NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON DECEMBER 8, 2011

Pursuant to notice dated December 2, 2011, a meeting of the Nassau County Interim Finance Authority ("NIFA") was convened at 4:25 PM 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
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 October 6, 2011 Directors' meeting.

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

Resolution No. 11-337

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 6, 2011 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on October 6, 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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Executive Director Cohen stated that the next item on the agenda was a resolution regarding the County's Adopted Financial Plan for FY 2012-2015. He stated that the County made changes to its proposed budget thereby reducing the projected risks for 2012 from approximately $283 million to $181 million, of which $150 million relates to labor savings that are budgeted but not yet attained. He projected the out-year risks to be even greater due to the County's aggressive assumption for items such as employee pensions and investment income. He stated that the original risks were addressed due to a large extent by NIFA's willingness to consider allowing up to $450 million in borrowing for certs, judgments, and settlements and termination expenses through 2014. Mr. Cohen stated that the County acknowledges that the financing of these costs is expected to result in a statutory deficit in each year until 2015, when the County will fully fund these costs with operating revenue.

Executive Director Cohen stated that the County adopted certain trigger dates to achieve the recurring labor savings through layoffs and/or furloughs to the extent that the $150 million in equivalent savings are not realized from union concessions. Mr. Cohen recommended that if the plan is accepted by the Directors that there are several conditions that should be instituted as stated in the resolution.

Chairman Stack made the following statement:

"Before us today is the conditional approval or outright rejection of the County's multi-year financial plan, which includes the 2012 budget. This action is the first to be done under a control period, one which NIFA imposed on January 26, and which was upheld by the courts in March. During the past nine months, the County has taken a number of actions, albeit insufficient to balance a budget for 2011 either on a cash or a GAAP basis. A fact now acknowledged by the County controller.

The plan before us today is designed to transition to GAAP balance by 2015. To do so, the County has enacted a plan that includes transitional borrowing. Very importantly, the County now acknowledges that borrowed funds to pay, say for example, tax certs, is not, it is not revenue, and thus the 2012 budget and the future year budgets which includes such borrowing are not balanced, and that the County will remain under state control. NIFA's control oversight will not end with approval of the proposed plan. Quite to the contrary. It continues in a new phase that will be active and demanding.

We retain the right to review again and disapprove if necessary the financial plan as the year proceeds. We can send the County back to the drawing board if assumptions prove to be wrong or if the County does not take the actions that are prescribed in the plan. And if necessary, we can even order County officials to comply with the plan and if needed, make additional modifications to the plan. Also, although the board is reviewing the plan as a whole, no particular item is approved or sanctioned by NIFA by its inclusion in the plan. That includes, for example, the wage freeze, which was imposed on March 24, and which remains in effect for one year, and which NIFA will review again in March, determine if the County remains in a fiscal crisis, and if a wage freeze is essential to a balanced budget.

Also, no borrowing is approved until it is presented to this board, reviewed by NIFA under the conditions we have set out. Our conditions in general are outlined in our resolution and are very critical. Examples include that any unanticipated savings or revenues must be disclosed to NIFA and then the County and the NIFA working together will consult to the best use of these savings of revenues including our preference as NIFA to reducing debt service or debt issuance. No funds can be borrowed until we have detailed reports on the proposed usage of the funds which much conform to the plan. And cert borrowing is to decline each year so that in 2015 the back log and new liability will be paid with operating funds. That is, no more borrowing. And that holds for borrowing for other judgments and settlements.

Finally, we require a monthly report detailing all of the major fiscal issues and accounting including revenues, labor issues, cert payments, among others. In sum, the plan before the board today is far from ideal. The very fact that the plan assumes a continued control period, continued approval of all contracts, all borrowings, all major actions, clearly indicates the plan has deficiencies. But the commitment to a GAAP balanced budget in 2015 is clear, it is spelled out, it is detailed, and it's unequivocal. As is stated in our resolution and the attached statement of the directors, which will also be distributed at the end of the meeting, this plan holds significant risk that will require close NIFA monitoring, and most importantly for the County to take the actions it has promised to take. But although far from perfect, rejection of the plan at this moment could result in significant disruption in the County, a possible closing of the capital markets to the County, a cash crisis and a possible shutdown of County government. The very risk of that occurrence weighs heavily on the minds of the directors of NIFA. Importantly we still do retain substantial power during the control period, and we have laid out very clear conditions that must be followed. But risks, no matter what we do, remain. And now we must make our decision."

Chairman Stack then asked the Directors in alphabetical order for their comments and vote.

Director George Marlin made the following statement:

"In 2000, NIFA was created as an independent New York State authority to help restore the county's fiscal health, which had been suffering for years due to mismanagement, cronyism and sleaze. In a nutshell: the County had to be saved because it was teetering on the edge of the fiscal precipice.

Prior to the State taking action the Nassau County legislature unanimously approved a home rule message requesting Albany to create a state oversight panel with the power to guide the County's budget policies. Both Nassau County Legislator Peter Schmitt and then-Legislator Ed Mangano voted for the measure.

By asking for an independent public authority possessing budgetary oversight powers, the Nassau legislators conceded that they could not trust themselves to manage the County's finances responsibly.

Portions of the NIFA Act did reward elected officials for failure by providing various financial benefits including $100 million in state funds. (Lest we forget during the 1975 fiscal crisis N.Y. City did not receive one dollar from the state.)

To give elected officials time to reform the Tax Certs mess and to achieve a structurally balanced budget, the NIFA Act also permitted the County to borrow as "operating revenues" money to pay down accumulated Tax Certs refunds. Tax Cert borrowing, which totaled $947 million between 2000 and 2007 and accounted for 45 percent of total bonded debt issued during that period, was in effect a backdoor tax increase. Taxpayers, their children and their grandchildren are stuck paying the bill for the County's fiscal operating shenanigans.

NIFA's authority to approve or disapprove budgets and fiscal plans expired in 2008 and the County was once again on its own. Sadly, Nassau pols quickly reverted to bad fiscal behavior. Tax Cert reform did not materialize; the County failed to pay refunds out of operating revenues. The backlog of unpaid Tax Certs began to grow and has continued to grow to this day. Tax Cert borrowing, which reached a low of $12 million in 2007, has grown significantly: $58 million in 2008, $64 million in 2009 and $42 million in 2010. The report of the Assessment Reform Team, created by County Executive Mangano with much hoopla, has been turning yellow in a bureaucrat's bottom desk drawer.

Elected County officials have also approved lucrative long-term contracts with public service employees. Those who voted for the contracts and now must deal with their consequences insist the previous County Executive claimed there would be sufficient revenue to pay for sweetheart contracts. Such finger pointing is deceptive. The money was to come from the home heating fuel tax—the very tax many Legislators who supported the contracts repealed on January 1, 2010.

Nassau County's present fiscal crisis is the direct result of mismanagement, extravagance and political cowardice. And to save their political hides, elected officials, once again, want to be rewarded for failure. Gulotta redux!

Most disappointing: There have been no cries of outrage. Instead of demanding transparency and genuine fiscal reforms, the political establishment has stood silently on the sidelines. They have behaved like the hollow men described in the opening lines of Nobel Laureate T.S. Eliot's poem of that name:

We are the hollow men
We are the stuffed men
Leaning together
Headpiece filled with straw. Alas!
Our dried voices, when
We whisper together
Are quiet and meaningless…

Shape without form, shade without colour,
Paralysed force, gesture without motion…

Today the members of this Board are asked to approve a 2012-2015 Fiscal Plan that includes $305 million of new Tax Certs borrowing; $64 million in judgments and settlement borrowing and $80 million of borrowing for termination pay. The County, which assumes business as usual, also wants to issue Capital Project bonds totaling $564 million. (Reminder: During New York City's fiscal crisis, Capital Project spending came to a halt.)

In return for imposing on taxpayers another multi-generational backdoor tax increase, the County pledges it will either obtain $150 million of union givebacks or make other cuts in the operating budget totaling $150 million. In addition, the County claims that it will fully fund with operating revenue all tax certs, judgments and settlements and termination expenses beginning in 2015.

Personally, I have very little faith in the County's ability or will to achieve these goals. In my judgment, the County has no creditability because time and again in dealing with fiscal matters, the County has been disingenuous, deceptive and delusional. Let's review:

- The County has boasted its 2010 budget was not only balanced but incurred a surplus. In fact, the County ended the fiscal year with a deficit and funded the short-fall with long-term debt (another backdoor tax increase). Yes, the County borrowed money to close the gap. That's like using ones credit card to pay ones mortgage.
- The County pledged in late 2010 they would procure $61 million in union givebacks in 2011. That never materialized.
- The County told NIFA members in November 2010 that they had the makings of a deal with unions that was contingent on a sales tax increase the County assured would be approved later that month in a special session of the state legislature. That never materialized.
- The County, in a letter to Chairman Stack dated December 28, 2010, (coincidently, a day before a NIFA meeting) outlined a list of contingent cuts it would execute to balance the 2011 budget. Most of those savings never materialized.
- The County, on March 8, 2011, shortly before Judge Diamond was to announce his ruling in Nassau v. NIFA, asked the judge for a delay in the decision because the County was on the cusp of an historic labor breakthrough that would deliver dramatic savings and solve the County's fiscal problems. No such breakthrough materialized.
- The County insisted time and again that its 2011 budget was balanced and that NIFA's analysis was wrong. In fact, the County has been wrong. County Comptroller Maragos projects that the County will end the fiscal year with a cash deficit between $84 million and $12.9 million. On a GAAP basis, the deficit will be in the vicinity of $120 million.
- The County, on September 15, 2011, proposed a budget it claimed was balanced. Weeks later the County repudiated that budget and the budget's linchpin, the Fiscal Crisis Reform Act.

With this checkered history, the County now wants me to believe that this time they are really, really serious about fixing its fiscal mess.

However disturbed I am at the plan that the County has put before us today, and however skeptical I remain about its willingness to affect the measures necessary to effect fiscal change, I am also cognizant of our role as a Board and the repercussions our decision here today will have. Simply put, if the Board chooses to reject the plan, the County could not go to the capital markets and borrow the cash necessary for ongoing operations. In a word, the County would be closed.

To close the County, based on their unacceptable actions to date and on our fear that they will not do what they purport they will do, would not be unreasonable or unjustified. Nevertheless, upon reflection, I believe that the Board should not exercise this Draconian option at this moment.

But I must be clear. The approval of this plan today is not without a price. The price is that this Board—and I promise you I will personally—review every act, every contract, everything the County does to ensure it is in compliance with this plan. I will demand that any deviation, any movement from the plan, be dealt with severely and swiftly. I will demand that NIFA issue a formal order for the County to adhere to its plan. If necessary, I will demand that NIFA go to the District Attorney's office and the courts to enforce orders. If I detect any smoke and mirrors in official statements or in filings with rating agencies or regulatory bodies—I will be a whistle blower.

And let me remind the County that approval of a plan is not approval of all the parts. NIFA will base the approval of each part of the plan that comes before us in the coming months on whether the County carried out its responsibilities.

The County must realize that NIFA is no longer an oversight Board—we are a Control Board and if the County fails in its responsibilities, we will exercise control measures. County officials are making a major error if they think NIFA is a toothless tiger. No more shenanigans. Don't even think about resurrecting astro turf baseball field projects.

Mr. Chairman: Despite my personal fears and misgivings, I believe that as a member of this Board, I also have to consider what is the practical impact of our actions as a Board. I vote in the affirmative."

Director Steinman made the following statement:

"This past summer, the County had the idea to borrow $400 million to build a new Nassau Coliseum and a minor league ball park. Voters rejected this borrowing. Whether one agreed with the idea or not, the County at least then understood the importance of insuring that there would be new revenue to pay for the desired borrowing. Today the County plans to borrow $450 million without any source of new revenue to pay for the increased debt service. Just two years ago the County provided to this board a multi-year financial plan that included an energy tax and incremental property tax increases over several years. The County has scraped the foundation of that plan and has lost over $150 million of revenue as a result. Nobody likes taxes. Our taxes are too high. But if the County wants to cut taxes, it has the obligation to ensure it doesn't need the money that it no longer collects. Borrowing is not a proper substitute for taxes. Nassau County cannot borrow its way out of its predicament, and it should not try. Nearly 20 percent of the taxes paid by Nassau County residents goes to pay for Nassau County's existing debt service. Nassau County's debt services as a percentage of its budget is more than three times the amount of Westchester's, and more than two and a half times the amount of Suffolk's. And that is before the proposed $450 million borrowing the County now plans to undertake.

The County concedes that it not only has been unable to balance the budget this year, but that it will not be able to do so for the next four years. This is not fiscal responsibility. The County is turning over control of its finances to this board for the next four years. This is not governing. This is a sad day in the history of the County. I respect those members of this board who believe that we have no choice but to accept this financial plan or see the County shut down. But I personally believe that our elected County leaders have the obligation to do better, and therefore must respectfully vote no."

Director Stokes made the following statement:

"There are two major issues which still require additional clarity as it relates to the 2012 budget and multi-year plan. Number one is the tax certiorari and other borrowing, and number two is the amount of labor concessions required and alternative solutions or lack thereof. Combined in excess of $1 billion throughout the course of the multi-year plan. As for item number one, the tax certiorari and other borrowing, I completely understand that there might be a need to use bond funds to solve this problem. In fact, I will openly admit that I even suggested we dig deeper on this issue about a year ago and even suggested to the administration that they include it in their plan as part of **a** strategy to fix the problem once and for all.

The piece that we're still missing is how we plan to go from point A -- point A being today – to point B being 2015, the tail end of the multi-year plan. Before we commit to filling a budget gap with $400 million, in excess of $400 million, in borrowing over four years, we need to understand what the plan is for the use of those bond proceeds. Number one, we need to know the amount of backlog cert liability that currently exists today. Number two, we need to know what the addition of new liability is planned for each year. Three, we need to understand how much the County plans to pay out each year, and finally we need to understand where that puts us in terms of ending backlog in 2015, if any, and frankly, hopefully proving that the backlog claims at the point will be at sustainable levels and the problem will be solved in four years.

We have received no assurances that this will happen, even after several weeks of requesting this information. In fact, the problem might even be worse in 2015, because as it looks, we're basically just supplanting operating costs. We don't know because we haven't seen the data, nor any analysis surrounding the data.

So as for item number two, the amount of labor concessions require alternative solutions. I understand that the County has undertaken a monumental effort to come up with just less than half the required $150 million in the 2012 budget. There's been no mention of how or where the remaining $77 million will come from, which departments or programs will have to be closed with what I assume will be in excess of 1000 additional staff that will be let go, or frankly, whether it's even possible, given mandated programs or federal or state aid offsets which makes net savings more difficult to achieve. Not to mention penalties and other sanctions for noncompliance because we don't have the employees to do work, specifically thinking health and human services.

Furloughs were also discussed as an option, but with no backup for the $60 million in claimed savings. Furthermore, no contingencies have been identified, should budgeted labor savings not come to fruition. I'm glad to see that some progress has been made, but without substantiation of these major claims made on these two key issues, again with weeks of opportunity to produce this information, I cannot approve this budget **or** multi-year plan knowing that there's a high probability that we're going to be back here in the same position months down the road. My vote is a no.

Director Thomas made the following statement:

"Thank you for the remarks from directors Marlin, Stokes, and Steinman. I must say I have to agree with the facts as they were stated. My view is derived from the fact that I am actually the only elected official on this board. And what I have learned in my short time in government in the village of Valley Stream is that one, numbers equal people, and two, government moves like a cruise ship rather than a speedboat. Now I do believe we need to right this ship, the County of Nassau, to move it in the right direction to get to a good place – a better place. There was a time in the history where Valley Stream was not in such a great place. But today, it actually finds itself in a very good financial position.

I would encourage the County to adhere to some of the principals that we adhere to, which are not easy. We fight, we spar over many issues all the time, but we prioritize. Every member of my village wants their roads paved. They want the pool completely renovated. We want to buy new buildings. But we can't do everything all at once. We can't make everyone happy all at the same time. We can prioritize and do our best to make them happy over time. So for instance, as a policy, if we would like to issue more debt, we wait until debt is retired so that we keep the same level of debt, or at least as close as possible as we can. And that is a policy that has come up after many years of discussion and decision making that we are trying to uphold, and I believe that we will continue to uphold.

My point is that it is not ideal for the County to issue $450 million in debt, and I do not think it is the best situation. But given where we are, I do believe it is the best strategy, for now, and honestly I am optimistic that over time we will achieve GAAP balance. And I do believe that public officials do the best that they can and deserve a second try, and should not be held accountable for actions of many. So, in short, I vote in favor of this resolution."

Director Wild made the following statement:

"I don't think anybody on this board can say this plan is good. This plan is necessarily achievable. Skepticism is required on our part. I share it 110 percent. I became convinced and after speaking to a lot of people and certainly listening to Mr. Marlin and to others that the risk of not approving the plan and the potential consequences to the workers of the County, and the citizens of this County, simply outweighs the skepticism which I share with all the board members as to the ability of the County to achieve the plan. I think in my one year perhaps, that's about all it's been, tenure on the board and my sort of new tenure into Nassau County government through this board, I've heard a lot and seen a lot and developed even a greater skepticism because information keeps being passed through us and the information gets changed and the information doesn't seem to be accurate.

On balance however, I think a failure to adopt the plan and the consequences which I've come to believe are real are simply unacceptable, and I consider this board's primary obligation to the citizens of the County including the workers and all citizens of the County, and therefore adopting all of Mr. Marlins' skepticism and hoping to learn his eloquence, I vote in favor of the resolution."

Director Wright made the following statement:

"I'd like to thank the staff for their analysis and for the recommendations regarding the conditions and the required follow up. They're included in the adopting resolution. I support those conditions. In fact, if they weren't there my vote might be different. It's important to note that this, as others have, this budget and multi-year plan does not at this time approve the long term borrowing that's contemplated. In fact, that approval, if and when we give it, is going to come after Nassau County legislative approval, which requires a super majority, and dare I suggest bipartisan activity, which will require those parties to work together to get to the 13 votes that are necessary. We'll suggest that now. We'll perhaps demand it later as a board. And it's predicated on savings that are well in excess of the amounts to be borrowed. In fact, just shy of a billion dollars. For those of you following along or doing the math on your own, that is $150 million a year for four year, $600 million on top of $376 million that would come from the continuation of a wage freeze. For those of you following along or doing the math at home, that's $43 million in 2013, $75 million – I'm sorry, in 2012, $75 million in 2013, $110 million in 2014, and $148 million in 2015. Now, I'm sure that we'd all much rather be in a position to save nearly a billion dollars (and borrow less) or even zero. But the elected and appointed officials who have to implement this as others have suggested have neither the will nor the skill to make that work. In fact, they've proven that in many ways and in very significant ways. They've failed, or refused to even identify or acknowledge the existence of a deficit for much of this year, instead being distracted by litigation to deny or dispute that. Distracted by a curious fixation on sports facilities and artificial turf that's as unacceptable as it is bizarre and as Mr. Marlin suggested we should hope not to see any suggestions to that come to this board in the future. Sidetracked by fights over district lines that were costly and also unproductive. In other words, whiffing, essentially, on all the major initiatives that they chose to use to distract them from the fact that there's actually a deficit. Now, in other words, they were acting very much like things should be business as usual, when everyone else, anyone capable of rational thought recognized the existence of a genuine fiscal crisis.

And so now we find ourselves in a position of needed to approve this multi-year plan, and perhaps the tax anticipation notes that go with it. And perhaps even a lease securitization which is very expensive but probably necessary to infuse the necessary cash for the County to make payroll, just so that they can pay their bills.

This isn't just a framework. And as Mr. Marlin suggests it'll be subject to intense scrutiny and follow up. It's not merely a gameplan. In fact, with the adoption of this budget and it's preconditioned, the elected and appointed officials have essentially agreed to turn over the keys to the fiscal vault to NIFA for the remainder of their terms in office. Which is not an ordinary event, and shouldn't be lost on anybody.

And so as a result of all that, it's very easy when deliberating on this matter to get to a place where it seems that the best way, maybe even the only way, to get their attention is to not approve the plan; to not approve the borrowing, and let the County miss a payroll. Now, while it's – I can arguably get to that point and have gotten there on a number of occasions, I can't responsibility land on that point. To do so would be to unfairly penalize the thousands of people who either work for or depend on the County for services, when many of them aren't the source of either the problem or the solution. So instead we find ourselves having to pass by that point, perhaps accepting as others have said, less than we had hoped for, and to do what is responsible, acknowledging that some of the people with whom we are dealing are part of the problem, and dealing with them forcefully and directly to address the County's concerns including to the extent that Mr. Marlin suggested; issuing orders, dealing with the district attorney to enforce our orders and our rules.

In summary, while this 2012 budget and MYP doesn't do everything I would like it to do, and even allows certain actions during its term which I don't prefer, our approving resolution also contains significant and sufficient conditions which must be met before those actions can be approved.

Beyond those conditions, I further support significantly curtailing much of the County's capital borrowing, and will insist on having the County streamline that requested borrowing and related spending, and to prioritize both. If they don't, we should.

I intend to vote to approve this less-than-perfect 2012 budget and MYP, but - please note – I also intend to insist on the satisfaction of all of our conditions and satisfactory answers to all of our questions before I will vote for a nickel of the related borrowing for certs, terminations and judgments.

This budget and MYP is not – and cannot be - "business as usual", and the County's elected and appointed officials need to understand that. If they don't, NIFA will, if I have anything to say about it, be sure to remind them - as frequently as necessary."

Chairman Stack then voted to approve the Multi-Year Plan.

Upon motion duly made and seconded, the following resolution was approved by a vote of 5-2:

Resolution No. 11-338

CONDITIONALLY APPROVING THE COUNTY'S MULTI-YEAR FINANCIAL PLAN FOR FISCAL 2012 – 2015

WHEREAS, Nassau County is operating in a Control Period, as defined in the NIFA Act, and declared by NIFA on January 26, 2011; and

WHEREAS, in the absence of a 2012 Budget approved by NIFA, the County may be unable to issue Tax Anticipation Notes by the end of 2011 to fund necessary operating expenditures (including payroll and other ordinary expenses as they come due), precipitating a cash-flow crisis; and

WHEREAS, in September 2011 the County Executive submitted to NIFA his proposed Multi-Year Financial Plan for Fiscal 2012 – 2015 ("Proposed Plan"), the first year of which is his proposed 2012 Budget; and

WHEREAS, on October 6, 2011, NIFA adopted a Resolution determining that the Proposed Plan failed to comply with the NIFA Act and making recommendations with respect to the financial plan to be considered and adopted by the County Legislature; and

WHEREAS, NIFA consulted with the County regarding potential modifications to the Proposed Plan; and

WHEREAS, on October 30, 2011, the County Legislature adopted its Multi-Year Financial Plan for Fiscal 2012 – 2015 (the "MYP"), the first year of which is the County's 2012 Budget, which is now before NIFA for approval or disapproval; and

WHEREAS, the NIFA Staff has prepared a report on the MYP dated December 8, 2011("Report").

NOW, THEREFORE, BE IT RESOLVED, that the NIFA Directors hereby adopt the Report.

AND BE IT FURTHER RESOLVED, that pursuant to Sections 3667(2) and 3669(2)(a) of the NIFA Act, NIFA approves the MYP, including the 2012 Budget, subject to the conditions set forth in the Report, to wit:

(i) Unanticipated savings or revenues that are not directly used to offset negative variances in line items in the MYP must be disclosed to NIFA before they are committed. The County and NIFA will then consult as to their highest and best use including, but not limited to (but with a bias toward), the reduction of County debt service or debt issuance. In addition, all other significant variances and their resolution must be disclosed to NIFA on a timely/real time basis and through written reports referenced in item (v) below.

(ii) No funds shall be borrowed until NIFA has detailed reports on the proposed uses of the funds and approves of the borrowing as required by law. Uses of borrowed funds must conform to the MYP and the County's promise to achieve a GAAP balanced budget in FY 2015.

(iii) NIFA's approval of a plan for "transitional cert borrowing" in FY 2011 – 2014 is predicated on the understanding that the proceeds will be used to pay down new liability as well as the backlog so that in FY 2015 the County will be in a position to fund both the backlog and new liability with operating funds. Consequently, the County must adhere to the following backlog reduction goals before the commencement of such transitional cert borrowing:

By the conclusion of FY 2012	$128 million
By the conclusion of FY 2013	$103 million
By the conclusion of FY 2014	$78 million

(iv) NIFA's approval of a plan for $65 million in borrowings for non-cert judgments and settlements is predicated on the understanding that the proceeds will be used only during FY 2011- 2014 and that beginning in 2015 all non cert judgments and settlements will be funded through operating revenues. The only exception shall be for large and unanticipated judgments, the determination of which will be subject to NIFA approval. Yearly progress in this regard must be presented to NIFA at the time when the multi-year plan and budget are presented to the County Legislature.

(v) The County will be required within 21 days after the end of every month to submit a report to NIFA that follows the same format as the "Quarterly County Budget Report." Receipt of these reports will be a condition to approval of any additional borrowing and each report should include all budget variances including, but not limited to:

- A report of sales tax collections, together with a projection of year end results and the justification for the projection.

- A report showing, by department, funded positions, filled positions, separations, transfers in/out, and new hires.
- A copy of the County's proposed State legislative agenda, with sponsor and bill numbers for each gap-closing initiative that requires implementation during FY 20012 and FY 2013, together with monthly updates.
- An accounting of certiorari payment activity.

AND BE IT FURTHER RESOLVED, that NIFA adopts the attached Statement of Approval, which is deemed a part of this Resolution.

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Statement of the Directors of the Nassau County Interim Finance Authority in Connection with Their Conditional Approval of Nassau County's Multi-Year Plan for FY 2012 - 2015

Pursuant to Sections 3667(2) and 3669(2)(a) of the N.Y. Public Authority Law, Chapter 43-A (the "NIFA Act"), the Nassau County Interim Finance Authority ("NIFA") approves the FY 2012 – 2015 Multi-Year Financial Plan ("MYP") adopted by Nassau County (the "County"), the first year of which is the County's 2012 Budget. This Statement of Approval reviews certain circumstances and reasons for NIFA's action and highlights certain conditions and caveats embodied in NIFA's approval.

The County Charter prescribes an annual budgeting cycle whereby the County Legislature adopts by October 30 an annual multi-year financial plan, the first year of which is the County's budget for the fiscal year beginning January 1. During a Control Period, as defined by the NIFA Act, NIFA must approve or disapprove the financial plan and budget adopted through the annual budget cycle. *See* NIFA Act § 3669(2)(a). The MYP currently before NIFA resulted from the first budgeting cycle since NIFA's declaration of the current Control Period on

January 26, 2011. As such, this is the first occasion for NIFA to exercise its right of approval or disapproval under Section 3669(2)(a).

The economic realities of the County for Fiscal Year 2012 provide a particularly challenging backdrop for NIFA's consideration of the MYP. Although the judgment of NIFA Directors is grounded in their independent assessment of a constellation of factors, and no formula governs NIFA's analysis, the following five circumstances are worthy of elaboration.

First, even though the County and NIFA worked together for months to identify a number of opportunities for budgetary relief, the opportunities identified to date cannot close the statutory gap projected for 2012 and the out years of the MYP.

The County has taken a number of steps designed to reduce the structural imbalance in its finances and provide budgetary relief for FY 2011 and beyond. For example:

- To address its tax certiorari ("Tax Certs") problem, the County adopted legislation to end the so-called County Guaranty by 2013.
- The County laid off 128 full-time employees in June 2011.
- The County has implemented a "soft" hiring freeze reducing the number of refilled positions below historical rates.
- The County generated savings by outsourcing medical care of Correctional Center inmates.
- The County reduced its contracts budget, as well as its capital spending plan.

Still, the structural deficit remains significant in 2011 and throughout the term of the MYP. In fact, the County Comptroller recently projected a potential cash deficit in 2011 of

$84.7 million, even after the use of $35.7 million in bond proceeds already on hand for Tax Certs. The outlook for FY 2012 is even more challenging, as reflected in the December 8, 2011 NIFA staff report on the MYP.

Second, transitional borrowing to help close the gap is reasonably necessary to avoid a shutdown of County government services and, concomitantly, a potentially unreasonable burden on the County citizens and workforce. The NIFA Act allows such borrowing during a control period with NIFA's approval and pursuant to a plan achieving fiscal balance by its final year.

An important consideration in NIFA's evaluation of transitional borrowing is that the County no longer claims that borrowed funds to pay Tax Certs should be counted as revenues. That is, the County acknowledges that its 2012 Budget is not balanced under the NIFA Act, requiring continuation of the Control Period. In addition, NIFA's approval of the MYP is no substitute for NIFA's independent approval of any particular borrowing transaction. Each borrowing will need to be presented to NIFA during the Control Period, and borrowing that is imprudent under all the circumstances will be rejected.

Third, NIFA is mindful that disapproval of the MYP may deprive the County of important access to the public markets to satisfy its immediate cash flow needs. The Directors voiced this significant concern at NIFA's last public meeting and embedded it in NIFA's resolution of October 6, 2011 urging remediation of the County Executive's proposed MYP. The County Legislature responded in a number of ways, including the addition of provisions in the

MYP requiring recurring labor savings, achieved if necessary by layoffs, furloughs or other actions.

Fourth, in a Control Period, NIFA retains the right to revisit – and, if warranted, disapprove or even modify – an approved financial plan as the fiscal year unfolds. This significant authority allows NIFA to send the County back to the drawing board if the assumptions underlying the MYP prove unfounded. And if the County fails to remedy the deficiency to NIFA's satisfaction, then NIFA is authorized to modify the MYP on its own. Thus, NIFA's oversight during the 2012-15 period does not end with approval of the MYP. Instead, a new phase of oversight has just begun. For example, all County contracts must be consistent with the MYP, and NIFA may order County officials, as warranted, to comply with the MYP. And if actual results of County operations fail to meet projections, the MYP will be modified.

Fifth, it bears emphasis that no particular line item of the MYP is sanctioned by NIFA by its mere inclusion in the MYP. Perhaps the most important example is the wage freeze on County personnel, which the MYP projects to remain in place through the close of 2015. The current wage freeze began March 24, 2011 and, by statute, remains in force for one year. Wages will remain frozen thereafter only if NIFA, in March 2012, finds that the County remains in fiscal crisis and that continuation of the freeze is essential to the adoption of a balanced financial plan. Currently, the wage freeze is essential to the County's effort to strive for balance in Fiscal Year 2011. But NIFA does not pre-judge today the fiscal condition of the County in March 2012.

The MYP approved by NIFA today is far from perfect and contains significant risks that need close monitoring. But the drastic alternatives – a government shutdown, a cash crisis or worse – call for restraint at this stage. NIFA approves the MYP mindful of, among other things, (i) NIFA's power over the MYP during the control period, (ii) the conditions on approval set forth in the Resolution to which this Statement is annexed; and (iii) the best interests of County residents and employees in these challenging economic conditions.

* * *

General Counsel Wise stated that the next item on the agenda was a resolution regarding the County's request to issue $250 million of Tax Anticipation Notes (TANs). He stated that the County needs this borrowing for cash flow purposes.

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

Resolution No. 11-339

APPROVAL OF ISSUANCE OF TAX ANTICIPATION NOTES BY NASSAU COUNTY

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(e) of the Authority Act, the Authority has reviewed the terms of the County's proposed issuance of TANs and hereby approves said borrowing on the condition that total proceeds, consisting of par and original issue premium, cannot exceed $251.87 million, and be it further

RESOLVED, that the final terms of the sale are subject to the review and approval of the Chairman of the Authority or his designee(s); and be if further

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

* * *

General Counsel Wise stated that the next item on the agenda was a resolution regarding the County's proposal to sell the revenue streams from 18 long-term ground leases of County owned property in the Mitchel Field area. He stated that the Board is being asked to also authorize staff to work with the County on a side agreement which would be executed before the lease contract is executed. He stated that the purchase price of $37.5 million for the sale of these rental streams of $114.7 million in aggregate reflects a discount rate of 9.49 percent, as calculated by the County.

Chairman Stack and Director Wright both stated that while they do not agree with this decision by the County, it is necessary at this time for the County's cash flow needs.

Upon motion duly made and seconded, the following resolution was approved by a vote of 5-2 with Directors Wild and Marlin voting not in favor:

Resolution No. 11-340

Approval of Mitchel Field Revenue Stream Agreement and the Taking of Related Actions

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 the Authority hereby approves the Mitchel Field Revenue Stream Agreement, subject to the prior execution of the "Side Agreement," outlined in the Materials; 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.

* * *

Mr. Wise stated that the next three items on the agenda were resolutions to approve contracts that the County had entered into with various vendors. He briefly described the history of each contract.

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

Resolution No. 11-341

Approval of County Contract for Commander Electric, 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 approves Nassau County's Contract with Commander Electric, Inc., which is projected to cost $8,267,131.05; 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.

* * *

Resolution No. 11-342

APPROVAL OF COUNTY CONTRACT FOR HERITAGE MECHANICAL SERVICES, 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 approves Nassau County’s Contract with Heritage Mechanical Services Inc., which is projected to cost $10,353,000; 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.

* * *

Resolution No. 11-343

APPROVAL OF COUNTY CONTRACT FOR LOOKS GREAT SERVICES, 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 approves a Nassau County’s Contract with Looks Great Services Inc. at a cost of $6,800,000 and ratifies and approves the actions of its Chairman in regard to said contract.; 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.

* * *

General Counsel Wise stated that the next item on the agenda was a resolution approving County draw downs under an Environmental Facilities Corporation program. He stated that each draw down is considered to be a separate borrowing and NIFA is being asked to approve the County’s drawdown of the remaining $5.9 million under the EFC loan note to the County.

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

Resolution No. 11-344

APPROVAL OF NASSAU COUNTY BORROWING FROM THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

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 remaining draws-downs under the Project Finance Agreement with the New York State Environmental Facilities Corporation in connection with the Birches project.

* * *

Director Evan Cohen stated that the next item on the agenda was a resolution adopting NIFA's Mission statement that has been revised to be in compliance with the ABO's new requirements. He stated that this resolution was approved earlier in the Governance Committee meeting and was now being submitted for approval to the full Board.

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

Resolution No. 11-345

ADOPTION OF A REVISED MISSION STATEMENT AND AUTHORIZATION 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; and be it further

RESOLVED, that the proposed "MISSION STATEMENT" contained in the Materials is hereby adopted and shall henceforth replace NIFA's existing Mission Statement; and be it further

RESOLVED, that the Chairman or his designee(s) are further authorized to take all actions deemed necessary or appropriate in regard to the filing or distribution of said "MISSION STATEMENT."

* * *

MISSION STATEMENT

The Nassau County Interim Finance Authority ("NIFA") was created by the State of New York as a public benefit corporation to improve the general prosperity and economic welfare of the inhabitants of Nassau County and the people of the State of New York. NIFA's primary goal is to see that on a recurring basis, the County's annual revenues are equal to its annual expenditures. To assist in its mission, NIFA was granted certain powers including the release of transitional state aid, the ability to borrow money on behalf of the County, and if necessary, to call a control period, as defined in the Act. While striving toward its goals, NIFA is continually mindful of the County's right to operate independently as a municipal corporation of the State of New York.

* * *

Executive Director Cohen stated that the next item on the agenda was a resolution to adopt a Master Goal Plan in accordance with the 2010 Business Diversification Act, which amended Article 15A of the NYS Executive Law, requiring NIFA to prepare and submit a master goal plan to the Director of the Division of Minority and Women's Business Development.

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

Resolution No. 11-346

APPROVAL OF MASTER GOAL PLAN

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, the Authority adopts the Master Goal Plan for Calendar Years 2011 and 2012 and authorizes staff to forward it to the Director of the Division of Minority and Woman's Business Development (NYS Department of Economic Development); 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.

* * *

General Counsel Wise stated that the next item on the agenda was a resolution to continue to employ AVZ to assist NIFA's Treasurer in preparing financial statements and other related treasury matters.

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

Resolution No. 11-347

AUTHORIZATION TO CONTINUE THE EMPLOYMENT OF ALBRECT, VIGGIANO, ZURECK & COMPANY AS CONSULTANTS TO THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

WHEREAS, the Nassau County Interim Finance Authority ("NIFA") or the ("Authority") was created by Chapter 84 of the Laws of 2000 (the "Act") to be a corporate governmental agency constituting a public benefit corporation to issue bonds that are backed by county sales tax revenues as well as to perform certain budgetary oversight functions as set out in the Act; and

WHEREAS, the Authority currently has a Treasury Department that performs a variety of functions, including the principal and interest payments on approximately $1.5 billion of outstanding NIFA bonds; and

WHEREAS, as a result of NIFA's Treasurer resigning on March 28, 2008, the Directors authorized the employment of the accounting firm of Albrecht, Viggiano, Zureck & Company, P.C. ("AVZ") to assist NIFA staff; and

WHEREAS, AVZ continues to have a large presence on Long Island and has experience in the types of areas that NIFA needs to compensate for the absence of its Treasurer; and

WHEREAS, AVZ has adequately performed its assigned tasks and responsibilities since being hired; and

WHEREAS, AVZ was previously hired from the State approved procurement contract vendor list, but said list not longer exists for accounting firms; and

WHEREAS, the experience gained by AVZ would make issuance of a request for proposals both impractical and inappropriate because of the extensive depth of experience that they have gained by working for NIFA over the past few years.

NOW, THEREFORE, BE IT RESOLVED, that the Materials presented to this meeting are hereby ordered to be filed with the records of the Authority; and be it further

RESOLVED, that the Chairman or his designee(s) shall take all actions deemed necessary to continue the employment of AVZ as consultants to the Authority for an additional term commencing January 1, 2012 and continuing for five years or the total additional expenditure of $200,000, , whichever comes first, and all in accordance with the Materials; and be it further

RESOLVED that the Chairman or his designee(s) make take all steps and do all things deemed necessary to carry out the intent of this resolution.

* * *

General Counsel Wise stated that the next item on the agenda was a resolution to enter into liquidity facilities in connection with NIFA's 2008D-2 and 2008E Bonds.

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

Resolution No. 11-348

AUTHORIZATION TO ENTER INTO LIQUIDITY FACILITIES IN CONNECTION WITH NIFA'S 2008D-2 AND 2008E BONDS 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 ("NIFA"); and be it further

RESOLVED, that in accordance with the Materials, the Chairman or his designee(s) is hereby authorized to negotiate and execute one of more agreements with JPMorgan Chase Bank, National Association ("JP Morgan") in connection with NIFA's 2008D-2 bonds and 2008E bonds (collectively, the "Bonds") substantially upon the terms and conditions discussed in the Materials; and be it further

RESOLVED, that in connection with the substitution of liquidity providers for the Bonds, the Chairman or his designee(s) is authorized to cause a mandatory tender of said Bonds, and to take such steps as are necessary for the reoffering of said Bonds by the Remarketing Agent, including the preparation and distribution of a reoffering circular with respect to such Bonds, in such form as he may deem reasonable and appropriate; and be it further

RESOLVED, that reasonable outside counsel fees and disbursements for these liquidity provider substitutions are hereby approved, as well as fees and disbursements for NIFA's outside counsel, Sidley Austin LLP, and such other expenditures as are deemed necessary or appropriate in connection with the completion of the aforesaid actions, be it further

RESOLVED, that all actions heretofore taken by the Chairman or his designee(s) in furtherance of the foregoing resolutions are hereby ratified and approved; and be it further

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

* * *

General Counsel Wise stated that the next item on the agenda was a resolution authorizing the hiring of a consultant to assist NIFA with GASB 53 compliance testing and swap monitoring. He stated that staff thought it would be cost effective to have one consultant to handle both GASB 53 and the swap monitoring instead of separate consultants.

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

Resolution No. 11-349

AUTHORIZATION TO HIRE A CONSULTANT TO ASSIST THE AUTHORITY WITH GASB 53 COMPLIANCE TESTING AND SWAP MONITORING 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 of the Nassau County Interim Finance Authority ("NIFA") and be it further

RESOLVED that based upon the Materials, NIFA hereby requests that the Executive Director, in consultation with the Chairman, contract with PFM Asset Management LLC to assist NIFA with its swap monitoring and GASB 53 compliance testing for a term not to exceed five years at an annual rate of $12,500.; and be it further.

RESOLVED, that this resolution shall take effect immediately.

* * *

Director Wright stated that the last item on the agenda was a resolution to adopt a fund balance policy which was approved by the Audit and Internal Controls Committee meeting earlier and is now being submitted to the full Board for approval.

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

Resolution No. 11-350

ADOPTION OF A FUND BALANCE POLICY AND AUTHORIZATION 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; and be it further

RESOLVED, that in accordance with the Materials, the Fund Balance Policy is hereby approved; and be it further

RESOLVED, that this resolution and Fund Balance Policy shall take effect immediately.

* * *

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 5:25 PM.

Respectfully submitted,

Laurie A. Boucher
Corporate Secretary