

NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON DECEMBER 30, 2010

Pursuant to notice dated December 22, 2010, a meeting of the Nassau County Interim Finance Authority (“NIFA”) was convened at 10:00 AM at the Marriott Long Island Hotel & Conference Center located at 101 James Doolittle Blvd, Uniondale, NY 11553.

The following Directors of the Authority were present:

Ronald Stack, Chairman
George Marlin
Thomas Stokes
Robert Wild
Christopher Wright
Leonard Steinman (via telephone, none voting)

Also present from the Authority were Evan Cohen, Executive Director; Jeremy Wise, General Counsel; Maria Kwiatkowski, Deputy Director; Jane Cunneen, Acting Treasurer; and Laurie Boucher, Corporate Secretary. Consultants to the Authority were also present and included Judge Judith Kaye and Christopher Gunther from Skadden, Arps and Marti Kopacz, Bob Childree and Michael Imber from Grant Thornton.

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

Chairman Stack stated that the first item on the agenda was a resolution to approve the minutes of the December 21, 2010 Directors’ meeting.

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

Resolution No. 10-298

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE DECEMBER 21, 2010 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on December 21, 2010 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.

* * *

Chairman Stack stated that the County Executive and County Comptroller requested to address the Board members before going into executive session. The Chairman stated that although NIFA normally asks the elected officials to speak after the meeting, he would allow them to address the Board before executive session. He stated that the County Comptroller had a previous engagement and would not be speaking to the Directors.

After the County Executive concluded his presentation, he submitted an update to the financial status of the County, which he requested be incorporated into the records of the meeting.

(See letter below)

EDWARD P. MANGANO
COUNTY EXECUTIVE



OFFICE OF THE COUNTY EXECUTIVE
THEODORE ROOSEVELT EXECUTIVE AND LEGISLATIVE BUILDING
1550 FRANKLIN AVENUE
MINEOLA, NEW YORK 11501-4895
516-571-3131

December 28, 2010

Nassau County Interim Finance Authority (NIFA)
170 Old Country Road, Suite 205
Mineola, NY 11501

Attn: Ronald A. Stack, Chairman
NIFA Board Members

RE: County of Nassau Financial Contingencies

Dear Chairman Stack:

Although I have not been asked to address the state of County finances with NIFA prior to its December 30, 2010 meeting, I believe it is important to provide you with an update on finances for County Fiscal Year 2010. More importantly, I am writing to dispel media speculation regarding the 2011 Adopted County Budget.

One year ago, the Legislature and I were elected by residents who were frustrated by a government that spent too much and taxed too high. To that point, we have taken significant action to address their concerns. Although I inherited a \$133 million deficit from the 2010 County Budget, I managed to eliminate the Home Energy Tax and will end the year with a surplus due to my implementation of strong financial management practices.

In 2009, NIFA identified \$129.6 million in risks and accepted \$62.1 million in contingencies including use of contingency reserves, vacancies and bonding. In fact, NIFA's commentary at the time was, "The County should consider these FY 2010 risks and be prepared to enact remedial actions, as it has in the past, to ensure that the proposed Budget and Plan remain balanced (October 2, 2009 NIFA Review)." Clearly, my administration has met this challenge evidenced by the projected close of fiscal 2010 a balanced budget.

Just two months ago, the County Legislature adopted a balanced budget for 2011 that closes a \$343 million deficit while not increasing property taxes. As you know, significant spending reductions were made to address the inherited deficit compounded by a poor economy, years of ignoring the broken assessment system, soaring labor contracts and an \$80 million increase in costs associated with social services, employee pensions and employee health care. As you know, the 2011 budget achieves \$55 million in labor savings by cutting 400 positions, from 8,810 in 2010 to 8,410 in 2011, and by managing with 250 less unfilled budgeted positions.

Moreover, I have introduced and the Legislature has adopted reforms to the broken property tax assessment system and deficit ridden sewer and storm water authority. This action alone will end decades of deficits and the curtail borrowing to balance Nassau County's books. Soon, Nassau County will be on the equal footing with other counties. Although NIFA has not issued a report on the 2011 Adopted County Budget, the Legislature and I have taken action to remove \$222 million in risk and achieve \$23 million in additional savings since the issuance of NIFA's Preliminary Staff Review of the Proposed Multi-Year Financial Plan 2011-2014. Therefore, the budget as approved by the Legislature and confirmed by the Nassau County Comptroller is balanced! Notwithstanding this, I offer the following comments:

Tax Certiorari

In 2011, the County shall handle tax certiorari settlements and or litigation as follows: An agreement was reached between Presiding Officer Peter Schmitt, Minority Leader Diane Yatauro and myself to allow the Legislature greater oversight of tax certiorari settlements. My office will forward to the Legislature proposed settlements along with the corresponding bonding ordinance. The Legislature will either approve or reject such settlements. As you know, no bonding is required for the County until the Legislature approves such a settlement. Should the Legislature reject the settlements, grievants will have to bring a judicial proceeding and obtain a judgment against the county before any payment can occur. Both the Legislature and I agree – \$75 million in tax certiorari expenditures for 2011 should no longer be considered a risk by NIFA.

State Initiatives

On December 16th, I ordered \$23 million in additional 2011 budget cuts to help mitigate any concern NIFA may have over the need for State authorization of red light camera expansion and a surcharge for patrolling the Long Island Expressway. These cuts include: \$15 million in savings from implementing a non-essential employee hiring freeze; \$5 million in savings from reducing government supplies and contractual expenses; \$2 million in savings from departmental mergers that result in shared staff and fewer management positions; and \$1 million in savings from the reduction of 5,000 non-utilized phone lines.

Labor Savings

Although I requested that the Legislature empower me to open existing labor contracts and order \$61 million in savings for 2011, the Legislature adopted a balanced 2011 County Budget that included over \$61 million in contingencies. I will utilize these contingencies, including the securitization of Mitchel Field leases, as well as land sales, in order to ensure the budget remains in balance.

Since Nassau's former County Executive negotiated union contracts through 2016, many believed the County's public employee unions would refuse to provide concessions to fix Nassau's finances. However, I have been successful in bringing five unions to the table to cut labor costs while continuing to deliver important services. This is evidenced by the \$20 million in savings achieved through the police department restructuring that eliminated 125 desk jobs, reduced headcount by 125 and kept the same number of officers on the streets. This success provides the foundation to support my negotiations with our labor unions. I believe it is in the best interest of the County to continue negotiating said concessions. The 2011 budget is balanced; therefore the labor savings achieved through these negotiations will simply mitigate the need for contingencies and/or assist in out-years.

Additional Contingencies

As I have stated on many occasions, in both public and private meetings, Nassau County has significant contingencies at its disposal to address any proposed risk. In addition to the \$61 million in land sales and securitization contingencies, and \$23 million in budgetary cuts announced in December, Nassau County has an additional \$157.9 million in available contingencies:

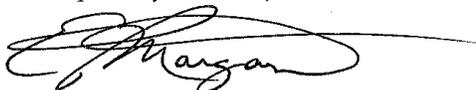
• Sales Tax to Villages Elimination	\$1.25 million
• Social Service Reductions	\$5 million
• MTA Subsidy Elimination	\$9.6 million
• Additional Real Estate Sales	\$10 million
• Police Overtime Reduction	\$10 million
• Reduce OTPS	\$10 million
• Additional Hiring Freeze	\$10 million
• Departmental Consolidation/Elimination	\$15 million
• State Legislation	\$22 million
• Fund Balance	\$65 million

Collectively, \$241.9 million in contingencies are available to manage any potential risks identified by NIFA.

While I respect the role NIFA plays, it is important to keep roles in perspective. As noted in the October 2009 NIFA Review, "Even though NIFA is no longer statutorily required to approve the County's Multi-Year Plan, it still retains its rights to request reports and other information from the County, as necessary." It is in this spirit that I will continue to

work with you by providing budgetary updates. It is of paramount importance that NIFA respect the choice residents made at the ballot box. Therefore, I call on NIFA to dispel any speculation of a control period. Clearly, Nassau County's budget is balanced. There is no deficit and there is no imminent likelihood of a deficit as the aforementioned contingencies confirm. Rest assured, I will continue to manage our County's finances prudently and without deficit through 2011 and beyond.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'E. Mangano', with a long horizontal flourish extending to the right.

Edward P. Mangano
County Executive

cc: Peter Schmitt, Presiding Officer
Diane Yatauro, Minority Leader
George Maragos, Comptroller

Chairman Stack then entertained a motion to go into executive session to discuss legal matters, including potential litigation. He explained that the Directors could be in the executive session for a long time.

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

RESOLUTION NO. 10-299

EXECUTIVE SESSION - PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Directors of the Nassau County Interim Finance Authority shall convene in Executive Session for the purpose of discussing legal matters.

* * *

At 10:25 AM the open session of the Directors was temporarily adjourned and an executive session of the Directors was convened. At 1:27 PM the executive session was adjourned and the open session was reconvened. The Chairman stated that no votes were taken during executive session.

Chairman Stack apologized to the public for the amount of time that the Directors were in executive session. He stated that in light of the County Executive's letter from yesterday which included various new contingencies and his comments at the meeting this morning, NIFA has decided to grant the County, in an abundance of caution, one final opportunity to present its support

for the items that the County claims will result in a balanced budget for 2011 and will prevent a one percent deficit in the major operating funds for fiscal year 2011. The Chairman stated that NIFA requests no later than January 20, in writing, a full description of these items. He indicated that NIFA will send a letter to the County requesting very specific back-up material for these items. The Chairman stated that NIFA will hold its next meeting after the information is analyzed. He stated that based on the information NIFA has at this time, it is extremely concerned that the 2011 budget is not balanced and that a one percent deficit is a real threat.

Director Wild stated that he finds it disturbing that the County waited until the very last minute to submit new information to the County. He demanded that the County supply NIFA with the information it needs to complete its analysis on an ongoing basis. He stated that the NIFA Directors are volunteers who put in the time and energy to help the County and its citizens.

Director Marlin stated that the County has a budget deficit and a credibility deficit. He stated that while the County has eliminated some of the deficit, it has not done enough. He stated that there has been a lack of candor from the County and it has not kept its promises about several gap closing items.

Director Wright stated that NIFA has been concerned as well as accommodating to the County by providing multiple extensions of time both publicly and privately. He stated that NIFA expects the information requested on or before January 20 will bear fruit.

Director Stokes stated that NIFA expects the County to identify where the gaps lie in the budget and define those contingencies with dates and state specifically how those risks are going to be closed.

The Chairman stated again that NIFA is giving the County one final opportunity to presents its case that this budget is balanced. He stated that NIFA will analyze their response and will meet after January 20 with its decision on whether it believes the budget is balanced.

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 1:35 PM.

Respectfully submitted,

Laurie A. Boucher
Corporate Secretary