

AGENDA

**NASSAU COUNTY INTERIM FINANCE AUTHORITY
FINANCE COMMITTEE MEETING
TUESDAY, SEPTEMBER 22, 2015, 8:30 AM
MARRIOTT LONG ISLAND HOTEL & CONFERENCE CENTER
101 JAMES DOOLITTLE BLVD., UNIONDALE, NY 11553**

Call to Order

Action Items

- I. Approval of the Minutes of the May 8, 2015 Meeting
- II. Approval to Refund Certain NIFA Debt and Take Related Actions

Adjournment

DRAFT – SUBJECT TO REVIEW AND REVISION

NASSAU COUNTY INTERIM FINANCE AUTHORITY
MEETING OF THE FINANCE COMMITTEE
MINUTES OF MAY 8, 2015

The Finance Committee of the Nassau County Interim Finance Authority met on May 8, 2015 at 5:30 PM at the Marriott Long Island Hotel & Conference Center located at 101 James Doolittle Blvd, Uniondale, NY 11553.

Committee Members present: Paul Leventhal, Chairman
Paul Annunziato
John Buran
Jon Kaiman

Staff present: Evan Cohen, Executive Director
Jeremy Wise, General Counsel
Carl Dreyer, Treasurer
Maria Kwiatkowski, Deputy Director

1. Call to Order/Roll Call

The meeting was called to order at 6:03 PM.

2. Approval of Minutes

On a motion by Director Annunziato, the Directors approved the minutes from the meeting on November 24, 2014.

Positive votes: 4 Negative votes: 0

Resolution No. 15-22

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE NOVEMBER 24, 2014 FINANCE COMMITTEE MEETING OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the Finance Committee meeting of the Authority held on November 24, 2014 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.

* * *

3. Consideration of Issuance of General Obligation Bonds by Nassau County

The County is requesting to issue \$60,000,000 of General Obligation Bonds for tax certiorari payments.

On a motion by Director Kaiman, the members of the Committee approved the County's

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request to borrow \$60,000,000 for tax certiorari payments.

Positive votes: 4 Negative votes: 0

Resolution No. 15-23A

CONSIDERATION OF ISSUANCE OF GENERAL OBLIGATION BONDS BY NASSAU COUNTY

RESOLVED, that the materials presented to this Finance Committee meeting of the Directors (the “Materials”) are incorporated into this Resolution and 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 discussions in the Materials and pursuant to Section 3669 2(e) of the Authority Act, the Finance Committee has reviewed the terms of the County’s proposed issuance(s) of bonds and approves the issuance of up to \$60,000,000 in bonds (plus costs of issuance) for the purposes described in Attachment A (Tax Certiorari) in the Materials;

and upon the conditions 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.

* * *

4. Consideration of Issuance of General Obligation Bonds by Nassau County

The County is requesting to issue \$1,458,423 of General Obligation Bonds for Workers’ Compensation.

On a motion by Director Kaiman, the members of the Committee did not have enough votes to move this request out of Committee for the Directors to vote on.

Positive votes: 2 Negative votes: 2 (Paul Annunziato, John Buran)

5. Consideration of Nassau County Financing Revenue Anticipation Notes

The County would like to issue Revenue Anticipation Notes in the amount of approximately \$182 million.

On a motion by Director Buran, the Directors approved the issuance of Revenue Anticipation Notes by Nassau County in the amount of approximately \$182 million.

Positive votes: 5 Negative votes: 0

DRAFT – SUBJECT TO REVIEW AND REVISION

Resolution No. 15-25

CONSIDERATION OF APPROVAL OF ISSUANCE OF REVENUE ANTICIPATION NOTES
BY NASSAU COUNTY

RESOLVED, that the materials presented to this Finance Committee meeting of the Board of 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 Finance Committee hereby approves the County’s Issuance of up to \$180 million of Revenue Anticipation Notes, Series 2015A, upon the terms and conditions outlined in the Materials, and subject to the final review and approval of the Chairman of the Authority or his designee(s); and be it further

RESOLVED, that any premium from the sale of the RANs must be used for reasonable costs of issuance or applied toward the Authorized Amount, as defined 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.

* * *

6. Consideration of Nassau County Financing Through the Environmental Facilities Corporation

The County would like to participate in an Environmental Facilities Corporation financing to refund just over \$1.2 million in bonds to lower its debt service. The County would also like to do a new money issuance of approximately \$30 million for improvements to the Massapequa Park Collection District.

On a motion by Director Annunziato, the Directors approved the refinancing of the current \$1.2 million of debt.

On a motion by Chairman Kaiman, the Directors approved the issuance of approximately \$30 million for improvements to the Massapequa Park Collection District.

Positive votes: 5 Negative votes: 0

Resolution No. 15-24

CONSIDERATION OF NASSAU COUNTY FINANCING THROUGH THE
ENVIRONMENTAL FACILITIES CORPORATION

DRAFT – SUBJECT TO REVIEW AND REVISION

RESOLVED, that the materials presented to this Finance Committee meeting of the Directors (the “Materials”) are incorporated into this Resolution and 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 discussions in the Materials and pursuant to Section 3669 2(e) of the Authority Act, the Finance Committee has reviewed the terms of the County’s proposed financings through the N.Y. State Environmental Facilities Corporation (the “EFC”) and approves:

- (i) The County’s participation in the refinancing of \$1,220,000 of the EFC’s Clean Water and Drinking Water State Revolving Funds, 2005A for the purposes described in Attachments A and B in the Materials;
- (ii) \$29,976,542 of new money financing through the EFC for the purposes described in Attachment C in the Materials;

and upon the conditions 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.

* * *

7. Recall

The meeting was reopened at 6:38 PM after the Board meeting had taken place.

The Finance Committee Charter has been changed at the Board meeting to require two affirmative votes in the subcommittee as necessary to have an affirmative vote.

8. Consideration of Issuance of General Obligation Bonds by Nassau County

The County is requesting to issue \$3,784,555 of General Obligation Bonds for Superstorm Sandy related relief.

On a motion by Director Annunziato, the members of the Committee approved the County’s request to borrow \$3,784,555 for Superstorm Sandy related relief.

Positive votes: 2 Negative votes: 1 (John Buran) Recusal: 1 (Jon Kaiman)

Resolution No. 15-23B

CONSIDERATION OF ISSUANCE OF GENERAL OBLIGATION BONDS BY NASSAU COUNTY

DRAFT – SUBJECT TO REVIEW AND REVISION

RESOLVED, that the materials presented to this Finance Committee meeting of the Directors (the “Materials”) are incorporated into this Resolution and 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 discussions in the Materials and pursuant to Section 3669 2(e) of the Authority Act, the Finance Committee has reviewed the terms of the County’s proposed issuance(s) of bonds and approves the issuance of up to \$3,784,555 in bonds, including costs of issuance, for the purposes described in Attachment C (Superstorm Sandy Assessment Relief) in the Materials

and upon the conditions 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.

* * *

9. Adjournment

The Chairman made a motion to adjourn. The meeting was adjourned at 6:40 PM.

Respectfully submitted,

Laurie A. Giardina
Corporate Secretary

NASSAU COUNTY INTERIM FINANCE AUTHORITY
FINANCE COMMITTEE

FOR CONSIDERATION

September 22, 2015

TO: Paul Leventhal, Paul Annunziato, John Buran, Jon Kaiman

SUBJECT: Refunding of NIFA Debt

REQUEST FOR: Approval to Refund Certain NIFA Debt and Take Related Actions

You are being asked to approve the submission to the entire Board of a request to refund certain outstanding bonds of the Authority (the “Refunding Bonds”). This memo summarizes certain key recommendations and structuring matters.

UNDERWRITER SELECTION:

On June 11, 2015 NIFA posted a Request for Proposal(s) for Underwriters in connection with a possible refunding of NIFA’s bonds. Responses were due on July 6, 2015. We received a total of 14 proposals, including 11 to serve as senior manager for the transaction. Of these, five proposals were submitted individually or jointly by MWBE or Disabled Veterans’ firms.

SELECTION PROCESS:

The proposals were reviewed by the RFP Review Committee, which was composed of Evan Cohen, Jeremy Wise and Laura Schneider of Lamont Financial Services, our financial advisor. The proposals were evaluated based on the expertise of the firm (25%), the expertise of the personnel to be assigned to the issue (20%), the proposed structure and marketing plan for the refunding issue (25%) and the fees to be charged (30%).

RECOMMENDATION OF UNDERWRITERS:

The team recommends the selections of Bank of America Merrill Lynch (“BAML”) as Senior Book Running Manager and Loop Capital, an MWBE (“Loop”) as a Co-Senior Manager, and Goldman Sachs (“Goldman”) as Co-Manager.

The recommendation of BAML, Loop and Goldman is based on the following:

BAML – BAML received the highest overall score and scored well in all categories. They provided the lowest cost proposal. In addition, BAML has solid expertise in sales tax backed bond

issues, serving as the leading underwriter of negotiated sales tax backed bonds since 2012. They also have a strong presence in New York State and were the leading underwriter in New York in 2014. The BAML team consists of a number of senior level bankers, which will ensure that the transaction receives the proper attention during the structuring, marketing and pricing phases. Additionally, BAML has an extensive retail network which will enable the transaction to be shown to a large number of individual investors. Their refunding structure was cognizant of the Authority's concerns relating to the timing of savings and addressed all key concerns. Finally, BAML has supported the Authority in the past by providing liquidity for its variable rate bonds and therefore is familiar with the Authority, its staff and its financials.

Loop – Loop received the second highest overall score. Their cost proposal was very attractive. The firm also has strong experience in sales tax backed bonds, serving as senior manager on over \$4.4 billion in bonds since 2012. They provided a case study demonstrating their strength in this sector which related to an issue for Miami-Dade County where they were able to achieve very good execution for a weaker credit. Loop also has a strong presence in New York State, serving as senior manager on over \$4.9 billion in bonds since 2012. The team to be assigned to the refunding issue is composed of senior bankers with extensive experience in the New York State market. They provided three refunding scenarios and demonstrated a full understanding the Authority's concerns and priorities. They also laid out a very detailed distribution plan which would allow them to reach out to both retail and institutional investors. Additionally, Loop is a MWBE firm.

Goldman – Goldman received the third highest score. As the Board is aware, Goldman has served as underwriter for the Authority's bonds in the past and has a complete understanding of the Authority's Indenture and operating documents. They were the first firm to raise the possibility of releasing funds from the reserve account and proposed that the funds be used to retire outstanding debt, which would produce level savings for the County, as opposed to a one-time benefit. Goldman's team is very strong and we would expect that they would serve the Authority's interests well as Co-Manager.

STRUCTURE OF THE FINANCING:

NIFA is planning on refinancing its tax-exempt fixed rate debt in order to generate significant debt service savings because interest rates are still historically very low and expected to rise in the near future. NIFA's transaction contemplates executing both a current refunding of all outstanding Series 2005A and 2005D bonds and an advance refunding of the select outstanding 2009A bonds.

A current refunding means that outstanding bonds can be redeemed within a 90 day period from closing. In the case of the current refunding, the 2005A and 2005D bonds are callable at par on November 15, 2015, and NIFA will sell new refunding bonds and use the current refunding bond proceeds to pay off the prior bonds on the call date.

An advanced refunding means that outstanding bonds are callable in the future (defined as a period longer than 90 days), but are permitted to be refunded on a tax-exempt basis in advance of the call date. In the case of the advance refunding, a portion of the 2009A bonds are callable and advance refundable on May 15, 2019, and NIFA will sell new refunding bonds and use the advance refunding bond proceeds to purchase a defeasance escrow of US Treasuries (or other eligible securities) that will pay interest on the prior bonds during the escrow period and then pay off the prior bonds on the call date.

All New York governmental entities execute refunding transactions in order to generate debt service savings, as such, the New York State Division of the Budget has established certain parameters and metrics to ensure that only bonds that meet the specific criteria are eligible to be refunded. NIFA has abided by the State's refunding guidelines. These guidelines generally provide that each individual maturity of bonds being refunded meet certain minimum present value savings and that net present value savings are greater than negative arbitrage.

Our underwriters are working to analyze each maturity and mathematically show that we meet the established Budget criteria for each bond being refunded. We currently expect to generate approximately \$5.26 million of net present value savings (14.86% of refunded par) in the current refunding portion of the transaction and approximately \$9.705 million of net present value savings (7.00% of refunded par) on the total current and advanced refunding transaction.

NIFA has a liquidity reserve designed to assist in making debt service payments should revenues decline unexpectedly. In our bond documents, we have provided that in the event that sales tax revenues rise to a certain level and our debt service declines below a certain level, the liquidity reserve, currently funded at \$13.8 million, is no longer required and may be released. At the time of this refunding, we hope to meet that criteria and will be releasing the reserve. The most conservative approach for use of the reserve is to contribute it to the defeasance escrow as equity, thereby reducing the amount of new refunding bonds that have to be sold to refund the old bonds. This strategy results in lower debt service on the new bonds, saves interest expense over the entire life of the new bonds and makes the overall refunding transaction more efficient.

The debt service savings pattern on the new bonds can take several forms: (a) all savings can be taken upfront with reduced debt service in the next couple of years and then equaling the same debt service as before for the remaining life of the bonds; (b) taken equally in each year over the life of the refunding bonds or; (c) something customized based on specific savings targets. The most efficient and conservative savings profile is to take level savings over the life of the bonds since this does not require any manipulation or extension of debt to facilitate upfront savings. While other issuers, including the State, take their savings upfront to reduce budgetary pressure, we believe that it is appropriate for NIFA, as an infrequent issuer with a relatively short final maturity on its debt, to be more prudent and take the savings over the term of the refunding bonds.

As stated above, while the 2005A and 2005D bonds are callable on November 15, 2015, the tax law allows us to current refund the bonds 90 days prior to that date (as early as August 15th). Because of the uncertainty in the market with the potential for interest rate hikes in the near future, we believe it is important not to wait to refund the bonds. Since the refunding bond is short (final maturity in 2025), movements in short term rates adversely affect the savings.

The Federal Reserve decided not to raise rates on September 17th, but the markets have already priced in a move and rates rose in the short end of the curve where our deal is. Despite that move, we are still very much in the money and have only lost about \$700,000 in present value savings. The financing team believes that the sooner we get in the market, the greater the savings we will retain, as interest rates rise. This is true even with the advance refunding because as we get closer to the call date, we reduce the amount of negative arbitrage, but we incur the risk that rates increase and we lose the savings we could have been enjoying between now and the call date. Overall, even with negative arbitrage, the debt service savings are compelling. Moreover, if NIFA did two deals, it would have to incur the costs of issuance for two transactions which would further eat into any savings. If we wait until next year our underwriter's estimate that on a maturity-by-maturity basis, if rates were to increase by between 11 and 30 basis points, we would have been better off doing the refunding today rather than waiting.

BOND COUNSEL AND FINANCIAL ADVISOR:

We are recommending the use Sidley Austin (Michael Burke as lead attorney) and Lamont Financial Services as Financial Advisor. Each has extensive and unique experience because of their long association with NIFA debt and because they thoroughly understand the nuances and decisions that we made in drafting the underlying tax and bond documents.

DELEGATION OF AUTHORITY:

There are many decisions that need to be made as we progress in this transaction including rating agencies, verification agent(s) for the escrow, printers, etc. We are asking you to delegate to the Chairman or certain Authorized Officers of the Authority the ability to take all actions and do all that is deemed necessary to successfully close this transaction.

REQUESTED ACTION:

Approval of the submission of this proposed transaction to the entire NIFA Board for their review and approval.

Attachments:

Resolution

Attachments located in materials for Board meeting

NASSAU COUNTY INTERIM FINANCE AUTHORITY

FINANCE COMMITTEE

RESOLUTION NO.

REFUNDING OF AUTHORITY DEBT AND RELATED ACTIONS

RESOLVED, that the materials presented to this meeting of the Committee (the “Materials”) are incorporated into this Resolution and 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 discussions in the Materials, the Committee recommends that the entire Authority Board consider the refunding of certain Authority debt and be it further

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

Paul Leventhal
Chairperson

September 22, 2015

Attachments located
in materials for
Board meeting