

**NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON OCTOBER 14, 2005**

Pursuant to notice dated October 7, 2005, the Nassau County Interim Finance Authority (“NIFA”) was convened at 3:20 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
Martin Payson
Gregory Raphael
Robert Smith (via telephone) (non-voting)
Robert Wallach (via telephone) (non-voting)**

Also representing the Authority was Richard Luke, Executive Director, Jeremy Wise, General Counsel (by telephone), Evan Cohen, Deputy Director, Susan Rich, Treasurer, Jane Cunneen, Deputy Treasurer, and Laurie Leat, Corporate Secretary.

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

Chairman Stack introduced the new NIFA Director, Greg Raphael, who was appointed on June 3rd by the Governor. He stated that the Governor also appointed Ronald Stack as Director and Chairman and Richard Kessel as Director and Vice-Chairman. Director Kessel welcomed Greg Raphael to the Board. He also stated that it is good for NIFA that the Governor has formally named Ron Stack as Chairman.

Mr. Luke stated that the first item on the agenda is a resolution to approve the minutes of the June 16th Directors' meeting.

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

Resolution No. 05-172

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 16, 2005 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on June 16, 2005 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 is a resolution authorizing

the renewal of the lease for NIFA's office space. He stated that there are 4 percent annual increases and an option to terminate the lease with six months notice.

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

Resolution No. 05-173

AUTHORIZATION FOR RENEWAL OF LEASE FOR OFFICE SPACE 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 Authority; and be it further

RESOLVED, that the Chairman of the Authority or his designee(s) are authorized to execute an amendment to the existing lease for five years for office space at 170 Old County Road in Mineola, New York (the "Office") substantially upon the terms and conditions outlined in the Materials; and be it further

RESOLVED, the Chairman or his designee(s) are further authorized to take all actions deemed necessary or appropriate to implement the foregoing and to take related actions.

* * *

Rich Luke asked Evan Cohen to give some background on the next item on the agenda.

Evan Cohen stated that NIFA Swap Policy Guidelines requires NIFA to report on a quarterly basis the valuation of its swaps to determine what the value of

NIFA's exposure is to a termination event. He stated that NIFA's current advisers, Lamont Financial Services, agreement is due to expire. He stated that in response to NIFA's bid, Swap Financial Group has responded with the lowest bid. Evan Cohen stated that the next item on the agenda is a resolution to hire Swap Financial Group to provide services to NIFA at the cost of \$2500 per quarterly report or \$10,000 per year.

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

RESOLUTION NO. 05-174

Authorization to Employ a Financial Consultant to Evaluate the Status of NIFA's Outstanding Interest Rate Exchange Transactions 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 Nassau County Interim Finance Authority (the "Authority); and be it further

RESOLVED, that based upon the Material presented to this meeting, the employment of Swap Financial Group (the "Firm") as a consultant to the Authority is hereby authorized in an amount not to exceed \$10,000 per annum for a term of up to three years; and be it further

RESOLVED, the Firm is found to have specialized expertise which makes advertising impractical or inappropriate; and be it further

RESOLVED, that the Chairman of the Authority or his designees(s) be, and each of them hereby is, authorized in the name and on behalf of the Authority to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider necessary or proper to effectuate the foregoing and related actions.

* * *

Mr. Luke stated that NIFA received a preliminary declaration of need from the County requesting NIFA to undertake the next County borrowing. He stated that the formal declaration of need is supposed to be acted upon by the Legislature on October 26th. He stated that based upon preliminary numbers it appears that the borrowing is going to be between \$200 and \$250 million, plus any refunding candidates that are identified. Director Payson asked how much money was left from the prior borrowing. Mr. Luke stated that the County has approximately \$100 million.

Chairman Stack asked Mr. Luke to give his comments on the Financial Plan.

Mr. Luke stated that NIFA is requesting that the County submit an update no later than June 1, 2006. He stated that NIFA believes that while the County will end 2005 with a surplus, most of the surplus is from non-recurring items totaling approximately \$53.5 million.

Mr. Luke stated that NIFA is concerned about the sales tax in 2005. He stated that the County is projecting sales tax growth of 2.6 percent but growth is currently only 2.07 percent. Mr. Luke stated that assuming the same growth rate for the balance of the year the County could be short by about \$5.3 million in sales tax revenue. He stated that NIFA is also concerned that because of recent economic

events, Hurricane Katrina and the cost of energy, sales tax collections could be reduced even further. Mr. Luke also stated that the County has submitted their request for \$7.5 million in transitional aid which NIFA is reviewing.

Mr. Luke stated that while NIFA believes the 2006 budget is reasonably balanced, it uses approximately \$95.1 million of non-recurring resources excluding tobacco funds; \$50 million of that is the transition to PAYGO capital. He stated that the County is also using another \$29 million from the pension reserve to fund 2006 costs.

Mr. Luke stated that NIFA has identified a number of risks related to the 2006 budget. He stated that there is \$10.4 million for Medicaid Part D, overtime could be understated by approximately \$7 million, and the ShOA contract was not approved by the Legislature which assumed savings of \$5.7 million. He stated that although the contract was not approved, NIFA has concerns about some of those savings that were in the proposed contract. Mr. Luke stated that NIFA believes that sales tax may be overstated by approximately \$5.5 million. He indicated that there are some revenue extenders that have not been enacted by the State legislature or signed by the Governor which amount to approximately \$4.6 million. He stated that there are some other items which bring the total to roughly \$31 million.

Mr. Luke stated that NIFA believes the out-year gaps in the financial plan

are reasonable in part because the County used less conservative assumptions. He stated that NIFA is concerned about health insurance estimates, sales tax, utility costs, the Health Care Corporation and tax certiorari.

Chairman Stack applauded the NIFA staff for the excellent, professional work and analysis they did in a very quick time period. He stated that 2005 budget is in fine shape. He stated that the County has made remarkable progress over the last four years in terms of the fiscal situation and he congratulated the County Executive and his administration. He stated that while the 2006 budget seems to be reasonably balanced, NIFA is concerned that sales tax comprises nearly 42 percent of the County revenue basis. Chairman Stack stated that he hopes other events occur in terms of management and other ideas to try to minimize whatever property tax increases that might be necessary in the future. The Chairman stated that if the Legislature makes changes in expenditures then it must also make changes in the revenues to keep the plan balanced. He stated that NIFA will not tolerate a change in the budget that does not result in it being balanced.

Vice Chairman Kessel commended the NIFA staff on the terrific job they did on the report as well as the Directors. He stated that he thinks the County has come a long way and everyone involved deserves credit. He stated that he would like NIFA to look into the Medicaid D section since there is a possibility that it may be resolved soon. He stated that sales tax is a concern and will have to be watched very closely.

He echoed the Chairman's remarks stating that the plan must remain balanced after any changes are made by the Legislature.

Chairman Stack reminded the County that a one percent deficit would trigger a control period and the County should err on the side of conservatism. Vice Chairman Kessel stated that it was wise of the County to permanently adopt NIFA's requirement of a four-year financial plan.

Director Raphael stated that he is happy to be appointed to the Board by the Governor and looks forward to working with all the Directors. He commended the County Executive, the administration and the County for the enormous amount of stability they have brought to the County. He also commended the NIFA staff for the job they did on the report.

Director Payson joined in the compliments to the staff on the report. He stated that the County should pay particular attention to the smart government initiatives, because many of them have slipped. He stated that the County is in a better place partly because the County Executive took on the battle of Medicaid caps. He stated that the hospital seems to be under control but the A. Holly Patterson is draining a lot of resources out of the Health Care Corporation. He stated that there should be a timetable put in place to determine what needs to be accomplished.

Director Smith stated that an emphasis needs to be put on smart government initiatives and that it would be helpful to have one of the Directors to help push the County.

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

Resolution No. 05-175

RESOLUTION MAKING CERTAIN FINDINGS AND ADOPTING A REPORT CONCERNING THE PROPOSED NASSAU COUNTY MULTI – YEAR FINANCIAL PLAN FISCAL 2006 – 2009

RESOLVED, that the “Review of Proposed Multi - Year Financial Plan Fiscal 2006 - 2009” (the “Report”), dated October 14, 2005 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 Fiscal 2006 - 2009 (“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 2006 Budget by the Legislature, the County Executive shall submit the Financial Plan and 2006 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, 2006; 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 the County Executive for his comments. County Executive Suozzi thanked NIFA for their help over the years. He stated that he Medicaid cap is a tremendous benefit for the County and could not have been done without the Governor and State Legislature. He stated that the County's expenses are lower this year than last year mainly because of the Medicaid cap. He stated that the County is also concerned about sales tax but feels the County will meet its projections

He stated that the County is not concerned about Medicaid D. He stated that there will be a ShOA contract and that the PBA contract expires December 31, 2006. County Executive Suozzi thanked the Governor, the State Legislature, the Majority Legislature, NIFA and Comptroller Weitzman for all their help.

Majority Leader Jacobs stated that she knows the responsibilities of the Legislature and is confident that they will come forward with a budget that is balanced. She thanked NIFA and the County Executive and his administration for all they had done.

Comptroller Weitzman congratulated the County for their top-quality budget. He stated that his report parallels many of NIFA comments and he will be testifying before the County Legislature on Monday night.

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 5:20 PM.

Respectfully submitted,

Laurie A. Leat

Corporate Secretary