

**NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON OCTOBER 5, 2004**

Pursuant to notice dated September 28, 2004, the Nassau County Interim Finance Authority (“NIFA”) was convened at 3:00 PM on the second floor of the Omni Building located in Uniondale, NY.

The following Directors of the Authority were present:

**Ronald Stack, Chairman
Richard M. Kessel
Robert Smith
Robert Wallach**

Also representing the Authority was Richard Luke, Executive Director, Jeremy Wise, General Counsel, Evan Cohen, Deputy Director, Timothy Sullivan, Deputy Director, Jane Cunneen, Deputy Chief Financial Officer, and Laurie Leat, Corporate Secretary.

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

Chairman Stack asked Rich Luke to go through the items on the agenda.

Rich Luke stated that the first item on the agenda was a resolution to approve the minutes of the June 22, 2004 Directors' meeting.

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

Resolution No. 04-153

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 22, 2004 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on June 22, 2004, 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.

* * *

Rich Luke stated that the next item on the agenda was a resolution appointing Deloitte & Touche as NIFA's auditor and to use them on an interim basis for technical assistance. He stated that the County has also selected Deloitte & Touche. Director Smith stated that the Audit Committee supports this recommendation.

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

RESOLUTION NO. 04-154

Authorization to Hire Deloitte & Touche LLP as Independent Financial Auditors for the Authority and the Taking of Related Actions.

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 ("NIFA"); and be it further

RESOLVED, that in accordance with the Materials, the Chairman or his designee(s) are hereby authorized to select Deloitte & Touche LLP as the independent financial auditing firm to conduct an audit of NIFA for fiscal years 2004, 2005 and 2006, at a yearly fee, plus disbursements, not to exceed \$17,600 for fiscal year 2004, \$18,225 for fiscal year 2005; and \$18,875 for fiscal year 2006; and be it further

RESOLVED, that the Chairman or his designee(s) are hereby further authorized to hire and pay Deloitte and Touche LLP on an hourly basis, as outlined in the Materials, for services related to inclusion of NIFA's annual audit in any offering statement related to the issuance of NIFA's bonds or notes; and be it further

RESOLVED that the Chairman or his designee(s) are hereby further authorized to hire and pay Deloitte & Touche LLP on the basis outlined in the Materials to assist in the review of ongoing internal record keeping procedures; and be it further

RESOLVED that the Chairman or his designee(s) are hereby further authorized to hire and pay Deloitte and Touche LLP on an hourly basis to assist in such other matters as may be deemed necessary in an amount not to exceed \$10,000 per annum; and be it further

RESOLVED, that all actions heretofore taken by the Chairman or his designee(s) in furtherance of the foregoing resolutions are hereby ratified and approved; and be it further

RESOLVED that the Chairman or his designee(s) are further authorized to take all actions deemed necessary or appropriate to implement the foregoing, including the execution of a contract or contracts and the taking of related actions.

* * *

Mr. Luke stated that the next item on the agenda is a resolution to authorize the employment of outside counsel to assist with SEQRA matters in connection with bonds and notes of the Authority.

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

RESOLUTION No. 04-155

RESOLUTION CONCERNING CONTINUED EMPLOYMENT OF OUTSIDE COUNSEL TO ASSIST WITH STATE ENVIRONMENTAL QUALITY REVIEW ACT MATTERS IN CONNECTION WITH THE BONDS AND NOTES OF THE AUTHORITY

WHEREAS, the Nassau County Interim Finance Authority Act, incorporated in chapter 84 of the laws of 2000, as amended from time to time (the "Act"), authorizes the Nassau County Interim Finance Authority (the "Authority") to issue bonds or notes for the purpose of financing Financeable Costs, as defined in the Act, and to make the proceeds thereof available to the County of Nassau (the "County"); and

WHEREAS, the Act authorizes the Authority to enter into appropriate and necessary contracts with its bondholders and others to provide for the issuance thereof, and the Directors of the Authority intend to provide from time to time for the authorization, issuance and sale of its bonds and notes (collectively, the "Bonds"); and

WHEREAS, the Authority is required under the State Environmental Quality Review Act, as amended ("SEQR"), to complete environmental reviews in connection with its activities, including the issuance of its Bonds from time to time or the expenditure of the proceeds thereof; and

WHEREAS, the legal review required by SEQR is a specialized area of the law:

NOW, THEREFORE, the Authority hereby adopts the following resolution:

RESOLVED, that the materials submitted this meeting are hereby authorized to be filed with the official records of the Authority; and

RESOLVED, that the Executive Director or his designee(s) is hereby authorized and directed to take any and all actions necessary to comply with the requirements of SEQR prior to the issuance, or disbursement of proceeds, of Bonds (the “Reviews”); and further

RESOLVED, that to assist in said Reviews, the Executive Director or his designee(s) are hereby authorized to amend its existing contract with the law firm of Hawkins, Delafield & Wood (“Firm”) such that the total amount of the contract shall not exceed \$50,000 plus disbursements; and further

RESOLVED, that advertisement in the “New York State Contract Reporter” is exempted because of the critical need to have the expertise of this Firm available on short notice to assist, *inter alia*, in the processing of funding requisitions submitted by the County; and further

RESOLVED, that the Executive Director or his designee(s) are each hereby authorized and directed to approve and execute such documents or certifications and take such other actions, in the name of the Authority and on its behalf, as he or she may reasonably deem necessary or appropriate to carry out this resolution (including without limitation the making of any findings and the preparation of any assessment forms required by SEQR), and that all such actions heretofore taken in connection with the Bonds by the Executive Director or his designee(s), are hereby ratified and approved.

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Mr. Luke stated that the next item on the agenda is a resolution to authorize the draw down of the State aid. He stated that the money is given to the County at NIFA’s discretion. He indicated that the amount of the draw down is seven and a half million dollars.

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

RESOLUTION NO. 04-156**AUTHORIZATION TO MAKE CERTAIN FINDINGS NECESSARY TO DRAW DOWN
TRANSITIONAL STATE AID AND TO TAKE RELATED ACTIONS**

RESOLVED, that the materials presented to this meeting (the "Materials") are ordered to be filed with the records of the Authority; and be it further

RESOLVED, that in accordance with the Materials and the Nassau County Interim Finance Authority Act ("Act"), the Chairman or his designee(s) are hereby authorized in their discretion, to take all actions and make all representations deemed necessary in order for the Authority to draw down the \$7.5 million of transitional State aid which the Act requires to be paid to the Authority on or before September 30, 2004 including, but not limited to a certification that Nassau County has met the requirements of the Chapter 50 of the Laws of 2004; and be it further

RESOLVED, that all actions heretofore taken by the Chairman or the Executive Director or their designee(s) are hereby ratified and confirmed and the Chairman or his designee are further authorized to take all actions deemed necessary to implement the foregoing and to take related actions.

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Mr. Luke stated that the next item on the agenda is a resolution summarizing NIFA's findings on the County's Multi-Year Financial Plan.

Mr. Luke stated that the County has made significant progress. He stated that the Moody's and Standard & Poor's recently upgraded the County to an A range, which is the first time all three rating agencies have rated the County in the A range.

He stated that NIFA provided a significant level of financial assistance. Mr. Luke stated that the County is projecting a \$2 million surplus for fiscal year 2004.

Mr. Luke stated that in reviewing the budget and financial plan, the budget

is reasonably balanced. However, he stated that the staff has identified a number of risks, most of which were fairly manageable.

Mr. Luke stated that County presumed that there is going to be relief associated with pension costs that will provide benefit to the County of \$76 million in 2004. He stated that the County planned to be those moneys into a reserve and use over the next several years to offset the pension costs. Mr. Luke stated that if the Government Accounting Standards Board (GASB) rule that the County has to accrue those costs in 2004, then that would make about \$35 million that was planned to be used to balance next year's budget unavailable. He stated that this is the most significant risk that NIFA is identifying.

Mr. Luke stated that in terms of the financial plan, NIFA also believes it is reasonably balanced. However, he stated that the County does continue to face large gaps in the out years. He stated that in terms of those gaps, NIFA had to make an adjustment with the County, in doing its calculations incorrectly projected the cost of pensions in 2007 and 2008. He stated that the projected gaps for 2006 is approximately \$199.3 million, 2007 corrected gap should be \$313.9 million, and 2008 corrected gap should be approximately \$411.7 million.

Mr. Luke stated that the County needs to be a little bit more aggressive in terms of pursuing things as plan work force reduction, implementation of smart

government initiatives and ways to consolidate services to eliminate duplication of services.

Mr. Luke stated that NIFA raises two significant concerns. He stated that the certiorari backlog needs to be solved. He stated that the County is projecting \$59.5 million in payments. He stated that if the number is actually higher, the County is going to face serious problems. Mr. Luke stated that the Nassau Healthcare Corporation has made progress and the restructuring of the hospital debt will provide some short term relief. He stated that in the long run, if the hospital is going to return to fiscal stability, then the recommendations contained in the Manatt report must be implemented.

Chairman Stack thanked the staff for the timely and professional report. The Chairman congratulated the County Executive, legislature, controller staff and employees of the County. He stated that with the foundation of State funding, NIFA borrowing and restructuring and financial oversight, the County has done exactly what NIFA was intended to allow and brought fiscal balance and stability to Nassau County government. He stated that neither the County nor the State could have done this alone. He stated that the success has been due to the partnership between the County, State and NIFA which has been recognized by all three rating agencies who has upgraded the County to A level.

Chairman Stack stated that as an oversight board, NIFA is charged not only with noting balance but also to identify the risks. He stated the major risks involved a technical accounting issuing involving GASB. He stated that if GASB rules that the County can not set aside funds budgeted for pension contributions in 2004 into a reserve fund then the County could have a budget gap for 2005. He stated that the County plan indicates it may utilize an option provided by the State and borrow for pension payments. He indicated that NIFA is concerned about the possible borrowing and will await the final action by GASB and the County's proposed plan.

Chairman Stack stated that the total gap for the out-years still remain a serious challenge to the County. The Chairman stated that the NIFA Directors indicated concern at the June Board meeting that the financial plan for 2006 and 2007 included large property taxes that may not be in the long-term economic and structural fiscal interests of the County. He stated that since that meeting, those large increases have been changed significantly in the current plan.

Chairman Stack stated that NIFA will work with the County on the smart government initiatives. He stated that creative work force economies, new ideas on productivity that might mitigate or eliminate the need for increased taxes should be a last and not a first resort. The Chairman stated that while NIFA believes the County is committed to reducing the certiorari backlog, it is a continuing issue. He stated that with the refinancing the hospital has made progress but long-term operation

and viability of the hospital are a concern.

Director Kessel thanked the NIFA staff for all their great work. He stated that while the County is on its way to achieving fiscal stability, it should not lose sight of the importance of the State's continued role in working with the County in a positive way. Director Kessel stated that the budget is strong and solid for next year and that due to the great leadership of the County, State and NIFA, the County is moving in a positive direction. He stated that he is concerned about the out year gaps and how they are met. Director Kessel stated that he believes that NIFA's role is to help set direction and give advice where appropriate in addition to adding up the numbers. He stated that additional work force reductions, reorganization of County government, and smart government initiatives should be looked at before tax increases. Director Kessel stated that the hospital and certiorari are very important and it is good that the County continues to be conservative in its budgeting practices. Director Kessel commended Chairman Stack for all the great work he has done.

Director Wallach commended the County and thanked NIFA staff on a great job. He stated that the County needs to demonstrate that it will not take advantage of their A ratings and slide backwards. He stated that to rely on tax increases to be able to get what the County needs, would be a serious miscalculation on the part of the legislature in the future. Director Wallach stated that given the great work and

commitment of the County, the legislature and executive branch, he believes the County can go to a situation where taxation is merely to cover cost of living.

Director Smith thanked the NIFA staff, the Chairman, the County Executive and his team on the job they have all done. He stated that in regard to the pension funding, the County cannot be overly reserved and utilize these funds for anything else other than accrual. He stated that he is against bonding to alleviate the need for pension obligations or the need to come up with general funds for the rest of the pension obligations.

Chairman Stack stated that the County should take note of Director Smith's comments on pension.

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

RESOLUTION No. 04-157

RESOLUTION MAKING CERTAIN FINDINGS AND ADOPTING A REPORT CONCERNING THE PROPOSED NASSAU COUNTY MULTI – YEAR FINANCIAL PLAN FOR FISCAL YEARS 2005 – 2008

RESOLVED, that the “Review of Proposed Multi - Year Financial Plan For Fiscal Years 2005 - 2008” (the “Report”), dated October 5, 2004 and attached to this resolution, 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 County Executive, the majority and minority leaders of the Nassau County Legislature (“Legislature”), and other interested parties; and be it further

RESOLVED, that based on the findings in the Report, the proposed Multi – Year Financial Plan for Fiscal Years 2005 - 2008 (“Financial Plan”) submitted to the Nassau County Interim Finance Authority (“NIFA”) by the County Executive, is complete and complies with the technical requirements of the NIFA Act; and be it further

RESOLVED, that upon approval of the Financial Plan and Fiscal Year 2005 Budget by the Legislature, the County Executive shall submit the Financial Plan and 2005 Budget to NIFA together with the other information required by the NIFA Act (collectively, the “Submission”); and be it further

RESOLVED, that after the Submission, NIFA shall review said Submission for compliance with the NIFA Act and if it is found sufficient shall make the certification required by the NIFA Act; and be it further

***RESOLVED**, that notwithstanding the foregoing, the County Executive shall submit to NIFA an updated Financial Plan for review no later than June 1, 2005; and be it further*

RESOLVED, that the Chairman or his 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 Stack asked if anyone had any comments that they would like to make.

Majority Leader Jacobs thanked NIFA for their role in helping the County. She stated that there will be budget hearings over the next couple of weeks and the full legislature will meet on October 21 to answer any outstanding questions. She stated that barring any real problems, the legislature would vote on October 25. Ms. Jacobs stated that she pleased that tax certiorari is taking such a high priority. She

stated that the County is working aggressively to save the hospital. She stated that the out-years are always trouble and the County has made this its number one priority.

Ms. Altman from the budget committee asked that NIFA help work with her on an idea regarding Medicaid costs.

Comptroller Weitzman congratulated NIFA staff on their excellent report. He stated that he does not believe that the out-year gaps are within the County's control. He stated that it is a statewide problem with double digit mandated State increases that the County cannot match. He stated that in regard to the pension issue, the County's financial statements will reflect the full liability for the pension statement expense for this year. He stated that the question is whether or not the County's budget will reflect an expenditure.

Comptroller Weitzman stated that tax certiorari is a financial calamity for the County. He stated that he shares NIFA's concerns with respect to the ability to get payments down to \$50 million, and bring the backlog down to \$230 million. Director Wallach stated that because Assembly Speaker Silver killed the County's initiative to fix the tax certiorari system, the County will never get out from under certiorari.

Comptroller Weitzman stated that in regard to the hospital, although a tremendous amount of progress has been made; if people don't go to the hospital then no amount of help will help the hospital.

Chairman Stack congratulated the Comptroller on his prescription plan idea that did not cost the County anything and made sense for the people.

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 4:35 PM.

Respectfully submitted,

Laurie A. Leat

Corporate Secretary