

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final Official Statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Bonds offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification of the Bonds under the securities laws of that jurisdiction.

## PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 28, 2017

### REFUNDING (SERIAL) BONDS

Ratings: See “Ratings” herein

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “Tax Matters” herein.*

*The Bonds will not be designated by the District as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.*

### CITY SCHOOL DISTRICT OF THE CITY OF LONG BEACH NASSAU COUNTY, NEW YORK

**\$29,080,000\***

### SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2017 (the “Bonds”)

**Date of Issue:** Date of Delivery

**Maturity Dates:** May 1, 2018-2026

The Bonds are general obligations of the City School District of the City of Long Beach, in Nassau County, New York (the “District”), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Bonds and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount (See “*Nature of Obligation*” and “*Tax Levy Limitation Law*” herein).

The Bonds will not be subject to optional redemption prior to maturity.

The Bonds will be issued as registered bonds, registered to the Depository Trust Company (“DTC”).

The Bonds will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds.

The Bonds will be dated their date of delivery, which is expected to be December 28, 2017, and will bear interest from that date until maturity at the annual rate or rates as shown on the inside cover page hereof, payable semiannually on each May 1 and November 1 until maturity commencing May 1, 2018. The Bonds will mature on May 1 each year, as shown on the inside cover page hereof.

The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter, subject to the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the District in connection with the issuance of the Bonds. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC on or about December 28, 2017 (the “Delivery Date”).

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE DISCLOSURE FOR THE BONDS AS DEFINED IN THE RULE. SEE “DISCLOSURE UNDERTAKING,” HEREIN.

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\*Preliminary, subject to change.

The Bonds mature on May 1 in each year, not subject to prior redemption, as set forth below:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #**</u>
2018	\$5,000			
2019	5,000			
2020	5,000			
2021	4,385,000			
2022	4,575,000			
2023	4,760,000			
2024	4,945,000			
2025	5,120,000			
2026	5,280,000			

\* Preliminary, subject to change, to meet the requirements of substantially level or declining annual debt service and the refunding objectives.

\*\* CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Bonds. Neither the District or the Underwriter are responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

**CITY SCHOOL DISTRICT OF THE CITY OF LONG BEACH  
NASSAU COUNTY, NEW YORK**

**Board of Education**

**Stewart Mininsky  
PRESIDENT**

**Perry Bodnar ..... Vice President**

**Dennis Ryan ..... Board Member**

**Darlene Tangney ..... Board Member**

**Maureen Vrona ..... Board Member**

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**Dr. Jennifer Gallagher ..... Interim Superintendent of Schools**

**Michael DeVito ..... Chief Operating Officer**

**Carole Butler ..... District Clerk**

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**BOND COUNSEL**

**ORRICK HERRINGTON & SUTCLIFFE, LLP  
New York, New York**

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**MUNICIPAL ADVISOR**



**Capital Markets Advisors, LLC**

**Hudson Valley \* Long Island \* Southern Tier \* Western New York  
(716) 662-3910**

No dealer, broker, salesman or other person has been authorized by the District 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District 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 District since the date hereon.

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**OFFICIAL STATEMENT  
RELATING TO THE ISSUANCE OF  
CITY SCHOOL DISTRICT OF THE CITY OF LONG BEACH  
NASSAU COUNTY, NEW YORK**

**\$29,080,000\***  
**SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2017**  
**(the "Bonds")**

This Official Statement (the "Official Statement"), which includes the cover page, inside cover page, and appendices hereto, presents certain information relating to the City School District of the City of Long Beach, Nassau County, State of New York (the "District," "County" and "State" respectively), in connection with the sale of \$29,080,000\* School District Refunding (Serial) Bonds, 2017 (the "Bonds").

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

**THE BONDS**

***Description***

The Bonds are dated their date of delivery and will bear interest from such date until maturity at the annual rate or rates as specified on the inside cover page hereof, payable semiannually on each May 1 and November 1 until maturity commencing May 1, 2018. The Bonds will mature on May 1 in each year, as specified on the inside cover page hereof. The Bonds are not subject to optional redemption prior to maturity. (See "Optional Redemption for the Bonds" herein.)

The Bonds will be issued as registered bonds, registered to DTC.

The Bonds will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds.

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

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\*Preliminary, subject to change.

### ***Authority for and the Refunding Plan***

The Bonds are issued pursuant to the Constitution, the laws of the State, including the Local Finance Law and a refunding bond resolution duly adopted by the Board of Education of the District (the “Board”) on November 16, 2017. A refunding financial plan has been prepared and is described below (the “Refunding Plan”).

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

All proceeds of the Refunded Bonds have been previously expended.

The Bonds are being issued to refund \$30,255,000 of the outstanding principal of the \$62,000,000 School District (Serial) Bonds, 2011 (the “Refunded Bonds”):

<b>Maturity</b>	<b>Coupon</b>	<b>Maturity Value</b>	<b>Call Date</b>	<b>Call Price</b>	<b>CUSIP BASE 542535</b>
5/1/21	3.250	\$4,620,000	5/1/2020	100.00%	JY6
5/1/22	3.500	4,780,000	5/1/2020	100.00%	JZ6
5/1/23	3.500	4,950,000	5/1/2020	100.00%	KA6
5/1/24	4.000	5,120,000	5/1/2020	100.00%	KB4
5/1/25	4.000	5,300,000	5/1/2020	100.00%	KC2
5/1/26	4.500	<u>5,485,000</u>	5/1/2020	100.00%	KD0
		\$30,255,000			

Under current market conditions, the District expects to refund all of the Refunded Bonds as shown above. The net proceeds of the Bonds (after payment of costs of issuance relating to the Bonds) will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the “Government Obligations”) which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by Manufacturers & Trader’s Trust Company, (the “Escrow Holder”) a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Bonds (the “Escrow Contract”). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, and interest on the Refunded Bonds on the dates of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the refunding bond resolution of the District and the Escrow Contract, to pay the Refunded Bonds at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all investment income from, and maturing principal of, the Government Obligations, along with other available monies held in the Escrow Fund. The Escrow Contract shall terminate upon final payment by the Escrow Holder to the paying agents/fiscal agent for the Refunded Bonds amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds, including interest payable with respect thereto .

The Refunding Plan will permit the District to realize, as a result of the issuance of the Bonds, cumulative dollar and present value debt service savings.

Under the Refunding Plan, the Refunded Bonds will continue to be general obligations of the District. However, inasmuch as the Government Obligations held in the Escrow Fund will be sufficient to meet all required payments of principal and interest when required in accordance with the Refunding Plan, it is not anticipated that any other source of payment will be required.

## ***Sources and Uses of Proceeds of the Bonds***

Sources:

Par Amount  
Net Original Issue Premium/Discount

Total:

Uses:

Refunding Escrow Deposit:  
Costs of Issuance and Contingency

Total:

## ***Verification of Mathematical Computations***

Causey, Demgen, & Moore P.C. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of: (1) the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal of, and interest on the Refunded Bonds, and (2) the computations of the yield on both the Government Obligations and the Bonds contained in the provided schedules to be used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for Federal income tax purposes. Causey, Demgen, & Moore P.C. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

## ***Certificated Bonds***

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the State, to be named by the District. Interest on the Bonds will remain payable semiannually on May 1 and November 1 in each year to maturity commencing May 1, 2018. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for the Bonds of the same if any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Certificate executed by the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

## **OPTIONAL REDEMPTION**

The Bonds will not be subject to optional redemption prior to maturity.

## **NATURE OF OBLIGATION**

Each Bond when duly issued and paid for will constitute a contract between the District and the holder thereof.

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limit as to rate or amount. (See also “*Tax Levy Limitation Law*” herein).

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

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the *Tax Levy Limitation Law* imposes a statutory limitation on the District’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the *Tax Levy Limitation Law*, it also provides the procedural method to surmount that limitation. See “*Tax Information - Tax Levy Limitation Law*,” herein.

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

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

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

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales



tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

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

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

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

### **BOOK-ENTRY-ONLY SYSTEM**

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of

ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS

OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

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

*Source: The Depository Trust Company.*

## **MARKET FACTORS**

The financial condition of the District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The District is dependent, in part, on financial assistance from the State. However, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor.

Should the District fail to receive monies expected from the State in the amounts and at the times expected, the District is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any of the Bonds or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual, amount, or receipt of interest on, the Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislation has been proposed in recent years which generally limits the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. Tax reform legislation is currently under consideration in Congress. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS**

### ***Legal Matters***

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix D.

## **DISCLOSURE UNDERTAKING**

At the time of the delivery of the Bonds, the District will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Bonds, to provide, or cause to be provided 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:

(1) (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the heading “Litigation” and in Appendix A under the headings : “The District”, “Financial Factors”, “Tax Information”, “District Indebtedness” and “Economic and Demographic Data”; and in Appendix B, on or prior to the 180th day following the end of each fiscal year, commencing with the fiscal year ending June 30, 2018 and (ii) the audited financial statement, if any, of the District for each fiscal year commencing with the fiscal year ending June 30, 2018 unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement shall be provided and an audited financial statement shall be provided within 30 days after it becomes available and in no event later than 360 days after the end of each fiscal year;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, not in excess of ten (10 ) days, notice of a failure to provide the annual financial information by the date specified.

The District’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Bonds.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

### ***Prior Disclosure History***

On July 22, 2014, the District filed a material event notice with EMMA regarding the change to the underlying rating of the District 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 "Aa2". The District was late in filing this notice. As this was a system wide recalibration by Moody's, and not considered an upgrade or downgrade, a material event notice was not filed at the time.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") has assigned the Bonds a rating of "\_\_\_". Such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency, at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of such Bonds or the availability of a secondary market for the Bonds.

### **MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds. Orrick, Herrington & Sutcliffe LLP expresses no opinion on the accuracy or completeness of any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including this Official Statement.

### **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC, Great Neck, 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 municipal advisor to the District 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 District 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 District. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

### **ADDITIONAL INFORMATION**

Additional information may be obtained from the District's Chief Operating Officer, Michael Devito, Esq., 235 Lido Blvd., Lido Beach, NY 11561, (516) 897-2090, email: mdevito@lbeach.org or from the District's Municipal Advisor, Capital Markets Advisors, LLC, (516) 274-4501.

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

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information available to, the District management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

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

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

This Official Statement has been duly executed and delivered by the President of the Board of Education.

### **City School District of the City of Long Beach**

By: /s/ Stewart Mininsky  
Stewart Mininsky  
President of the Board of Education

DATED: December \_\_, 2017

## **THE DISTRICT**

### ***General Information***

The Long Beach City School District is an enlarged city school district, the boundaries of which include the entire City of Long Beach (the “City”) and unincorporated portions of the Town of Hempstead to the east and west of the City. The part of the School District to the east of the City includes the unincorporated communities of Lido Beach and Point Lookout. The part of the School District to the west of the City includes the unincorporated community of East Atlantic Beach.

The School District is situated on an island which is part of the southern boundary of Nassau County about 25 miles east of Midtown Manhattan. The island is separated from the balance of Nassau County by Reynolds Channel with access to the “mainland” via three bridges.

The School District serves a generally suburban residential area of single family homes and apartments. The principal commercial facilities of the School District are located in the City and much of these are situated along the main east-west artery, Park Avenue. The School District has an area of approximately 4.6 square miles and has an estimated current population of 39,181.

Transportation facilities include the Long Island Rail Road (M.T.A.) with a terminal at Long Beach; bus service connecting the communities within the School District is provided by the City and service to other parts of Nassau County is provided by the County. Express highway access to the major Long Island Parkways is available via the bridge and spur of the Meadowbrook Parkway.

Police, fire and other municipal services are provided by the City. In the unincorporated area police protection is provided by the Nassau County Police Department and fire protection is provided by Fire Districts.

### ***Superstorm Sandy***

The School District estimated the cost of Superstorm Sandy related clean-up, repair and reconstruction to be approximately \$36 million. As of November 16, 2017, the District has received \$23,183,811 in FEMA reimbursement and \$52,928 from New York State. These reimbursements are in addition to the \$5,324,104 the District received in insurance proceeds. The FEMA reimbursement rate is 90% of eligible expenses. The State is reasonably expected to pay the remaining amount not covered by insurance proceeds. The District continues to work with FEMA and NYS representatives in order to receive additional reimbursements of approximately \$6 - \$7 million.

### ***District Organization***

Subject to the provisions of the State Constitution, the School District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the School District, and any special laws applicable to the School District. Under such laws, there is no authority for the School District to have a charter or adopt local laws.

The legislative power of the School District is vested in the Board of Education. Under current law, an election is held within the School District boundaries on the third Tuesday of May each year to elect members of the Board of Education. They are generally elected for staggered terms of three years.

In early July of each year, the Board of Education meets for the purpose of reorganization. At that time, the Board elects a President and Vice President, and appoints a School District Clerk and School District Treasurer.

### ***Financial Organization***

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the



School District. However, certain of the financial functions of the School District are the responsibility of the Superintendent of Schools and the Chief Operating Officer.

***District Facilities***

The District operates eleven schools; statistics relating to each are shown below.

**School Facilities**

<u>Name</u>	<u>Type</u>	<u>Year Built</u>	<u>Capacity</u>
High School	9-12	1971, 2013	1,630
Middle School*	6-8	1954, '66	1,025
Lido Elementary*	Pre-K-5	1954, '66, 2012	826
West School	K-5	1925, '70	511
Lindell School	K-5	1940, '60	764
East School	K-5	1927, '61	496
		Total	5,252

***Employees***

The District provides services with 830 full or part-time employees represented by the following organizations.

**TABLE 2**  
**Employees**

<u>Number Of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
395	Long Beach Classroom Teachers' Assoc.	June 30, 2020
40	Long Beach Administrators Assoc.	June 30, 2019
12	Long Beach Permanent Substitute Teacher Unit	June 30, 2020
542	Long Beach Public School Group C Employees Assoc.	June 30, 2020
21	Unaffiliated	- -

Source: District Officials.

***Employee Pension Benefits***

New York State Certified Teachers and Administrators are members of the New York State Teachers Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All non-certified employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System (“ERS”). Both the TRS and ERS (the “State Retirement System” or “SRS”) are noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems that were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year’s full-time service, contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age 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 legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

Due to poor performance of the investment portfolio of the State Retirement System, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rates for required pension contributions to the SRS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school district to amortize a portion of such contributions. Under such legislation, local governments and school districts that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases.

The School District is not amortizing any pension payments nor has the intent to do so in the foreseeable future.

While the School District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted. The District’s contributions to ERS and TRS for the last five fiscal years are as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2013	\$2,952,367	\$6,096,352
2014	2,712,658	8,274,692
2015	2,327,603	9,459,801
2016	2,631,806	7,258,449
2017	2,024,760	6,427,220
2018 (Budget)	2,095,939	5,493,944

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. For TRS, the 2013-14 SCO rate is 14%. For ERS, it is 12%.

The TRS SCO deferral plan is available to school districts for the next 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

The District does not plan to participate in the ERS or TRS SCO program.

## **Other Post Employment Benefits**

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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

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

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

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

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 School District hired an actuarial firm for the actuarial valuation which calculated an ARC of \$17,395,526 and an unfunded actuarial accrued liability of \$188,127,764 as of July 1, 2016. The School District is in compliance with the requirements of GASB 45. At this time, New York State has not developed guidelines for the creation and use of reserve funds or irrevocable trusts for the funding of OPEB. The District continues funding the expenditure on a pay-as-you-go basis.

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.

## **School District Investment Policy**

The District’s investment policy was updated on April 7, 2016.

Pursuant to the statutes of the State of New York, the School District is permitted to invest only in the following investments: (1) special time deposits in, or certificates of deposits issued by, a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the School District; (6) obligations of New York public benefit corporations which are made lawful investments in which the School District may invest pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law. The School District has adopted an investment policy which is in compliance with State statutes as outlined above.

### **FINANCIAL FACTORS**

District finances are operated through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. The District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

#### ***Property Tax Revenue***

The District derives a portion of its revenues from a tax on real property. Property taxes accounted for 68.20% of total general fund revenues for the fiscal year ended June 30, 2016, while State aid accounted for 16.92%.

The following table sets forth total general fund revenues and real property tax revenues collected during the last five fiscal years ended June 30th and budgeted for the 2018 fiscal year.

**Table 3  
Property Taxes**

<b><u>Fiscal Year</u></b>	<b><u>General Fund Revenues</u></b> <sup>(a)</sup>	<b><u>Real Property Taxes &amp; Tax Items</u></b> <sup>(b)</sup>	<b><u>Real Property Taxes to Revenues</u></b>
2013	\$120,692,991	\$85,148,038	70.55%
2014	122,598,503	85,959,065	70.11%
2015	126,652,401	89,388,793	70.58%
2016	128,262,867	88,441,828	68.95%
2017	132,399,964	90,296,221	68.20%
2018 <i>(Budget)</i>	134,779,722	99,078,437	73.51%

(a) General Fund.

(b) The Budgeted Real Property Tax includes STAR – School Tax Exemption.

Source: *Audited Financial Statements and Adopted Budgets – Table itself not audited.*

#### ***State Aid***

The School District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. In its adopted 2017-2018 General Fund Budget, the School District expects to receive approximately 17.2% of its operating revenues in the form of State aid. See “*Events Affecting State Aid to New York School Districts*” below.

In addition to the amount of State Aid budgeted by the School District in its 2017-2018 fiscal year, the State will make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program in the 2017-2018 fiscal year. (see “*STAR-School Tax Exemption*”)

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the School District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or State fiscal stress as has occurred this year. In any event, State aid appropriated and apportioned to the School District can be paid only if the State has such monies available therefor.

Should the School District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies and not by a reduction in State aid, the School District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The following table illustrates the percentage of total revenues of the School District for each of the last five completed fiscal years and budgeted figures for the current fiscal year comprised of State Aid.

**Table 4  
State Aid**

<u>Fiscal Year</u>	<u>General Fund Revenues</u> <sup>(a)</sup>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2013	\$120,692,991	\$18,828,863	15.60%
2014	122,598,503	20,032,527	16.34%
2015	126,652,401	18,679,134	14.75%
2016	128,262,867	20,111,054	15.68%
2017	132,399,964	22,406,403	16.92%
2018 <i>(Budget)</i>	134,779,722	23,176,897	17.20%

(a) General Fund.

Source: *Audited Financial Statements and Adopted Budgets – Table itself not audited.*

### ***Recent Events Affecting New York School Districts***

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years.

*School district fiscal year (2013-2014):* The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of \$1.0 billion in State aid for school districts.

*School district fiscal year (2014-2015):* The State Legislature adopted the State budget on March 31, 2014. The budget included an increase of \$1.1 billion in State aid for school districts.

*School district fiscal year (2015-2016):* The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

*School district fiscal year (2016-2017):* The State Legislature adopted the State budget on March 31, 2016. The budget included an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the State's Adopted Budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase related to (\$100 million) Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

*School district fiscal year (2017-2018):* The State's 2017-2018 Enacted Budget provides for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school

year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. In addition, the State 2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financing of the State and School Districts of the State*" herein).

*Gap Elimination Aid:* The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA is a negative number (funds that are deducted from the State aid originally due to the District under existing State aid formulas). The District's State aid has been reduced as a result of the GEA program since 2009. State budgets have decreased the amount of the GEA deduction and the Adopted Budget for the State's 2015-2016 fiscal year included a further reduction of the GEA. The Adopted Budget for the State's 2016-2017 fiscal year includes the elimination of the remaining balance of the GEA, resulting in more State aid to the District in the 2016-2017 fiscal year.

The Smart Schools Bond Act (the "SSBA") was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The SSBA requires that a Review Board review and approve districts' Smart Schools Investment Plan before any funds may be made available for the program.

### ***The State Comptroller's Fiscal Stress Monitoring System***

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller ("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 District as "Susceptible to Stress Designation," with a fiscal score of 41.7% and an environmental score of 10.0%.

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 District are subject to periodic compliance reviews by OSC to ascertain whether the District has complied with the requirements of various State and federal statutes. OSC has not released a report on the financial condition of the District in the past five years nor is one presently in progress, however, there was an audit of health insurance for retirees released on January 19, 2011. The purpose of the audit examined internal controls over retiree health insurance payments for the period July 1, 2008 to May 31, 2010. Additional information regarding State audits can be obtained by visiting the New York State website for Local Governments and School Accountability.

***Budgetary Procedure***

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the School District for the ensuing fiscal year (proposed budget) and distributes that statement not less than seven days prior to the date on which the annual school election is conducted, at which the proposed budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

If the qualified voters at the annual election approve the tentative budget, the Board of Education, by resolution, adopts the tentative budget of the School District for the ensuing year. In the event the tentative budget is disapproved by a majority of the voters, the Board of Education may call and hold a subsequent election on a budget. If no budget is approved, the Board of Education may levy a tax which includes debt service, in a like manner as if the same had been voted by the qualified voters, limited however by the provisions of Chapter 97 of the Laws of 2011 (See “*The Tax Levy Limit Law.*”) The budget for the 2017-2018 fiscal year was approved by the voters of the District on May 16, 2017. The 2017-2018 tax levy is within the tax cap.

***Independent Audit***

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2017 and is included herein. As described in the notes to the financial statements, the District has complied with GASB 34 for the fiscal year ended June 30, 2017.

**TAX INFORMATION**

***Real Property Tax Assessments and Rates***

The City Assessor maintains the assessment records and prepares the annual assessment roll for the District. The following table sets forth the assessed and full valuation of taxable property, rates of tax per \$1,000 assessed valuation, and the District’s real property tax levy.

**Table 5**  
**Real Property Tax Rates**  
(Fiscal Years Ending June 30)

	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Tax Levy <sup>(1)</sup>	\$92,291,693	\$93,229,643	\$96,250,283	\$95,544,276	\$97,145,689
% Uncollected	none	none	none	none	none

(1) Gross tax levy prior to adjustments (STAR, tax roll additions, shortages, cancellations and refunds). See “Tax Collection Procedure.”

**Table 6**  
**Assessed and Full Valuation**  
**(Fiscal Years Ending June 30)**  
**Based on Regular Equalization Rates**

<b>Valuations, Tax Levy, Tax Rates and Uncollected Taxes</b>					
Year Ending June 30:	2013	2014	2015	2016	2017
<u>Assessed Valuations:</u>					
City of Long Beach	\$16,726,130	\$16,474,877	\$15,901,721	\$15,037,001	\$14,672,924
Town of Hempstead	4,109,909	3,947,213	3,778,310	3,537,992	3,463,518
Totals	<u>\$20,836,039</u>	<u>\$20,422,090</u>	<u>\$19,680,031</u>	<u>\$18,574,993</u>	<u>\$18,136,442</u>
<u>NYS Conventional Equalization Rates:</u>					
City of Long Beach	0.38%	0.38%	0.36%	0.34%	0.32%
Town of Hempstead	0.33%	0.33%	0.31%	0.29%	0.28%
<u>Conventional Full Value:</u>					
City of Long Beach	\$4,401,613,157	\$4,335,493,947	\$4,417,144,722	\$4,422,647,353	\$4,585,288,750
Town of Hempstead	1,245,426,969	1,196,125,152	1,218,809,677	1,219,997,241	1,236,970,714
Totals	<u>\$5,647,040,126</u>	<u>\$5,531,619,099</u>	<u>\$5,635,954,399</u>	<u>\$5,642,644,594</u>	<u>\$5,822,259,464</u>
<u>NYS Special Equalization Ratios</u>					
City of Long Beach	0.37%	0.36%	0.32%	0.33%	0.33%
Town of Hempstead	0.32%	0.29%	0.28%	0.29%	0.30%
<u>Special Full Value</u>					
City of Long Beach	\$4,520,575,675	\$4,576,354,722	\$4,969,287,812	\$4,556,666,969	\$4,446,340,606
Town of Hempstead	\$1,284,346,562	\$1,361,107,931	\$1,349,396,428	\$1,219,997,241	\$1,154,506,000
Totals	<u>\$5,804,922,237</u>	<u>\$5,937,462,653</u>	<u>\$6,318,684,240</u>	<u>\$5,776,664,210</u>	<u>\$5,600,846,606</u>
<b>Tax Levy</b>					
General Fund	\$92,291,693	\$93,229,643	\$96,250,283	\$95,544,276	\$97,145,689
<b>Tax Rate Per \$1,000 A.V.</b>					
City of Long Beach	\$4,429.43	\$5,246.70	\$5,661.42	\$6,122.50	\$6,439.50
Town of Hempstead	\$4,429.43	\$5,246.70	\$5,661.42	\$6,122.50	\$6,439.50
Uncollected Taxes <sup>1</sup>	None	None	None	None	None

*(The remainder of this page has been intentionally left blank.)*



## ***Tax Levy Limitation Law***

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limit Law”). The Tax Levy Limit Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, to which it indirectly applies by application to the cities themselves.)

Prior to the enactment of the Tax Levy Limit Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limit Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district’s calculation of each fiscal year’s tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures” are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and this is an exclusion from the tax levy limitation, which is applicable to the Bonds.

## ***NYSUT Lawsuit***

On February 20, 2013, the New York State United Teachers (“NYSUT”) organization filed a lawsuit against the State challenging the Tax Levy Limitation Law as applied to school districts on multiple federal and state constitutional grounds. The Board of Education of the District did not join the NYSUT lawsuit as a plaintiff. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT’s causes of action but granted NYSUT’s motion to amend the complaint. After the ruling, NYSUT amended its complaint to include a challenge to the Chapter 59 Real Property Tax Rebate, also on federal and state constitutional grounds. On March 16, 2015, all causes of action contained in the amended complaint were dismissed. NYSUT appealed the decision. On May 5, 2016 the state Appellate Division’s Third Department has upheld a lower court’s decision to dismiss the suit brought in 2013. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York’s highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

## ***Real Property Tax Rebate (Chapter 59)***

Chapter 59 of the Laws of 2014 (“Chapter 59”), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Eligible homeowners do not need to do anything to receive the credit. The Tax Department will review eligibility data and calculate the credit for all qualifying taxing jurisdictions. In the Fall of each of the program’s three years (2014,2015,2016), the department will mail eligible taxpayers a single check that will be the total of the credits for each jurisdiction that is in compliance.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to

remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

### ***Real Property Tax Rebate (Chapter 20)***

Chapter 20 introduced a new real property tax rebate program that will provide state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (see “STAR - School Tax Exemption,” herein) in the years 2016-2019. Residents of New York City are not eligible for the Chapter 20 Real Property Tax Rebate. For 2016, eligible taxpayers who reside outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) will receive \$130, and eligible taxpayers who reside outside the MCTD will receive \$185. Credits in 2017-2019 vary based on a taxpayer’s personal income level and STAR tax savings.

Similarly to the Chapter 59 Real Property Tax Rebate, under Chapter 20 the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for many taxpayers only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limitation Law.

While the provisions of Chapter 59 and Chapter 20 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

### ***Tax Collection Procedure***

School District taxes are payable in two installments: first half taxes due and payable October 1 and second half taxes due and payable April 1. Penalties of 1% per month are added after November 10 as to first half taxes and May 10 as to second half taxes. Taxes of the Long Beach City School District, on all properties, regardless of whether located in the City of Long Beach or in the Town of Hempstead, are collected by the Receiver of Taxes of the Town of Hempstead during the collection periods. Taxes remaining uncollected after the expiration of the second collection period are returned to the County, which by law must reimburse the School District in full for uncollected taxes prior to the end of the fiscal year for which the taxes were levied. Accordingly, there are no uncollected taxes outstanding at the end of the School District’s fiscal year and therefore the School District is not required to maintain a reserve for uncollected taxes.

Under existing law, the County assumes liability for all tax certiorari refund payments, including any portion of the refund attributable to the reduction in the amount of taxes raised to support school district operations. The County does not currently seek reimbursement from the affected school district following the payment of a refund to a taxpayer. However, the County has enacted a law to end its long-standing practice of paying tax certiorari settlements on behalf of local taxing districts, including school districts. On February 27, 2013, the Appellate Division, Second Department, held that the County did not have the authority to enact such local legislation and granted summary judgment to the plaintiffs declaring that the local legislation violated the State Constitution and the State Municipal Home Rule Law. The County has appealed such decision to the New York State Court of Appeals. It is not possible to predict the ultimate outcome of this matter.

### ***STAR - School Tax Exemption***

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed in full by the State for real

property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

Based on information furnished to the District, approximately 6.8% of the District’s 2017-2018 school tax levy will be exempted by the STAR program. (See “State Aid” herein).

***Largest Taxpayers – 2016-17 Fiscal Year***

The following table presents the taxable assessments of the District’s largest taxpayers for the 2017-18 fiscal year.

**Table 7**  
**Taxable Assessments**

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u> <sup>(1)</sup>
National Grid	Utility	\$568,146	3.87%
Ocean Club Condominiums	Condominiums	211,495	1.44%
Executive Towers at Lido LLC	Cooperative Apartments	199,732	1.36%
Avalon Properties Inc.	Apartments	184,568	1.26%
430-450 Shore Rd Corp.	Cooperative Apartments	184,072	1.25%
Shore Road-Long Beach	Professional Building	179,835	1.23%
National Blvd Nursing Home	Nursing Home	177,098	1.21%
522 Shore Road Owners Corp.	Cooperative Apartments	174,216	1.19%
Alpert Charles	Vacant Land	129,200	0.88%
Paulsen Real Estate Corp.	Apartments	126,700	0.86%
	Total:	<u>\$2,135,062</u>	<u>14.55%</u>

(1) The District's total assessed value for the 2017-18 fiscal year is \$14,672,924.

Source: Assessors Office

**DISTRICT INDEBTEDNESS**

***Constitutional Requirements***

The New York State Constitution limits the power of the School District (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 School District and the Bonds, include the following:

**Purpose and Pledge.** The School District shall not give or lend any money or property to or in aid of any individual or private corporation or private undertaking or give or lend its credit to or in aid of any of the foregoing or any public corporation.

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

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

**Debt Limit.** Pursuant to the Local Finance Law, the School District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York, provided the aggregate principal amount thereof shall not exceed five per centum (5%) of the average full valuation of the taxable real estate of the School District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory 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 ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

### ***Statutory Procedure***

In general, the State Legislature has authorized the powers and procedure for the School District to borrow and incur indebtedness by the 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 the Education Law.

Bond resolutions adopted by the Board of Education, except those to finance judgments and settled claims, shall not become effective unless a proposition approving such resolution shall have been adopted thereafter at a special or annual school district election held in accordance with the Education Law.

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 (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money,

or, (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity, is commenced within twenty days after the date of such publication,

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

Except on rare occasions the School District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board of Education, as the finance board of the School District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Bond Anticipation Notes" and "Debt Statement Summary" herein).

In general, the Local Finance Law contains provisions providing the School District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes, capital notes, deficiency notes, and budget notes (see "Details of Outstanding Indebtedness" herein).

***Trend of Outstanding Indebtedness***

The Local Finance Law permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such bonds outstanding, commencing no later than two years from the date of the first of such bonds and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" and "Details of Short-Term Indebtedness Outstanding" herein.)

**Table 8  
Debt Outstanding**

<b>FYE June 30:</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Bonds	\$89,265,000	\$85,635,000	\$80,080,000	\$74,335,000	\$68,400,000
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	\$89,265,000	\$85,635,000	\$80,080,000	\$74,335,000	\$68,400,000

***Statutory Debt Limit and Net Indebtedness***

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

**Table 9  
Computation of Debt Limit**

<b>Fiscal Year:</b>	<b>Full Valuation</b> <sup>(1)</sup>
2013-14	\$ 5,804,922,237
2014-15	5,937,462,653
2015-16	6,318,684,240
2016-17	5,776,664,210
2017-18	<u>5,600,846,606</u>
Total Five Year Valuation	<u>\$29,438,579,946</u>
Average Five Year Full Valuation	<u>\$ 5,887,715,989</u>
Debt Limit - 5% of Average Full Valuation	<u>\$ 294,385,799</u>

(1) The amounts shown as full valuation have been computed with the use of Final Special Equalization Ratios (See Table 6). Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts which normally has the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Office of Real Property Services and are used for all other purposes.

The table below shows the District’s total indebtedness as of November 28, 2017

**Table 10**  
**Statutory Debt Limit and Net Indebtedness**

Average Full Valuation of Taxable Real Property	\$ 5,877,715,989
Debt Limit <sup>(1)</sup> (5% of Average Full Valuation)	\$ 294,385,799
Inclusions: <sup>(2,3,4)</sup>	
Outstanding Indebtedness:	
Bonds Outstanding	\$ 25,210,000
Refunded Bonds	43,190,000*
Principal this issue	<u>32,130,000*</u>
Total Inclusions:	<u>\$ 100,530,000</u>
Exclusions:	
Bond Appropriations	0
BAN Appropriations	<u>0</u>
Total Exclusions:	<u>0</u>
Total Net Indebtedness <sup>(4)</sup>	<u>\$ 100,530,000</u>
Net Debt-Contracting Margin	<u>193,855,799</u>
Percentage of Debt-Contracting Margin Exhausted	34.1%

<sup>1</sup> The School District’s constitutional debt limit has been computed using special equalization ratios established by the State Board of Equalization and Assessment pursuant to Art-12-B of the Real Property Tax Law.

<sup>2</sup> Tax anticipation notes and revenue anticipation notes are not included in the computation of the statutory debt limit of the District. (See “*Revenue and Tax Anticipation Notes*” herein).

<sup>3</sup> These bonds are expected to be refunded with a portion of the proceeds of the Bonds. All future payments of both principal and interest will be provided for from an Escrow Deposit Fund (See “*Refunding Financial Plan*” herein); however, the Local Finance Law of the State does not provide for the exclusion of such debt from the District’s debt statement.

<sup>4</sup> Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing debt. Because the School District has not applied for an Exclusion Certificate, no exclusions are listed in the Debt Statement Summary.

\* Preliminary, subject to change.

### ***Special Provisions Affecting Remedies Upon Default***

**State Aid Intercept for School Districts.** In the event of a default in the payment of the principal of and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds and the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any note or bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such note or bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the note or bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding notes and bonds of such school district issued for school purposes and the

statement prepared and filed by the State Comptroller shall set forth a description of all such notes and bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such notes and bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on notes and bonds shall be forwarded promptly to the paying agent or agents for the notes and bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such notes and bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the notes and bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such notes and bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such notes and bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted notes and bonds pursuant to said Section 99-b.

**General Municipal Law Contract Creditors' Provision.** The Bonds when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

**Execution/Attachment of Municipal Property.** 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, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

**Authority to File for Municipal Bankruptcy.** The Federal Bankruptcy Code allows public bodies, such as the counties, cities, towns and villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

**State Debt Moratorium Law.** There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the



provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law as discussed herein and described below, 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 District.

**Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law.** The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an “emergency financial control board” for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special

proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

**Fiscal Stress and State Emergency Financial Control Boards.** Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government 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 approve collective bargaining agreements in certain cases. Implementation is 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, on a certificate of necessity of the governor reciting facts which in the judgment of 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 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 such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. School districts and fire districts are not eligible for FRB assistance.

**Constitutional Non-Appropriation Provision.** There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” 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. See “General Municipal Law Contract Creditors’ Provision” herein.

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

**Default Litigation.** In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders and bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State 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. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

**No Past Due Debt.** No principal of or interest on District indebtedness is past due. The District has never defaulted in the payment of the principal of and interest on any indebtedness.

***Bond Anticipation Notes***

There are presently no bond anticipation notes outstanding.

***Tax and Revenue Anticipation Notes***

The School District has not engaged in a cash flow borrowings since the 2006-2007 fiscal year, except for RANs, dated August 13, 2015. The RANs were issued in anticipation of the receipt of FEMA and State grants-in-aid to pay ongoing post-Superstorm Sandy extraordinary expenditures, prior to receipt of monies from the federal and state governments. These RANs were paid off in full on June 30, 2016.

***Overlapping and Underlying Debt***

In addition to the District, the following political subdivisions have the power to issue debt and to levy taxes or cause taxes to be levied on taxable real property in the District.

<u>Unit</u>	<u>Total Net Indebtedness</u>	<u>As of:</u>	<u>District’s Share</u>	<u>Applicable Indebtedness</u>
County of Nassau	\$3,593,312,000	04/30/17	2.76%	\$99,175,411
Town of Hempstead	231,220,386	03/28/17	1.33	3,075,231
City of Long Beach	82,644,777	08/28/17	92.92	76,793,527
				<u>\$179,044,169</u>

Source: New York State Comptroller’s Special Report on Municipal Affairs.

## ***Debt Ratios***

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

**Table 12**  
**Debt Ratios**

	<b><u>Debt Per Amount</u></b>	<b><u>Debt Per Capita</u></b> <sup>(a)</sup>	<b><u>Debt to Full Value</u></b> <sup>(b)</sup>
Net Direct Debt	\$ 100,530,000	\$2,565.78	9.84%
Net Direct and Overlapping Debt	\$279,574,169	\$7,135.45	37.09%

(a) The population of the District is estimated by District officials to be approximately 39,181.

(b) The District's full value of taxable real property based on Special Equalization Rates for 2017-18 is \$753,864,894.

## ***Obligations Authorized but Unissued***

The District does not have any authorized but unissued debt.

## ***Debt Service Schedule***

The following table sets forth all principal and interest payments presently required on all outstanding long-term bond indebtedness of the School District.

<b><u>Fiscal Year Ending June 30th</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Principal &amp; Interest</u></b>
2018	\$6,135,000	\$2,510,825	\$8,645,825
2019	6,335,000	2,326,775	8,661,775
2020	6,550,000	2,136,725	8,686,725
2021	6,770,000	1,919,325	8,689,325
2022	6,995,000	1,683,175	8,678,175
2023	7,230,000	1,427,275	8,657,275
2024	7,470,000	1,162,825	8,632,825
2025	7,720,000	864,025	8,584,025
2026	7,980,000	555,225	8,535,225
2027	2,570,000	208,600	2,778,600
2028	2,645,000	105,800	2,750,800
<b>Totals</b>	<b>\$68,400,000</b>	<b>\$14,900,575</b>	<b>\$83,300,575</b>

## **ECONOMIC AND DEMOGRAPHIC DATA**

### ***School Enrollment Trends***

The following table presents the past and projected school enrollment for the District.

**TABLE 14**  
**School Enrollment Trends**

<b><u>Fiscal Year</u></b>	<b><u>Actual Enrollment</u></b>	<b><u>Fiscal Year</u></b>	<b><u>Projected Enrollment</u></b>
2014-15	3,832	2017-18	3,836
2015-16	3,856	2018-19	3,840
2016-17	3,863		

Source: District Officials.

## ***Population***

The estimated population of the District is 33,470 according to the District Officials. The following table presents population trends for the City, which is contiguous with the District, the County and the State, based upon recent census data.

**TABLE 15**  
**Population Trend**

	<b><u>2010</u></b>	<b><u>2015</u></b>	<b><u>Percentage Change</u></b>
City	33,442	33,470	.08%
County	1,329,083	1,354,612	1.92%
State	19,229,752	19,673,174	2.31%

*Source: New York State Department of Commerce; New York State Department of Economic Development.*

## ***Employment and Unemployment***

The following tables provide information concerning employment and unemployment in the County and the State and are not necessarily representative of the District.

**TABLE 16**  
**Civilian Labor Force**  
(Thousands)

	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
City	19.7	19.8	19.4	19.6	19.5
County	693.6	695.1	689.3	699.6	699.0
State	9,612.2	9,623.1	9,570.7	9,591.2	9,584.5

*Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.*

**TABLE 17**  
**Yearly Average Unemployment Rates**

<b><u>Year</u></b>	<b><u>City</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
2012	7.3%	7.0%	8.5%
2013	6.6%	5.9%	7.7%
2014	4.7%	4.8%	6.3%
2015	4.1%	4.2%	5.3%
2016	3.6%	3.9%	4.8%

*Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.*

**TABLE 18**  
**Monthly Unemployment Rates**

<u>Month</u>	<u>City</u>	<u>County</u>	<u>State</u>
September 2016	4.0%	5.7%	4.9%
October	3.9%	5.7%	4.8%
November	3.7%	5.8%	4.5%
December	3.7%	6.2%	4.5%
January 2017	3.9%	7.0%	4.9%
February	4.0%	7.1%	5.0%
March	3.4%	6.1%	4.4%
April	3.4%	5.9%	4.2%
May	3.6%	5.4%	4.3%
June	3.8%	5.7%	4.5%
July	3.6%	5.6%	4.9%
August	3.7%	5.3%	4.9%

*Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.*

**TABLE 19**

**Major Employers**

Selected major employers located within the School District are as follows:

<u>Name</u>	<u>Type</u>	<u>Employees</u>
Long Beach City School District	Education	1,090
Lancer Insurance Company	Insurance	406
Chem RX	Pharmacy - wholesale	360
City of Long Beach	Municipality	343
National Boulevard Assisted Care Facility	Health Care	260
Long Beach Grandell	Health Care	200
Stop and Shop	Food Chain	200
Beach Terrace Care Center	Health Care	185
Hebrew Academy of Long Beach	Education	110

**LITIGATION**

In common with other school districts, the School District from time to time receives notices of claim and is party to litigation. In the opinion of the Attorney for the School District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending which, if determined against the School District, would have an adverse material effect on the financial condition of the School District.

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

**END OF APPENDIX A**

**Revenues, Expenditures and Fund Balance  
General Fund**

**APPENDIX B**

Year Ended June 30:	2013	2014	2015	2016	2017
<b>REVENUES</b>					
Real Property Taxes	\$85,148,038	\$85,959,065	\$89,388,793	\$88,441,828	\$90,296,221
Other Tax Items	7,583,021	7,717,238	7,298,770	11,168,609	11,298,108
Non Property Taxes	2,034,907	1,716,879	1,768,369	1,550,791	1,594,737
Charges for Services	5,117,277	5,503,033	8,398,709	5,675,462	6,002,371
Use of Money and Property	91,999	134,874	92,719	91,582	78,186
Forfeitures	0	0	0	22,859	0
Sale of property and Compensation for Loss	386,921	1,093,394	226,164	404,376	280,564
Miscellaneous	1,436,370	385,775	706,790	696,439	356,964
Interfund Revenue	30,914	25,326	45,934	45,194	43,770
Medicaid Reimbursement	0	0	0	54,673	42,640
State Sources	18,828,863	20,032,527	18,679,134	20,111,054	22,406,403
Federal Sources	34,681	30,392	47,019	0	0
<b>Total Revenues</b>	<b>120,692,991</b>	<b>122,598,503</b>	<b>126,652,401</b>	<b>128,262,867</b>	<b>132,399,964</b>
<b>EXPENDITURES</b>					
General Support	13,508,434	13,185,404	13,056,792	13,563,944	13,350,823
Instruction	63,992,834	64,774,184	67,720,890	69,653,159	69,081,518
Pupil Transportation	6,729,926	5,903,066	6,060,190	6,136,384	6,334,970
Community Services	63,297	64,351	60,294	53,374	59,362
Employee Benefits	29,170,431	31,587,886	32,760,469	31,324,210	31,055,948
Debt Service	5,709,326	6,822,844	9,193,735	9,313,871	8,716,221
<b>Total Expenditures</b>	<b>119,174,248</b>	<b>122,337,735</b>	<b>128,852,370</b>	<b>130,044,942</b>	<b>128,598,842</b>
Excess (Deficiency) of Revenues Over Expenditures	1,518,743	260,768	(2,199,969)	(1,782,075)	3,801,122
Other Financing Sources (Uses):					
Operating Transfers In	0	175,600	2,500,000	1,492,555	627,118
Operating Transfers Out	(6,522,759)	(1,785,464)	(867,392)	(2,067,780)	(2,774,350)
<b>Total Other Financing Sources</b>	<b>(6,522,759)</b>	<b>(1,609,864)</b>	<b>1,632,608</b>	<b>(575,225)</b>	<b>(2,147,232)</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,004,016)	(1,349,096)	(567,361)	(2,357,300)	1,653,890
Fund Balances (Deficits) - Beginning of Year	34,012,933	29,008,917	27,659,821	27,092,460	24,735,160
Adjustments (Net)	0	0	0	0	0
<b>Fund Balances - End of Year</b>	<b>\$29,008,917</b>	<b>\$27,659,821</b>	<b>\$27,092,460</b>	<b>\$24,735,160</b>	<b>\$26,389,050</b>

Source: Information for this appendix has been extracted from the audited financial statements of the Long Beach City School District. This summary itself has not been audited. Reference should be made to the complete audit reports on file at the School District office.

**Long Beach City School District  
Adopted Budgets**

**APPENDIX B-1**

	2016-2017 Adopted Budget [1]	2017-2018 Adopted Budget [2]
<u>REVENUES</u>		
Real Property Taxes	\$97,145,689	\$99,078,437
Other Revenue	12,892,149	12,431,388
Appropriated Fund Balance	1,000,000	546,918
Use of Reserve Funds	1,228,612	0
Interfund Transfers	499,220	93,000
State Aid	22,758,022	23,176,897
	<u>22,758,022</u>	<u>23,176,897</u>
 Total Revenues	 <u><u>\$135,523,692</u></u>	 <u><u>\$135,326,640</u></u>
 <u>EXPENDITURES</u>		
General Support	\$13,760,632	\$13,733,377
Instruction	72,579,365	72,317,076
Pupil Transportation	6,106,932	6,354,205
Community Services	66,100	66,100
Employee Benefits	32,794,817	32,488,704
Interfund Transfers	1,397,026	1,627,974
Debt Service	8,818,820	8,739,204
	<u>8,818,820</u>	<u>8,739,204</u>
 Total Expenditures	 <u><u>\$135,523,692</u></u>	 <u><u>\$135,326,640</u></u>

[1] The budget for the 2016-2017 fiscal year was adopted by voters of the District on May 17, 2016.

[2] The budget for the 2017-2018 fiscal year was adopted by voters of the District on May 16, 2017.

Source: Annual budgets of the Long Beach City School District.



**Long Beach City School District  
Balance Sheets  
General Fund**

**APPENDIX B-2**

Year Ended June 30:	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$7,962,838	\$19,097,436
Accounts Receivable	161,001	102,143
Taxes receivable	3,175,487	2,995,004
Due from Other Funds	22,901,640	12,150,297
Insurance proceeds receivable	0	0
State and Federal Aid	1,507,350	1,038,107
Due from Other Governments	<u>2,682,820</u>	<u>1,888,632</u>
TOTAL ASSETS	<u><u>\$38,391,136</u></u>	<u><u>\$37,271,619</u></u>
 <u>LIABILITIES</u>		
Accounts Payable	\$2,902,563	\$1,970,868
Accrued Liabilities	271,082	588,674
RAN Payable	0	0
Due to Teachers' Retirement System	7,705,940	6,838,396
Due to Employees' Retirement System	680,168	624,465
Compensated Absences	1,751,223	713,933
Collections in advance	0	106,233
Deferred Revenue	<u>345,000</u>	<u>40,000</u>
TOTAL LIABILITIES	<u>13,655,976</u>	<u>10,882,569</u>
 <u>FUND BALANCE<sup>1</sup></u>		
Non-spendable	26,997	114,442
Spendable		
Restricted	15,091,072	16,942,413
Assigned	1,259,661	898,261
Unassigned	<u>8,357,430</u>	<u>8,433,934</u>
TOTAL FUND EQUITY	<u>24,735,160</u>	<u>26,389,050</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$38,391,136</u></u>	<u><u>\$37,271,619</u></u>

Source: Information for this appendix has been extracted from the audited financial statements of the Long Beach City School District. This summary itself has not been audited. Reference should be made to the complete audit reports on file at the School District office.

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Can be accessed on the Electronic Municipal Market Access (“EMMA”) website  
of the Municipal Securities Rulemaking Board (“MSRB”)  
at the following link:**

**<https://emma.msrb.org/ER1094485-ER856469-ER1257111.pdf>**

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

**\* Such Financial Statements and opinion are intended to be representative only as  
of the date thereof. Cullen & Danowski, LLP has not been requested by the District  
to further review and/or update such Financial Statements or opinion in connection  
with the preparation and dissemination of this Official Statement.**

FORM OF LEGAL OPINION

City School District of the City of Long Beach,  
 County of Nassau,  
 State of New York

City School District of the City of Long Beach, Nassau County, New York  
 \$29,080,000 School District Refunding (Serial) Bonds, 2017

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$29,080,000 School District Refunding (Serial) Bonds, 2017 (the "Obligations"), of the City School District of the City of Long Beach, County of Nassau, State of New York (the "Obligor"), dated December 28, 2017, issued in denominations equal to the respective amounts maturing in each year during the life of said obligations, bearing interest at the rates per annum, payable semi-annually on May 1 and November 1 in each year until maturity commencing May 1, 2018, and maturing on May 1 in each of the years as set forth below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$	%
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the corporate alternative minimum taxes, although we

observe that interest on the obligation is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP