

**NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON OCTOBER 17, 2006**

Pursuant to notice dated October 10, 2006, the Nassau County Interim Finance Authority (“NIFA”) was convened at 3 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, Vice Chairman
Paul Leventhal
Gregory Raphael
Robert Smith**

Also representing the Authority were Richard Luke, Executive Director, Jeremy Wise, General Counsel, 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 asked Richard Luke to begin with the action items.

Richard Luke stated that the first item on the agenda was a resolution to approve the minutes of the May 4th Directors’ meeting.

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

Resolution No. 06-191

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 6, 2006 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on May 5, 2006 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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Richard Luke stated that the next items on the agenda were resolutions to establish committees as required by the Public Authorities Accountability Act. He stated that the resolutions also authorize the Chairman to appoint members to the committees at a later date. Chairman Stack stated that he will speak with the Directors before making the appointments.

Upon motions duly made and seconded, the following resolutions were approved unanimously:

Resolution No. 06-192

CREATION OF A GOVERNANCE COMMITTEE AND THE TAKING OF RELATED ACTIONS.

WHEREAS, the Nassau County Interim Finance Authority (“NIFA”) falls under the requirements of the Public Authorities Accountability Act of 2005 (“PAAA”); and

WHEREAS, PAAA requires each State authority to establish a standing governance committee comprised of independent members; and

WHEREAS, Article IV of the NIFA By-Laws authorizes NIFA to create standing committees; and

WHEREAS, in order to comply with the law, it is in the best interest of the NIFA to establish a standing committee for governance; and

NOW THEREFORE BE IT RESOLVED, that pursuant to Article IV of the By-Laws, NIFA does hereby establish a “Governance Committee”; and be it further

RESOLVED, that the Chairperson of NIFA shall appoint the members of the Governance Committee, all of whom shall serve at the pleasure of the Chairperson; and be it further

RESOLVED, that the Governance Committee shall concern itself with the key governance principles of transparency, duty, accountability and oversight that should guide the decisions and practices of NIFA, its Directors, management and staff; and be it further

RESOLVED that the Governance Committee shall be responsible for keeping the Directors informed of current best governance practices; reviewing corporate governance trends; and such other matters as the Committee shall deem advisable.

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Resolution No. 06-192

CREATION OF AN EMPLOYMENT AND COMPENSATION COMMITTEE AND THE TAKING OF RELATED ACTIONS

WHEREAS, the Nassau County Interim Finance Authority (“NIFA”) falls under the requirements of the Public Authorities Accountability Act of 2005 (“PAAA); and

WHEREAS, PAAA requires each State authority to establish an employment and compensation committee comprised of independent members; and

WHEREAS, Article IV of the NIFA By-Laws authorizes NIFA to create standing committees; and

WHEREAS, in order to comply with the law, it is in the best interest of the NIFA to establish a committee for employment and compensation; and

NOW THEREFORE BE IT RESOLVED, that pursuant to Article IV of the By-Laws, NIFA does hereby establish an “Employment and Compensation Committee”; and be it further

RESOLVED, that the Chairperson of NIFA shall appoint the members of the Employment and Compensation, all of whom shall serve at the pleasure of the Chairperson; and be it further

RESOLVED, that the Employment and Compensation Committee shall be responsible for developing and recommending to the Directors hiring and compensations policies that ensure fair employment and compensation packages for executive officers and other employees, preparing profiles of the skills and experiences of individuals best equipped to serve as members of the governing body or officers, and such other matters as they shall deem appropriate.

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Mr. Luke stated that the next item on the agenda was a resolution to approve NIFA's Prompt Payment Policy. He stated that NIFA has always paid its bills on time and this is designed to put the appropriate policy in place.

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

Resolution No. 06-193

ADOPTION OF A PROMPT PAYMENT POLICY 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 (the "Authority); and be it further

RESOLVED, that the proposed Prompt Payment Policy, annexed to the Materials, is found to be satisfactory and is hereby adopted; 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.

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Chairman Stack stated that the last item on the agenda was a resolution to adopt a report concerning the proposed multi-year financial plan for 2007-2010 of Nassau County. The Chairman complimented the staff on the excellent report they prepared in such a short timeframe. Chairman Stack asked Mr. Luke to summarize NIFA's report.

Mr. Luke stated that NIFA believes the County's financial plan contains a number of risks and serious concerns that make the plan less conservative and more risky than in the past. He recommended that the Directors reserve judgment on the proposed plan until the Legislature adopts the plan and NIFA assesses any changes that have been made.

Mr. Luke stated that it appears that the County should end 2006 with a modest surplus. He stated that NIFA is concerned about the sales tax in 2006 and estimates it is going to fall short by approximately \$4.4 million. He stated that another concern is the County's assumption of a \$25 million surplus to fund tax certiorari payments which may not be sufficient due to the short fall of sales tax and because some of the surplus earmarked to pay for certs will be generated in the Police District and unavailable to pay tax certiorari settlements.

Mr. Luke stated that the 2007 budget is less conservative and more risky than in the past. He stated that the plan includes a \$19.7 million property tax

increase which is roughly 2.65 percent. He stated that the County is reducing sewer assessments by approximately \$20 million to offset this increase but rates are expected to go back up to historic levels in 2008. Mr. Luke stated that the third year of the budget uses approximately \$103 million of nonrecurring resources to close the gap. Mr. Luke stated that the risks total about \$57.8 million after offsetting about \$16.6 of general contingency reserves contained in the budget. He stated that the most significant risk is labor concessions of approximately \$30 million. He stated that NIFA questions the County's ability to obtain the savings within the budgetary period.

Deputy Chairman Kessel asked Mr. Luke to supply him with the total amount of risks for each year that NIFA has been in existence. County Executive Suozzi stated that he has this information and will supply it to NIFA.

Mr. Luke stated that smart government initiatives and work force management seem to be playing a smaller role in balancing this plan than in earlier plans. He stated that the work force has actually been increasing and is projected to return to pre-2002 levels in the plan. He stated that the plan contains a number of risks and assumptions that make the out-years less conservative and more risky. Mr. Luke stated that after the gap initiatives there is still a gap of about \$50 million. He stated that several of the options to close this gap consist of options that have been in previous plans and have never been supported or adopted by the

Legislature. Mr. Luke stated that another concern is less conservative growth rate assumptions for sales tax and declining reserves. He stated that at the beginning of 2006, the County had roughly \$244.8 million worth of reserves which is projected to go down to \$87 million by the end of 2008.

Mr. Luke stated that there continues to be concern with the Nassau Health Care Corporation.

Mr. Luke stated that NIFA is concerned with property values and the whole assessment issue. He stated that since home sales have declined, the Department of Assessment has to make sure it makes timely and accurate assessment to ensure that the level of grievances do not increase.

Chairman Stack stated that NIFA has a statutory obligation to review the four-year financial plan including the 2007 budget. He stated that NIFA has to consider not just whether or not budgetary balance is reached in 2007 but how significant the risks are in 2008, 2009 and 2010 in order to decide whether or not to approve a plan.

Chairman Stack stated that while he concurs with the Comptroller that the fiscal condition has been good since 2002, due to a number of factors NIFA does not have the same degree of comfort that it had in previous years. The Chairman stated

that there are a number of concerns, such as, less conservative sales tax revenue estimates; property tax increase assumptions; labor concessions and an accelerated depletion of reserves. He stated that while these risks are reasonable when looked at individually, taken as a whole they represent an alarming trend toward fiscal risk and a disturbing departure from appropriate financial discipline. Chairman Stack stated that NIFA is not approving the plan but is waiting to see what changes are made by the County Legislature. He stated that while the 2007 budget seems balanced, NIFA is concerned with the rest of the plan.

Director Raphael agreed with Chairman Stack's comments. He stated that the risks, when taken at a whole, are frightening. He stated that the tax certiorari refunds looks less conservative and more risky than in the past. He also stated that there is no information to allow him to believe that labor concessions will be forthcoming.

Director Leventhal stated that he shared the same concerns as the other Directors.

Director Smith complimented the staff on the fine job they did. He stated that the County has to be careful about the 2007 budget which is the key to 2008 and 2009. He stated that money set aside for reserves is not to be consumed and the County is gradually consuming these reserves.

Deputy Chairman Kessel commended the County and NIFA staff. He stated that while the County has made enormous strides from where it was when NIFA was created in 2000, it must be careful not to slip back to where it was. He stated that the test of how this plan performs will determine NIFA's role beyond 2007. He stated that NIFA's concern is shared by the County Comptroller and the Office of Legislative Budget Review. He stated that once the County Legislature acts, assuming that the NIFA Directors approve the plan, NIFA should very closely monitor the plan and require updates.

Chairman Stack stated that NIFA is going to accept the report of the staff. He stated that NIFA is reserving judgment on the plan until after it is adopted by the Legislature. He stated that after the County Executive submits the final plan, NIFA will review it to see if it is in compliance to the NIFA Act.

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

Resolution No. 06-194

RESOLUTION MAKING CERTAIN FINDINGS AND ADOPTING A REPORT CONCERNING THE PROPOSED NASSAU COUNTY MULTI – YEAR FINANCIAL PLAN FISCAL 2007 – 2010

RESOLVED, that the “Review of Proposed Multi - Year Financial Plan Fiscal 2007 - 2010” (the “Report”), dated October 17, 2006 and attached to this resolution, is hereby approved as a report of the Directors of the Nassau County Interim Finance Authority (“NIFA”); 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 we are reserving judgment until said Proposed Multi – Year Financial Plan is adopted by the Legislature to assess what changes have been made; and be it further

RESOLVED, that upon approval of the Financial Plan and Fiscal Year 2007 Budget by the Legislature, the County Executive shall submit the Financial Plan and 2007 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 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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In response to Director Smith’s request, Mr. Luke stated that the Legislature is supposed to adopt the plan by October 30. He stated that once the County Executive reviews the document it will either go back to the Legislature with his changes or will be submitted to NIFA sometime after October 30.

Director Smith stated asked Mr. Wise to explain the issue of compliance and non-compliance. Mr. Wise stated that there are specific reasons written into the NIFA statute that spell out whether the plan is to be rejected or accepted. He stated that the level of reserves are looked at as well as a reasonable likelihood of success of the plan.

The County Executive thanked NIFA for all the work they do to help the County. He then gave a explanation of the County's rationale for the plan.

Comptroller Weitzman complimented NIFA on what they have done in Nassau County. He stated that there was a remarkable agreement among NIFA, the County Comptroller and the Office of Legislative Budget Review regarding the County's plan. He then explained the reasoning behind his report.

Majority Leader Jacobs stated that when the Legislature gives NIFA the plan, it is going to be rational, balanced and something that NIFA will not have a problem accepting.

Minority Leader Schmitt stated that the republican delegation voted against the plan in committee and will vote against when it comes up before the full Legislature. He explained his reasoning for these actions.

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 4:50 PM.

Respectfully submitted,

Laurie A. Leat

Corporate Secretary