
Federal Aid	540,000	530,000
Appropriated Reserves	0	1,963,534
	<u>0</u>	<u>1,963,534</u>
Total Revenue	<u>\$ 57,276,252</u>	<u>\$ 59,871,984</u>
Expenditures:		
General Government Support	\$ 16,690,833	\$ 16,908,589
Public Safety	1,624,047	1,736,602
Health	2,971,129	3,284,164
Economic Assistance And Opportunity	101,086	101,136
Culture And Recreation	10,565,387	10,492,776
Home And Community Services	1,501,630	1,564,978
Employee Benefits	12,750,008	12,464,069
Bond Issuance Costs	184,659	130,000
Debt Service	10,887,473	9,439,670
	<u>0</u>	<u>3,750,000</u>
Total Expenditures	<u>\$ 57,276,252</u>	<u>\$ 59,871,984</u>
Excess (Def) of Revenues Over Expenditures	0	0
Other Financing Sources (Uses):		
Premium on Obligations	200,000	200,000
Sale of Capital Assets	150,000	150,000
Insurance Recovery	30,000	30,000
Operating Transfers In	0	0
Operating Transfers Out	0	0
	<u>0</u>	<u>0</u>
Total Other Sources (Uses)	<u>380,000</u>	<u>380,000</u>
Excess (Def) of Revenues & Other Sources Over Expenditures & Other Uses	380,000	380,000
Appropriated Fund Balances	<u>\$ (380,000)</u>	<u>\$ (380,000)</u>

Source: Adopted Budgets of the Town.

Town of Babylon
Balance Sheet
General Fund
Fiscal Year Ended December 31:

	<u>2016</u>	<u>2017</u>
Assets:		
Cash and Cash Equivalents	\$ 38,481,941	\$ 39,934,832
Accounts Receivable, Net	2,001,204	2,179,771
Due from State & Federal & Other Governments	1,933,830	3,346,790
Taxes Receivable	26,971,285	27,917,695
Inventory	274,142	269,857
Property Held for Resale	18,305,904	18,030,635
Due from Other Funds	256,482	263,652
Cash with Fiscal Agent	1,748,456	1,448,059
Total Assets	<u>\$ 89,973,244</u>	<u>\$ 93,391,291</u>
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,322,699	\$ 1,108,967
Due To Other Governments	48,066	46,810
Due to Other Funds	-	-
Unearned Revenue	1,334,705	1,067,764
Unearned Revenue - Property Taxes	36,752,602	36,724,800
Unavailable Revenue	<u>1,225,242</u>	<u>1,289,684</u>
Total Liabilities	<u>\$ 40,683,314</u>	<u>\$ 40,238,025</u>
Fund Balance:		
Non-spendable	\$ 2,645,872	\$ 3,375,707
Restricted	18,431,130	17,121,344
Assigned	61,398	2,199,316
Unassigned	<u>28,151,530</u>	<u>30,456,899</u>
Total Fund Balance	<u>\$ 49,289,930</u>	<u>\$ 53,153,266</u>
Total Liabilities and Fund Balance	<u>\$ 89,973,244</u>	<u>\$ 93,391,291</u>

Source: Audited Financial Statements of the Town.
Summary itself is not audited.

Town of Babylon
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund
Fiscal Year Ending December 31:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 29,145,674	\$ 34,341,987	\$ 34,875,975	\$ 35,140,048	\$ 36,752,602
Other Real Property Tax Items	991,280	1,120,115	1,056,898	1,096,378	1,308,919
Non-Property Tax Items	3,788,308	4,005,885	4,381,914	4,749,123	4,930,571
Departmental Income	2,912,612	3,135,927	3,436,768	3,499,602	3,789,415
Use Of Money And Property	2,127,429	2,259,746	2,535,620	2,711,975	2,872,709
Licenses And Permits	230,322	230,308	226,308	239,194	224,645
Fines And Forfeitures	1,461,960	1,310,497	1,466,324	1,474,890	1,442,351
Sale Of Property And Compensation For Loss	1,290,176	6,311	6,645	8,766	5,188
Miscellaneous Local Sources	328,395	698,907	741,667	672,433	884,772
Interfund Revenues	3,250,218	3,104,653	2,956,087	2,801,385	110,479
State and County Aid	4,238,574	4,223,587	4,165,207	4,822,357	5,275,507
Federal Aid	485,210	551,050	760,895	560,329	617,364
Total Revenues	<u>\$ 50,250,158</u>	<u>\$ 54,988,973</u>	<u>\$ 56,610,308</u>	<u>\$ 57,776,480</u>	<u>\$ 58,214,522</u>
Expenditures:					
General Government Support	\$ 15,189,024	\$ 16,322,248	\$ 16,109,334	\$ 14,038,227	\$ 15,128,688
Public Safety	1,603,692	1,524,015	1,603,738	1,667,705	1,784,254
Health	2,097,262	2,513,402	2,753,283	2,843,945	2,947,953
Economic Assistance and Opportunity	219,449	226,431	235,443	121,194	101,620
Culture And Recreation	10,111,937	9,782,966	10,139,010	10,191,081	10,599,153
Home And Community Services	3,807,264	1,551,624	1,387,859	1,362,674	1,542,309
Employee Benefits	11,772,105	11,435,914	11,742,611	11,468,934	11,227,975
Bond Issuance Costs	159,769	102,102	127,139	85,289	85,316
Debt Service	6,948,959	8,738,526	9,263,124	10,725,157	10,916,717
Total Expenditures	<u>\$ 51,909,461</u>	<u>\$ 52,197,228</u>	<u>\$ 53,361,541</u>	<u>\$ 52,504,206</u>	<u>\$ 54,333,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,659,303)	2,791,745	3,248,767	5,272,274	3,880,537
Other Financing Sources (Uses):					
Principal Amount of Bond Anticipation Note	\$ 9,240,000	\$ 3,390,000	\$ -	\$ -	\$ -
Refunding Bonds Proceeds	-	-	-	-	2,226,000
Principal Amount of Bond Proceeds	-	-	1,600,000	-	-
Premium on Obligations	308,683	260,278	349,987	260,381	176,205
Payments to Refunded Bond Escrow Agent	31,896	-	-	-	(2,340,000)
Operating Transfers In	-	99,582	428,008	951,483	35,549
Operating Transfers Out	-	-	(8,788)	(174,391)	(51,709)
Sale of Capital Assets	-	1,485,650	138,045	179,045	204,370
Insurance Recovery	-	853,282	37,081	10,167	7,173
Total Other Financing Sources (Uses)	<u>\$ 9,580,579</u>	<u>\$ 6,088,792</u>	<u>\$ 2,544,333</u>	<u>\$ 1,226,685</u>	<u>\$ 257,588</u>
Special Item					
Property held for Resale Reclassified as Town Owned Assets	(1,524,719)	0	0	0	(274,789)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	6,396,557	8,880,537	5,793,100	6,498,959	3,863,336
Fund Balance Beginning of Year	\$ 21,720,777	\$ 28,117,334	\$ 36,997,871	\$ 42,790,971	\$ 49,289,930
Prior Period Adjustments	-	-	-	-	-
Fund Balance End of Year	<u>\$ 28,117,334</u>	<u>\$ 36,997,871</u>	<u>\$ 42,790,971</u>	<u>\$ 49,289,930</u>	<u>\$ 53,153,266</u>

Source: Audited Financial Statements of the Town.
Summary itself is not audited.

APPENDIX C
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017*

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

<https://emma.msrb.org/ES1333506.pdf>

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

*** Albrecht, Viggiano, Zureck & Company, P.C. Certified Public Accountants has not commented on or approved this Official Statement, has not been requested to perform any procedures on the information in its included report since its date and has not been asked to consent to the inclusion of its report in this Official Statement.**

APPENDIX D

FORM OF DISCLOSURE UNDERTAKING FOR THE BONDS

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

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

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

“Issuer” shall mean the Town of Babylon, in the County of Suffolk, a municipal corporation of the State of New York.

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

“Purchaser” shall mean the Underwriter referred to in the Certificate of Determination, executed by the Supervisor as of November 1, 2018.

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

“Securities” shall mean the Issuer’s \$14,508,350* Various Purposes Serial Bonds – 2018, dated November 13, 2018, maturing in various principal amounts on November 1 in each of the years 2019 to 2032, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York, to the EMMA System:

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2018, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year

* Preliminary, subject to change.

ending December 31, 2018, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with 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; and

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

(12) bankruptcy, insolvency, receivership or similar event of the Issuer

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

(12) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(13) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the heading "LITIGATION" and in Appendix A under the headings: "THE TOWN," "FINANCIAL FACTORS," "TAX INFORMATION," "TOWN INDEBTEDNESS" and "ECONOMIC AND DEMOGRAPHIC DATA" and in Appendix B.

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

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

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of November 13, 2018.

TOWN OF BABYLON

By _____
Supervisor