Nassau County Interim Finance Authority

NIFA

REVIEW OF THE ADOPTED MULTI-YEAR FINANCIAL PLAN FISCAL 2014 – 2017

November 25, 2013

NASSAU COUNTY INTERIM FINANCE AUTHORITY

OVERVIEW

The County's Multi-Year Plan for FY 2014 – 2017 (the "Plan") meets the legal requirements imposed by the NIFA Act: however, this is accomplished through the use of significant amounts of near-term borrowing for operating costs, and reliance on NIFA's imposition of a wage freeze for at least the next two years.

We are concerned that none of the issues or risks noted in our October Report were addressed in the adopted Plan. The County, after almost three years in a Control Period, has not achieved structural and GAAP balance (where recurring operating expenditures are supported by recurring operating revenues). To accomplish this task, the County's multi-year plans must reflect much larger and more realistic increases in revenues and/or reductions in expenditures.

In regard to its tax certiorari predicament, we recognize that the County has made progress in reducing its residential liability, but the commercial tax certiorari backlog has continued to grow and we do not have confidence that the County has a realistic plan to solve this problem. That lack of a plan makes their request for significant certiorari borrowing in 2014 problematic.

In regard to the wage freeze, the Plan fails to provide sufficient alternatives to maintaining the freeze. Present contract proposals, while moving in the right direction, do not fill the revenue gap sufficiently to allow NIFA to lift the wage freeze.

Notwithstanding the foregoing risks that remain in FY 2014 and the statutory deficits projected for FY 2014 – FY 2017, we find that (with NIFA's help) the Plan is able to meet the requirements of the NIFA Act.; however, continuation of the Control Period and the subsequent wage freeze are the main drivers of this recommendation.

The remainder of this report, read in conjunction with NIFA's October Report, provides both the historical context and analysis that were utilized to arrive at the preceding comments and recommendation.

BACKGROUND

On October 9, 2013 the Directors accepted a staff report ("October Report"), which contained a series of analyses and findings concerning the Proposed Multi-Year Financial Plan for Fiscal Years 2014 – 2017 (the "Proposed Plan"). The October Report was subsequently transmitted to the County Executive and Legislature for consideration.

The October Report discussed a number of risks and concerns and concluded that the Proposed Plan would be considered for approval under certain conditions.

Namely, the recommendation for approval was predicated on:

- The County identifying and incorporating acceptable alternatives to bonding for judgments and settlements in FY 2015, FY 2016, and FY 2017.
- No other significant actions by the County Legislature to alter the Proposed Plan.
- A detailed explanation of the County's plan for tax certiorari settlements that fits within the dollar amounts outlined in the Proposed Plan.

Subsequently, the Proposed Plan, as amended, and the 2014 Budget were passed by the Legislature on October 28, 2013 and then signed by the County Executive.

With respect to the predicates noted above:

- The Plan no longer includes bonding for judgments and settlements after FY 2014; however, the County identified only two previously proposed gap-closing initiatives to offset just a small portion of the additional projected operating costs.
- The Legislature did not take any significant actions to exacerbate the risks contained in the Proposed Plan; however, no changes were made to favorably address the risks noted in our October Report.
- The County has not submitted a plan for tax certiorari settlements that convinces us that the annual refund liability can be limited to the amounts budgeted in the Plan without unfavorably impacting the tax certiorari backlog.

ADOPTED MULTI-YEAR FINANCIAL PLAN FOR FISCAL YEARS 2014-2017

MAJOR FUNDS				
EXPENDITURES				
OBJECT	2014 ADOPTED BUDGET	2015 PLAN	2016 PLAN	2017 PLAN
AA-SALARIES, WAGES & FEES	809,531,333	807,763,365	821,553,756	823,575,546
AB-FRINGE BENEFITS	480,418,472	502,325,865	529,413,069	560,601,166
AC-WORKERS COMPENSATION	28,022,281	28,022,281	28,022,281	28,022,281
BB-EQUIPMENT	1,788,495	1,840,361	1,893,732	1,948,650
DD-GENERAL EXPENSES	33,299,079	33,991,037	34,784,254	35,600,782
DE-CONTRACTUAL SERVICES	237,247,536	238,161,928	241,323,883	244,574,727
DF-UTILITY COSTS	39,563,757	38,648,883	37,399,660	35,781,824
DG-VAR DIRECT EXPENSES	5,000,000	5,000,000	5,000,000	5,000,000
FF-INTEREST	98,451,669	122,202,216	126,430,652	124,917,202
GA-LOCAL GOVT ASST PROGRAM	69,572,689	71,622,370	73,733,541	75,908,047
GG-PRINCIPAL	69,234,999	88,960,000	94,555,001	105,280,000
HC-NHC ASSN EXP - NASSAU HEALTH CARE ASSN	13,000,000	0	0	0
HH-INTERFD CHGS - INTERFUND CHARGES	20,316,649	28,484,304	28,225,213	25,034,350
MM-MASS TRANSPORTATION	43,575,746	44,763,909	45,986,529	47,244,605
NA-NCIFA EXPENDITURES	1,960,000	1,875,000	1,850,000	1,850,000
OO-OTHER	264,129,711	282,153,645	272,880,020	258,230,105
PP-EARLY INTERVENTION/SPECIAL EDUCATION	139,500,000	142,290,000	145,135,800	148,038,516
SS-RECIPIENT GRANTS	64,100,000	63,459,000	63,459,000	63,459,000
TT-PURCHASED SERVICES	61,247,021	63,084,432	64,976,965	66,926,274
WW-EMERGENCY VENDOR PAYMENTS	56,595,000	54,897,150	53,799,207	53,261,215
XX-MEDICAID	253,257,500	253,257,500	253,257,500	253,257,500
TOTAL	**2,789,811,937**	**2,872,803,246**	**2,923,680,063**	**2,958,511,790**
REVENUES				
OBJECT	2013 Adopted Budget	2014 Plan	2015 Plan	2016 Plan
AA - FUND BALANCE	10,000,000	0	0	0
BA - INT PENALTY ON TAX	29,100,000	29,100,000	29,100,000	29,100,000
BC - PERMITS & LICENSES	13,483,587	14,483,587	13,483,587	14,483,587
BD - FINES & FORFEITS	67,901,789	67,411,985	67,411,985	67,411,985
BE - INVEST INCOME	2,118,700	2,129,294	2,144,199	2,163,496
BF - RENTS & RECOVERIES	22,368,636	18,266,595	17,138,311	19,210,027
BG - REVENUE OFFSET TO EXPENSE	11,198,740	11,198,740	11,198,740	11,198,740
BH - DEPT REVENUES	165,798,625	165,798,625	165,798,625	165,798,625
BI - CAP BACKCHARGES	100,000	100,000	100,000	100,000
BO - PAY LIEU TAX PAYMENT IN LIEU OF TAXES	9,424,089	10,595,989	10,029,649	8,601,439
BQ - D/S FROM CAP - DEBT SERVICE FROM CAPITAL	7,185,600	3,552,000	3,280,000	3,280,000
BW - INTERFD CHGS - INTERFUND CHARGES REVENUE	77,487,910	96,616,723	99,107,156	93,230,846
FA - FEDERAL AID - REIMBURSEMENT OF EXPENSES	147,061,668	147,061,668	147,061,668	147,061,668
SA - STATE AID - REIMBURSEMENT OF EXPENSES	220,569,773	221,582,043	223,162,808	224,775,189
TA - SALES TAX CO - SALES TAX COUNTYWIDE	1,072,930,055	1,105,117,957	1,138,271,495	1,172,419,640
TB - PART COUNTY - SALES TAX PART COUNTY	92,933,278	91,212,333	93,948,703	96,767,164
TL - PROPERTY TAX	807,049,409	807,049,409	807,049,409	807,049,409
TO - OTB 5% TAX	2,999,078	2,722,794	2,475,130	2,253,025
TX - SPECIAL TAXS - SPECIAL TAXES	30,101,000	30,101,000	30,101,000	30,101,000
TOTAL	**2,789,811,937**	**2,824,100,741**	**2,860,862,465**	**2,895,005,841**
SURPLUS/(DEFICIT)	**0**	**(48,702,505)**	**(62,817,597)**	**(63,505,948)**

ADOPTED PLAN COMPARED TO PROPOSED PLAN

MAJOR FUNDS				
EXPENDITURES				
OBJECT	2014 ADOPTED BUDGET	2015 PLAN	2016 PLAN	2017 PLAN
AA-SALARIES, WAGES & FEES	0	181,824	181,824	181,824
AB-FRINGE BENEFITS	0	(0)	(0)	0
AC-WORKERS COMPENSATION	0	0	0	0
BB-EQUIPMENT	0	(0)	(0)	(0)
DD-GENERAL EXPENSES	0	(0)	(0)	(0)
DE-CONTRACTUAL SERVICES	(500,000)	(514,500)	(529,421)	(544,774)
DF-UTILITY COSTS	0	0	(0)	0
DG-VAR DIRECT EXPENSES	0	0	0	0
FF-INTEREST	0	(250,000)	(1,210,500)	(2,090,000)
GA-LOCAL GOVT ASST PROGRAM	0	0	(0)	(0)
GG-PRINCIPAL	0	0	(1,580,000)	(3,240,000)
HC-NHC ASSN EXP - NASSAU HEALTH CARE ASSN	0	0	0	0
HH-INTERFD CHGS - INTERFUND CHARGES	0	0	0	0
MM-MASS TRANSPORTATION	0	0	0	0
NA-NCIFA EXPENDITURES	0	0	0	0
OO-OTHER	185,658	17,190,299	17,620,057	18,060,558
PP-EARLY INTERVENTION/SPECIAL EDUCATION	0	0	0	0
SS-RECIPIENT GRANTS	0	0	0	0
TT-PURCHASED SERVICES	0	0	(0)	0
WW-EMERGENCY VENDOR PAYMENTS	0	0	0	0
XX-MEDICAID	0	0	0	0
TOTAL	**(314,342)**	**16,607,623**	**14,481,960**	**12,367,608**
REVENUES				
OBJECT	2014 ADOPTED BUDGET	2015 PLAN	2016 PLAN	2017 PLAN
AA - FUND BALANCE	0	0	0	0
BA-INT PENALTY ON TAX	0	0	0	0
BC-PERMITS & LICENSES	0	0	0	0
BD-FINES & FORFEITS	0	(0)	(0)	(0)
BE-INVEST INCOME	0	0	(0)	(0)
BF-RENTS & RECOVERIES	185,658	185,658	185,658	185,658
BG-REVENUE OFFSET TO EXPENSE	0	0	0	0
BH-DEPT REVENUES	(500,000)	0	0	0
BI-CAP BACKCHARGES	0	0	0	0
BO-PAY LIEU TAX - PAYMENT IN LIEU OF TAXES	0	0	0	0
BQ-D/S FROM CAP - DEBT SERVICE FROM CAPITAL	0	0	0	0
BW-INTERFD CHGS - INTERFUND CHARGES REVENUE	(6,300,000)	(6,300,000)	(6,300,000)	(6,300,000)
FA-FEDERAL AID - REIMBURSEMENT OF EXPENSES	5,600,000	5,600,000	5,600,000	5,600,000
SA-STATE AID - REIMBURSEMENT OF EXPENSES	700,000	700,000	700,000	700,000
TA-SALES TAX CO - SALES TAX COUNTYWIDE	0	0	(0)	(0)
TB-PART COUNTY - SALES TAX PART COUNTY	0	0	(0)	(0)
TL-PROPERTY TAX	0	0	0	0
TO-OTB 5% TAX	0	0	0	0
TX-SPECIAL TAXS - SPECIAL TAXES	0	0	0	0
TOTAL	**(314,342)**	**185,658**	**185,658**	**185,658**
SURPLUS/(DEFICIT)	**0**	**(16,421,964)**	**(14,296,302)**	**(12,181,949)**

LEGISLATIVE AMENDMENTS

This section of the report discusses the budget amendments adopted by the Legislature on October 28, 2013.

The County made only several minor changes to the Proposed Budget, which in aggregate resulted in the Major Funds of the FY 2014 Budget (as defined in the Act) being decreased by $314,342 when excluding interdepartmental transfers. The largest changes are shown below.

Expenditures		Revenues	
Reductions			
Contractual	($0.5)	Interfund Revenues	($6.3)
		Departmental Revenues	(0.5)
Increases			
Other Expense (Rent)	$0.2	Federal Aid	$5.6
		State Aid	0.7
		Rents and Recoveries	0.2
Total	**($0.3)**		**($0.3)**

<u>Program Changes</u>

Both of the minor changes in expenditures were made within the Department of Public Works ("DPW"). The first, a reduction of $0.5 million to reflect the decreased cost of a maintenance contract and the second, an increase of just over $185,000 to fund a missing rental expense. There were other adjustments made primarily to correctly allocate various salary expenses within departments, however, these net to zero.

A technical adjustment was made within revenues to reclassify $6.3 million in "Interfund Revenues" to the Federal and State Aid reimbursement categories. Departmental Revenues was decreased within the Correctional Center to remove $0.5 million projected for Suffolk County inmate housing. The remaining increase in revenues is an offset to the missing DPW rental and is reflected in Rents and Recoveries.

ANALYSIS OF FY 2014

We have reviewed the adopted amendments and note that the County did not address the FY 2014 issues or risks that were noted in our October Report. As shown in the chart that follows, our analysis indicates that the 2014 Budget contains approximately $92 million in projected risks, including $82 million related to the proposed borrowings for unbudgeted tax certiorari refunds and payment of other judgments and settlements. These borrowings, which cease after FY 2014, require Legislative and NIFA approval.

Our current $92 million projection of risks, which are discussed in detail in the October Report, reflects a decrease of $12.7 million from our last report. This positive change results primarily from more favorable guidance recently provided by the New York State Department of Civil Service regarding expected increases in the cost of health insurance. We anticipate that lower growth rates will also provide recurring budgetary relief in the Out-Years.

Even if the requisite approvals for the proposed borrowings are secured by the County, we project that the GAAP deficit (the statutory standard by which NIFA is required to measure balance) could reach approximately $109 million. This is almost four times the $28 million deficit which would trigger a control period. We also note, again, that the County's non-budgeted reserves remain woefully inadequate to mitigate significant unanticipated events.

Due to the magnitude of these risks, we remain concerned whether the County can aggressively manage the 2014 Budget to ensure that a budgetary basis deficit does not occur if the proposed borrowings are not approved. We are further troubled by the apparent lack of significant progress in reducing the projected GAAP deficit, using reasonable projections of revenues and expenditures.

The Budget still appropriates only $10 million for property tax refunds in FY 2014. Our analysis indicates that this amount could be understated by approximately $65 million. The County proposes to supplement the $10 million appropriation with up to $230 million in borrowed monies in its effort to pay down its tax cert backlog and make better progress in addressing the ongoing weakness in its commercial tax certiorari settlement program. The County has acknowledged that it must pay these costs with operating revenues in the Out-Years, although it has budgeted only $30 million annually for tax certiorari refunds in FY 2015 – FY 2017. We believe the Out-Year projections may be understated by approximately $45 million, annually. The County also proposes to borrow $17 million to cover its projected liability for judgments and settlements in FY 2014 and begin paying these expenditures with operating revenues beginning in FY 2015.

On a positive note, if the current sales tax strength is sustained in FY 2014, the County could realize unbudgeted revenue, which we have not factored into our assessment of risks. At this point, it appears that the County may need growth of less than 2% over projected FY 2013 levels in order to reach its FY 2014 target. Each additional percentage point growth of sales tax revenue equates to approximately $11 million in unbudgeted resources. These potential resources could be used to mitigate unfavorable variances throughout the budget or to fund a greater portion of tax certiorari refunds in FY 2014 with operating revenue.

ANALYSIS OF FY 2014 BUDGET RISKS Budgetary Basis Surplus/(Risk) ($ in millions)		
	Proposed Budget	**Adopted Budget**
Revenues		
Use of Fund Balance	**($0.0)**	**($0.0)**
Fines and Forfeitures	**(5.1)**	**(5.1)**
Rents and Recoveries	**($3.2)**	**($3.2)**
Departmental Revenues	**(6.6)**	**(6.6)**
Mortgage Recording Fees	*(2.5)*	*(2.5)*
GIS Tax Map Fee	*(1.5)*	*(1.5)*
Clerk Initiative	*(1.0)*	*(1.0)*
Other	*(1.6)*	*(1.6)*
Sales Tax	**0.0**	**0.0**
Other Revenue	**(0.6)**	**(0.3)**
Total Revenues	**($15.5)**	**($15.2)**
Expenditures:		
Salaries and Wages	**($11.6)**	**($11.6)**
Overtime(PD and CC)	*(10.0)*	*(10.0)*
Terminal Leave	*0.0*	*0.0*
Fringe Benefits	**(5.0)**	**7.4**
Tax Certiorari Payments	**(65.0)**	**(65.0)**
Judgments & Settlements	**(17.0)**	**(17.0)**
Other Expenditures	**(2.3)**	**(2.3)**
Total Expenditures	**($100.9)**	**($88.5)**
Subtotal of Risks	**(116.4)**	**(103.7)**
Contingency	**$12.0**	**$12.0**
Total	**($104.4)**	**($91.7)**

ANALYSIS OF FY 2015 – FY 2017

This section discusses the projected Out-Year gaps and the County's plan for ensuring balance on a GAAP basis, as required by the NIFA Act.

Due, in part, to the lack of available specificity, we remain unconvinced that the adopted Out-Year Gap Closing Plan can be fully implemented and we expect that the County will be compelled to revise its menu of options.

Sizing the Out-Year Gaps – The County projects that baseline gaps of $48.7 million in FY 2015, $62.8 million in FY 2016, and $63.5 million in FY 2017 will remain in the Out-Years even if it can successfully implement its entire 2014 gap-closing plan, which has been fully incorporated into the FY 2014 Budget. The County's projected Out-Year gaps are larger than those it projected in the Proposed Plan after it added $17 million annually for the payment of judgments and settlements. In accordance with NIFA's directive, these costs will be paid with operating revenue rather than with bond proceeds after FY 2014.

Our analysis of the Adopted Multi-Year Plan indicates that the County's revised projections of Out-Year gaps may be understated by approximately $92 million in FY 2015, $99 million in FY 2016, and $116 million in FY 2017. These risks, which are slightly larger on a GAAP basis, now reflect the additional funding provided for judgments and settlements and incorporate lower growth rates for projected health insurance costs and social service caseloads. They are discussed in detail in our October Report.

ANALYSIS OF RISKS IN FY 2015 – FY 2017
Surplus/(Risk)
($ in millions)

	FY 2015	FY 2016	FY 2017
County Projected Baseline Gap:	**($48.7)**	**($62.8)**	**($63.5)**
NIFA Projections:			
Revenue Risks	(13.1)	(13.3)	(15.4)
Expenditure Risks	(79.2)	(85.9)	(100.8)
Subtotal Risks:	**(92.3)**	**(99.2)**	**(116.2)**
NIFA Projected Baseline Gap:	**($141.0)**	**($162.0)**	**($179.7)**

The revenue risks reflect our assumption that the County can reasonably achieve its sales tax revenue forecast. Consequently, the projected revenue risks would be favorably impacted if the current sales tax strength is sustained in the Out-Years.

The expenditure risks reflect our projection of greater payments for tax certiorari refunds and police overtime needs, more conservative assumptions for social services costs, and concern for a potential reversal in the County's plan to eliminate its mission payment to the Nassau Health Care Corporation after FY 2014. The projected expenditure risks do not include the additional labor costs that would be incurred if the current wage freeze is lifted or from a potential adverse ruling in the unions' legal challenge to the wage freeze or in other major litigation currently proceeding against the County.

Closing the Out-Year Gaps – The County's Out-Year Gap Closing Plan, even if fully implemented, is insufficient to close the baseline gaps projected by the County as well as mitigate the projected risks identified in our analysis. As shown below, at best we project that gaps of approximately $91 million, $101 million and $123 million will remain in FY 2015, FY 2016 and FY 2017, respectively. We have ongoing concern that the Gap Closing Plan repeats many of the same initiatives already proposed in earlier financial plan submissions, almost all of which contain considerable risk or require outside approval.

County Gap Closing Plan			
($ in millions)	**FY 2015**	**FY 2016**	**FY 2017**
County Projected Baseline Gap:	**($48.7)**	**($62.8)**	**($63.5)**
Gap Closing Options			
Expense/Revenue Actions			
Video Lottery Terminals	19.0	19.0	20.0
Office Consolidation	3.0	7.0	7.0
Improve Detainee to Staff Ratio at Correctional Center	3.0	5.0	5.0
Strategic Sourcing	2.0	5.0	5.0
207C Reform	2.0	2.0	2.0
ERP Implementation		2.0	2.0
Financing Options/Asset Sales			
Sale of Surplus County Property	5.0	5.0	5.0
NYS Actions			
Mandate Reform	10.0	10.0	10.0
State Initiatives (e.g., speed cameras at school intersections)	8.0	12.0	12.0
Total Gap Closing Options	**$52.0**	**$67.0**	**$68.0**
County Projected Surplus/(Deficit)	**$3.3**	**$4.2**	**$4.5**
NIFA Projected Baseline Risks	**($92.3)**	**($99.2)**	**($116.2)**
Surplus/(Deficit)	**($89.0)**	**($95.0)**	**($111.7)**

Expense/Revenue Actions – The County has outlined several initiatives that it is pursuing and that it projects could generate additional revenue or reduce expenditures in the Out-Years. While this may be true, there are not detailed plans of implementation for us to evaluate.

Video Lottery Terminals – On July 30, 2013 Governor Cuomo signed a law allowing Nassau County to install up to 1,000 video lottery terminals ("VLT's"). A tentative agreement was subsequently reached between the County and OTB, allowing for the installation of 1,000 VLT's in the Race Palace in Plainview. The net revenue, after distributions for education, lottery administration and marketing, and New York Racing Association initiatives, is to be used to subsidize operations at the gaming facility. Any remainder is to be remitted to Nassau County to "defray property costs." Based on data from operating casinos, net revenue to the County is estimated to be $19 million per year after distributions and operating subsidies.

Office Consolidation – The County claims that reductions in its workforce provide opportunities for staff centralization and office space consolidation and projects savings of $3 million beginning in FY 2015 and $7 million in each of the Out-Years.

Improve Detainee to Staff Ratio at the Correctional Center – The County projects savings of $3 million beginning in FY 2015 and $7 million in FY 2016 and FY 2017 that it believes can be achieved after a review of service levels provided to inmates, an analysis of the physical layout of the Correctional Center and a study of staff deployment.

Strategic Sourcing and ERP Implementation – The County has hired a consultant to help implement some of the savings initiatives identified in a report issued by Grant Thornton in September of 2011. The County projects savings of $2 million beginning in FY 2015 and $7 million each year in FY 2016 – FY 2017. While we agree with the inclusion of these initiatives, it is difficult to know what the achievable results will be on an annualized basis nor do we have any County analysis or data to support the increased projection of savings.

207 C Reform – As in previous Gap Closing Plans, the County continues to project savings of $2 million in each of the Out-Years stating that it believes it can institute measures to "manage workers' compensation obligations better." The County will continue to partner with its third party administrator to seek ways to achieve additional savings. We have no basis to judge whether the County may realize these savings.

Financing Options/Asset Sales

Sale of Surplus County Property – The County is counting on the receipt of $5 million in each of the Out-Years of the Plan from sales of unidentified County property. While there may be immediate value from the sale of land as a gap-closing initiative, it is a one-shot cash infusion that bridges the deficit between recurring revenues and expenditures but does nothing to address the persistent structural imbalance.

New York State Actions

Among the initiatives are two proposals that would require State approval before they could be advanced: (1) installation of speed cameras at school crossings and red light camera locations; and (2) cost containment strategies within the Early

Intervention/Special Education programs. These initiatives are placed at risk because they require State review and passage in order to be implemented.

CONCLUSION

Notwithstanding our concerns, if the Directors accept the County's MYP, including its Budget for FY 2014, we recommend that it be conditioned on the following:

POINT ONE

The County shall no later than any request for related borrowing, deliver a revised Multi-Year Plan, approved by the Legislature and signed by the County Executive, which (a) reduces the deficit in 2014 by $30 million and (b) is balanced in accordance with Generally Accepted Accounting Principles ("GAAP") in 2015 and each year thereafter. The determinations of the sufficiency of the deficit reduction in 2014 and GAAP balance in 2015 and thereafter will be solely within the discretion of NIFA.

POINT TWO

Unanticipated savings or revenues that are not directly used to offset negative variances in line items in the 2014 Budget or 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 Point Four below.

POINT THREE

NIFA's approval of any "transitional cert borrowing" in FY 2013 – 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.

POINT FOUR

If NIFA's approves any borrowings for non-cert judgments and settlements or employee terminal leave payments they must be predicated on the understanding that the proceeds will be used only during FY 2013- 2014 and that beginning in 2015 all non-cert judgments and settlements and employee terminal leave payments 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.

POINT FIVE

The County will continue to be required within 21 days after the end of every month to submit a report to NIFA that follows the same format as the “Monthly 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 2014 and FY 2015, together with monthly updates.
- An accounting of certiorari payment activity and estimated backlog.