

NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON OCTOBER 6, 2011

Pursuant to notice dated October 3, 2011, a meeting of the Nassau County Interim Finance Authority (“NIFA”) was convened at 3:00 PM at the Omni Teleconference Center located at 333 Earle Ovington Blvd, Uniondale, NY 11553.

The following Directors of the Authority were present:

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

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.

Upon determining that a quorum was present, the Chairman called the meeting to order. 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 September 2, 2011 Directors’ meeting. Mr. Cohen stated that there was a typo on page three of the minutes. He stated that the minutes should reflect that Director Marlin voiced his concerns on whether the proposed sewer privatization transaction can be completed in 2012, not 2010 as previously noted in the minutes.

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

Resolution No. 11-329

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 2, 2011 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on September 2, 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.

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution regarding NIFA's proposed budget and four year plan covering 2012 through 2015. He stated that the four year plan is presented in a format that is required by the State Authority Budget Office and is consistent with the audited financial statements. He stated that the plan includes projections of NIFA's operating expenditures as well as projections of non-operating revenues and expenditures including sales tax revenue that is used to fund NIFA's debt service liabilities. He also noted that headcount and projected salary costs in 2011 are well below 2002 levels and NIFA staff are not scheduled to receive a cost of living adjustment for the third consecutive year. Mr. Cohen stated that the Directors are being asked to conditionally approve the proposed plan so that it can be made available for public inspection and posted on NIFA's website in accordance with the State Comptroller's guidelines.

Director Wright pointed out that the amount budgeted for salary and wages is higher in 2012 than is projected for 2011 due to the open position of treasurer that NIFA has not filled.

Chairman Stack added that the higher number does not mean that NIFA plans to hire any additional staff.

Upon motion duly made and seconded, the Directors determined that NIFA's proposed Budget for FY 2012 and proposed Financial Plan for FY 2012 – FY 2015 shall be filed with the records of NIFA's Corporate Secretary and made available for public inspection. Subsequently, the following resolution was approved unanimously:

Resolution No. 11-330

APPROVE SUBMISSION OF NIFA'S 2012 BUDGET AND FY 2012 – FY 2015 FINANCIAL PLAN TO THE OFFICE OF THE STATE COMPTROLLER AND THE AUTHORITY BUDGET OFFICE TO COMPLY WITH 2 NYCRR, PART 203 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 Authority acknowledges enactment of 2 NYCRR, Part 203 (the "Regulations") and its requirement that the Directors of the Nassau County Interim Finance Authority receive, review and approve a proposed Budget for FY 2012 ("Budget") and a proposed Financial Plan for FY 2012 – FY 2015 ("Plan"); and be it further

RESOLVED, that the Authority hereby conditionally approves the Budget and Plan subject to the conditions outlined in the Materials; 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 publish and file the Budget and Plan with the State Comptroller and any other necessary parties and 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.

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution to hire

a labor and employment law consultant to assist NIFA with the County's budget and four year plan since it is driven by labor costs. He stated that NIFA issued an RFP and received responses from eight firms which were independently reviewed and scored by a committee comprised of Directors Stack, Steinman, Stokes and Thomas. Mr. Cohen stated that based on the review, the committee was recommending the firm of Lamb and Barnosky which served as special labor council to Nassau County from 2004-2010. He indicated that the firm was seeking the necessary waivers to avoid an appearance of conflict, which waivers would be necessary before a contract could be executed.

Director Steinman stated that the firm seemed particularly qualified given their background and knowledge of the current agreements with the County.

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

Resolution No. 11-331

APPOINTING A CONSULTANT TO PROVIDE LABOR AND EMPLOYMENT ADVICE TO THE AUTHORITY.

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 Lamb and Baronsky, LLP (the "Firm") is hereby authorized substantially upon the terms outlined in the Materials; 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; and be it further

RESOLVED, that all actions heretofore taken by the Chairman or his designee(s) to implement this resolution, including but not limited to the engaging the Firm prior to this resolution, are hereby ratified and confirmed.

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution requesting approval for the County to participate in an Environmental Facilities Corporation refunding which will provide the County with a net present value savings of \$600,000 on the County's 2002 mirror bonds that were issued at the same time.

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

Resolution No. 11-332

APPROVAL OF NASSAU COUNTY PARTICIPATION IN AN ENVIRONMENTAL FACILITIES CORPORATION REFUNDING 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 based upon the Materials presented to this meeting, the Authority agrees to Nassau County's participation in the Environmental Facilities Corporation refunding of its 2002G bonds, including the execution by the County of all necessary certificates or other related documents.

* * *

Mr. Cohen stated that the next item on the agenda was a resolution requesting authorization to release a copy of the final report dated September 9, 2011 from Grant Thornton to the County and to post it on NIFA's website. He stated that it was an independent report by Grant Thornton and was not reviewed or edited by NIFA.

The Chairman stated that approval of the resolution did not mean that NIFA endorsed or approved the report.

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

Resolution No. 11-333

AUTHORIZATON TO RECEIVE AND POST GRANT THORNTON REPORT 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 Directors have received the Final Report of Grant Thornton described in the Materials; and be it further

RESOLVED, that the Chairman of NIFA or his designee(s) are hereby given the authority to transmit the Final Report to the County and to post the Final Report on the NIFA website as well as take all related actions

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution requesting the approval of a contract for \$5.9 million between the County and Galvin Brothers and Madhue Contracting Company. He stated that the contract was for improvements at Udall’s Pond and the vendor was selected through an RFP process.

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

Resolution No. 11-334

APPROVAL OF COUNTY CONTRACT FOR GALVIN BROS. AND MADHUE
CONTRACTING

RESOLVED, that the materials presented to this meeting of the Directors (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 discussion in the Materials and pursuant to Section 3669 2(d) of the Authority Act, the Authority hereby approves Nassau County’s Contract with Galvin Bros. and Madhue Contracting, which is projected to cost \$5,963,075; and be it further

RESOLVED, that staff may take all actions and do all things that they deem necessary to carry out the intent of this resolution.

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution regarding a County contract with Land Tek Group. He stated that the vendor was selected through a County RFP process and the contract was valued at \$8.1 million. He stated that the contract covered work that included replacing baseball fields at Cantiague Park and Bay Park with synthetic turf, in addition to installing new backstops, dugouts, benches, poles and lighting.

Director Wright stated that the contract relied on aggressive revenue estimates in which the County’s best estimate was a slightly negative return on investment. He stated that the contract would put the budget into further imbalance and moved to reject the contract.

Director Wild stated that while NIFA supported the recreational facilities for the County residents, the County simply cannot afford to use scarce resources that need to be used in areas that are more necessary.

Chairman Stack stated that the County needed to concentrate on getting their revenues and expenditures in line and not on turf fields and other items that did not help balance the budget.

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

Resolution No. 11-335

DISAPPROVAL OF COUNTY CONTRACT FOR LAND TEK GROUP, INC.

RESOLVED, that the materials presented to this meeting of the Directors (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 discussion in the Materials and pursuant to Section 3669 2(d) of the Authority Act, the Authority hereby disapproves the County’s Contract for Land Tek Group, Inc.

RESOLVED, that staff may take all actions and do all things that they deem necessary to carry out the intent of this resolution.

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution requesting the acceptance of NIFA’s staff report on the County’s Proposed Multi-Year Financial Plan 2012-2015. He stated that the proposed plan recognized that the County was in a fiscal crisis but the plan did not present an adequate number of solutions. He stated that the County could end 2011 with an operating deficit of approximately \$153 million and a significant related shortfall in its cash resources. Mr. Cohen stated that if the County did not pass its budget in a timely manner, there was concern about the County’s ability to complete a critical tax anticipation note borrowing by the end of 2011.

He stated that NIFA's analysis indicated that the County could end 2012 with a deficit of approximately \$283 million if no other actions are taken. He indicated a projected risk on the expenditure side totaling almost \$200 million for salaries and fringe benefits alone. He stated that more than \$100 million of projected savings would require the reopening of labor contracts and more than \$50 million would come from layoffs that required legislative approval. He stated that other County actions totaling \$120 million included 600 additional layoffs and employee furloughs that would likely be litigated.

He stated that the County underestimated the size of the out-year gaps by almost \$250 million in 2013; \$280 million in 2014; and \$315 million in 2015.

Chairman Stack stated that NIFA cannot vote on the County's budget until it is approved by the Legislature. He stated that NIFA was commenting on the budget so that the Legislature knows what NIFA's thoughts are on the budget before them.

Director Wild stated that he agreed with NIFA's report and that the County needs to do more work on the budget.

Director Wright stated that the County's failure to acknowledge the existence of the deficit for a good part of the year has exacerbated the County's liquidity issues. He stated that it was in the best interest of the County, NIFA and the residents of the County for the County to be responsible for balancing the budget.

Director Stokes stated that there was a need for a clear strategy by the County in order to solve the County's fiscal problems. He also stated that the administration should work with the Legislature to make substantial adjustments to the plan before it is adopted.

Director Marlin stated that the time has come for the County to face its fiscal responsibilities, dispense with fiscal show games and take the necessary corrective actions to restore fiscal integrity. He also stated that the County residents should be told how much the sewer privatization will cost them since the buyers of the sewer system will require a profit.

Chairman Stack stated that NIFA does not accept the budget as it is right now and the Legislature needs to work with the County Executive to balance it so that the County can complete a TAN borrowing or the County will have a serious cash flow problem. He stated NIFA does not want to see the sewer privatization as part of the contingencies in the budget.

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

Resolution No. 11-336

DETERMINING THAT THE COUNTY EXECUTIVE'S PROPOSED FINANCIAL PLAN AND 2012 BUDGET FAIL TO COMPLY WITH THE NIFA ACT AND MAKING RECOMMENDATIONS WITH RESPECT TO THE FINANCIAL PLAN AND BUDGET TO BE ADOPTED BY THE COUNTY LEGISLATURE BY OCTOBER 30, 2011

WHEREAS, Nassau County is operating in a control period, which NIFA imposed on January 26, 2011 upon finding a substantial likelihood and imminence that the County would incur a deficit of more than one percent in Fiscal Year 2011; and

WHEREAS, on October 3, 2011, the County Comptroller issued his Nassau County Budget Update Report projecting a Fiscal Year 2011 deficit of \$136.4 million, which increases to approximately \$171 million when Generally Accepted Accounting Principles are applied to the County's use of borrowed funds, as required by law; and

WHEREAS, with the year now three quarters complete, the NIFA Staff currently projects that the County could end Fiscal Year 2011 with an operating deficit of approximately \$153 million, which is nearly 6% of the Fiscal Year 2011 budget; and

WHEREAS, as in prior years, the County likely will need to issue Tax Anticipation Notes (obtaining a cash advance against property taxes to be collected in 2012) in order to have cash on hand to fund necessary operating expenditures (including payroll and other ordinary expenses as they come due) through the end of 2011; and

WHEREAS, in the absence of a 2012 Budget that has been both adopted by the County Legislature and approved by NIFA, the County may be unable to issue Tax Anticipation Notes, thereby precipitating a cash-flow crisis before the end of 2011, with the County lacking cash to pay its obligations as they come due; and

WHEREAS, in September 2011, as required by law, the County Executive submitted to NIFA his proposed Multi-Year Financial Plan for Fiscal 2012 – 2015, the first year of which is his proposed 2012 Budget; and

WHEREAS, the NIFA Staff has prepared a report on the County Executive's proposal, projecting that his 2012 Budget, absent major modifications, could result in a deficit of more than \$280 million at the close of FY 2012, which is to say the 2012 Budget does not meet the standards of prudence necessary to project budget balance as required by the NIFA Act; and

WHEREAS, NIFA has identified certain recommendations, enumerated hereinafter, for correcting the imbalance in the County Executive's proposed 2012 Budget; and

WHEREAS, the County Executive having submitted an unbalanced budget, the County Legislature has the opportunity to implement corrective action so that the County adopts a truly balanced budget for 2012, which is both required by law and prerequisite to a Tax Anticipation Note offering that may be necessary to avert a cash-flow crisis; and

WHEREAS, pursuant to the County Charter, the Legislature is authorized to change the County Executive's proposed 2012 Budget, and specifically "may strike out or reduce any item of appropriation" when adopting a 2012 Budget by the Legislature's deadline of October 30, 2011 (subject to the County Executive's veto power, which the Legislature may override by vote of 13 members); and

WHEREAS, under Section 3667(2) the NIFA Act, after today NIFA will not again act upon the

County's 2012 Budget until "approval by the county of a budget in accordance with the provisions of the county charter and approval of the financial plan by the legislature"; and

WHEREAS, to avert a cash-flow crisis in 2011, time is of the essence for corrective action on the 2012 Budget;

NOW, THEREFORE, BE IT RESOLVED, that NIFA adopts the Staff report on the County Executive's financial plan and 2012 Budget;

AND BE IT FURTHER RESOLVED, that, pursuant to Section 3667(2)(b) of the NIFA Act, NIFA hereby determines that the County Executive's financial plan and 2012 Budget fail to comply with the requirements of the NIFA Act because they do not meet the standards of prudence necessary to project budget balance;

AND BE IT FURTHER RESOLVED, that, pursuant to Section 3667(2)(b) of the NIFA Act, NIFA hereby submits the following recommendations for at least \$280 million in corrective action to the County Executive's proposed 2012 Budget:

- (i) Projected revenues from Fines and Forfeitures should be reduced by \$11.9 million so as to align with projections for 2011;
- (ii) Projected revenues from Investment Income should be reduced by \$1.3 million so as to align with projections for 2011;
- (iii) Projected revenues from Department Revenues should be reduced by \$14.7 million so as to more closely align with projections for 2011;
- (iv) Projected revenues from Rent and Recoveries should be reduced by \$2.4 million, which includes potential sale of police precinct buildings where operations have not yet ceased;
- (v) Projected revenues from Sales Tax should be reduced by at least \$2.2 million in light of economic conditions;
- (vi) The \$15 million revenue item for NIFA debt refunding should be eliminated because savings may not be available in the current market environment and, moreover, may not meet NIFA standards of fiscal prudence;
- (vii) The \$18 million revenue item for borrowing to cover judgments and settlements should be eliminated because such borrowed funds are not revenues;
- (viii) The County should identify alternative actions of \$131.6 million that could be implemented if the County Executive's proposed reductions of Salaries and Wages are unrealized;

- (ix) Projected expenditures for Fringe Benefits should be increased by \$67.6 million because of the untested legality of the County Executive's proposal to impose new benefit payments on workers and retirees unilaterally;
- (x) Projected expenditures for Contractual Services should be increased by \$15 million because the County Executive, although invoking the term "Strategic Sourcing Initiative," has not provided evidence of any detailed planning for such an initiative or for any timeline of implementation;
- (xi) Projections for Other Expenditures should be increased by \$3.3 million because of the risks identified in the Staff report; and
- (xii) Finally, in no event should the recommendations set forth above be offset by any projected proceeds from the County Executive's proposal to privatize the County's wastewater facilities because the implementation risks and accounting treatment risks do not justify such an offset;

AND BE IT FURTHER RESOLVED, that for the good of the County and its residents, NIFA calls upon the County Legislature, working with the County Executive and his Staff, to take effective corrective action that will allow NIFA to approve a 2012 Budget and financial plan as quickly as possible, so that the County is positioned to issue Tax Anticipation Notes and avert a cash-flow crisis in 2011.

* * *

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 3:45 PM.

Respectfully submitted,

Laurie A. Boucher
Corporate Secretary