

NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLUTION NO. 11-___

**DISAPPROVING NASSAU COUNTY'S MIDYEAR FINANCIAL PLAN AND ORDERING
A NEW PLAN WITH A PRESCRIBED FORMAT FOR FISCAL YEAR 2012 IN
PARTICULAR**

WHEREAS, on January 26, 2011, after adopting a resolution imposing a control period based on a likelihood and imminence of a major operating funds deficit of more than one percent for FY 2011, NIFA directed the County Executive to submit a financial plan that was balanced; and

WHEREAS, on March 22, 2011, shortly after withdrawing the County's lawsuit challenging the control period, the County Executive submitted to NIFA a plan of proposed revisions to the FY 2011 budget to address the deficit, including layoffs and a furlough of County personnel; and

WHEREAS, on March 24, 2011, at a public meeting, the NIFA Chairman stated that the County's budget for 2011 was still not balanced notwithstanding the March 22 revisions because of, among other reasons, the risks associated with various revenue and cost-savings initiatives; and

WHEREAS, on June 16, 2011, NIFA announced its engagement of a consultant to strategically review the County's finances and operations in order to formulate suggestions to help the County achieve structural balance in general and balance its budget for Fiscal Year 2012 in particular; and

WHEREAS, on June 24, 2011, the County Executive submitted to NIFA his Multi-Year Financial Plan (Update) Fiscal 2011-2014 (the "Midyear Plan"), which purports to reflect balance on a "budgetary basis of accounting," whereas the County is required by law to have a financial plan that is balanced according to Generally Accepted Accounting Principles ("GAAP"); and

WHEREAS, the Midyear Plan is the first four-year financial plan delivered to NIFA since the imposition of the control period, offering a strategy for Fiscal Year 2012 and beyond; and

WHEREAS, on June 29, 2011, the County Legislature approved a proposal by the County Executive for fewer layoffs than those contained in the County Executive's March 22 budgeting proposal rejected by NIFA; and

WHEREAS, the NIFA Staff has prepared a report (the "Report") reviewing the Midyear Plan, and NIFA hereby adopts the Report, which is attached to and incorporated into this Resolution; and

WHEREAS, the Report shows that the County continues on a path that will not achieve the fiscal balance required by law in Fiscal Year 2011 and the later years of the plan; and

WHEREAS, of even greater concern to NIFA, the Report shows that the County has no viable strategy to approach fiscal balance in Fiscal Year 2012, during which the County faces greater budgetary challenges than those that triggered the control period; and

WHEREAS, the NIFA Act contemplates that during a control period the County will conduct its operations in conformity with a four-year financial plan approved by NIFA, *see* NIFA Act § 3669(2)(a); and

WHEREAS, during a control period NIFA, among other things, “shall . . . prescribe the form of a financial plan and the supporting information required in connection therewith” and “exercise the rights of approval, disapproval and modification with respect to the financial plan, including but not limited to the revenue estimates contained therein,” NIFA Act § 3669(2)(a)(ii) & (iii); and

WHEREAS, NIFA “shall issue, to the appropriate official of the county . . . such orders as it deems necessary to accomplish the purposes of [the NIFA Act], including, but not limited to timely and satisfactory implementation of an approved financial plan,” NIFA Act § 3669(2)(f);

NOW, THEREFORE, BE IT RESOLVED, that NIFA hereby disapproves the Midyear Plan;

AND BE IT FURTHER RESOLVED, that in order to achieve timely development of an approved financial plan covering Fiscal Years 2012-2015, NIFA deems it necessary for the County to submit by July 28, 2011 a revised Midyear Plan presenting a realistic strategy for achieving the fiscal balance required by law in Fiscal Years 2011-2014;

AND BE IT FURTHER RESOLVED, that such revised Midyear Plan shall describe specifically for Fiscal Year 2012 projected revenues and expenditures and the County’s plan for achieving balance in Fiscal Year 2012 in accordance with GAAP;

AND BE IT FURTHER RESOLVED, that NIFA, as a first step, hereby prescribes that the format of the revised Midyear Plan incorporate for Fiscal Year 2012 at least \$225 million in budgetary relief (identifying specific revenue sources and/or expense reductions) in order to offset the following prescribed changes in projections for Fiscal Year 2012:

- (i) The \$150 million projection of budgetary relief from privatization of the County’s wastewater system shall be eliminated because the County has not provided any documentation that this novel initiative is feasible, and only a portion of projected payments to the County from this initiative could in any event be recognized as revenue under GAAP; and
- (ii) The projected \$23 million in revenue from expansion of the Red Light Camera initiative shall be eliminated because the execution risk is unacceptably high; and

- (iii) The projected \$33 million in additional savings from union concessions, layoffs and/or continued NIFA wage freeze shall be eliminated because the County has not adequately demonstrated an ability to achieve such labor savings, and continuation of the wage freeze through the end of Fiscal Year 2012 presumes prematurely the absence of other gap-closing options; and
- (iv) The cost of payment of property tax refunds shall be increased by \$20 million (projected at no less than \$70 million, rather than the \$50 million figure in the Midyear Plan), which more realistically reflects the County's historical liability for such refunds.

Ronald Stack
Chairperson

July 14, 2011