NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON SEPTEMBER 2, 2011

Pursuant to notice dated August 29, 2011, a meeting of the Nassau County Interim Finance Authority ("NIFA") was convened at 8:35 AM at the Nassau County Bar Association located at 15th and West Streets, Mineola, NY 11501.

The following Directors of the Authority were present:

Ronald Stack, Chairman
George Marlin
Leonard Steinman
Thomas Stokes
Dermond Thomas
Christopher Wright

Also present from the Authority were Evan Cohen, Executive Director; Jeremy Wise, General Counsel and Laurie Boucher, Corporate Secretary.

Upon determining that a quorum was present, the Chairman called the meeting to order. Chairman Stack stated that Director Wild was unable to attend the meeting but has seen the materials for the meeting and has no objections.

Chairman Stack then asked Executive Director Cohen to go through the items on the agenda.

Executive Director Cohen stated that the first item on the agenda was a resolution to approve the minutes of the July 14, 2011 Directors' meeting.

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

Resolution No. 11-327

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JULY 14, 2011 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on July 14, 2011 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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Chairman Stack stated that the next item on the agenda was a resolution to disapprove the County Mid-Year Update that was submitted to NIFA on July 28, 2011. The Chairman stated that the County did not remove certain questionable items from its June 24, 2011 Mid-year update as directed by NIFA. Chairman Stack stated that the resolution also required the County to remove the $23 million in revenue for the expansion of the red light camera initiative and to raise the projected cost of the property tax refunds from $50 million to $70 million from its Multi-year Plan that will be submitted on September 15. He stated that if the County was going to include the $150 million for the privatization of the County's waste water system, which is a one-shot, then it would have to include $150 million of contingencies that are acceptable under GAAP. Chairman Stack stated that using this one-shot does not solve the structural balance problem of the County. He further stated that if the County included labor savings then it must explain precisely how the savings will be achieved.

Director Marlin stated that the privatization of the sewer system has many questions that need to be answered and there is no guarantee that a transaction can be finalized in 2012 or that the County would net the $375 million presently included in the fiscal plan. He stated that this is considered a one-shot which does not eliminate structural deficits and excessive reliance on them is frowned upon by the rating agencies and financial analysts.

Director Wright agreed that a one shot transaction was not the means by which the County would easily balance its budget. He stated that the County needs to make difficult decisions some of which may have painful outcomes.

Chairman Stack welcomed new Board member Dermond Thomas. He stated that Mr. Thomas was appointed by the Governor upon the recommendation of Speaker Silver.

Director Thomas stated that he was looking forward to the opportunity to help the County.

Director Stokes stated that NIFA had publicly noted its concern with the Multi-year Plan Update and is anxiously waiting for the 2012 Budget.

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

Resolution No. 11-328

DISAPPROVING NASSAU COUNTY'S MIDYEAR FINANCIAL PLAN UPDATE OF JULY 28, 2011 AND PRESCRIBING THE FORMAT FOR THE FINANCIAL PLAN AND SUPPORTING INFORMATION DUE SEPTEMBER 15, 2011

WHEREAS, on January 26, 2011, after adopting a resolution imposing a control period based on a likelihood and imminence of a major operating funds deficit of more than one percent for FY 2011, NIFA directed the County Executive to submit a financial plan that was balanced; and

WHEREAS, on March 22, 2011, shortly after withdrawing the County's lawsuit challenging the control period, the County Executive submitted to NIFA a plan of proposed revisions to the FY 2011 budget to address the deficit, including layoffs and a furlough of County personnel; and

WHEREAS, on June 24, 2011, the County Executive submitted to NIFA his Multi-Year Financial Plan (Update) Fiscal 2011-2014 (the "Midyear Plan"), which purported to reflect balance on a "budgetary basis of accounting," whereas the County is required by law to have a financial plan that is balanced according to Generally Accepted Accounting Principles ("GAAP"); and

WHEREAS, the Midyear Plan was the first four-year financial plan delivered to NIFA since the imposition of the control period, offering a strategy for Fiscal Year 2012 and beyond; and

WHEREAS, the NIFA adopted a Staff Report on the Midyear Plan, which Report shows that the County continues on a path that will not achieve the fiscal balance required by law in Fiscal Year 2011 and later years of the plan, including Fiscal Year 2012, during which the County faces greater budgetary challenges than those that triggered the control period; and

WHEREAS, on July 14, 2011, NIFA adopted a resolution disapproving the County's Midyear Plan and ordering the County to submit a new Midyear Plan with a prescribed format for FY 2012 in particular, including removal of questionable revenues or equivalent adjustments of $225 million for FY 2012; and

WHEREAS, on July 28, 2011, the County submitted to NIFA a new Midyear Plan containing projected revenues already rejected by NIFA; and

WHEREAS, on July 29, 2011, NIFA issued a statement that the County had ignored NIFA's direction to remove questionable revenues or make equivalent adjustments of $225 million for FY 2012; and

WHEREAS, the NIFA Act contemplates that during a control period the County will conduct its operations in conformity with a four-year financial plan approved by NIFA, *see* NIFA Act § 3669(2)(a); and

WHEREAS, the County is required by law to submit a four-year financial plan for FYs 2012 – 2015 by September 15, 2011; and

WHEREAS, during a control period NIFA, among other things, "shall . . . prescribe the form of a financial plan and the supporting information required in connection therewith" and "exercise the rights of approval, disapproval and modification with respect to the financial plan, including but not limited to the revenue estimates contained therein," NIFA Act § 3669(2)(a)(ii) & (iii); and

WHEREAS, NIFA "shall issue, to the appropriate official of the county . . . such orders as it deems necessary to accomplish the purposes of [the NIFA Act], including, but not limited to timely and satisfactory implementation of an approved financial plan," NIFA Act § 3669(2)(f);

NOW, THEREFORE, BE IT RESOLVED, that NIFA hereby disapproves the County's Midyear Plan of July 28, 2011, which failed to comply with NIFA's specific direction to remove questionable revenues or make offsetting adjustments;

AND BE IT FURTHER RESOLVED, that NIFA deems it appropriate and necessary to prescribe a format and supporting information for the County's submission, by September 15, 2011, of a financial plan covering Fiscal Years 2012-2015;

AND BE IT FURTHER RESOLVED, that such financial plan covering FYs 2012-15 describe specifically for Fiscal Year 2012 realistic projected revenues and expenditures and the County's plan for achieving balance in Fiscal Year 2012 in accordance with GAAP;

AND BE IT FURTHER RESOLVED, that NIFA, as a first step, hereby prescribes that the format of the plan for FY 2012 shall incorporate at least $225 million in budgetary relief (*i.e.*, specific revenue sources and/or expense reductions) in comparison to the 2012 projections in the Midyear Plan, including:

(i) In light of the execution risks and potential accounting treatment issues that may arise from any final transaction, the $150 million projection of budgetary relief from privatization of the County's wastewater system shall be eliminated or fully offset by realistic contingencies amounting to a minimum of $150 million of revenues acceptable under applicable GAAP treatment; and

(ii) The projected $23 million in revenue from expansion of the Red Light Camera initiative shall be eliminated because the execution risk is unacceptably high; and

(iii) The cost of payment of property tax refunds shall be no less than $70 million (rather than the $50 million figure in the Midyear Plan), which more realistically reflects the County's historical liability for such refunds; and

(iv) The projection of $33 million in labor savings and any other additional projected labor savings shall be explained in detail, including an itemized listing of components and budgetary impacts.

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The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 8:50 AM.

Respectfully submitted,

Laurie A. Boucher
Corporate Secretary