TO: Jack D. Homkow, Director, Office of Environmental Affairs
FROM: Robert S. Derico, R.A., Senior Environmental Manager
DATE: June 19, 2017
RE: State Environmental Quality Review (SEQR) Type II Determination for The Board of Cooperative Educational Services for the Sole Supervisory District of Nassau County – Refunding of Existing Debt, Garden City, Nassau County, New York

Description of Proposed Action and Proposed Project. Board of Cooperative Educational Services for the Sole Supervisory District of Nassau County (“Nassau BOCES”) has requested financing from DASNY (“Dormitory Authority State of New York”) for its Refunding of Existing Debt (collectively, the “Proposed Project”). Based on a review of the attached Single Approval Credit Summary, dated June 9, 2017, it has been determined that the Proposed Action would involve DASNY’s refunding of a not to exceed amount of $14,000,000 of tax-exempt, fixed-rate Series 2017 Bonds expected to be sold through a negotiated offering on behalf of Nassau BOCES under DASNY’s BOCES Program. The term of the refunding bonds will not exceed the term of the bonds being refunded.

More specifically, the proceeds from the Series 2017 bond issue or issues would be used for the Proposed Project, which would consist of the advanced refunding of all or a portion of the outstanding DASNY’s Master BOCES Program Lease Revenue Bonds (Nassau Issue), Series 2009 ($12.8 million).

Institution. The ability to create a Board of Cooperative Educational Services (“BOCES”) was first established in 1948 and is found in Section 1950 of the State Education Law. The legislation was designed to enable school districts to combine their resources to provide services that otherwise would have been uneconomical, inefficient or unavailable. A BOCES is formed by the school districts of a supervisory district for the purpose of providing various educational services for such school districts on a cooperative or shared basis, which services may either be too expensive or duplicative for each school district to provide for itself. A BOCES is usually formed by an order of the Commissioner of Education after a petition has been made requesting the establishment of the BOCES by the respective Boards of Education of the various school districts to be included in the proposed BOCES. The decision to establish a BOCES is not subject to voter approval.
Section 1689 of the Public Authorities Law (the “Act”) authorizes DASNY, upon application from a BOCES, to construct, acquire, reconstruct and furnish and equip BOCES facilities. In addition, pursuant to the Act, DASNY is authorized to issue bonds and notes to obtain funds for the purposes of Section 1689. At present, there are 37 BOCES incorporating all but nine of the 696 school districts in the State. BOCES membership is not available to the five large city school districts in the State: New York City, Buffalo, Rochester, Yonkers and Syracuse.

**SEQR Determination.** DASNY completed this environmental review in accordance with the State Environmental Quality Review Act (“SEQRA”), codified at Article 8 of the New York Environmental Conservation Law (“ECL”), and its implementing regulations, promulgated at Part 617 of Title 6 of the New York Codes, Rules and Regulations (“N.Y.C.R.R.”), which collectively contain the requirements for the State Environmental Quality Review (“SEQR”) process. The refunding of existing debt is a Type II action as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(2) of SEQR. Type II “actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under Environmental Conservation Law, article 8.” Therefore, no further SEQR determination or procedure is required for any component of the Proposed Action identified as Type II.

The Proposed Action was also reviewed in conformance with the New York State Historic Preservation Act of 1980 (“SHPA”), especially the implementing regulations of section 14.09 of the Parks, Recreation and Historic Preservation Law (“PRHPL”), as well as with the requirements of the Memorandum of Understanding (“MOU”), dated March 18, 1998, between DASNY and the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”). In compliance with Article III, Section 3.0 of the MOU, OPRHP would be notified of the Proposed Project being funded with bond proceeds. It is the opinion of DASNY that the Proposed Action would have no impact on historical or cultural resources in or eligible for inclusion in the National and/or State Registers of Historic Places.

Attachment

cc: Deborah J. Paden, Esq.
Sara P. Richards, Esq.
Cheryl E. Sarjeant, Esq.
Stephen J. Kosier
SEQR File
OPRHP File
Single Approval Credit Summary

Nassau County BOCES
Master BOCES Program Lease Revenue Bonds

Program: BOCES
Purpose: Refunding

New Issue Details
Approximately $10,690,000 of tax exempt, fixed rate Series 2017 Bonds are expected to be sold through a negotiated offering on behalf of The Board of Cooperative Educational Services for the Sole Supervisory District of Nassau County ("Nassau BOCES"). The term of the refunding bonds will not exceed the term of the bonds being refunded.
- Underwriter – M&T Securities, Inc.
- Bond Counsel – Bryant Rabbino LLP
- Underwriter’s Counsel – Trespasz & Marquardt, LLP

Purpose
- Advance refund all or a portion of the outstanding DASNY’s Master BOCES Program Lease Revenue Bonds (Nassau Issue), Series 2009 ($12.8 million).

Security
- Annual rental payments to be made pursuant to a Lease Agreement with Nassau BOCES.
- Direct intercept, through the State Comptroller, of any State aid due Nassau BOCES for rental payments on the DASNY Lease Agreement.
- Pledge of public funds apportioned by the State due to Nassau BOCES in an amount sufficient to pay such rental payments, subordinate to pledges granted in connection with other outstanding Nassau BOCES DASNY bonds.
- Debt Service Reserve Fund and/or Reserve Fund Facility equal to one-half maximum annual debt service.
- Bond insurance may be considered depending on its availability and economic efficiency.

Expected Ratings: Aa2/NR/NR

Overview
The ability to create a Board of Cooperative Educational Services ("BOCES") was first established in 1948 and is found in Section 1950 of the State Education Law. The legislation was designed to enable school districts to combine their resources to provide services that otherwise would have been uneconomical, inefficient or unavailable. A BOCES is formed by the school districts of a supervisory district for the purpose of providing various educational services for such school districts on a cooperative or shared basis, which services may either be too expensive or duplicative for each school district to provide for itself. A BOCES is usually formed by an order of the Commissioner of Education after a petition has been made requesting the establishment of the BOCES by the respective Boards of Education of the various school districts to be included in the proposed BOCES. The decision to establish a BOCES is not subject to voter approval.

Section 1689 of the Public Authorities Law (the "Act") authorizes DASNY, upon application from a BOCES, to construct, acquire, reconstruct and furnish and equip BOCES facilities. In addition, pursuant to the Act, DASNY is authorized to issue bonds and notes to obtain funds for the purposes of Section 1689.

Description of the Series 2017 Bonds
- The bonds are a special obligation of DASNY.
- The bonds are payable from payments made by Nassau BOCES under a Lease and Agreement with DASNY and funds and accounts established under the Resolution.
- The Lease and Agreement is a general obligation of Nassau BOCES. Amounts received from the State pursuant to the direct payment mechanism are credited against the BOCES payment obligations under the Lease and Agreement.

Approvals
- SEQR Filing – June 19, 2017*
- PACB Approval – June 21, 2017*
*Anticipated date.

Strengths
- Savings - The refunding is expected to result in net present value savings of approximately $826,000, or 6.9% of the bonds being refunded.
- Direct Intercept of State Aid - A financing structure that includes State Aid for the payment of debt service on the proposed bonds and the direct statutory payment of State Aid by the Comptroller.
- State Support - The State has made appropriations to the BOCES program in each year since 1949 when the program was initiated.
## Risks / Challenges

- **State Appropriation** - The potential for changes in State Aid formulas relative to the financial support of BOCES and a reduction or delay of State Aid to component districts.

## Recommendation

The attached staff report recommends that the Board adopt the necessary documents for a bond issue in an amount not to exceed $14,000,000 on behalf of Nassau BOCES. The not to exceed amount allows for the funding of a debt service reserve fund with bond proceeds and pricing the bonds with a par structure.
Nassau County BOCES

THE BOCES PROGRAM: The ability to create a Board of Cooperative Educational Services (BOCES) was first established in 1948 and is found in Section 1950 of the State Education Law. The legislation was aimed at enabling small rural school districts to combine their resources to provide services that otherwise would have been uneconomical, inefficient or unavailable.

A BOCES is formed by the school districts of a supervisory district for the purpose of providing various educational services for such school districts on a cooperative or shared basis, which services may either be too expensive or duplicative for each school district to provide for itself. A BOCES is usually formed by an order of the Commissioner of Education (the "Commissioner") after a petition has been made requesting the establishment of the BOCES by the respective Boards of Education of the various school districts to be included in the proposed BOCES. The decision to establish a BOCES is not subject to voter approval.

The number of school districts comprising an individual BOCES varies. In each case, the territory within which each BOCES operates encompasses the territory of its component school districts. A school district may decide to join an established BOCES by vote of its board of education without voter approval. School districts may not withdraw from a BOCES and are obligated to pay its share of BOCES administrative expenses (including the "Rentals" due to DASNY under an applicable agreement). Rentals include amounts sufficient to pay principal and interest on the DASNY bonds as well as additional fees and expenses of DASNY and the Trustee.

Once formed by the Commissioner, a BOCES is governed by a Board, whose members are elected by the boards of education of the component school districts. A Board consists of five to fifteen members. Members of each BOCES Board are elected at such BOCES annual meeting and serve for terms of three years.

At present, there are 37 BOCES incorporating all but nine of the 696 school districts in the State. BOCES membership is not available to the five large city school districts in the State: New York City, Buffalo, Rochester, Yonkers and Syracuse.

BOCES Programs: BOCES provide a wide variety of programs and services, which include General Education (including summer school), Career Education (including vocational training in agriculture, distributive education, health, home economics, business and office programs, technical education and trade, industrial and service education), Special Education (educational services for children with special needs), Management and Instructional Services, Education in the Arts, and Environmental Education.

Each BOCES is authorized to provide such program services as the Commissioner may approve and must provide any educational service that is (a) requested by the component school districts and (b) approved by the Commissioner, who first determines that the proposed program meets an education need and can most effectively be provided on a regional, rather than local, level.

BOCES Funding: A BOCES has no taxing authority and except for certain Federal grants and payments for services rendered under certain contracts with public agencies, colleges and other entities, derives all of its financial support for operations from its component school districts and the State. State Aid is paid to the BOCES, and then is to be paid by the BOCES to the component school districts to partially reimburse them for payments made to the BOCES, based upon the amount paid by the component school districts for program services and administrative and facilities expenses. The component school districts pay for these expenses through real property tax levies. Program services are funded by component school districts based on the district's participation in a specific program. Administrative expenses of a BOCES (including Rentals due to DASNY under an applicable agreement), as well as facilities expenses for capital projects not funded through surpluses are shared on a pro rata apportioned basis (based on attendance or enrollment formulas or property values) by the component school districts. All State Aid payable to a BOCES, including services aid and facilities aid, as well as administrative aid, is available to be applied to pay its applicable Rentals.

All component school districts are required to pay their allocable share of the BOCES administrative expenses notwithstanding that they may elect not to participate in any of the BOCES educational programs. The component school district boards vote on the BOCES administrative budget each spring; however, the portion of the budget allocated to payments to DASNY are not subject to such vote. The State Comptroller is required by law to deduct amounts due and payable to DASNY from any State Aid to become due to the BOCES and pay it to or upon the order of DASNY.
The State has made appropriations to the BOCES program in each year since 1949 when the program was initiated. While the BOCES program has received State Aid in each year since its inception, both the determination of the amount of State Aid and the apportionment of such State Aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State Aid and the formulas which determine the amount of State aid payable to BOCES.

BORROWER: The Board of Cooperative Educational Services for the Sole Supervisory District of Nassau County ("Nassau BOCES" or the "Borrower") was established on January 19, 1967. Nassau BOCES is the largest BOCES in New York State. It provides services to Nassau County’s 56 school districts that together have more than 300 schools and approximately 200,000 students. Nassau BOCES carries out its programs through a nine-member board and a staff of approximately 2,200 salaried staff members, supplemented by approximately 500 hourly and/or daily employees. Nassau BOCES occupies approximately 1.1 million square feet in eight buildings that it owns, four buildings leased in their entirety from local school districts, and portions of buildings and individual classrooms in local school buildings pursuant to a number of leases. Nassau BOCES is made up of the seven departments described below.

Business Services – Comprises all of the functions related to the financial management of Nassau BOCES, including accounting, budgeting, payroll, billing, purchasing, and food services.

Curriculum, Instruction and Technology – Integrates the areas of curriculum, instruction, administration, and technology. Provides districts with curriculum development, improvement of instructional practices and assessments, data analysis, online learning, video-conferencing, technology integration and professional development.

Facilities Services – Provides facility-related services including cleaning and maintaining buildings, grounds keeping, event setup, security, and overseeing facets of the Nassau BOCES capital construction program.

Human Resources – Manages the recruitment, hiring and retention of Nassau BOCES personnel and provides support to all Nassau BOCES departments in employee relations, staff development and other human resources concerns.

Regional Schools and Instructional Programs – Provides a range of educational programs from career education for high school students to job training for adults and specialized services for adults with disabilities.

Special Education – Diversified programs serving students with moderate to severe learning, emotional, behavioral, physical vision, hearing and developmental disabilities. This department also provides support services to help districts meet more of their special education students’ needs in their own schools.

Strategic Initiatives – Leads the planning, execution and follow through of Nassau BOCES’ strategic goals by working closely with other departments, the 56 component districts, local municipalities, community based organizations and other groups.

DASNY FINANCING HISTORY: DASNY has issued four series of bonds, totaling $91,820,000, on behalf of Nassau BOCES. As of March 31, 2017, the Borrower’s Series 2009 Bonds ($12,800,000) and Series 2011 Bonds ($14,490,000) remain outstanding.

Since 2001, DASNY has issued approximately $393.9 million in bonds on behalf of various BOCES borrowers. As of March 31, 2017, $145.2 million remained outstanding. All BOCES borrowers, including Nassau BOCES, have always met their obligations to DASNY on time and in full.

THE REFUNDING PLAN: Series 2017 Bonds are expected to be issued to advance refund all or a portion of the outstanding Master BOCES Program Lease Revenue Bonds (Nassau County Issue), Series 2009. The bonds to be refunded are callable on or after August 15, 2019.

Attachment I provides the savings analysis of the refunding. The refunding is expected to result in net present value savings of approximately $826,000, or 6.9% of the bonds to be refunded. The final maturity of the refunding bonds will not exceed the maturity date of the bonds to be refunded.

FINANCING DETAILS: The refunding will require an escrow deposit of approximately $12.8 million. Financing costs, including underwriter's discount and a surety bond fee to acquire a reserve fund facility or surety bond to satisfy the debt service reserve fund requirement, are estimated at
$362,000. Amounts on deposit in the Series 2009 Debt Service Reserve Fund, of approximately $720,000, will be available for the refunding escrow deposit. Approximately $10.7 million of Series 2017 Bonds are expected to be issued along with approximately $1.7 million in premium issuance. Attachment II presents a schedule of the estimated Sources and Uses of Funds. If the debt service reserve fund requirement for the Series 2017 Bonds were to be funded with bond proceeds, additional issuance of approximately $700,000 would be required. The debt service reserve fund requirement may be met by obtaining a surety bond.

**Security Provisions:** Payment of the debt service on the bonds will be secured by a lease agreement (the "Lease") between the Borrower and DASNY and a debt service reserve fund and/or reserve fund facility equal to one-half maximum annual debt service. The Lease will be a general obligation of the Borrower. Under the Lease, the Borrower will pay annual Rentals and assign and pledge to DASNY a sufficient portion of public funds that are apportioned or otherwise payable to the Borrower for approved costs incurred during the prior year. This pledge will be subordinate to any pledges granted in connection with any outstanding DASNY bonds issued for the benefit of Nassau BOCES.

Public Authorities Law section 1689 subdivision 10 authorizes a direct intercept mechanism under which the State Comptroller shall pay the public funds assigned by a BOCES directly to DASNY.

Education Law §1950(5)(g) provides that the annual payments to be made by a BOCES to DASNY for the payments of rent for a BOCES educational facility constitute an administrative expense of the Borrower. Education Law §3609-d, which prescribes the amounts and dates on which moneys apportioned to BOCES are to be paid, further provides that any obligation of a board of cooperative educational services to the bond trustee of DASNY shall be paid in accordance with the applicable provisions of the Public Authorities Law.

Pursuant to the mechanism contained in Public Authorities Law §1689(10), DASNY is required to certify annually to the Commissioner of Education a statement of all amounts due from the Borrower to DASNY. The Commissioner, in turn, is required to include in the certificate filed with the State Comptroller, a statement showing the amount owed to DASNY by the Borrower. The Comptroller is required to deduct the amount certified by the Commissioner as due to DASNY from the State Aid funds otherwise payable to the Borrower. The State Aid subject to intercept pursuant to this provision is not limited to the aid payable to the Borrower on account of administrative costs incurred under the Lease, but rather encompasses any state funds to become due to the Borrower. If such forms of State Aid are insufficient, each component school district would also be required to include its proportionate share of the lease payment in its budget and to pay such amount to the Borrower to make up for the shortfall.

**SUMMARY:** The BOCES program has been an integral part of public education in the State since 1948, making the delivery of education-enhancing services to students more economical and efficient. Under State Education Law, the Rentals will be paid through State Aid due to the Borrower. These payments are made directly by the Comptroller to DASNY. Based on these factors, staff recommends that the Board adopt the necessary documents for a bond issue in an amount not to exceed $14,000,000.
Nassau BOCES
Savings Analysis

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<th>Date</th>
<th>Existing D/S</th>
<th>New D/S</th>
<th>Gross Savings</th>
<th>PV Savings</th>
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<td>Aug-18</td>
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<td>1,281,250</td>
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<td>Aug-19</td>
<td>1,436,213</td>
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<td>1,434,963</td>
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<td>1,748,625</td>
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PRESENT VALUE ANALYSIS SUMMARY

Total PV Debt Service Savings.............................................. 1,543,129
Less: Prior Funds on Hand.............................................. (719,591)
Plus: Refunding funds on hand........................................ 2,509

NET PRESENT VALUE BENEFIT............................................. 826,047

NPV BENEFIT OF BONDS BEING REFUNDED................................ 6.89%
NPV BENEFIT OF REFUNDING PRINCIPAL.................................. 7.73%

REFUNDING BOND INFORMATION

Refunding Dated Date.................................................. Aug-16
Refunding Delivery Date.............................................. Aug-16
## Sources of Funds:

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<td>Par Proceeds</td>
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<td>Original Issue Premium</td>
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<td>Other Sources of Funds:</td>
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<td>Series 2009 Debt Service Reserve Fund</td>
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<td><strong>Total Sources</strong></td>
<td>$13,123,050</td>
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## Uses of Funds:

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<td>Costs of Issuance</td>
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<td>DASNY Fee</td>
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<td>Bond Counsel</td>
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<td>Trustee &amp; Counsel</td>
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<td>Institution's Counsel</td>
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<td>Financial Advisor</td>
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<td>DAC Fee</td>
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<td>Surety Bond Fee</td>
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<td>Miscellaneous</td>
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<td>Rounding</td>
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<td>Underwriter Discount</td>
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<td><strong>Total Uses</strong></td>
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MASTER BOCES LEASE REFUNDING REVENUE BONDS
NASSAU COUNTY

The Letter of Bond Counsel in connection with the above referenced transaction will be transmitted to the Members under separate cover.