

NASSAU COUNTY INTERIM FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE DIRECTORS
HELD ON OCTOBER 25, 2012

Pursuant to notice dated October 22, 2012, a meeting of the Nassau County Interim Finance Authority (“NIFA”) was convened at 5:00 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
John Buran
George Marlin
Leonard Steinman
Dermond Thomas
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 24, 2012 Directors' meeting.

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

Resolution No. 12-386

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE
SEPTEMBER 24, 2012 MEETING OF THE DIRECTORS OF THE NASSAU COUNTY INTERIM
FINANCE AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on September 24, 2012 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.

* * *

General Counsel Wise stated that the next item on the agenda was a resolution to approve a letter of credit for the Nassau Healthcare Corporation. He stated that because of the downgrades of Bank of America, certain mutual funds are not going to buy their bonds. He stated that this is a precautionary measure to put JP Morgan in place of Bank of America so they will continue to have access to the mutual fund market.

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

Resolution No. 12-387

APPROVAL OF A LETTER OF CREDIT SUBSTITUTION BY THE NASSAU HEALTH CARE CORPORATION AKA NUHEALTH

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 and hereby approves the terms of the Nassau Health Care Corporation’s aka NuHealth’s proposed substitution of an LOC in connection with its \$29,995,000 Series 2009A Variable Rate Demand Bonds, 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 approve an incentive package that is being offered to the Nassau County Sheriffs Correction Officers Benevolent Association. He stated that this package is very similar to the incentive packages that were offered to the other unions which pay \$1000 for each year of service.

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

Resolution No. 12-388

APPROVAL OF A VOLUNTARY SEPARATION AGREEMENT BETWEEN THE COUNTY OF NASSAU AND THE SHERIFFS CORRECTION OFFICERS BENEVOLENT ASSOCIATION.

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 Voluntary Separation Agreement between the County of Nassau and the Sheriffs Correction Officers Benevolent Association dated August 17, 2012.

* * *

Chairman Stack stated that the next item on the agenda was a resolution regarding NIFA’s staff review of the Nassau County Proposed Multi-Year Financial Plan Fiscal Year 2013-2016. He then asked Executive Director Cohen to give a brief summary.

Executive Director Cohen stated that while NIFA acknowledges certain achievements the County has made, there is still a long way to go before the conditions are met which will allow NIFA to terminate the Control Period. He stated that the projected risks in 2013 may be manageable on a cash basis but not in accordance with Generally Accepted Accounting Principles (“GAAP”) which is the statutory standard by which NIFA is required to measure balance and the trigger point for the continuation of a control period.

Mr. Cohen stated that the County could end 2012 with an operating deficit of approximately \$25 million on a budgetary basis but \$139 million on a GAAP basis if no other gap closing actions are taken in the remaining weeks of 2012. He stated that NIFA’s most notable concern in 2012 relates to the County’s expenditures for tax certiorari refunds, which are projected by the County to be only \$16.5 million. He explained that the drastic reduction from the \$75 million

assumed in the adopted budget arises from a County decision to only pay tax cert claims not requiring County legislative approval.

Executive Director Cohen stated that NIFA estimates that the County could end 2013 with a deficit of approximately \$56 million on a cash basis or \$131 million on a GAAP basis if no other actions are taken. He stated that the County proposes using \$10 million in unreserved fund balance to cover budgetary variances which would then decrease the County fund balance to \$31 million. He stated that Moody's downgraded the County earlier in the week based in part on an expectation that fund balance will continue to decline this year. He further stated that the County is only budgeting \$18 million to cover its tax certiorari refund liability in 2013 which, based on historical data, will be insufficient to cover ongoing claims or prevent the backlog from growing even further. Mr. Cohen stated that the County's plan included \$80 million in proceeds from a proposed sewer financing transaction and \$20 million in related debt service savings. He stated that NIFA considered the sewer financing transaction to be an unacceptable form of borrowing and recommended that the County be directed to remove it from the plan.

Executive Director Cohen stated that the County is projecting baseline gaps of approximately \$67 million in 2014, \$74 million in 2015 and \$92 million in 2016. He stated that NIFA's analysis indicates that the County has underestimated the size of the baseline gaps by almost \$56 million in 2014, \$90 million in 2015 and \$112 million in 2016. He further stated that the County eliminated the County's payment for MTA station maintenances for approximately \$30

million annually in the out years. He stated that this would require an act of the State Legislature and since NIFA does not believe this will pass in Albany, it should be removed from the Plan. Mr. Cohen stated that the County plans to use bond proceeds to fund \$23 million in judgments and settlements in each year. He stated that since this is counter to the goal of achieving GAAP balance by the end of the plan, staff recommended that the County identify an alternative funding source for this recurring operating expense beginning in 2015.

Chairman Stack stated that although differences exist in terms of specific findings, staff's findings are substantially in concurrence with the Comptroller's report, the Office of Budget Review and the County Legislature.

Director Wright thanked the staff for the great job on the report. He stated that the risks are manageable but the budget is not balanced according to GAAP and therefore, the control period will continue for an indefinite period of time. He stated that NIFA may have to instill the fiscal discipline that the County lacks by rejecting some contracts as well as borrowings.

Director Marlin stated that the County continues to ignore the tax certiorari backlog which the County Comptroller projects to grow to \$306 million for 2012 and \$388 million for 2013. He stated that the County continues to kick the can down the road which is only compounding its fiscal problems.

Chairman Stack thanked the staff for their hard work on the report. He reiterated Executive Director Cohen's recommendations that the County needs to identify a substitute for the sewer transaction; eliminate the removal of the MTA station maintenance payment; and remove the bonding for judgments and settlements in 2015 and 2016. He further stated that County needs to give NIFA a detailed explanation on the tax certiorari settlements. Chairman Stack stated that the County Legislature should not take any action that would negatively affect the balance.

Chairman Stack expressed his disappointment that it appears that the County does not seem to care that it is in a control period and is not trying to achieve the goals necessary to get out of the control period.

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

Resolution No. 12-389

**ADOPTING THE STAFF REPORT CONCERNING THE PROPOSED NASSAU COUNTY
MULTI-YEAR FINANCIAL PLAN, FISCAL 2013-2016 AND THE RECOMMENDATIONS
CONTAINED THEREIN**

WHEREAS, Nassau County continues to operate in a control period, which the Nassau County Interim Finance Authority ("NIFA") imposed on January 26, 2011; and

WHEREAS, in September 2012, as required by law, the County Executive submitted to NIFA his proposed Multi-Year Financial Plan for Fiscal 2013 – 2016 ("Proposed Plan"), the first year of which is his proposed 2013 Budget; and

WHEREAS, the NIFA Staff has prepared a report on the County Executive's Proposed Plan in which the Staff identified a number of risks and recommended four specific corrective actions that needed to be taken before the Staff could recommend approval by the NIFA Directors; and

WHEREAS, the County Legislature has the opportunity to implement the recommended corrective actions in the process of adopting the Proposed Plan, which includes the 2013 Budget; and

WHEREAS, in accordance with Section 3667(2) the NIFA Act, NIFA will not take further action in regard to the Proposed Plan 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;”

NOW, THEREFORE, BE IT RESOLVED, that the NIFA Directors adopt the Staff report on the County Executive’s Proposed Plan; and

BE IT FURTHER RESOLVED, that, NIFA’s approval of the Proposed Plan is predicated, at a minimum, on the County Legislature’s adoption of the corrective actions identified in the Staff’s report.

* * *

Chairman Stack added an additional resolution regarding tax certiorari to the agenda. He stated that NIFA has asked the County Attorney for information regarding the tax certiorari settlement plan and the County Attorney responded by stating that it is a FOIL request . He reminded the County that it is a State law that they are required to supply NIFA with any materials that it deems necessary.

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

Resolution No. 12-390

ORDER REQUIRING THE COUNTY ATTORNEY TO SUBMIT TO NIFA INFORMATION RELATING TO THE COUNTY’S PLANS FOR THE PAYMENT OF TAX CERTIORARI JUDGMENTS

WHEREAS, NIFA has requested information from the County Attorney regarding a plan to allow parties to sell or assign their certiorari related awards (the “Plan”); and

WHEREAS, the information provided to-date is inadequate for NIFA to review the Plan.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to Section 3669 2(f) of the NIFA Act, NIFA hereby orders the County Attorney to submit to NIFA a summary of the Plan in such detail as will allow the NIFA Directors to assess whether the Plan is consistent with the NIFA Act and will assist the County in achieving fiscal health;

* * *

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the Directors voted unanimously to adjourn the meeting at 5:30 PM.

Respectfully submitted,

Laurie A. Boucher
Corporate Secretary