

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 13, 2017

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Series B Notes 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 Series B Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations 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. Interest on the Series C Notes is included in gross income for Federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters for the Series B Notes" and "Tax Matters for the Series C Notes" herein.

The Town WILL NOT designate the Series B Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

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

**\$11,394,500
BOND ANTICIPATION NOTES – 2017 SERIES B
(the "Series B Notes")**

Date of Issue: December 28, 2017

Maturity Date: October 19, 2018

\$3,600,000

**BOND ANTICIPATION NOTES – 2017 SERIES C (FEDERALLY TAXABLE)
(the "Series C Notes" and together with the Series B Notes, the "Notes")**

Date of Issue: December 28, 2017

Maturity Date: October 19, 2018

The Notes are general obligations of the Town of Islip, 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 Notes 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 "*The Tax Levy Limit Law*" herein).

The Notes are dated their Date of Issue and bear interest from that date until the Maturity Date, at the annual rate(s) as specified by the purchaser(s) of the Notes. The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser, the Notes will be issued in (i) registered form registered in the name of the successful bidder(s) or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for The Depository Trust Company ("DTC").

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes of an issue bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination for the Series B Notes. A single note certificate will be issued for those Notes of an issue bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "*Book-Entry-Only System*" herein).

Capital Markets Advisors, LLC has served as the Municipal Advisor to the Town in connection with the issuance of the Notes.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the respective final approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the offices of DTC on the Date of Issue stated above.

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 NOTES AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

December __, 2017

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.

TOWN OF ISLIP

ANGIE M. CARPENTER
Supervisor

Town Board

STEVEN J. FLOTTERON
TRISH BERGIN-WEICHBRODT
JOHN C. COCHRANE, JR.
MARY KATE MULLEN

OLGA H. MURRAY
Town Clerk

ALEXIS WEIK
Receiver of Taxes

JOHN R. DICIOCCIO, ESQ.
Town Attorney

JOSEPH LUDWIG, CPA
Comptroller and Director of Finance

Bond Counsel
HAWKINS DELAFIELD & WOOD LLP
NEW YORK, NEW YORK

MUNICIPAL ADVISOR



CAPITAL MARKETS ADVISORS, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(516) 487-9818

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 foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes 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 hereon.

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OFFICIAL STATEMENT

TOWN OF ISLIP SUFFOLK COUNTY, NEW YORK

Relating To

\$11,394,500 BOND ANTICIPATION NOTES – 2017 SERIES B (the “Series B Notes”)

And

\$3,600,000 BOND ANTICIPATION NOTES – 2017 SERIES C (FEDERALLY TAXABLE) (the “Series C Notes” and together with the Series B Notes, the “Notes”)

This Official Statement including the cover page and appendices thereto has been prepared by the Town of Islip, Suffolk County, New York (the “Town”, “County”, and “State” respectively) and presents certain information relating to the Town's \$11,394,500 Bond Anticipation Notes – 2017 Series B (the “Series B Notes”) and \$3,600,000 Bond Anticipation Notes – 2017 Series C (Federally Taxable) (the “Series C Notes” and together with the Series B Notes, the “Notes”).

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 Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated and will mature, without option of prior redemption, as stated on the cover page hereof.

The Town will act as Paying Agent for the Notes issued in book-entry form. For those Notes issued as certificated notes, the purchaser will be, or named, Fiscal Agent. Fiscal Agent fees, if any, will be paid for by the purchaser. The Town's contact information is as follows: Joseph Ludwig, CPA, Comptroller, Town Hall, 655 Main Street, Islip NY, 11751, Phone: (631) 595-3840, Fax: (631) 224-5701.

Authority for and Purpose of the Series B Notes

The Series B Notes are issued pursuant to the Constitution and laws of the State of New York, including the Town Law and the Local Finance Law and two bond resolutions adopted by the Town Board on September 19, 2017 and October 24, 2017 to finance for the following objects or purposes, in the following amounts:

<u>Purpose</u>	<u>Authorization Date</u>	<u>Amount Authorized</u>	<u>Amount to Notes</u>
Construction of Animal Shelter	09/19/2017	\$ 4,600,000	\$ 4,600,000
Acquisition and Installation of a Fire Communication System in the Fire Rescue Building at Long Island MacArthur Airport	09/19/2017	1,000,000	1,000,000
Various Community Improvements	09/19/2017	150,000	150,000
Acquisition of computer equipment for the Disaster Recovery Site	09/19/2017	150,000	150,000
Installation of Fencing	09/19/2017	150,000	150,000
Installation of Guard Rails	09/19/2017	50,000	50,000
Acquisition of Equipment	09/19/2017	30,000	30,000
Acquisition of Hazmat/Safety Equipment	09/19/2017	3,500	3,500
Acquisition of Light Vehicle & Equipment	09/19/2017	30,000	30,000
Acquisition of Vehicles	09/19/2017	35,000	35,000
Acquisition of Mailroom Equipment	09/19/2017	70,000	70,000
Acquisition of Marine Engines	09/19/2017	65,000	65,000
Acquisition of Mobile Computer Equipment	09/19/2017	6,000	6,000
Acquisition of Mobile Computer Equipment	09/19/2017	5,000	5,000
Acquisition of Playground Equipment	09/19/2017	280,000	280,000
Site Improvements - Landfill	09/19/2017	100,000	100,000
Acquisition of Telephone Equipment	09/19/2017	10,000	10,000
Various Improvements	09/19/2017	300,000	300,000
Acquisition of Radios	09/19/2017	5,000	5,000
Acquisition of Radios	09/19/2017	5,000	5,000
Sidewalk improvements	09/19/2017	100,000	100,000
Construction of Improvements to Marinas and Bulkheads	10/24/2017	<u>4,250,000</u>	<u>4,250,000</u>
	Totals	<u>\$11,394,500</u>	<u>\$11,394,500</u>

Authority for and Purpose of the Series C Notes

The Series C Notes are issued pursuant to the Constitution and laws of the State of New York, including the Town Law and the Local Finance Law and a bond resolution adopted by the Town Board on September 19, 2017 to finance the construction of improvements to the terminal building at the Town owned Long Island MacArthur Airport.

Optional Redemption

The Notes will not be subject to redemption prior to maturity.

Nature of Obligation

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

The Notes 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 Notes, 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 Notes, 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.)

DISCUSSION OF BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for those Notes issued as book entry only notes (hereinafter in this section referred to as the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for all Notes of an issue that bear the same rate of interest and CUSIP number and will be deposited with DTC.

DTC 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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. (or any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's 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 securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Securities 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 the 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 Town or Agent, 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 securities depository with respect to the Securities at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, Security 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, Security certificates will be printed and delivered.

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

Source: The Depository Trust and Clearing Company.

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEOWNER.

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Town default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the Town and the owners for which the faith and credit of the Town are pledged and while remedies for enforcement of payment are not expressly included in the Town's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and

appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owners of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess, levy and collect an ad valorem tax, upon all taxable property of the Town subject to taxation by the Town sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y. 2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Pursuant to Article VIII, Section 2 of the State Constitution, the Town is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders,

such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

NO PAST DUE DEBT

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

MUNICIPAL BANKRUPTCY

The undertakings of the Town should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended (“Chapter IX”) and, in general, to other bankruptcy laws affecting creditors’ rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner’s creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Town could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Town after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Town, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may 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. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Town in the future cannot be assured.

No current state law purports to create any priority for holders of the Notes should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Town is currently considering or expects to resort to the provisions of the Bankruptcy Act.

FINANCIAL CONTROL BOARDS

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, Towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

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

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

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Notes, 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 Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes 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 Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are 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 Notes. 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 Notes, could be adversely affected.

The Town is dependent in part upon 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 would likely have a materially 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 "*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 Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters for the Series B Notes*" 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 Notes. (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 conduct of its affairs. The Town does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Town.

TAX MATTERS FOR THE SERIES B NOTES

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Series B Notes (collectively, the "Tax-Exempt Notes") 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 Tax-Exempt Note is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations 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. The Tax Certificate of the Town (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Tax-Exempt Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town and others in connection with the Tax-Exempt Notes, and Bond Counsel has assumed compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Tax-Exempt Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Tax-Exempt Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Notes in order that interest on such Tax-Exempt Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town, in executing the Tax Certificate, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Tax-Exempt Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax-Exempt Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax-Exempt Notes.

Prospective owners of the Tax-Exempt Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Tax-Exempt Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Tax-Exempt Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Tax-Exempt Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Tax-Exempt Notes having OID (a “Tax-Exempt Discount Note”), OID that has accrued and is properly allocable to the owners of the Tax-Exempt Discount Note under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Notes.

In general, under Section 1288 of the Code, OID on a Tax-Exempt Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Tax-Exempt Discount Note. An owner’s adjusted basis in a Tax-Exempt Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Tax-Exempt Discount Notes. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Tax-Exempt Discount Note even though there will not be a corresponding cash payment.

Owners of Tax-Exempt Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Tax-Exempt Discount Notes.

Note Premium

In general, if an owner acquires a Tax-Exempt Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Note (a “Tax-Exempt Premium Note”). In general, under Section 171 of the Code, an owner of a Tax-Exempt Premium Note must amortize the bond premium over the remaining term of the Tax-Exempt Premium Note, based on the owner’s yield over the remaining term of the Tax-Exempt Premium Note, determined based on constant yield principles (in certain cases involving a Tax-Exempt Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Tax-Exempt Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a Tax-Exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Tax-Exempt Premium Note may realize a taxable gain upon disposition of the Tax-Exempt Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Tax-Exempt Premium Note should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Tax-Exempt Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest on tax-exempt obligations, including the Tax-Exempt Notes. 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 if the recipient is one of a limited class of exempt recipients. 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 Tax-Exempt Notes 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 Tax-Exempt Notes 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.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Tax-Exempt Notes under federal or state law or otherwise prevent beneficial owners of the Tax-Exempt Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Tax-Exempt Notes.

For example, the Tax Cuts and Jobs Act ("H.R. 1"), which was passed by the United States House of Representatives on November 16, 2017, would, if enacted into law in its current form, include in gross income the interest on (i) any "qualified" private activity bond and (ii) any advance refunding bond. Such amendments would only apply to bonds issued after December 31, 2017. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. On December 2, 2017, the United States Senate passed its own version of H.R. 1, that would also prohibit the issuance of tax-exempt advance refunding bonds after December 31, 2017, but would not change the current tax treatment of qualified private activity bonds. The House Bill would eliminate the alternative minimum tax on individuals and corporations for tax years beginning after December 31, 2017. The Senate Bill would retain the alternative minimum tax on individuals and corporations with increased income thresholds at which the alternative minimum tax will apply to individuals for taxable years beginning after December 31, 2017 and before January 1, 2026. The future of the tax reform legislative efforts is uncertain at this time.

Prospective purchasers of the Tax-Exempt Notes should consult their own tax advisors regarding the foregoing matters.

TAX MATTERS FOR THE SERIES C NOTES

Opinion of Bond Counsel

In the opinion of Bond Counsel to the City, interest on the Series C Notes (the "Taxable Notes") (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Notes by original purchasers of the Taxable Notes who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Taxable Notes will be held as "capital assets"; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Notes as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Notes in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Taxable Notes should consult with its own tax advisors concerning the United States Federal income tax and other tax consequences with respect to the acquisition, ownership and disposition of the Taxable Notes as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined de minimis amount, a holder of a Taxable Note having a maturity of more than one year from its date of issue must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Taxable Note) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Taxable Note is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Taxable Note; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “de minimis amount” is an amount equal to 0.25 percent of the Taxable Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Taxable Note using the constant-yield method, subject to certain modifications.

Acquisition Discount on Short-Term Taxable Notes

Each holder of a Taxable Note with a maturity not longer than one year (a “Short-Term Taxable Note”) is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Taxable Note is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, the Short-Term Taxable Note accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Taxable Note at maturity over the holder’s tax basis therefor.

A holder of a Short-Term Taxable Note not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

Note Premium

In general, if a Taxable Note is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Taxable Note other than “qualified stated interest” (a “Taxable Premium Note”), the holder of a Taxable Premium Note will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Note elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Note, determined based on constant yield principles (in certain cases involving a Taxable Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Note. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt notes) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Note may realize a taxable gain upon disposition of the Taxable Premium Note even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Note, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder’s adjusted tax basis in the Taxable Note.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Notes to be deemed to be no longer outstanding under the Resolution for the Taxable Notes (a “defeasance”). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Notes subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders of the Taxable Notes with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Note and the proceeds of the sale of a Taxable Note before maturity within the United States. Backup withholding may apply to holders of Taxable Notes under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a Taxable Note that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Notes under state law and could affect the market price or marketability of the Taxable Notes.

Prospective purchasers of the Taxable Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the respective approving legal opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, the forms of which are attached hereto in Appendices C and D.

DISCLOSURE UNDERTAKING

In order to assist the purchasers in complying with Rule 15c2-12 with respect to the Notes, the Town will execute Certificates to Provide Notices of Events, the forms of which are attached hereto as Appendices E and F.

Compliance History

On July 22, 2014, the Town filed a material event notice with EMMA regarding the change to the underlying rating of the Town by Moody’s Investors Service, as a result of the recalibration of the U.S. municipal ratings from a municipal scale to the global scale in 2010, which resulted in a recalibrated rating of “Aa1”. The Town was late in filing this notice. As this was a system wide recalibration by Moody’s, and not considered an upgrade, a material event notice was not filed at the time.

On July 22, 2014, the Town filed a material event notice with EMMA regarding the current ratings of the bond insurer of past bonds issued by the Town. Since the fall of 2008, there have been over forty ratings actions on bond insurers by Moody's, Standard and Poor's (S&P) and Fitch Ratings (Fitch). The Town was late in filing this notice. Due to widespread knowledge of the downgrades to the bond insurer, material event notices were not filed in each instance.

On July 23, 2014, the Town filed a material event notice with EMMA regarding the change to the underlying rating of the Town by Fitch Ratings, as a result of the recalibration of the U.S. municipal ratings from a municipal scale to the global scale in 2010, which resulted in a recalibrated rating of "AAA". The Town was late in filing this notice. As this was a system wide recalibration by Fitch, and not considered an upgrade, a material event notice was not filed at the time.

RATINGS

The Town did not apply for a rating on the Notes.

Moody's has assigned a rating of "Aaa" with a stable outlook and S&P has assigned a rating of "AA+" with a stable outlook to the Town's outstanding uninsured general obligation bonds.

These ratings reflect only the view of such rating agencies and an explanation to the significance of such ratings should be obtained from said rating agencies. There can be no assurance that such ratings will not be revised or withdrawn, if in the judgment of such rating agencies circumstances so warrant. Any change or withdrawal of such ratings may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Great Neck and New York, New York, (the "Municipal Advisor") is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial 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. 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 not a law firm and does not provide legal advice with respect to this or any debt offerings of the Town. 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 Notes.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the Town, its operations and the balances, receipts and disbursements of the various Funds of the Town are available for public inspection at the business office of the Town.

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 purchasers or holders of any of the Notes.

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 sourced 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 disclaims any duty or obligation either to update or to maintain the 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 assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

Additional information may be obtained upon request from Capital Markets Advisors, LLC, (516) 487-9818 or from the Town's Comptroller, (631) 595-3840.

This Official Statement is submitted only in connection with the sale of the Notes by the Town and may not be reproduced or used in whole or in part for any other purpose.

TOWN OF ISLIP
SUFFOLK COUNTY, NEW YORK

By: _____
Angie M. Carpenter
Supervisor

DATED: December __, 2017

APPENDIX A

THE TOWN

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THE TOWN

General Information

The Town of Islip is located in Suffolk County on the south shore of Long Island, about 45 miles from New York City. The Town has a land area of approximately 105.6 square miles and a population of 336,747 according to the 2015 US Census.

The Town is typically suburban in character with residential neighborhoods, garden apartments, shopping malls and light industry located along the major road arteries and surrounding Long Island MacArthur Airport. The Town's location on the shore of the Great South Bay provides many recreational opportunities to residents, as well as affording employment to many independent clammers and baymen.

The Town is served by both the Main Line and the Montauk Division of the Long Island Rail Road, operated by the Metropolitan Transportation Authority. Major road arteries include the Long Island Expressway, Veterans Highway, Sunrise Highway, Montauk Highway, Southern State Parkway, Robert Moses Causeway, Heckscher State Parkway and Sagtikos State Parkway.

Public water is supplied by the Suffolk County Water Authority, Town water districts, and private wells. A sanitary sewer system in the southwest portion of the Town is provided by the County. Fire protection is supplied by a number of volunteer fire departments and fire protection districts. Police protection is furnished by the Suffolk County Police Department. Gas and electricity are furnished by the Long Island Power Authority and National Grid.

Pilgrim State Hospital, Good Samaritan and Southside Hospital are located in the Town. A State office building is located in Hauppauge adjacent to the twelve-story County Office Building (County Center West), both of which are in the Town.

C.W. Post College, Suffolk County Community College and Touro College operate extension campuses in the Town. St. Johns University operates an extension campus at the former LaSalle Center site in the Town.

New York Institute of Technology operates a 500-acre campus in Central Islip in the Town and offers undergraduate programs in computer science, general studies, hotel and restaurant administration and electronic and mechanical technology.

There are approximately 100 parks and recreation areas in the Town, which include over 10 public beaches located on either the Great South Bay, Fire Island and Lake Ronkonkoma plus four swimming pool complexes. For boating residents, the Town has fourteen marinas with a total of 1,500 boat slips and 9 boat ramps. In addition, the Town operates three golf courses, the Brentwood and Holbrook Country clubs, plus the Gull Haven golf course.

Some unique public recreation facilities within the Town include more than 6.5 miles of The Fire Island National Seashore. This barrier island provides recreational access to some of the best ocean beaches on the east coast. With more than 36 square miles of water, the Great South Bay provides numerous recreational activities including boating, swimming, fishing and shellfishing.

Other government recreation facilities include the Robert Moses State Park, two thousand acre Connetquot River State Park, Hecksher State Park, two County golf courses, both located on the Great South Bay and the Bayard Cutting Arboretum. There are also a number of private facilities and clubs within the Town that offer a wide variety of year road recreational activities.

Form of Town Government

The Town was established in 1683 and is presently classified as a Suburban Town. Located within the Town are four separate villages. Such villages have independent forms of government, but their properties are subject to taxation by the Town for certain purposes. In addition, there are twelve independently governed school districts which rely upon their own taxing powers granted by the State to raise revenues. Eight of these school districts are located entirely

within the Town while parts of the other four school districts have properties in neighboring towns as well as in the Town. Each of these school districts, for their properties located in the Town, use the Town's assessment roll as the basis for taxation.

The chief executive officer of the Town is the Supervisor who is elected for a term of four years and may serve up to three consecutive four-year terms. She also is a member of the Town Board. In addition to the Supervisor, there are four members of the Town Board who are elected for four year terms. Each term is staggered so that every two years two council members seats are up for election. Council members of the Town Board are limited to three terms. Both the Supervisor and council members are elected at large.

The Town Board appoints its Assessor who serves a six year term. The Town Board also appoints the Comptroller, Engineer and the Town Attorney whose terms are fixed by Town Law. The Town Clerk is elected for a four-year term and may serve up to three consecutive four-year terms. The Receiver of Taxes is elected for a four-year term and there is no term limit. The Town Board appoints seven Commissioners: Environmental Control; Comptroller; Public Works; Park, Recreation and Cultural Affairs; Aviation and Transportation; Public Safety Enforcement; and Planning, Housing and Development. The Commissioners serve at the pleasure of the Town Board.

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 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: Audit, Control, and Budgeting.

Employees

The Town provides services through approximately 700 full-time and 745 part time and seasonal employees. The United Public Service Employee Union represents approximately 360 blue-collar employees and approximately 260 white collar employees. These contracts will expire on December 31, 2017 and are currently in negotiations. The International Association of Fire Fighters represents approximately 16 airport fire safety officers. The contract expires on December 31, 2018. Local No. 237, International Brotherhood of Teamsters (I.B.T.), represents approximately 138 part time lifeguards whose contract has expired on April 14, 2012. The Town is currently negotiating a new contract with this union. There has never been a strike against the Town.

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.

Beginning July 1, 2013, a voluntary defined contribution plan option will be 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.

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. Under this plan, the Town amortized its 2012, 2013 and 2014 contributions. The Town did not amortize the 2015, 2016 or 2017 pension payment and does not plan on amortizing the 2018 pension payment.

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 will not be participating in the modified ERS SCO plan at this time.

On September 1, 2016, the State Comptroller announced for Fiscal Year 2017-18, the average contribution rate for ERS decreasing from 15.5% to 15.3%. Projections for required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among six retirement tiers. The employer contribution rates announced will apply to each employer's salary base during the period of April 1, 2017 through March 31, 2018. Payments based on those rates are due by February 1, 2018, but may be prepaid by December 15, 2017. At this time, the Town plans to prepay its ARC in December of 2017.

Other Post Employment Benefits

It should also be noted that the Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. A recently enacted accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires governmental entities, such as the Town, to account for post-retirement healthcare benefits with respect to vested pension benefits. GASB 45 has become fully implemented for governmental entities, including the Town.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and life insurance. Until recently, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each municipality or school district. 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 or school district 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 liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Town hired an actuarial firm for the actuarial valuation and as of December 31, 2016 they calculated the unfunded actuarial accrued liability of \$265,669,799 and an ARC of \$19,217,409. 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.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The State Comptroller has 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 proposal 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 proposal, there are no limits on how much a local government can deposit into the trust. The Town cannot predict whether such proposed legislation will be enacted into law.

Recent Events Concerning the Town

In May 2014, it was confirmed that contaminated fill was illegally dumped at a Town Park, Roberto Clemente Park, located in Brentwood, New York. The contaminated material, consisting mainly of construction and debris, was discarded on the soccer field and in a recharge basin, without permission from the Town. As a result, the Suffolk County District Attorney (“DA”) began a criminal investigation into these environmental crimes which were allegedly conducted by several contractors. The DA’s investigation resulted in the indictments of six (6) individuals, representing various contracting companies who currently await trial or other determinations by the court.

The Town Board approved a measure to allow the town to seek restitution and seek civil claims against those deemed responsible for the criminal acts against the Town. Litigation has been prepared by Town attorneys in partnership with outside counsel, as the Town awaits the outcomes of the DA investigation and criminal proceedings.

Through its established Recovery Team, the Town hired an independent environmental consultant to prepare and submit a Material Removal Work Plan (“MRWP”) to the New York State Department of Environmental Conservation. This MRWP served as a guiding document for the cleanup of the park and was approved by the State in January 2015. The 175-page document dictates the means and method for excavation, transportation, and disposal of thousands of all contaminated fill and specifies the health and safety procedures that must take place during the material removal phase. The plan was prepared in accordance with all environmental and State regulations pertaining to the handling of material of this nature.

Simultaneously, the Town prepared a procurement document to hire a qualified contractor to remove all contaminated material from the park which was approximately 35,000 tons. Once the Town received approval for the MRWP from the State, a cleanup bid was advertised in January 2015, was publicly opened on March 26, 2015 and awarded at the April 7, 2015 meeting of the Town Board. Cleanup work commenced in early June 2015 and was completed in September 2015. In August of 2016, the Town received approval for its Site Restoration Plan from the NYSDEC.

On January 24, 2017, the Town Board awarded a contract to replace the contaminated material that was removed from the park. The work for this last phase of the cleanup was commenced in the spring of 2017, and the park was officially re-opened in July of 2017. The cleanup was financed with proceeds from the Town's Various Purposes Serial Bonds – 2017.

Town of Islip Community Development Agency

The Town of Islip Community Development Agency (the "Agency") was organized in 1976 as a body corporate and politic constituting a public benefit corporation under the Urban Renewal Law. The Agency is the successor to the Town of Islip Urban Renewal Agency, which was established in 1974. The Urban Renewal Law grants to the Agency broad community development and urban renewal powers, including the ability to issue negotiable bonds and notes to achieve its corporate purposes. The Agency does not have the power to levy taxes or impose assessments or charges against real property.

The Agency is also a NYS Public Authority and complies with all applicable sections of the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009.

The Board of Directors of the Agency is composed of a chairman and four directors who are appointed by the Town Board and serve five year terms. The Executive and Assistant Directors are appointed by and serve the Agency Board. The Assistant Director has been appointed by the board as the chief financial officer.

The Agency, on behalf of the Town, applies for and administers approximately \$4,000,000 per year in HUD Entitlement Grants (CDBG, HOME, HOPWA and ESG).

Habitat for Humanity of Suffolk is also actively engaged in the production of affordable housing in the Town and completes at least three new homes in Islip each year. Whenever possible, the Agency arranges for the conveyance of vacant land to Habitat for Humanity, the Long Island Housing Partnership and other non-profit sponsors without cost, and often provides site improvement and other subsidies to further assist in keeping the housing affordable. The Town further assists these groups in producing affordable units by waiving development fees.

The Agency acquires three to five severely blighted and/or foreclosed houses in the Town each year, which are fully renovated and offered for sale and/or rent to income eligible individuals/families selected by lottery.

The Agency has ongoing projects to assist approximately ten low and moderate income- homeowners annually in rehabilitating their homes, providing handicap access and removing lead hazards. Several non-profit housing providers are also supported in their efforts to increase the supply of affordable permanent rental housing. A portion of the funds from all four HUD Entitlement Grants is earmarked for this purpose. In recent years, federal allocations of the Community Development Block Grant and HOME Investment Partnership Program have been substantially reduced.

The Town received a grant of \$3,720,392 under the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program (NSP1) created by the 2008 Housing and Economic Recovery Act, and an additional \$1,429,561 under the NSP3 program created by the Wall Street Reform and Consumer Protection Act of 2010. These funds were used by the Agency to acquire foreclosed single family homes in Bay Shore, Brentwood and Central Islip. Sixteen homes have been renovated and/or reconstructed and have been sold and/or rented to income eligible first time homebuyers. In addition, the Agency sub-granted a portion of its funds to Habitat for Humanity of Suffolk for the acquisition/renovation of four additional foreclosed homes, and to Community Development Corporation of Long Island for two affordable rental homes.

The CDA applied for and received two additional HUD stimulus grants to implement on behalf of the Town through the American Recovery and Reinvestment Act of 2009. The first was for \$549,638 in Community Development Block

Grant Recovery funds. These funds were used in late 2009 to make substantial road improvements in a high foreclosure neighborhood in Central Islip. The second was for \$840,437 in Homelessness Prevention and Rapid Re-housing Program funds. The CDA used these funds in a joint program with the County and Town of Babylon to assist families who had been made homeless or were on the verge of homelessness due to the severe economic downturn. All funds for this project were expended as of July 2012.

The Agency has been progressively entering into the area of energy efficiency. In addition to constructing and renovating homes to ENERGYSTAR standards, which began a few years ago, the Agency is now assisting in marketing the Home Performance with ENERGYSTAR Program from New York State Energy Research and Development Agency.

The Agency is not obligated to pay the debt service on the Bonds and the Town is not obligated to pay the debt service of bonds issued by the Agency.

Long Island MacArthur Airport

Long Island MacArthur Airport (the “Airport”), owned and operated by the Town, occupies approximately 1,310 acres in Ronkonkoma. It has four paved bi-directional runways, the largest of which is over 7,000 feet in length. The initial airport was constructed in 1942-43 by the Federal government on property transferred to the Town by the County at no cost. The first major scheduled airline service was commenced by Allegheny Airlines, in 1960, which later became US Airways. A merger between US Airways and American Airlines in 2015 and subsequent re-branding brought American Eagle to MacArthur Airport.

In 1998, Southwest Airlines joined the Airport and in 2004, expanded their operation at the airport with a \$65 million terminal investment. Frontier Airlines announced 11 new nonstop destinations from the Airport beginning in 2017 and through summer of 2018. These commercial carriers operated approximately 16 flights per day until August 2017. The fourteen (14) nonstop destinations served by these airlines are: Atlanta, Baltimore -Washington, Charlotte, Chicago, Detroit, Fort Lauderdale, Fort Myers, New Orleans, Miami, Minneapolis, Orlando, Philadelphia, Tampa, and West Palm Beach with connections to hundreds of destinations in the United States and abroad.

In 2016, the Airport initiated an innovative air service program designed to increase awareness about the Airport, its carriers and products it offers. By increasing customer awareness, the air carriers have overwhelmingly responded by increasing capacity and adding new routes for the 2.4 million residents and businesses in Nassau and Suffolk County. In 2016, 1.2 million passengers traveled through the Airport. According to the Federal Aviation Administration (“FAA”), the Airport ranked 105th nationwide based on its number of enplanements. By 2018, passenger enplanements are expected to more than double.

The Airport’s location near the center of Long Island has been instrumental in its development as a regional transportation center, generating \$655 million in economic impact and more than 6,000 jobs directly and indirectly (2012 NYS Economic Study). The Airport is accessible from three major east/west thoroughfares. The main access road connects with Veteran’s Memorial Highway; the Airport is four miles south of the Long Island Expressway and approximately one mile north of Sunrise Highway. The Long Island Railroad’s Ronkonkoma Station is less than two miles from the main terminal and a shuttle bus runs regularly to the railroad from the Airport. The parking capacity at the Airport exceeds 3,500 vehicles.

By 2016, the Airport will complete \$16 million in federally funded planning and capital projects. These projects include: \$14.5 million for the design and construction of a new Airport Fire Rescue Building, \$350,000 for Airfield Pavement Analysis and \$1 million for design and rehabilitation of the airport’s primary runway 6/24. The Airport annually applies for and receives grant funding through the FAA and New York State Department of Transportation for airfield projects and equipment purchases that meet the agencies’ requirements.

Other capital projects are funded through a combination of grants from various agencies including: New York State, Suffolk County and Town of Islip IDA, and are underway. These projects include a \$25 million Customs Facility for the processing of international passengers, \$3.2 million for a Transportation Facility and \$5.2 million for the design and replacement of critical Mechanical, Electrical and Plumbing systems in the airport’s terminal building.

The Town also continues to make various improvements in and around the Airport property, including on the runways, airfield lighting, and roadways and parking areas. Debt service on these Town obligations, including the Terminal Building Improvements, will be paid from passenger facility charges (additionally backed by a general obligation pledge of the Town) collected by the airlines and remitted to the Town, thus eliminating Town taxpayer funding for major airport improvements. In 2017, PFC Application #8 was approved by the FAA which will assist the airport in funding more than \$10.8 million in capital improvements and the purchase of equipment over the next three (3) years.

Islip Resource Recovery Agency

The Islip Resource Recovery Agency (the "Agency") was organized in 1982 as a body corporate and politic constituting a public benefit corporation under Title 13-C of the Public Authorities Law. The Public Authorities Law grants to the Agency broad power in the management of solid waste, including the ability to issue bonds and notes to achieve its corporate purposes. The Agency does not have the power to levy taxes or impose assessments or charges against real property. It does have the power to own and operate solid waste disposal facilities and to collect fees and charges for the use of said facilities.

The Board of Directors of the Agency consists of five members comprised, ex-officio, of the members of the Islip Town Board.

The Agency issued \$38,685,000 in Resource Recovery System Revenue Bonds (1985 Facility-Series A)(the "1985 Series A Bonds"), dated December 1, 1985, for the construction of the MacArthur Resource Recovery Facility (500 ton per day waste to energy). The Agency has also issued its \$16,000,000 Resource Recovery System Revenue Bonds (1985 Facility-Series B (1994)) (the "1994 Series B Bonds"), dated April 6, 1994, to finance improvements to the MacArthur Resource Recovery Facility. The Agency issued \$30,785,000 Resource Recovery System Refunding Revenue Bonds (1985 Facility-Series D (1995) (the "1995 Series D Bonds"), dated August 15, 1995, to refund, for debt service savings, the 1985 Series A Bonds.

The Agency issued \$17,430,000 in Resource Recovery System Revenue Bonds (1985-Series E (2004)) dated March 3, 2004 maturing in the years 2006 through 2023, for the construction of emissions control equipment and certain other modifications to the facility to comply with EPA Clean Air Act Regulations. The estimated cost of this project was approximately \$16,000,000 with the installation of a Fly Ash Condition System that was completed in 2007. The Agency has also issued refunding bonds in the aggregate amount of \$8,515,000 dated April 5, 2004 to refund a portion of the 1994 Series B Bonds. In May of 2014, the Agency issued \$9,425,000 of Bonds to refinance its 1985 Facility Series E Bonds. These refunding bonds mature on July 1, 2022.

All of such bonds are special obligations of the Agency with revenues of the solid waste disposal system pledged to the repayment thereof. These bonds do not constitute an obligation of the Town.

The Town, on behalf of itself and 69 contract bid areas within the special garbage and refuse district has by a Solid Waste Disposal Agreement, dated December 1, 1985, pledged to deliver all municipal solid waste generated within the Town to the Agency for processing and/or disposal in the Agency's system, and to further pay certain charges attendant upon the operation of the system. The system consists of active clean filling, recycling, and composting facilities in addition to the waste-to-energy facility, all of which are operated in a manner consistent with the New York State Solid Waste Management Plan. The Agency has contracted with the Town to acquire all rights to revenues generated at each facility, and for continued Town operation of the clean fill, recycling center and composting facility. The Agency provides for operation of the MacArthur waste-to-energy facility under separate contract with Covanta MacArthur Renewable Energy, Inc.

FINANCIAL FACTORS

Financial Statements

The Town retains independent Certified Public Accountants to conduct audits of its financial operations. The last such audit covers the fiscal year ended December 31, 2016. The audit was prepared in compliance with GASB 34.

The Town also prepares and files with New York State, an Annual Financial Report Update Document (unaudited) (“AUD”) annually.

Summary statements of the results of operations for various funds and budgets for various funds, shown in the Appendices of the Official Statement, have been derived from the annual and audited financial reports and budgets of the Town and are provided in memorandum form for information only. It is not implied, by inclusion of these statements that the individual funds included performed individually in accordance therewith.

Budgetary Procedures

The Supervisor, with the assistance of the Comptroller (acting in her 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).

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) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Town; (5) certificates of participation issued in connection with installment purchase contracts entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town.

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

The Town's investments are governed by a formal written investment policy, which is consistent with the Investment Policies and Procedures guidelines promulgated by the Office of the State Comptroller. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies authorized to do business in the State of New York and located within the Town. The Town limits its investments to time deposit accounts and certificates of deposit and repurchase agreements.

It is the Town's policy to require collateral for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Towns.

The Town's investment policy further provides that all investment obligations must be payable or redeemable at the option of the Town within such time or times as the proceeds will be needed to meet expenditures for the purposes for which monies were provided.

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 43.25% of total general fund revenues, for the fiscal year ended December 31, 2016. 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 amounts budgeted for the current and upcoming fiscal years.

<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>
2012	\$69,999,926	\$25,307,990	36.15%
2013	78,752,834	31,102,313	39.49
2014	83,318,589	34,722,458	41.67
2015	88,211,741	37,918,619	42.99
2016	87,098,604	37,673,038	43.25
2017 (Adopted Budget)	79,920,405	32,579,153	40.76
2018 (Adopted Budget)	84,279,334	34,998,756	41.53

⁽¹⁾ General Fund, Townwide.

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

State Aid

The Town receives financial assistance from the State. State aid accounted for approximately 12.00% (exclusive of Local aid component which is comprised of primarily sales tax) of the total General Fund revenues of the Town for the fiscal year ended December 31, 2016. \$11,334,520 is budgeted for State aid in the 2018 Adopted Budget, representing 13.45% of budgeted General Fund Revenues.

If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the Town, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also “*MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE*” herein.)

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

General Fund Revenues & State Aid

Fiscal Year Ended December 31:	Total Revenues ⁽¹⁾	State Aid	Ratio of State Aid to Total Revenues
2012	\$69,999,926	\$ 7,196,576	10.28%
2013	78,752,834	7,740,953	9.83
2014	83,318,589	7,061,487	8.48
2015	88,211,741	7,737,427	8.77
2016	87,098,604	10,449,304	12.00
2017 (Adopted Budget)	79,920,405	9,487,000	11.87
2018 (Adopted Budget)	84,279,334	11,334,520	13.45

(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.

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

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

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

The State's enacted budget for fiscal year 2017-2018 allows the governor to reduce the aid to municipalities and school districts mid-year if receipts from the federal government are less than what was expected. The Legislature will have 90 days to approve the Governor's plan or propose its own plan. If no action is taken by the Legislature, the Governor's plan will be implemented.

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 and one of eleven local governments audited for a Statewide report entitled Parkland Alienation for the audit year 2015. Complete reports can be obtained from OSC's website.

The Town is subject to periodic audit by the Office of the State Comptroller. The most recent such audit was conducted in 2009, covering the period from August 2007 through August 2008. A copy of the report of the State Comptroller is available upon request.

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Value	\$4,372,432,732	\$4,365,653,730	\$4,340,217,047	\$4,338,125,262	\$4,357,321,989
Equal. Ratio	0.1290	0.1320	0.1270	0.1270	0.1270
Full Value	33,894,827,379	33,073,134,318	34,174,937,378	34,158,466,630	34,309,621,961
Tax Levy:					
Town: General Fund	31,102,313	34,738,048	37,937,100	37,673,038	32,579,153
TOV Fund	0	373	0	1,935,810	1,642,451
Highway Fund	21,461,083	18,082,620	17,407,739	18,158,420	27,612,777
General Fund Tax Rate ⁽¹⁾	\$7.11	\$7.96	\$8.74	\$8.68	\$7.48

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

Source: Town of Islip, 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% after May 31.

The Town Tax Receiver distributes the collected tax money to the Town, 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

Fiscal Year Ended December 31:	Gross Tax Levy ⁽¹⁾	Amount Uncollected by Town Receiver	Percentage of Taxes Uncollected ⁽²⁾
2013	\$1,026,669,740	\$36,961,441	3.60%
2014	1,059,170,836	35,935,092	3.39
2015	1,085,222,007	35,789,431	3.30
2016	1,092,635,515	43,057,460	3.95
2017	1,090,075,910	34,682,805	3.18

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

(2) The Town annually receives 100% of its tax levy.

Largest Taxpayers

The following table presents the taxable assessments of the Town’s ten largest taxpayers for the 2017 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	\$ 42,725,736	0.98%
Westland South Shore Mall LLP.	Retail Mall	34,261,400	0.79
LILCO c/o Keyspan	Public Utility	27,446,565	0.63
Keyspan Gas East Corporation	Public Utility	17,795,516	0.41
Island Headquarters Oper LLC	Commercial	13,816,600	0.32
Heatherwood House	Apartments	13,421,600	0.31
Verizon New York Inc.	Commercial	12,333,030	0.28
New York State	Government	10,872,132	0.25
Pilgrim State Hospital	Hospital	8,783,414	0.20
Islandia SCI, LLC & Islandia SCH, LLC	Shopping Center	<u>8,249,700</u>	<u>0.19</u>
Total:		<u>\$189,705,693</u>	<u>4.36%</u>

(1) Based on the 2016 assessment roll. The total 2017 assessed value of the Town’s General Fund is \$4,357,321,989.

The Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the New York Laws of 2011, as amended (the “*Tax Levy Limit Law*”), all the taxable real property within the Town has 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's tax levy for the 2014, 2015 and 2016 fiscal years did not exceed the cap imposed by the Law. The Town did exceed the cap in the 2013 and 2017 fiscal years. The Town does not expect to pierce the cap for the 2018 fiscal year.

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 Notes 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.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid, in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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, in the alternative, weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be 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.

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 New York 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).

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. 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).

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. If a bond resolution is submitted to the voters by the Town Board, then only a three-fifths vote of the Town Board is needed for adoption.

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 is in compliance with such procedure for the validation of the bond resolutions pursuant to which the Notes are being issued.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. 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.

Debt Contracting Limitation

Fiscal Year Ended <u>December 31:</u>	Assessed <u>Valuation</u>	State Equalization <u>Ratio</u> ⁽¹⁾	Full <u>Valuation</u>
2013	\$4,372,432,732	0.1290	\$ 33,894,827,379
2014	4,365,653,730	0.1320	33,073,134,318
2015	4,340,217,047	0.1320	32,880,432,174
2016	4,338,125,262	0.1270	34,158,466,630
2017	4,357,321,989	0.1270	<u>34,309,621,961</u>
Total Five-Year Full Valuation			\$168,316,482,462
Average Five-Year Full Valuation			\$ 33,663,296,492
Debt Contracting Limitation - 7% of Average Full Valuation			<u>\$ 2,356,430,754</u>

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

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

Debt Statement Summary

The following table sets forth the computation of the debt limit of the Town and its debt contracting margin as of December 13, 2017.

Five Year Average Full Valuation of Taxable Real Property	\$33,663,296,492
Debt limit (7% thereof)	2,356,430,743
Outstanding Indebtedness ^{1,2} (Principal Only):	
Bonds Outstanding	\$127,070,000
Bond Anticipation Notes	<u>2,975,000</u>
Total Indebtedness	\$130,045,000
Excluded Indebtedness ¹ (Principal Only):	
Appropriations	\$0
Total Net Indebtedness	<u>130,045,000</u>
Net Debt Contracting Margin	<u>\$2,226,385,743</u>
Percentage of Debt Contracting Power Exhausted	5.52%

- (1) Tax anticipation notes and revenue anticipation notes are not included in the computation of the statutory debt limit of the Town.
- (2) Does not include pension payments amortized with New York State. (See “*Status and Financing of Employee Pension Benefits*” herein).

Bond Anticipation Notes

On October 19, 2017, the Town issued \$2,975,000 Bond Anticipation Notes – 2017A, which mature on October 19, 2018.

Trend of Outstanding Indebtedness

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds	\$143,070,000	\$145,025,000	\$146,025,000	\$141,175,000	\$142,185,000
Bond Anticipation Notes	<u>1,080,000</u>	<u>0</u>	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>
Total Debt Outstanding	<u>\$144,150,000</u>	<u>\$145,025,000</u>	<u>\$146,410,000</u>	<u>\$149,175,000</u>	<u>\$150,185,000</u>

Source: Town Financial Records.

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				\$ 130,045,000
Exclusions and Deductions				<u>0</u>
Net Direct Indebtedness				<u>\$ 130,045,000</u>
<u>Overlapping Debt</u>				
<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>Town Share</u>	<u>As of</u>	<u>Amount Applicable To Town</u>
Suffolk County	\$1,362,892,534	12.87%	10/23/17	\$ 175,404,269
Incorporated Villages	20,605,000	100.00	10/24/17	20,605,000
School Districts	492,432,235	Varied ⁽¹⁾	06/30/16	341,157,325
Fire Districts	2,875,000	100.00	12/31/16	<u>2,875,000</u>
Total Net Overlapping Debt				540,041,594
Total Net Direct Debt				<u>130,045,000</u>
Total Net Direct and Overlapping Debt				<u>\$ 670,086,594</u>

(1) Four of the twelve School Districts located within the Town are jointly shared with other towns and have been individually adjusted to account for that overlap.

Debt Ratios

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

	<u>Amount</u>	Debt Per <u>Capita</u> ⁽¹⁾	Debt to <u>Full Value</u> ⁽²⁾
Net Direct Debt	\$ 130,045,000	\$ 386.18	0.38%
Net Direct and Overlapping Debt	670,086,594	1,989.88	1.95

- (1) The population of the Town is 336,747 according to the U.S. Census Bureau.
(2) The full value of real property located in the Town for the 2017 fiscal year is \$34,309,621,961.

Debt Service Schedule

The following table sets forth the annual debt service requirements on all outstanding long-term Town general obligation bonds, exclusive of economically defeased obligations.

Bond Principal and Interest Maturity Table

Fiscal Ended <u>December 31:</u>	Principal <u>Outstanding</u>	Interest <u>Outstanding</u>	Total Debt <u>Service</u>
2017 ⁽¹⁾	\$ 19,015,000	\$ 3,645,259	\$ 22,660,259
2018	17,060,000	3,973,001	21,033,001
2019	15,165,000	3,410,184	18,575,184
2020	12,265,000	2,937,284	15,202,284
2021	12,710,000	2,531,671	15,241,671
2022	11,540,000	2,147,454	13,687,454
2023	11,905,000	1,784,466	13,689,466
2024	10,945,000	1,402,489	12,347,489
2025	9,955,000	1,065,531	11,020,531
2026	7,335,000	787,806	8,122,806
2027	5,795,000	593,181	6,388,181
2028	4,490,000	415,781	4,905,781
2029	4,635,000	268,419	4,903,419
2030	<u>3,270,000</u>	<u>114,750</u>	<u>3,384,750</u>
Totals	<u>\$146,085,000</u>	<u>\$25,077,276</u>	<u>\$171,162,276</u>

- (1) For the entire fiscal year.

Source: Town of Islip, Office of the Comptroller.

Capital Planning and Budgeting

Pursuant to Section 99-g of the General Municipal Law, the Town has undertaken the planning and execution of a capital program in accordance with the provisions of such section. The adoption of such program is not, in the case of the Town, subject to referendum. At any time after the adoption thereof, the Town Board by the affirmative vote of two-thirds of its total membership, may amend such program by adding, modifying or abandoning the projects, or by modifying the methods of financing.

The Capital program serves as an excellent tool for monitoring municipal spending in accordance with a justified and coordinated program within the overall context of future planning. Annual revisions can be expected in order to update and refine major capital needs for the present and future. The program, designed to meet current and future needs of the Town, is financed through long-term borrowing so that the cost is shared not only with current taxpayers, but also with the future taxpayers who will derive the long range benefits of the program.

The Capital Budget has been compiled from requests by Town Departments for major and long lasting improvements and facilities throughout the Town.

Below is a summary of the proposed Capital Budget for 2017-2020.

	2017 Capital <u>Request</u>	2018 Capital <u>Request</u>	2019 Capital <u>Request</u>	2020 Capital <u>Request</u>
Planning	\$ 2,325,000	\$ 600,000	\$ 635,000	\$ 635,000
Data Processing	850,000	420,000	220,000	815,000
Parking Program	400,000	0	0	0
Public Safety Enforcement	782,500	341,000	370,000	250,000
Code Enforcement	210,000	65,000	75,000	65,000
Public Works	16,578,000	12,875,000	14,050,000	14,475,000
Long Island MacArthur Airport	100,000	100,000	55,000	32,000
Parks and Recreation	11,850,000	10,735,000	7,235,000	7,235,000
Environmental Control	8,470,000	2,610,000	2,075,000	465,000
Total Town Capital	41,565,500	27,726,000	24,715,000	23,972
Islip Exchange Ambulance	6,500,000	0	0	0
Brentwood Ambulance	0	6,000,000	0	0
Total Special District Capital	<u>6,500,000</u>	<u>6,000,000</u>	<u>0</u>	<u>0</u>
Totals	<u>\$48,065,500</u>	<u>\$33,726,000</u>	<u>\$24,715,000</u>	<u>\$23,972,000</u>

Authorized but Unissued Debt

On February 12, 2013, the Town Board authorized the issuance of \$19,900,000 of serial bonds for a beach re-nourishment project. The Town is currently working with the Army Corps of Engineers and does not have a timeframe for the issuance of these bonds, or whether bonds will be issued for this project.

On March 19, 2013, the Town Board authorized the issuance of \$250,000 for the purchase of computer software. It is not known when, or if, the Town will be issuing debt for this purpose.

Installment Purchase Debt

The Town does not have any installment debt obligations.

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ECONOMIC AND DEMOGRAPHIC DATA

Economy

While the Town is primarily residential, more than 5,600 acres of the Town are zoned for industrial use. The Town has more than 3,400 listed businesses and more than 89,000 occupied dwelling units. 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>
Good Samaritan Hospital	Hospital	3,500
NBTY	Vitamins, Minerals, & Nutrients	2,500
Southside Hospital	Hospital	2,500
Computer Associates International	Software	2,450
Broadridge Financial Services	Payroll/ Date Services	1,700
Positive Promotions	Manufacturer of Promotional Products	600
Creative Bath	Manufacturer of Generic Pharmaceuticals	550
Wenner Bread Products	Food Products	550
Dayton T. Brown, Inc.	Test Lab & Metal Products	500
Data Device	Electronic Components	500
Invagen Pharmaceuticals	Manufacturer of Generic Pharmaceuticals	460
J. Kings Food Services	Food Product Distributor	350
Allstate	Regional Headquarters	360
David Peysner Sportswear	Manufacturer/Distributor Sportswear	350
Blackman Plumbing Supplies	Distributor	340
Noris Food Services	Manufacturer of Prepared Foods	320
Verizon	Communications/Call Center	300
G.E. Aviation	Electronic Test-Equipment & Aircraft Systems	250
CMB Wireless	Remanufacturer of Cell Phones	250
Sysco	Food Product Distributor	250

Source: Town of Islip-Economic Development Division.

The growth of economic development in the Town is largely the result of expansion of planned industrial parks and an aggressive marketing campaign undertaken by the Town. There are 30 such industrial parks located within the Town, encompassing over 2,100 acres with 30,000,000 square feet of building space completed.

The Town Office of Economic Development's aggressive approach towards business retention and expansion has resulted in a tremendous surge in economic activity following the lean years of the Great Recession. Since 2012, the Islip Industrial Development Agency ("IDA") has induced 94 projects representing over \$885 million in capital investment, while creating and retaining more than 12,600 jobs. Those projects range in size from Broadridge Financial Solutions, a servicing company for the financial industry founded in 2007 as a spin-off from ADP to MultiDyne Electronics, a manufacturer of video and fiber optic systems for the transfer of video and audio for broadcast applications. Broadridge was a threat to leave Long Island and take their 1,500 Brentwood-based employees with them to New Jersey but the IDA partnered with the County and the State to successfully keep them here. MultiDyne moved from their previous headquarters in Nassau County into 20,000 square-feet in Hauppauge and is expected to double its sales growth and employees in the next few years. In 2013, the Hauppauge Office Park erected its third tower building, adding 70,000 square-feet of Class A office space to house the New York back-office operations for Allstate Insurance and their 385 employees. Also in 2013, Sartorius Stedim North America invested over \$2 million in creating a state-of-the-art R&D facility, moving 20 high paying laboratory jobs from California to Bohemia. Sartorius is a German-based manufacturer of equipment and products for the biotech industry whose North American headquarters is also in Bohemia. Century Direct, a direct mail company formerly headquartered in New York City, purchased an Islandia-based direct mail company in 2013, and consolidated all operations in Islandia, retaining 177 employees and adding 135. Century Direct was also strongly considering a move to New Jersey. Wesco International, a Fortune 500 company that is a provider of electrical, industrial and communications equipment,

consolidated their New York operations into a newly constructed \$12 million facility in Hauppauge, bringing their 85 employees and adding 20 more. Most recently, Nature's Bounty, the world's largest manufacturer of natural vitamins and supplements and headquartered in Ronkonkoma, considered moving all of its manufacturing and distribution off Long Island. Partnering with the State, the Agency induced them to stay, protecting the more than 2,000 Islip-based jobs.

Redevelopment of the former Central Islip State Psychiatric Hospital grounds has been a major policy objective of the Town for over 30 years. The redevelopment has been done in accordance with a mixed-use development plan adopted by the Town Board in 1987 and further amended on a number of occasions. The site contains various uses including industrial, retail, office, education, recreation, municipal, hotel and housing, both owner occupied and rental. In 2015, the Town sold 18 acres of property adjacent to the existing 96 acre Tech Park, to Ascent Pharmaceuticals. The first phase of their development, a 260,000 square-foot pharmaceutical manufacturing facility to complement their existing 248,000 square-foot generic pharmaceutical manufacturing facility across the street, is nearing completion. Phase 2 of the 18 acre development, an 80,000 square-foot bottle manufacturing plant is well under construction. The combined capital investment at this site will be more than \$44 million. When all is completed Ascent is expected to employ more than 500 people at their 3 Central Islip buildings. Also, in the first quarter of 2012, CVD Equipment purchased the former Jasco building for use as their corporate headquarters and manufacturing facility. CVD is a high-tech manufacturer of products for the global semi-conductor, solar, nano and advanced electronics industry. CVD opened its refurbished facilities in the first quarter of 2013. There is also recent activity on the approved hotel/restaurant complex adjacent to the office minor league ball park and the federal and state court buildings. The first of 2 planned hotels, a Marriott Residence Inn, opened in the fourth quarter of 2013. A second hotel, a Marriott Courtyard, is near completion by the same developer, the Briard Group.

In 2005, the Town completed an amendment to the Central Islip Community Revitalization Plan, which included more mixed-use development including housing, office and industrial. As a result of the amendment, a number of new projects are either completed or underway in Central Islip. Construction is well underway on Foxgate at Islip, a 287-unit condominium and rental housing complex with twenty percent of the units set aside for affordable housing. A recreational facility opened in spring of 2016 on Town-owned land adjacent to Foxgate and is managed by the Police Athletic League. In 2011, Sysco, the world's largest marketer and distributor of food service products constructed a \$75 million state-of-the-art food distribution center in Central Islip. The facility opened for distribution in May of 2012 and Sysco currently employs approximately 250 people. Gull Haven Commons, a luxury rental-housing complex on 29 acres of the former psychiatric facility, was recently approved for development by the Town Board and is expected to start construction in spring of 2018. The project will preserve the architecturally significant "Sunburst Buildings" and represents an investment of over \$52 million.

In addition to Central Islip, the Veteran's Highway Corridor in Bohemia/Ronkonkoma continues to attract development largely due to the influence of Long Island MacArthur Airport. It has been identified as the "fastest growing business hub in Suffolk County" (LI Business News). And, the LI Forum for Technology (LIFT) identified the Ronkonkoma/Bohemia/Holbrook area as having the largest concentration of aerospace companies on Long Island. North Atlantic Industries, Data Device Corporation, GE Aviation, Passur Aerospace and Magellan Aerospace are just a few of the companies that make up this significant aerospace cluster. In 2011, the Town's IDA assisted B/E Aerospace with their expansion/consolidation into a 60,000 square-foot facility in Bohemia where they currently employ over 175. Another significant Veteran's Highway Corridor project is the \$25 Million Perfume Center of America building in Ronkonkoma, a 220,000 square foot warehouse/distribution/fulfillment facility, employing almost 100 people.

In downtown Bay Shore, many significant projects have occurred over the years. The Town's strategy of encouraging adaptive re-use, high density housing and mixed-use within the defined downtown corridor has resulted in much greater economic activity. The 260-seat Boulton Center for Performing Arts occupies a former vacant theater. The reconstruction of the 34,000 square-foot Dominy Building is completely occupied with 17,000 square-feet of retail space on the first floor and residential apartments above. The long vacant Vitagraph Studio was restored for luxury loft apartments and is completely occupied and the Burlington Coat Factory was restored for back-office operations for the Good Samaritan Hospital. Six blighted buildings opposite the Bay Shore Rail Road station were razed for Chelsea Place, a 28-unit condo and rental apartment building, which is fully occupied. A 10,000 square-foot office building on Main Street replacing a number of long vacant and dilapidated structures was completed in 2008. Daytree at Cortland Square is a 40-unit condominium complex built on a long vacant lot. It is conveniently located one block

from Main Street and opened in 2012. Village Place, on the corner of Main Street and Park Avenue in Bay Shore, a mixed-use project containing 5,865 square-feet of first floor commercial space and 32 rental units. Village place opened in Spring of 2016 and is fully occupied. The project replaces 11,590 square-feet of dilapidated commercial space. Finally, Bay Shore Main and Fourth, has been approved for conversion to a mixed-use facility, adding 29 apartments over first floor retail and office, with an investment of over \$10 million.

Population Trends

	<u>Town</u>	<u>County</u>	<u>State</u>
1990	299,754	1,321,864	17,990,455
2000	322,612	1,419,369	18,976,457
2010	335,543	1,493,350	19,378,102
2013	335,916	1,495,803	19,487,053
2014	336,758	1,500,373	19,594,330
2015	336,747	1,501,373	19,673,174

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	8.0%	7.8%	8.5%
2013	6.7	6.6	7.7
2014	5.5	5.4	6.3
2015	4.8	4.8	5.3
2016	4.4	4.3	4.8

Monthly Unemployment Rates

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
November	4.1%	4.1%	4.5%
December	4.0	4.1	4.5
January 2017	4.4	4.7	4.9
February	4.6	4.9	5.0
March	4.2	4.3	4.4
April	4.0	4.1	4.2
May	4.0	4.0	4.3
June	4.3	4.3	4.5
July	4.8	4.6	4.9
August	4.8	4.6	4.9
September	4.3	4.3	4.7
October	4.2	4.2	4.6

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

End of Appendix A

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APPENDIX B
FINANCIAL STATEMENT SUMMARIES

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

	<u>2017</u>	<u>2018</u>
Revenues:		
Real Property Taxes	\$ 32,579,153	\$ 34,998,756
Other Tax Items	1,420,000	1,380,000
Non-Property Tax	6,650,000	6,900,000
Departmental Income	8,013,092	9,529,650
Intergovernmental Charges	9,840,045	10,152,907
Use Of Money And Property	851,080	1,114,045
Licenses and Permits	645,090	612,150
Fines and Forfeitures	3,267,000	1,305,000
Sale of Property and Compensation for Loss	747,600	248,100
Miscellaneous	1,760,000	1,887,500
Interfund Revenues	4,170,793	4,266,706
State Aid	9,487,000	11,334,520
Federal Aid	489,552	550,000
	<u> </u>	<u> </u>
Total Revenue	<u>\$ 79,920,405</u>	<u>\$ 84,279,334</u>
Expenditures:		
General Government Support	\$ 22,390,089	\$ 23,179,574
Public Safety	9,038,063	9,373,268
Economic Assistance And Opportunity	2,159,952	2,215,875
Culture And Recreation	13,350,625	13,600,275
Home And Community Services	4,781,840	5,018,000
Employee Benefits	25,116,000	27,534,432
Debt Service	11,759,376	12,041,335
	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 88,595,945</u>	<u>\$ 92,962,759</u>
Excess (Def) of Revenues Over Expenditures	(8,675,540)	(8,683,425)
Other Financing Sources (Uses):		
Operating Transfers In	0	0
Operating Transfers Out	(1,850,710)	(1,966,575)
	<u> </u>	<u> </u>
Total Other Sources (Uses)	<u>(1,850,710)</u>	<u>(1,966,575)</u>
Excess (Def) of Revenues & Other Sources Over Expenditures & Other Uses	(10,526,250)	(10,650,000)
Appropriated Fund Balances	<u>\$ 10,526,250</u>	<u>\$ 10,650,000</u>

Source: Adopted Budgets of the Town.

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

	<u>2015</u>	<u>2016</u>
Assets:		
Cash and Cash Equivalents	\$ 41,305,097	\$ 45,946,322
Accounts Receivable, Net	1,937,668	1,944,202
Due from State & Federal & Other Governments	150,450	602,990
Due from Enterprise Funds	1,453,420	1,134,810
Due From Fiduciary Funds	10,746,054	10,582,159
Due from Other Funds	2,266,048	1,318,830
Prepaid Expenses	<u>1,253,415</u>	<u>1,063,674</u>
Total Assets	<u>\$ 59,112,152</u>	<u>\$ 62,592,987</u>
Liabilities		
Accounts Payables	\$ 1,283,369	\$ 1,821,053
Accrued Liabilities	493,977	766,814
Due To Other Governments	454	1,172
Due to Enterprise Funds	14,298	14,186
Due to Fiduciary Funds	-	1,433
Due to Other Funds	56,937	510,469
Unearned/ Deferred Revenues	<u>14,340,327</u>	<u>14,621,946</u>
Total Liabilities	<u>\$ 16,189,362</u>	<u>\$ 17,737,073</u>
Fund Balance:		
Non-spendable:		
Prepays	\$ 1,253,415	\$ 1,063,674
Long-term Receivable	47,650	-
General Non-Spendable	-	-
Restricted:		
Culture and Recreation	275,945	276,670
Assigned:		
Purchase on Order or Contractual Obligations	490,488	709,469
Debt Service	733,656	1,209,448
Workers' Compensation	8,059,628	7,487,438
Judgements and Claims	3,209,416	3,566,079
Insurance	3,128,789	2,013,178
Postemployment Benefits	3,000,000	3,000,000
Subsequent Year's Budget	10,250,000	10,387,450
Unassigned:		
General Fund	<u>12,473,803</u>	<u>15,142,508</u>
Total Fund Balance	<u>\$ 42,922,790</u>	<u>\$ 44,855,914</u>
Total Liabilities and Fund Balance	<u>\$ 59,112,152</u>	<u>\$ 62,592,987</u>

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 25,307,990	\$ 31,102,313	\$ 34,722,458	\$ 37,918,619	\$ 37,673,038
Real Property Tax Items	1,018,358	1,064,702	1,168,282	1,421,615	1,235,851
Non-Property Tax Items	5,541,718	5,832,328	6,235,828	6,438,852	6,810,391
Departmental Income	9,062,821	8,438,355	6,534,315	9,157,713	9,253,161
Intergovernmental Charges	9,088,957	9,449,082	9,520,615	10,129,673	10,302,321
Use Of Money And Property	1,127,964	1,073,920	1,051,200	1,144,338	1,282,053
Licenses And Permits	587,954	641,237	667,434	629,883	613,625
Fines And Forfeitures	578,900	783,018	1,465,232	1,699,395	1,334,284
Sale Of Property And Compensation For Loss	336,355	3,086,510	5,031,227	3,647,855	215,281
Miscellaneous	3,422,606	3,688,491	3,366,779	3,489,654	3,073,831
Interfund Revenues	4,200,987	4,059,863	4,098,324	4,526,887	4,301,414
State Aid	7,196,576	7,740,953	7,061,487	7,737,427	10,449,304
Federal Aid	2,528,740	1,792,062	395,408	269,830	554,050
Total Revenues	\$ 69,999,926	\$ 78,752,834	\$ 81,318,589	\$ 88,211,741	\$ 87,098,604
Expenditures:					
General Government Support	\$ 20,222,491	\$ 20,620,243	\$ 20,683,808	\$ 20,028,709	\$ 19,897,663
Public Safety	8,067,618	7,218,486	7,908,680	8,150,414	8,298,387
Health	1,647,766	12,702	-	-	-
Transportation	-	-	-	-	-
Economic Assistance	2,836,403	1,750,229	1,810,509	1,916,597	1,990,253
Culture And Recreation	12,814,506	12,140,157	12,122,348	12,761,409	12,822,048
Home And Community Services	4,313,138	4,137,647	4,173,771	4,243,963	4,350,356
Employee Benefits	21,838,543	22,386,807	22,537,618	24,725,682	26,009,991
Debt Service	10,417,784	9,997,612	14,036,311	12,468,997	12,680,618
Total Expenditures	\$ 82,158,249	\$ 78,263,883	\$ 83,273,045	\$ 84,295,771	\$ 86,049,316
Excess (Deficiency) of Revenues Over (Under Expenditures)	(12,158,323)	488,951	(1,954,456)	3,915,970	1,049,288
Other Financing Sources (Uses):					
Operating Transfer In	\$ -	\$ 425,555	\$ 900,547	\$ 107,199	\$ 234,616
Operating Transfer Out	-	(297,673)	(315,447)	-	(48,800)
Premiums on Obligations	2,092,391	73,257	1,038,398	-	1,992,035
Refunding Bonds Issued	18,153,053	-	9,329,600	-	8,584,569
Debt Servies-principal	(9,024,391)	-	-	-	-
Payments to Refunded Bond Account	(11,038,974)	-	(7,743,890)	-	(9,878,584)
Total Other Financing Sources (Uses)	\$ 182,079	\$ 201,139	\$ 3,209,208	\$ 107,199	\$ 883,836
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(11,976,244)	690,090	3,254,752	4,023,169	1,933,124
Fund Balance Beginning of Year	\$ 46,931,023	\$ 34,954,779	\$ 35,644,869	\$ 38,899,621	\$ 42,922,790
Prior Period Adjustments	-	-	-	-	-
Fund Balance End of Year	\$ 34,954,779	\$ 35,644,869	\$ 38,899,621	\$ 42,922,790	\$ 44,855,914

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

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APPENDIX C

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL
FOR THE SERIES B NOTES**

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FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street, 41st Floor
New York, New York 10007

December __, 2017

The Town Board of the
Town of Islip, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Islip (the “Town”), in the County of Suffolk, a municipal corporation of the State of New York, in connection with the authorization, sale and issuance of the \$11,394,500 Bond Anticipation Note-2017 Series B of the Town (the “Note”), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Note for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation 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 Note and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note 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 Note is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations 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.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements

include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the Town will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the Town with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Note or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances that may hereafter come to our attention, for any changes in law or in interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Note, or under state and local tax laws.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement or Official Statement of the Town relating to the Note, or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relating to the Town, which have been or may be furnished or disclosed to purchasers of the Note.

Very truly yours,

APPENDIX D

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL
FOR THE SERIES C NOTES**

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FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street, 41st Floor
New York, New York 10007

December __, 2017

The Town Board of the
Town of Islip, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Islip (the “Town”), in the County of Suffolk, a municipal corporation of the State of New York, in connection with the authorization, sale and issuance of the \$3,600,000 Bond Anticipation Note-2017 Series C (Federally Taxable) of the Town (the “Note”), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Note for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation 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 Note and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Interest on the Note is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Note or the ownership or disposition thereof.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Note, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement or Official Statement of the Town relating to the Note, or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relating to the Town, which have been or may be furnished or disclosed to purchasers of the Note.

Very truly yours,

APPENDIX E

**FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS
FOR THE NOTES**

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FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean 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 Town of Islip, 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.

“Purchaser” shall mean the financial institutions referred to in the Certificate of Determination, executed by the Supervisor as the date here of.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$11,394,500 Bond Anticipation Note-2017 Series B and \$3,600,000 Bond Anticipation Note-2017 Series C (Federally Taxable), dated December 28, 2017, maturing on October 28, 2018, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (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, 11021, to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any 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 material 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;

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

(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. 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 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (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 5. 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 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 5 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 6. 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 in accordance with 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.

Section 7. 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 8. 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 the ____ day of December, 2017.

TOWN OF ISLIP

By _____
Supervisor