

NASSAU COUNTY INTERIM FINANCE AUTHORITY

MINUTES OF THE 5th MEETING

HELD ON OCTOBER 2, 2000

Pursuant to notice dated September 26, 2000, the Nassau County Interim Finance Authority (NIFA) was convened for the fifth time at 3:00 PM in the Omni Executive Club Room in Uniondale, NY.

The following Directors of the Authority were present:

**Frank G. Zarb, Chairman
Richard M. Kessel
David Peirez (via telephone)
Martin Payson
Robert G. Smith
Ronald Stack
Robert Wallach**

Also representing the Authority was Richard Luke, Executive Director/Treasurer, Jeremy Wise, General Counsel/Corporate Secretary, Carol Kostik, Chief Financial Officer, Evan Cohen, Deputy Director and Timothy Sullivan, Deputy Director.

Upon determining that a quorum was present, the Chairman called the meeting to order.

Chairman Zarb stated that the purpose of this meeting is to approve the

staff report prepared on the status of the County's numbers as it exists today. He stated that with the Board's approval, the document would be turned over to the County to use as a roadmap to resolve the open items. He indicated that the County would have to come back to the Board with some assurances that the numbers they have given are credible.

Chairman Zarb stated that the document that NIFA is submitting to the County is an analysis of their 2001 budget, and a thoughtful analysis of the four-year plan. He stated that the 2000 budget looks like it is in good shape. He stated that there are questions relating to approximately \$80 million in the 2001 budget, and detailed questions relating to the four-year plan.

Chairman Zarb stated that as of today, Nassau County does not have a satisfactory budget for 2001 or a satisfactory four-year plan. He stated that it would be a missed opportunity if the County does not focus on the fact that bold vision, real change and real leadership is needed to demonstrate that the architecture of the County's financial management is going to be permanently readjusted in order to get Nassau County through subsequent budgets going forward.

Chairman Zarb stated that the first item on the agenda is the approval of the minutes from the September 20 Board meeting.

Upon motion duly made and seconded, the following resolution was approved unanimously:

**APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE
SEPTEMBER 20, 2000 MEETING OF THE BOARD OF DIRECTORS OF THE
NASSAU COUNTY INTERIM FINANCE AUTHORITY**

RESOLVED, that the Minutes of the meeting of the Authority held on September 20, 2000, are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Mr. Luke stated that the next item on the agenda was a resolution to accept the report regarding the financial plan.

He stated that there are three categories of risk in the budget for 2001. He stated that the first category is implementation risk, which are items that are within the County's control. He stated that NIFA has identified about \$28.7 million. He stated that the debt service is short by about \$11 million and does not take into consideration some new debt that the County is planning to issue. Mr. Luke stated that in the out years of the plan, there are some questions about the sales tax. He stated that while the 2001 number is okay, there is some State legislation that phases out the sales tax on the transmission of energy taxes and those monies are about \$15 million in FY2002, growing to about \$28 million in 2004. Mr. Luke stated

that in reference to the fund balance in 2001, the legislation that set forth NIFA requires the County to put its budget together in accordance with GAAP. He stated that NIFA does not believe that the County can use about \$4 million worth of fund balance that it wishes to use. Mr. Luke stated that in the fourth year of the financial plan it shows about \$39 million of fund balance being used. He stated that he does not believe that those funds can be used as they are programmed. Mr. Luke stated that the Board of Elections roughly is proposed to be cut by about \$2.8 million. He stated that in discussions with the Board of Elections, there is concern that they may not be able to meet their mandated responsibilities to conduct elections with that level of funding.

Mr. Luke stated that the second majority category is items requiring County approval. He stated the NIFA has identified about \$40.6 million in items that need approval from the legislature or these items must be replaced if not approved. Mr. Luke stated that this number includes about \$18 million for a property tax increase which is put at risk until the legislature approves it. He stated that the 2001 budget presumes labor savings in the first year of \$13.5 million. He stated that the County has to take final action on the labor contracts. Mr. Luke stated that there is also a \$7 million subsidy to the Long Island Bus that the legislature has publicly indicated that it would not support.

Mr. Luke stated that the third major item is items that are outside of the

County's control which total about \$12.4 million. He stated that one of the items is the repayment of the County payroll lag. He stated that the County has budgeted about \$9 million of the \$17 million total value. Mr. Luke indicated that there is a concern that there could be a lawsuit and potentially the County might have to pay the entire lag back. Mr. Luke stated that there is a savings of \$2.9 million from Medicaid Managed Care. He stated that this requires approval by the State and the Federal government and until those approvals are received, these savings may not materialize. He stated that another item is increasing fines to the New York State maximum which must get approval by the Board of Judges before they can be implemented. Mr. Luke stated that in the out years of the plan, NIFA felt that there were insufficient details provided to really evaluate whether or not the plan was likely to achieve budgetary balance.

Chairman Zarb stated that the County will respond to the items at risk and then the NIFA Board will determine the level of risk that exists and to the extent that they are willing to accept that risk or not in order to certify the final product. Chairman Zarb stated that at this time it is a working document in process. The Chairman invited the County Executive and the Majority Leader and the Minority Leader to speak briefly.

County Executive Gulotta thanked the NIFA Board and Mr. Luke and the staff on all their work. He stated that while he has not seen the details of the

document at this time, he believes it will be extremely helpful. He stated that he feels that along with Ms. Jacobs and Mr. Schmitt, he will be able to do what is necessary to provide the comfort level or to reach an agreement to make certain that they have a document that can stand up and be approved by NIFA.

Ms. Jacobs thanked NIFA for their review. She stated that she is confident that the County will do the right thing and will present NIFA with something that will stand up to the crucial test that NIFA will give it and the County will move forward without a control board.

Mr. Schmitt thanked Mr. Luke and the NIFA staff for assisting them. He stated that he understands that the County will have to come up with some answers to questions and present a final package that is balanced.

Chairman Zarb stated that the four-year plan must contain sufficient structural enforcement so that NIFA is convinced that the cure is not simply a short-term cure that gets the County through a couple of thresholds of political decision-making. He stated that these changes need to be permanent in nature and building blocks for out-year budgets.

Director Peirez complimented Mr. Luke and the staff on the report. He stated that his concern is not only the identification of a number of risks but the lack

of adequate reserves and contingencies and what appears to be either a lack of or inept financial management systems. He stated that he did not think that there were enough proposed layoffs. He stated that his concern regarding a lot of mergers and consolidation of departments and bureaus but no elimination of some departments and bureaus. Director Peirez stated that he believes the property tax needs to increase somewhere in the vicinity of at least fifteen percent. He stated that in his opinion, the sales tax revenue sharing proposal is not going to work. Director Peirez stated that he finds the police, detective and sheriffs' Memorandum of Understanding unacceptable in many ways. He concluded by stating that it is very important that no agency, no department, no aspect of the County government be left untouched in attempting to put in place a permanent structure.

Chairman Zarb stated that the County must come up with the number and certify that the number is achievable. He stated that the NIFA Board would not dictate individual measures that the County must or must not have in the final document.

Director Payson complimented Mr. Luke and his staff on a very well done report. He stated that budget balancing efforts that merely split costs into later years will not help the County attain structural balance. He stated that the need for structural change and to provide permanent relief become more necessary than transitional borrowing, which creates spending burdens for future taxpayers. He

stated that the health care numbers swing dramatically and have to be monitored very carefully.

Director Stack commended the NIFA staff on the report. He stated that simultaneously with the work that is being done on this, NIFA is also working on the financing with the rating agencies. He stated that the financing, which is proceeding on time, has to be complete by the end of October in order to provide the \$42 million for the 2000 fiscal year.

Director Kessel thanked the NIFA staff on the extraordinary job they have done. He stated that while there are questions for both the budget next year and the four-year plan, with a cooperative effort from County Executive Gulotta, Ms. Jacobs and Mr. Schmitt, this could be resolved and the County can have a working budget and four-year plan. Director Kessel stated that it is important that NIFA not micromanage. He stated that that the County should be re-engineered into a new Nassau County and not just patch holes through revenue increases and layoffs. He stated that the County should look into sharing services, such as parks, public works and even citizen services with the towns and the cities. Director Kessel stated that the County should look into the County's space to see if it can consolidate and earn a lot of money for some very valuable space.

Director Wallach congratulated Mr. Luke, Mr. Cohen, Mr. Sullivan and the

staff for putting together this extraordinary report. He stated that the NIFA Board is not here to micromanage and hopes the County will use vision and creativity on the budget and four-year plan. He stated that he hopes that the County Executive and Legislative Leaders will use the NIFA Board members as a resource and not just as a final resort.

Chairman Zarb stated that bold vision committed to real change with steady leadership could get the job done.

Upon motion duly made and seconded, the following resolution was approved unanimously:

Resolution No. 00-26

RESOLUTION MAKING CERTAIN FINDINGS AND ADOPTING A REPORT CONCERNING THE FISCAL YEAR 2001 NASSAU COUNTY BUDGET AND FOUR YEAR FINANCIAL PLAN

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Nassau County Interim Finance Authority; and be it further

RESOLVED, that the “Review of Proposed Financial Plan Fiscal Year 2001 through 2004” (the “Report”), attached to the Materials, is hereby approved as a report of the Directors; and be it further

RESOLVED, that the Chairman or his designee(s) are hereby authorized to submit said Report to the majority and minority leaders of the Nassau County Legislature, the County Executive, and other interested parties; and be it further

RESOLVED, that based on the findings in said Report, the Fiscal Year 2001

Nassau County Budget and Financial Plan for Fiscal Years 2001 through 2004, as proposed, are inadequate because they do not contain sufficient information to allow the Nassau County Interim Finance Authority to determine whether budgetary balance is likely to be achieved during Fiscal Years 2001 through 2004; and be it further

RESOLVED, that the Chairman or his designee(s) or their designee(s) are hereby authorized to take all actions necessary to implement the foregoing and to take any further or related actions.

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Chairman Zarb entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 12:00 p.m.

Respectfully submitted,

Richard L. Luke