

NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLUTION NO. 11-___

DETERMINING THAT THE COUNTY EXECUTIVE'S PROPOSED FINANCIAL PLAN AND 2012 BUDGET FAIL TO COMPLY WITH THE NIFA ACT AND MAKING RECOMMENDATIONS WITH RESPECT TO THE FINANCIAL PLAN AND BUDGET TO BE ADOPTED BY THE COUNTY LEGISLATURE BY OCTOBER 30, 2011

WHEREAS, Nassau County is operating in a control period, which NIFA imposed on January 26, 2011 upon finding a substantial likelihood and imminence that the County would incur a deficit of more than one percent in Fiscal Year 2011; and

WHEREAS, on October 3, 2011, the County Comptroller issued his Nassau County Budget Update Report projecting a Fiscal Year 2011 deficit of \$136.4 million, which increases to approximately \$171 million when Generally Accepted Accounting Principles are applied to the County's use of borrowed funds, as required by law; and

WHEREAS, with the year now three quarters complete, the NIFA Staff currently projects that the County could end Fiscal Year 2011 with an operating deficit of approximately \$153 million, which is nearly 6% of the Fiscal Year 2011 budget; and

WHEREAS, as in prior years, the County likely will need to issue Tax Anticipation Notes (obtaining a cash advance against property taxes to be collected in 2012) in order to have cash on hand to fund necessary operating expenditures (including payroll and other ordinary expenses as they come due) through the end of 2011; and

WHEREAS, in the absence of a 2012 Budget that has been both adopted by the County Legislature and approved by NIFA, the County may be unable to issue Tax Anticipation Notes, thereby precipitating a cash-flow crisis before the end of 2011, with the County lacking cash to pay its obligations as they come due; and

WHEREAS, in September 2011, as required by law, the County Executive submitted to NIFA his proposed Multi-Year Financial Plan for Fiscal 2012 – 2015, the first year of which is his proposed 2012 Budget; and

WHEREAS, the NIFA Staff has prepared a report on the County Executive's proposal, projecting that his 2012 Budget, absent major modifications, could result in a deficit of more than \$280 million at the close of FY 2012, which is to say the 2012 Budget does not meet the standards of prudence necessary to project budget balance as required by the NIFA Act; and

WHEREAS, NIFA has identified certain recommendations, enumerated hereinafter, for correcting the imbalance in the County Executive's proposed 2012 Budget; and

WHEREAS, the County Executive having submitted an unbalanced budget, the County Legislature has the opportunity to implement corrective action so that the County adopts a truly balanced budget for 2012, which is both required by law and prerequisite to a Tax Anticipation Note offering that may be necessary to avert a cash-flow crisis; and

WHEREAS, pursuant to the County Charter, the Legislature is authorized to change the County Executive's proposed 2012 Budget, and specifically "may strike out or reduce any item of appropriation" when adopting a 2012 Budget by the Legislature's deadline of October 30, 2011 (subject to the County Executive's veto power, which the Legislature may override by vote of 13 members); and

WHEREAS, under Section 3667(2) the NIFA Act, after today NIFA will not again act upon the County's 2012 Budget until "approval by the county of a budget in accordance with the provisions of the county charter and approval of the financial plan by the legislature"; and

WHEREAS, to avert a cash-flow crisis in 2011, time is of the essence for corrective action on the 2012 Budget;

NOW, THEREFORE, BE IT RESOLVED, that NIFA adopts the Staff report on the County Executive's financial plan and 2012 Budget;

AND BE IT FURTHER RESOLVED, that, pursuant to Section 3667(2)(b) of the NIFA Act, NIFA hereby determines that the County Executive's financial plan and 2012 Budget fail to comply with the requirements of the NIFA Act because they do not meet the standards of prudence necessary to project budget balance;

AND BE IT FURTHER RESOLVED, that, pursuant to Section 3667(2)(b) of the NIFA Act, NIFA hereby submits the following recommendations for at least \$280 million in corrective action to the County Executive's proposed 2012 Budget:

- (i) Projected revenues from Fines and Forfeitures should be reduced by \$11.9 million so as to align with projections for 2011;
- (ii) Projected revenues from Investment Income should be reduced by \$1.3 million so as to align with projections for 2011;
- (iii) Projected revenues from Department Revenues should be reduced by \$14.7 million so as to more closely align with projections for 2011;
- (iv) Projected revenues from Rent and Recoveries should be reduced by \$2.4 million, which includes potential sale of police precinct buildings where operations have not yet ceased;
- (v) Projected revenues from Sales Tax should be reduced by at least \$2.2 million in light of economic conditions;

- (vi) The \$15 million revenue item for NIFA debt refunding should be eliminated because savings may not be available in the current market environment and, moreover, may not meet NIFA standards of fiscal prudence;
- (vii) The \$18 million revenue item for borrowing to cover judgments and settlements should be eliminated because such borrowed funds are not revenues;
- (viii) The County should identify alternative actions of \$131.6 million that could be implemented if the County Executive's proposed reductions of Salaries and Wages are unrealized;
- (ix) Projected expenditures for Fringe Benefits should be increased by \$67.6 million because of the untested legality of the County Executive's proposal to impose new benefit payments on workers and retirees unilaterally;
- (x) Projected expenditures for Contractual Services should be increased by \$15 million because the County Executive, although invoking the term "Strategic Sourcing Initiative," has not provided evidence of any detailed planning for such an initiative or for any timeline of implementation;
- (xi) Projections for Other Expenditures should be increased by \$3.3 million because of the risks identified in the Staff report; and
- (xii) Finally, in no event should the recommendations set forth above be offset by any projected proceeds from the County Executive's proposal to privatize the County's wastewater facilities because the implementation risks and accounting treatment risks do not justify such an offset;

AND BE IT FURTHER RESOLVED, that for the good of the County and its residents, NIFA calls upon the County Legislature, working with the County Executive and his Staff, to take effective corrective action that will allow NIFA to approve a 2012 Budget and financial plan as quickly as possible, so that the County is positioned to issue Tax Anticipation Notes and avert a cash-flow crisis in 2011.

Ronald A. Stack
Chairperson

October 6, 2011