

**VALLEY STREAM UNION FREE SCHOOL DISTRICT THIRTEEN  
NASSAU COUNTY, NEW YORK**

**REQUEST FOR PROPOSALS  
TO FINANCE AN ENERGY PERFORMANCE CONTRACT**

**Overview**

The Valley Stream Union Free School District Thirteen, Nassau County, New York (the "District"), is seeking proposals (the "Proposal") from qualified respondents to be a third party lessor to a lease purchase agreement with the District (the "Lease"), the proceeds of which will be used to finance equipment and related work for the implementation of energy conservation measures pursuant to an energy performance contract between the District and Honeywell International Inc.(the "Performance Contract"). The Performance Contract with Honeywell International Inc. was executed in January 2017 and amended in April 2018. NYSED approval is pending and expected prior to closing. The District's building aid ratio is 55.40%

The District seeks competitive proposals for a \$3,709,300 lease-purchase on the basis of a slightly less than 15-year term with maturity on February 1, 2033.

**Project Description**

The Project contemplates implementation of various energy saving measures including installation of equipment and related work (the "Equipment"). Energy conservation measures are to be installed in the following District buildings: Howell Road Elementary School, James A. Dever Elementary School, Wheeler Avenue Elementary School and Willow Road Elementary School. The energy conservation measures to be financed are set forth below.

<b>Equipment Measures by Category</b>	<b>Project Cost</b>
Lighting	\$ 642,811
Replace Air Handling Unit	638,479
Replace Domestic Hot Water Heater	71,640
Replace Pumps and Pump Motors	61,406
Install Pipe Insulation	9,007
Building Management System Upgrades	378,431
Desktop Computer Power Management	9,833
Install Solar Photovoltaic Systems	<u>1,897,692</u>
Total:	<u>\$3,709,300</u>

**Lease**

Any proposed Lease shall define the purpose and objective of the financing and the rights and obligations of each party to the financing. Further, the Lease will specify the applicable interest rate, as well as standard contractual terms and conditions. The form of the lease purchase agreement, and any related documents must be submitted with the proposal. Proposers must satisfy themselves that credit approval will be granted prior to submitting a proposal. All finance documents are subject to negotiation and modification by the District's counsel. All agreements and contractual conditions are required to conform with the laws of the State of New York, including but not limited to New York General Municipal Law, Local Finance Law, Education Law, Energy Law and the regulations of the New York State Education Department, the Commissioner of Education and the Office of the New York State Comptroller. The District's attorneys will review and approve all documents before consideration and/or approval by the Board of Education.

Lessor will be required to provide a form of standard lease purchase agreement and escrow agreement with proposal.

**Lease Assignment**

Assignment of the Lease and related documents by the successful proposer shall be subject to the prior, written consent of the District. The Lease must state that any assignment or transfer of the Lessor's interest shall not be effective until the District has received prior, written notice, signed by the Lessor, of the name, contact person,

address, telephone number and tax identification number of the proposed assignee and the District has given its consent in writing. No assignment will be valid unless the Lessor has received the District's prior, written consent.

### **Amount**

The amount to be financed under the Lease is \$3,709,300. Lessor shall be responsible for all fees of Lessor including legal, issuance, origination, commitment and closing costs. The District shall not incur or absorb any fees of Lessor related to Lessor's proposal, negotiations, closing or other activities related to this RFP or the proposed transaction. In the event that a transaction does not close because of the successful proposer's failure to meet the terms of this RFP, the successful proposer shall be responsible for any and all costs incurred by the District in connection with the failed transaction and its negotiation.

### **Specifications**

Interest Rate The Lease Proposal must provide interest rate terms for a lease-purchase option to mature on February 1, 2033 and shall state the interest rates under any options at which the proposing firm will provide the District with financing under the Lease. The Proposal must also cite the index and margin used in establishing the interest rates cited.

Prepayment: The Proposal must state that District will have the right, at its option, to prepay the principal portion outstanding on the Lease, in whole or in part, at any time following 30 days written notice to the Lessor. The Proposal must disclose additional fees and terms, if any, that are required upon the execution of this prepayment right, in addition to interest payable. The Proposal must also disclose how such amounts are to be calculated in the event that the District exercises its right of partial or whole prepayment. The proposal is to include an option to prepay without penalty.

Lease Payments The District will make periodic payments to the Lessor under the Lease. The Lease shall separately state the principal and interest component of the periodic payments to be made thereunder. The total of these payments, which include both principal and interest components made by the District each year throughout the term of the Lease, shall result in substantially level or declining annual debt service (without taking into account projected State aid or annual energy savings). Debt service payments shall be detailed in an amortization schedule prepared by the proposer and provided to the District with its Proposal. For illustrative purposes, please assume a closing date of June 13, 2018 when developing an amortization schedule. Thereafter, debt service payments will be made semiannually in arrears on each February 1<sup>st</sup> and August 1<sup>st</sup> with the first debt service payment to be an interest only payment on February 1, 2019. The first principal payment will be August 1, 2019 with subsequent payments of principal and interest to be made semiannually on each February 1 and August 1. Lessor shall provide a statement and thirty days notification prior to each payment due date.

The Proposal must state that the interest rate and other terms cited in the proposal will be good through the closing date. The Lease shall not become effective until the delivery of funds.

Term The Lease-Purchase Agreement is scheduled to close on June 13, 2018 and mature on February 1, 2033.

Escrow Upon closing, it is anticipated that lease proceeds will be deposited in an escrow account to be utilized over the course of project construction (the "Project Fund"). The escrow provider must be a bank or trust company located and authorized to do business in New York State (the "Escrow Agent"). Investment and collateralization of the moneys in such fund will be solely at the direction of the District and must be in compliance with the New York State General Municipal Law Sections 10 and 11 as well as District investment policy. The Escrow Agent shall be an agent of the District. The Project Fund shall be free of any security interest of the Escrow Agent.

1. At the option of the District, the moneys in the Project Fund may be held uninvested in the Project Fund. If invested, the Escrow Agent shall invest amounts on deposit in the Project Fund solely at the written direction of an Authorized Officer of the District. All investments made shall be subject to the following conditions:
  - (a) Such obligations shall be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or

redeemable in any event, at the option of the owner, within two years of the date of purchase. Any obligation that provides for the adjustment of its interest rate on set dates shall be deemed to be payable or redeemable for purposes of this paragraph on the date on which the principal amount can be recovered through demand by the holder thereof.

- (b) Such obligations, shall be registered or inscribed in the name of the District and shall be purchased through, delivered to and held in the custody of the Escrow Agent. Such obligations shall be purchased, sold or presented for redemption or payment by such Escrow Agent in obligations only in accordance with prior written authorization from an Authorized Officer. All such transactions shall be confirmed in writing to the District by the Escrow Agent.
2. All investments described above shall be made and ownership recorded in accordance with all applicable requirements of Section 10 and Section 11 of the General Municipal Law.
  3. The Escrow Agent will expressly acknowledge that the Lessee is not authorized to invest in mutual funds registered with the Securities Act of 1933, as amended and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, including no-load money market mutual funds limited to investments in obligations of or guaranteed by the United States of America or in obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, or any similar mutual fund or other money market or liquid deposit investment vehicles.
  4. Monies and investments in the Escrow Fund shall not be subject to levy, attachment or lien by or for the benefit of the Escrow Agent, or any creditor thereof.

Excess Proceeds In the event that there are excess proceeds available in the Project Fund at the end of the construction period, proceeds shall be transferred by the Escrow Agent to the Lessor and applied to the next succeeding lease payment and each lease payment thereafter until fully utilized. Such use of funds will not constitute lease prepayment and will not be subject to any administrative fees or charges.

UCC Filing The District will not provide a legal description for each District property in connection with this financing. In the event the winning bidder requires this information for the purposes of making a fixture filing pursuant to the applicable provisions of the Uniform Commercial Code, the winning bidder may obtain such information at its own effort and expense.

Warranties All manufacturers' warranties, expressed or implied with respect to the Equipment acquired shall be assigned by the Lessor to the District.

Annual Appropriation The annual lease payments are subject to appropriation each year by the Board of Education of the District.

Non-Funding/Executory Clause Pursuant to the General Municipal Law §109-b, and the Energy Law §9-103, the Lease-Purchase Agreement shall contain an executory clause which shall state that should payments not be appropriated by the District in any fiscal year; the District will not be obligated to pay the amounts due beyond the end of the last funded fiscal year and no liability on account thereof shall be incurred by the District beyond the amount of such monies. The financing contract is not a general obligation of the District. Neither the faith and credit nor the taxing powers of the District are pledged to the payment of any amount due or to become due under the financing contract. In the case of a failure to appropriate, the sole security under the Lease shall be the Equipment. In the event that no funds or insufficient funds are appropriated by the District to pay the Lease, the Equipment may be acquired and sold by or on behalf of the Lessor, provided that any excess proceeds from such a sale, after deduction for and payment of fees, expenses and any taxes levied on the sale, shall be paid to the District. Prior to the sale or seizure of such equipment, the District shall be provided adequate written notice, no less than ninety (90) days, to cure any default. Should such a sale or seizure take place there shall be no disruption to the District's operation to the extent possible.

**Financing Documents** Upon submission of the proposal and following notification of the award, the prospective Lessor must provide the District with a draft of its proposed financing documents, and notification of its credit approval for the transaction no later than **May 18, 2018**. All financing documents are subject to modification by District counsel. Closing is subject to successful negotiation and approval of all documents by counsel to the District. The District reserves the right to rescind any award due to failure of successful negotiation of the parties to agree to the terms and conditions thereof and to recover its costs in connection therewith. Closing is subject to final approval by the District Board of Education by resolution. The prospective Lessor is advised that the President of the Board of Education is the sole authorized representative of the District for the purpose of signing financing documents.

**Lease Termination** Upon termination of a Lease through exercise of Lessee's option to prepay or through payment by Lessee of all Rental Payments and other amounts due with respect to such particular Equipment, Lessor's security interest in such Equipment shall terminate, and Lessor shall execute and deliver to Lessee such documents as Lessee may reasonably request to evidence the termination of Lessor's security interest in such Equipment.

**Tax Status** The Lease shall qualify as a tax-exempt lease financing, that is, the interest component of the Lease will be exempt from Federal, New York State and, where applicable, New York City taxation. The Lease-Purchase Agreement will **not** be designated as "bank qualified" pursuant to Section 265(b)(3) of the Internal Revenue Code. The District will not defend or hold the Lessor harmless from any adverse changes in the tax status of the transaction, after tax yield or cash flows resulting from changes in the Federal or State tax codes or regulations.

**Credit Rating** The District is not currently rated by Moody's Investors Service or Standard and Poor's.

**Binding Authority** Each Proposal must be signed by an individual who is legally authorized to contractually bind the proposing firm.

**Financial Information** Links to select credit and project information may be found as follows:

- Energy Performance Contract and Amendment between the District and Honeywell International Inc. dated January 2017 and Amendment dated April 2018: <http://www.capmark.org/RFPs.html>
- Select credit information and summary of 5 years audited financial statements: [attached as Appendix A and Appendix B](#)
- 2018-2019 Proposed Budget: <http://valleystream13.com/wp-content/uploads/2018/02/2018-2019-Budget-Presentation-February-27-2018-1.pdf>

### **Evaluation Process**

During the evaluation process, the District reserves the right, where it may serve the District's best interest, to request additional information or clarifications from proposers, or to allow corrections of error or omissions.

### **Amendments to RFP**

Any verbal information obtained from or statements made by the representative of the District or its designee at the time of examination of the documents or site shall not be construed as, in any way, amending RFP documents or binding upon the District. Only such corrections or addenda that are issued in writing to all proposers shall become a part of the RFP. Any addendum issued during RFP process shall be included in the RFP response and become a part of any subsequent contract agreement.

### **Legal Requirements**

The Lease is required to conform to the laws of the State of New York, including, but not limited to, General Municipal Law, Local Finance Law, Education Law, Energy Law and regulations promulgated by the Commissioner of Education and the Office of the State Comptroller.

## Submission Requirements

In addition to submitting a completed **Proposal Response Form** as attached hereto, each proposing firm must include:

1. Examples of its prior experience with three (3) similar size lease financings for school districts in New York State;
2. Three references from jurisdictions that your firm has provided lease financing to in the past year in New York State; and
3. Any other information that would favor the use of your financial institution by the District.

Proposals are due by **11:00 a.m. on Wednesday, May 9, 2018** by e-mail to:

**Mr. Gerard Antoine**

Assistant Superintendent for Business  
and Human Resources

Valley Stream Union Free School District Thirteen  
Tel: 516-568-6110  
[gantoine@valleystream13.com](mailto:gantoine@valleystream13.com)

**Ms. Janet Morley**

Vice President

Capital Markets Advisors  
Tel: 516-570-0340  
[jmorley@capmark.org](mailto:jmorley@capmark.org)

Questions regarding this RFP may be directed to Janet Morley.

## Basis of Award

The District reserves the right, in its sole discretion, to reject any and all proposals, or any part thereof, received in response to this Request for Proposals, to waive formalities, to request additional information from any proposer, and to award and negotiate the terms of the contract with any proposer. The District intends to select the firm whose proposal is most advantageous to the District and meets the District's needs for this lease-purchase agreement, and not necessarily the firm with the lowest cost proposal. In determining which proposal is most advantageous and in the District's best interests, the District will evaluate, among other things, the overall financing cost (inclusive of any interest and fees) to the District, optional redemption provisions, responsiveness of each proposal to the terms of this RFP and applicable law, the terms and conditions of the proposed agreement, experience and reputation of the bidder in the State of New York. The District will not have any liability to any proposer for any costs or expenses incurred in connection with your response to the request for proposals.

All proposals shall be signed by an individual legally authorized to bind the proposing firm and the signer's name shall also be typed or printed to or under the signature together with his/her title or designation.

Following receipt of the completed proposals, tentative notification will be made to the prospective Lessor whose response best meets the District's needs and otherwise appears to meet the basis for award. It is expected that a formal award will be made by the Board of Education at its June 11th meeting. Note that the prospective Lessor must provide the District with a draft of its proposed financing documents, together with notification of credit approval in order for District officials to accept and grant final approval.

## Summary of Estimated Dates

RFP sent to providers:	May 2, 2018
Proposal and Response Form Due:	May 9, 2018 (by 11:00 a.m.)
Selected Lessor Tentatively Approved:	May 10, 2018 *
Credit Approval Completed:	May 18, 2018
Draft Documents Delivered:	May 18, 2018
District Board Meeting Date:	June 11, 2018 Lease approved
Closing of Lease:	June 13, 2018

\*Subject to formal award by Trustees of the Board of Education on June 11, 2018.  
The District reserves the right to modify these dates.

Thank you for your interest in Valley Stream #13 Schools.

**END OF RFP**

**PROPOSAL RESPONSE FORM**

May 9, 2018

Ladies and Gentlemen:

In response to Valley Stream Union Free School District Thirteen’s (the “District”) Request for Proposals (“RFP”), the undersigned, an authorized representative of \_\_\_\_\_ commits said firm to enter into a Lease-Purchase Agreement to provide the required refinancing of the project cost including equipment provided to the District by Honeywell International Inc. under an Energy Performance Contract. We understand that this Lease-Purchase Agreement is subject to the approval of the District’s Board of Education. The submission of this Response Form indicates that we have read the District’s RFP and are fully informed as to the extent and character of this request and we can satisfactorily comply with all specifications of the RFP.

We understand the District will repay our loan in periodic installments, including interest and all financing costs. We understand the lease-purchase shall be funded following the approval of the District’s Board of Education.

Our proposal, the terms of which are good through and including June 13, 2018, is as follows:

The principal amount of the lease will be: \$3,709,300

Lease Maturity will be: February 1, 2033

The interest rate on this loan will be: \_\_\_\_\_%

The index used to establish this interest rate is: \_\_\_\_\_

The margin added to the index to establish this interest rate is: \_\_\_\_\_

Prepayment Terms: \_\_\_\_\_

Lease payments will be payable on: \_\_\_\_\_

Other required fees, if any (please explain): \$ \_\_\_\_\_

\_\_\_\_\_

Proposing Firm: \_\_\_\_\_

Contact: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Tel.: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Attachments: Sample Lease and Escrow Documents**

## **THE DISTRICT**

### ***General Information***

The Valley Stream Union Free School District Thirteen provides elementary educational facilities (grades K-6) to residents of the District. Secondary educational facilities are provided to residents of the District (along with residents of Valley Stream Union Free School Districts 24 and 30) by the Valley Stream Central High School District. The District is located in the western portion of Nassau County within the Town of Hempstead. The District encompasses an area of approximately 4 square miles and has a population currently estimated at approximately 28,000. Portions of the incorporated Villages of Valley Stream and Malverne are located within the boundaries of the District.

The District is suburban in character and is composed primarily of residential properties. The District's close proximity to New York City (mid-town Manhattan is approximately 20 miles west of the District) affords residents of the District with many diverse employment opportunities.

The Long Island Railroad (MTA) provides commuter rail transportation to New York City as well as points east. Municipal bus lines connect with Jamaica, Mineola, Hempstead, Rockville Centre, Freeport and other surrounding communities. The District is traversed by Southern State Parkway which provides rapid parkway travel to the Metropolitan area and eastern Long Island. The District is also served by State, County, Town and Village road systems. Air transportation is provided by nearby John F. Kennedy International Airport and LaGuardia Airport.

The area is served by the Long Island Water and Jamaica Water Companies. Gas and electric services are supplied by the Long Island Power Authority and KeySpan. Police protection is supplied by the Nassau County Police Department and fire protection is supplied by local volunteer units. Sewage disposal is provided by Nassau County.

### ***District Organization***

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

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the 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 District Clerk and District Treasurer.

### ***Financial Organization***

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the Assistant Superintendent for Finance & Operations.

### ***Financial Statements and Accounting- Procedures***

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors, and are available for public inspection upon request.

***Budgetary Procedure***

The District’s fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District’s financial plan and enrollment projection are reviewed and updated and the first draft of the next year’s proposed budget is developed by the central office staff. During the winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors. The District’s budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See “*The Tax Levy Limit Law*” herein).

On May 16, 2017, a majority of the voters of the District approved the District’s budget for the 2017-2018 fiscal year. A summary of the District’s adopted budget for the 2017-2018 fiscal year may be found in Appendix B herein.

***School Enrollment History***

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

**School Enrollment Trends**

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Enrollment</u>
2014	2,117
2015	2,120
2016	2,048
2017	2,049
2018	2,089

Source: District records.

***District Facilities***

The District operates the following schools:

**School Statistics**

<u>Name</u>	<u>Capacity</u>	<u>Year Built</u>	<u>School Type</u>
James A. Dever School	650	1950	K-6
Howell Road School	775	1952	K-6
Wheeler Avenue School	775	1925	1-6
Willow Road School	800	1952	K-6

Source: District records.

## ***Employees***

The District provides services through approximately 378 full and part-time employees who are represented by the following units of organized labor.

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
194	Valley Stream Teachers Association	6/30/19
10	Valley Stream Teachers Association (Teaching Assistants)	6/30/19
17	Valley Stream Teachers Association (Clerical Unit)	6/30/19
4	Valley Stream Teachers Association (Registered Nurses)	6/30/20
70	Valley Stream Teachers Association (Classroom/Media Aides)	6/30/22
18	SEIU Local 144 (AFL-CIO) Custodial	6/30/18
4	Valley Stream Council of Elementary Administrators	6/30/15 <sup>(1)</sup>
57	Non-Union	---

(1) Contract negotiations are currently in progress.

## ***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 V. 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 Chapter 18 of the Laws of 2012, which legislation provides for a new Tier VI for employees hired after April 1, 2012. The Division of the Budget estimates the new tier will save the State and local governments outside of New York City \$80 billion over the next 30 years. The new pension tier has progressive contribution rates between 3% and 6%; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier VI, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee’s pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

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 otherwise 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 (“SRS”), the employer contribution rates for required pension contributions to the SRS have increased. To help mitigate the impact of such increases, legislation was enacted that permitted local governments to amortize a portion of such contributions. Under such legislation, local governments that choose to amortize will be required to set aside and reserve funds with the SRS for certain future rate increases. The District has not amortized any of its employer pension payments in the past and has no plans to amortize such contributions in the future.

Contribution rates for TRS and ERS increased significantly commencing with the 2010-11 fiscal year of the retirement system. Average rates for TRS increased from 8.62% in 2010-11 to 11.11% for 2011-12; 11.84% for 2012-13; and are anticipated to increase between 15.50% and 16.50% for 2013-14. Future contribution rates will be affected by the investment performance of the TRS and ERS portfolio.

As part of the 2013-14 State budget a pension smoothing option was introduced that would let school districts amortize over seven years some of the upcoming pension cost spikes precipitated by the 2008 financial crisis and high pension costs in general for teachers across the State. The plan, which was approved in Governor Cuomo’s 2013-14 budget would let districts next year contribute 14.13% of employee costs toward pensions rather than the 16.25% currently required, which is up from the current 11.8% rate.

### ***Other Post Employment Benefits***

Recently enacted accounting rule, 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.

The District is in compliance with the requirements of GASB 45. The District has determined that its actuarial accrued liability (“AAL”) for OPEB as of July 1, 2016 was \$34,728,731. For the year ended June 30, 2017, the District's ARC was \$2,982,063. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund their unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both.

### ***Investment Policy Permitted Investments***

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit moneys in banks and trust company located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

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

The Board of Education has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

## **FINANCIAL FACTORS**

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2017 is contained in Appendix B, attached hereto. As reflected in Appendix B attached hereto, 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.

### ***Real Property Taxes***

The District derives the major portion of its revenues from a tax on real property (See "*Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund*" in Appendix B, herein). On June 24, 2011, Chapter 97 of the Laws of 2011 was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. (See "*The Tax Levy Limit Law*" herein). Property taxes accounted for 63.3% of total general fund revenues for the fiscal year ended June 30, 2017, while State aid accounted for 23.0%.

The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years, and real property tax revenue budgeted for the current fiscal year.

**Property Taxes**

<u>Fiscal Year</u>	<u>Total Revenues</u> <sup>(1)</sup>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues</u>
2013	\$ 41,365,428	\$ 26,431,635	63.9%
2014	43,031,692	27,546,204	64.0
2015	44,079,955	28,444,859	64.5
2016	45,810,155	28,708,605	62.7
2017	46,622,001	29,506,816	63.3
2018 (Adopted)	47,966,963	30,154,555	62.9

(1) General Fund only.

Source: Audited Financial Statements and Adopted Budget of the District. This summary is not audited.

***State Aid***

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, 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 Districts can be paid only if the State has such monies available for such payment.

The following table sets forth total general fund revenues and State aid revenues during the last five audited fiscal years, and State aid revenue budgeted for the current fiscal year.

**State Aid**

<u>Fiscal Year Ended June 30:</u>	<u>Total Revenues</u> <sup>(1)</sup>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2013	\$ 41,365,428	\$ 8,824,161	21.3%
2014	43,031,692	9,470,667	22.0
2015	44,079,955	9,304,842	21.1
2016	45,810,155	10,406,353	22.7
2017	46,622,001	10,719,025	23.0
2018 (Adopted)	47,966,963	11,368,374	23.7

(1) General Fund only.

Source: Audited Financial Statements and Adopted Budget of the District. This summary is not audited.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See “STAR – School Tax Exemption” herein). The District has received timely STAR aid from the State for the current fiscal year.

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 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 or other circumstances including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore.

*Potential reductions in Federal aid received by the State.* The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

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

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

Should the 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 or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

*Litigation regarding apportionment of State aid.* In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER v. State of New York* has been filed recently on behalf of the State's public school students and is scheduled to be heard on appeal on May 30, 2017. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE v. State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER's claims that students in New York City and Syracuse

are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

### ***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.

### ***General Fund Operations***

Appendix B sets forth the General Fund operations for the last five fiscal years which are derived from the District's General Purpose Financial Statements on file in the Superintendent's office.

### ***Independent Audits***

The District retained the firm of D'Arcangelo & Co., LLP to audit its financial statements for the fiscal year ended June 30, 2017. Appendix B to this Official Statement presents excerpts from the District's most recent audited reports covering the last five fiscal years. In addition, the District is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. The District's General Purpose Financial Statements for the fiscal year ended June 30, 2017 are available upon request to the District's Municipal Advisor.

### ***Other Revenues***

In addition to property taxes and State Aid, the District receives other revenues from miscellaneous sources as shown in Appendix B.

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

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

The most current applicable report of the State Comptroller designates the District as "No Designation."

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

## TAX INFORMATION

### *Real Property Tax Assessment and Rates*

The following is the Real Property Tax Assessment and Rates for the last five fiscal years ending June 30:

#### Real Property Tax Assessment and Rates

	<u>2016</u>	<u>2017</u>
Assessed Value	\$ 8,217,602	\$ 7,586,230
Equalization Rate	0.29	0.28
Full Value	28,336,559	27,093,678
Tax Levy:		
General Fund	\$34,397,580	\$34,896,345
CHSD <sup>(1)</sup>	<u>33,986,539</u>	<u>35,646,535</u>
Total	\$68,384,119	\$70,542,880
Tax Rate <sup>(2)</sup> :		
General Fund	46.68	48.65
CHSD <sup>(1)</sup>	<u>45.01</u>	<u>49.70</u>
Total	91.69	98.35
Uncollected Taxes	None	None

(1) Valley Stream Central High School District

(2) Per \$1,000 Assessed Value.

Source: Office of the State Comptroller, and the District's Office of the Assistant Superintendent for Finance and Operations.

### *Tax Limit*

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year. However, the Tax Levy Limit Law imposes a statutory limit on the amount of real property taxes that a school district may levy. (See "*The Tax Levy Limit Law*" herein).

### *The Tax Levy Limit Law*

Chapter 97 of the Laws of 2011, as amended, (herein referred to as the "Tax Levy Limit Law" or "Law") modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy 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").

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, including the

Notes, and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

### ***Real Property Tax Rebate***

Chapter 59 of the Laws of 2014 (“Chapter 59”) included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved “government efficiency plan” which demonstrated three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 (“Chapter 20”) introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer’s personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district’s compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the “Big 4” cities 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 Chapter 97.

While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

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

In Nassau County, property taxes for the school districts are levied by the County, and are collected by the town tax receivers. Such taxes are due and payable in equal installments on October 1 and April 1, but may be paid without penalty by November 10 and May 10, respectively. The town tax receiver pays to each school district the amounts collected therefore on the first day of each month from October 1 to June 1. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable. A 1% discount for prepayment of second half taxes is given if received by November 10. Any such discount is a town charge.

The school districts receive their full levies before the end of their fiscal years. Uncollected amounts are not segregated by the town tax receiver, and any deficiency in tax collection is the County's liability.

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

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from

the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget includes changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

Approximately 15% of the District’s 2016-2017 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 14% of the District’s 2017-2018 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. (See “State Aid” herein.)

***Ten of the Largest Taxpayers***

The following table presents the taxable assessments of ten of the District’s largest taxpayers for the 2017-2018 fiscal year.

<u><b>Taxable Assessments</b></u>			
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Broadval LLC	Real Estate	\$ 180,507	2.46%
Serota Valley Stream LLC	Real Estate	83,744	1.14
Dogwood Plaza LLC	Retail	35,043	0.48
Joanvc LLC	Retail	25,812	0.35
Crescent Association LLC	Apartments	25,569	0.35
Franklin Square Realty	Shopping Center	25,503	0.35
SIMCO Management Co. LLC	Real Estate	23,200	0.32
Dantuono Realty Corp.	Real Estate	22,098	0.30
Marshel Management Corp.	Hotel	20,915	0.29
Franklin Square 2001 LLC	Shopping Center	<u>19,523</u>	<u>0.27</u>
Totals		<u>\$461,914</u>	<u>6.29%</u>

(1) The District’s assessed value for the 2017-2018 fiscal year is \$7,348,350.  
Source: County Assessment Rolls.

## DISTRICT INDEBTEDNESS

### ***Constitutional and Statutory Requirements***

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

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

The District may contract indebtedness only for a 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 period of probable usefulness of the object or purpose determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The 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, bond anticipation notes and capital notes.

***General.*** The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. (See “*The Tax Levy Limit Law*” herein).

### ***Statutory Procedure***

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

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

***Debt Limit.*** Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of 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 Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

### ***Trend of Outstanding Indebtedness***

The following table provides information relating to direct capital indebtedness outstanding for each of the last five fiscal years ending June 30:

	<b><u>Direct Capital Indebtedness Outstanding</u></b>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
New York State Authority Loan	\$128,668	\$105,012	\$81,038	\$56,867	\$ 32,542
EPC Lease	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,537,334</u>
Totals	<u>\$128,668</u>	<u>\$105,012</u>	<u>\$81,038</u>	<u>\$56,867</u>	<u>\$4,569,876</u>

Source: Audited Financial Statements of the District. This summary is not audited.

### ***Operating Leases***

The District entered into an energy performance contract with the New York State Public Power Authority in 2004. Payments to the authority total \$24,655 per year through September of 2018.

## **ECONOMIC AND DEMOGRAPHIC DATA**

### ***Population***

The District estimates its population to be approximately 28,000. The following table presents population trends for the Town, County and State, based upon recent census data. Data provided below is not necessarily representative of the District.

	<b><u>Population Trend</u></b>			Percentage Change
	<u>2000</u>	<u>2010</u>		<u>2000/2010</u>
Town	211,792	213,603		0.9%
County	1,334,544	1,339,532		3.7
State	18,976,457	19,378,102		2.1

Source: US Census Bureau, State Data Center

### ***Employment and Unemployment***

The following tables provide information concerning employment and unemployment in the Town, County, and State. Data provided below is not necessarily representative of the District.

	<b><u>Civilian Labor Force</u></b>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town	398,300	393,200	400,100	401,300	403,300
County	697,100	688,800	701,600	704,600	708,000
State	9,659,200	9,591,300	9,644,600	9,668,700	9,704,700

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

Unemployment rates are not compiled for the District, but are available for the Town, County and State. Data provided below is not necessarily representative of the District.

**Yearly Average Unemployment Rates**

<u>Year</u>	<u>Town</u>	<u>County</u>	<u>State</u>
2013	6.2%	5.9%	7.7%
2014	5.0	4.8	6.3
2015	4.4	4.2	5.3
2016	4.1	3.9	4.8
2017	4.3	4.1	4.7

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

**Monthly Unemployment Rates**

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
April 2017	3.9%	3.8%	4.4%
May	4.1	3.9	4.4
June	4.4	4.2	4.6
July	4.6	4.4	4.9
August	4.6	4.4	4.9
September	4.4	4.2	4.6
October	4.3	4.1	4.4
November	4.3	4.1	4.4
December	4.2	4.0	4.4
January 2018	4.8	4.5	5.1
February	4.9	4.7	5.1
March	4.4	4.2	4.8

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

**End of Appendix A**

**Valley Stream UFSD #13**  
**NASSAU COUNTY, NEW YORK**  
 Adopted Budgets - General Fund  
 Fiscal Year ending May 31:

	<u>2018</u>	<u>2019*</u>
Revenues:		
Real Property Tax	\$ 35,479,114	\$ 36,380,283
Other Property Tax Items		
Non-Property Taxes	502,976	497,875
Departmental Income	152,000	127,000
Intergovernmental Charges	200,000	290,000
Use of Money and Property		
Licenses and Permits		
Fines and Forfeitures		
Sale of Property and Compensation for Loss		
Miscellaneous	264,499	264,500
State Aid	11,368,374	12,061,722
Federal Aid		
Transfers In		
Appropriated Fund Balance	<u>1,875,000</u>	<u>1,875,000</u>
<b>Total Revenues</b>	<b><u><u>\$ 49,841,963</u></u></b>	<b><u><u>\$ 51,496,380</u></u></b>
Expenditures:		
General Government Support	\$ 4,454,536	\$ 4,839,792
Instruction	30,568,937	31,400,935
Public Safety		
Health		
Transportation	2,388,426	2,529,057
Economic Assistance		
Culture and Recreation	107,053	107,053
Home & Community Services		
Employee Benefits	10,681,317	11,033,188
Debt Service	1,641,694	1,586,355
Interfund Transfers		
<b>Total Expenditures</b>	<b><u><u>\$ 49,841,963</u></u></b>	<b><u><u>\$ 51,496,380</u></u></b>

\* Proposed

Source: Adopted and Proposed Budgets of the District.

**Valley Stream UFSD #13**  
**NASSAU COUNTY, NEW YORK**  
Balance Sheet  
General Fund  
Fiscal Year Ended May 31:

	<u>2016</u>	<u>2017</u>
Assets and Other Debits		
Assets:		
Cash and Equivalents	\$ 13,973,452	\$ 14,373,317
Investments		
Taxes Receivable, net of allowances	1,405,199	1,646,866
Accounts Receivable		
State and Federal Aid, net of allowances		
Due From Other Governments	586,914	530,788
Due From LDG		
Other Funds		
Due From Other Funds	1,224,323	2,846,146
Net Pension Asset Share		
Other Receivables	31,391	164,720
Prepaid Expenditures		
	<hr/>	<hr/>
Total Assets	<u>\$ 17,221,279</u>	<u>\$ 19,561,837</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable	\$ 332,891	\$ 206,687
Accrued Liabilities	200,000	168,825
BANs		
Other Liabilities		
Noncurrent Liabilities		
Due To Other Funds	1,228,183	1,846,055
Due To Retirement System	3,112,537	2,902,828
Unassigned Fund Balance	-	-
Due to Other Governments	964,840	1,952,117
Unearned Revenues	-	-
Compensated Absences	1,015,902	860,238
Other OPEB		
Workers' Compensation		
Deferred Revenues		
Net Pension Asset Share		
Lease Payable		
Notes Payable		
	<hr/>	<hr/>
Total Liabilities	<u>\$ 6,854,353</u>	<u>\$ 7,936,750</u>
Deferred Inflows of Resources		
Deferred Outflows of Resources		
Fund Equity and Other Credits:		
Reserved for:		
Nonspendable		
Investment in Capital Assets		
Restricted	\$ 6,507,209	\$ 6,524,087
Unrestricted	1,932,504	-
Assigned		1,893,813
Unassigned	1,927,213	3,207,187
	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>\$ 10,366,926</u>	<u>\$ 11,625,087</u>
Total Liabilities and Fund Balance	<u>\$ 17,221,279</u>	<u>\$ 19,561,837</u>

Source: Audited Financial Statements of the Village.

**Valley Stream UFSD #13**  
**NASSAU COUNTY, NEW YORK**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
Fiscal Year Ended May 31:

REVENUES	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Real Property Taxes	26,431,635	\$ 27,546,204	\$ 28,444,859	28,708,605	\$ 29,506,816
Other Tax Items	22,693	21,842	22,719	554,289	512,176
School Tax Relief Reimbursement	5,613,738	5,761,488	5,673,674		5,423,567
Non-Property Taxes				5,724,382	
Departmental Income					
Intergovernmental Charges	52,885	8,331		61,581	133,040
Use of Money and Property	41,507	28,141	32,209	33,252	50,138
Licenses and Permits					
Fines and Forfeitures	1,200	1,000	2,200		
Sale of Property and Compensation for loss	27,500	732	250	4,737	9,645
State Aid	8,824,161	9,470,667	9,304,842	10,406,353	10,719,025
Federal Aid	39,937	78,982	99,391	64,151	87,531
Miscellaneous	310,172	114,305	499,811	252,805	180,063
<b>Total Revenues</b>	<u>\$ 41,365,428</u>	<u>\$ 43,031,692</u>	<u>\$ 44,079,955</u>	<u>\$ 45,810,155</u>	<u>\$ 46,622,001</u>
<b>EXPENDITURES</b>					
General Government Support	\$ 3,828,304	\$3,991,054	\$ 4,060,856	\$ 4,160,294	\$ 3,884,687
Instruction	26,087,860	26,308,943	26,956,773	27,412,028	27,792,411
Public Safety					
Health					
Transportation	2,011,874	2,064,250	2,239,483	2,217,294	2,373,216
Economic Opportunity and Development					
Culture and Recreation					
Home and Community Services	61,653	54,977	63,896	59,602	58,698
Employee Benefits	8,723,958	9,860,663	10,160,277	9,752,576	10,011,156
Provided to (from) other funds					
Debt Service	24,821	26,744	461,774	461,707	461,768
<b>Total Expenditures</b>	<u>\$ 40,738,470</u>	<u>\$ 42,306,631</u>	<u>\$ 43,943,059</u>	<u>\$ 44,063,501</u>	<u>\$ 44,581,936</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>\$ 626,958</u>	<u>\$ 725,061</u>	<u>\$ 136,896</u>	<u>\$ 1,746,654</u>	<u>\$ 2,040,065</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In				(707,649)	
Bond Anticipation Notes Issued					
Bonds Issued					
Operating Transfers Out	(576,080)	(536,805)	(640,258)		(781,904)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (576,080)</u>	<u>\$ (536,805)</u>	<u>\$ (640,258)</u>	<u>\$ (707,649)</u>	<u>\$ (781,904)</u>
<b>Excess (Def) of Revenues and Other Sources Over Expenditures and Other Uses</b>	50,878	188,256	(503,362)	1,039,005	1,258,161
Prior Period Adjustment					
GASB 73 Adjustment					
Fund Balance Beginning of Year	\$ 9,592,149	\$ 9,643,027	\$ 9,831,283	\$ 9,327,921	\$ 10,366,926
Fund Balance End of Year	<u>\$ 9,643,027</u>	<u>\$ 9,831,283</u>	<u>\$ 9,327,921</u>	<u>\$ 10,366,926</u>	<u>\$ 11,625,087</u>

Source: Audited Financial Statements of the Village.