1. 8-10-20 BUDGET REVIEW COMMITTEE PUBLIC NOTICE

Documents:

8-10-20 BUDGET REVIEW COMMITTEE PUBLIC NOTICE.PDF

2. Additional Documents 8-10-20

Documents:

BUDGET HEARINGS PRESENTATION 8-10-20 (005).PDF
9. PFM PRESENTATION NIFA REFINANCING ANALYSIS OPTIONS TO SAVE 75M IN FY2020.PDF
PUBLIC NOTICE

PLEASE TAKE NOTICE THAT

THE NASSAU COUNTY LEGISLATURE WILL HOLD A

MEETING OF THE BUDGET REVIEW COMMITTEE

ON

MONDAY, AUGUST 10, 2020 AT 1:00 PM

IN

THE PETER J. SCHMITT MEMORIAL LEGISLATIVE CHAMBER
THEODORE ROOSEVELT EXECUTIVE AND LEGISLATIVE BUILDING
1550 FRANKLIN AVENUE, MINEOLA, NEW YORK 11501

Please be advised that public attendance is permitted at this meeting, but due to health and safety concerns associated with the COVID-19 virus and New York State requirements restricting public gatherings, the maximum capacity of the Peter J. Schmitt Legislative Chamber is limited to fifty people, inclusive of elected officials, staff, and attendees. Passes will be distributed on a first come first served basis beginning one half hour prior to meeting and attendees will be given an opportunity to sign in to address the Legislature for a maximum of three minutes. Attendees will be subject to temperature checks prior to entering the chamber, and must adhere to social distancing guidelines and wear a mask while they are in the chamber.

This meeting will also be available for viewing online at http://www.nassaucountyny.gov/agencies/Legis/index.html As in-person attendance is limited, public comment on any item may be emailed to the Clerk of the Legislature at LegPublicComment@nassaucountyny.gov and will be made part of the formal record for this Legislative meeting.

While this meeting is open to the public at a reduced capacity, the Nassau County Legislature is committed to making its public meeting accessible to individuals with disabilities. If, due to a disability, you need an accommodation or assistance to participate in the public meeting or to obtain a copy of the transcript of the public hearing in an alternative format in accordance with the provisions of the Americans with Disabilities Act, please contact the Office of the Clerk of the Legislature at 571-4252, or the Nassau County Office for the Physically Challenged at 227-7101 or TDD telephone no. 227-8989.

DATED: August 3, 2020
Mineola, NY

MICHAEL C. PULITZER
Clerk of the Legislature
Nassau County, New York
NASSAU COUNTY, NEW YORK

PRESENTATION TO THE LEGISLATURE

FY2020 BUDGET UPDATE

August 10, 2020
FY2019 FINANCIAL RESULTS

• The GAAP surplus at the end of FY2019 in the County’s three primary operating funds (General, Police District, and Sewer and Storm Water) was $145 million

• The County ended 2019 with a positive unassigned fund balance in its primary operating funds of $112.2 million (as compared to a negative $22.0 million at fiscal year-end 2018)

• The fund balance in the three primary operating funds grew from $71.6 million to $216.9 million
NASSAU COUNTY FACES A DEFICIT OF $385 MILLION FOR FY2020

<table>
<thead>
<tr>
<th>Expenses</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$873,757,869</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>$587,753,947</td>
</tr>
<tr>
<td>Local Gvt Assistance</td>
<td>$60,840,853</td>
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<tr>
<td>Transportation</td>
<td>$180,581,778</td>
</tr>
<tr>
<td>OTPS</td>
<td>$236,414,459</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$397,236,425</td>
</tr>
<tr>
<td>Direct Assistance</td>
<td>$544,230,723</td>
</tr>
<tr>
<td>Other</td>
<td>$621,315,509</td>
</tr>
<tr>
<td>Total</td>
<td>$3,502,131,563</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$1,014,969,253</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$821,407,785</td>
</tr>
<tr>
<td>State Aid</td>
<td>$184,404,488</td>
</tr>
<tr>
<td>Federal Aid</td>
<td>$172,301,710</td>
</tr>
<tr>
<td>Department Revenues</td>
<td>$145,724,283</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$778,528,496</td>
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<tr>
<td>Total</td>
<td>$3,117,336,015</td>
</tr>
</tbody>
</table>

| GAP                          | (384,795,548) |

FY2020 data from Monthly County Budget Report For the Period Ending June 30, 2020
FY2020 BUDGET AS OF JUNE 2020
COVID-19 IMPACT ESTIMATE

REVENUE ASSUMPTIONS

• SIGNIFICANT IMPACT OF COVID-19 IN Q2 AND A PARTIAL RECOVERY IN Q3 & Q4

• ASSUMPTIONS
  • Sales Tax
    • 20% decrease
  • Property Tax
    • No Budgetary Impact but impacted the cash flow borrowings.
  • State Aid
    • 15% decrease Countywide and additional State Aid due to Raise-the Age Program not expected to start this year
  • Federal Aid
    • $33.1m increase due to funds received for COVID Relief/Cares Act for NICE Bus Service offset by anticipated decreases of Federal Aid in other areas
  • All Revenues Unless Specified Below
    • Estimates based on Q1 actuals
    • Q2 - reduction of 50% of budgeted 2020 revenue
    • Q3 & Q4 – reduction of 25% of budgeted FY2020 revenue

TOTAL REVENUE DEFICIT: $443 MILLION DECREASE
FY2020 BUDGET AS OF JUNE 2020
COVID-19 IMPACT ESTIMATE

EXPENSE ASSUMPTIONS

- Salaries and Fringe
  - $55 million savings due to vacancies and health insurance costs offset by anticipated hiring, promotions, step increases and higher overtime and termination payments
- Local Government Assistance
  - Savings proportional to sales tax collections
- OTPS
  - $13.6 million additional costs driven by COVID-19 and IT needs
- Emergency Vendor Payments
  - $3.9 million additional costs due to anticipated Shelter care and Room and Board cost increases
- Medicaid
  - $9.1 million of FMAP saving

TOTAL EXPENSE SAVINGS: $58 MILLION SAVINGS

REVENUE DEFICIT: $443 MILLION DECREASE

EXPENSE SAVINGS: $58 MILLION SAVINGS

$385 MILLION 2020 BUDGET GAP
## FY2020 GAP CLOSING PLAN

### TOTAL FY2020 GAP AS OF AUGUST 10: $385 MILLION

#### REVENUE ACTIONS
- FY19 Surplus: $112 million
- CARES Act Funds - Nassau County: $103 million

#### EXPENSE ACTIONS
- PEG Program: $25 million
- Litigation Fund: $23 million
- Workers Compensation Fund: $15 million
- NIFA Debt Service Savings: $75 million
- Capital Closeouts: $32 million

### FY2020 TOTAL GAP CLOSING PLAN: $385 MILLION
### CURRENT EVENTS

#### REVENUE
- OTB – VLT payments: $4.8 million
- Federal Aid - SCAAP: ($3.0) million

#### EXPENSE
- TERMINATION PAY: $1.5 million

#### NET CHANGE
- $0.3 Million
NIFA Refinancing Analysis
Options to Save $75M in FY2020

PFM Financial Advisors LLC

August 10, 2020
Agenda

I. OVERVIEW

II. OPTIONS

III. COMPARISON

IV. CONCLUSION
I. Overview
Background

- PFM was asked to review and analyze a refinancing of NIFA debt tied to the Authority’s 2008B bonds, which have a 2020 maturity of $75,325,000 callable at any time.
  - The bonds are variable rate demand obligations with interest rates presently reset weekly.
- The refinancing is part of a plan to eliminate the projected $385 million FY2020 budget gap brought on by Covid-19.
- Within recent months other municipalities have executed similar deferrals to mitigate the effects of Covid-19.
- The current low interest rate environment would allow for a cost-effective financing while providing immediate debt service relief.
- NIFA provides the greatest structural flexibility as it is not constrained by NYS Local Finance Law.
Goals

- Generate $75M in savings for FY2020 by refinancing the 2008B sinking fund payment
- Ensure that future NIFA restructurings, targeting $210M of savings in FY2021 and $150M of savings in FY2022, are not hindered
- Avoid issuance of NIFA debt in 2020
II. Options
Option 1: Municipal Liquidity Facility

- Established by the Board of Governors of the Federal Reserve to enhance the liquidity of the primary short-term municipal securities market
- Eligible Notes must be duly authorized and meet the same statutory requirements of publicly issued notes: the County is still subject to the Local Finance Law with respect to repayment requirements
- Use of MLF does not meet the goal of reducing the County’s FY2020 expense by $75M
- Specifically structured to not displace a functioning municipal market: MLF interest rates carry a substantial premium to current market rates

<table>
<thead>
<tr>
<th>LOAN TERM</th>
<th>6M</th>
<th>1Y</th>
<th>2Y</th>
<th>3Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA/Aaa - Applicable to NIFA</td>
<td>1.56</td>
<td>1.53</td>
<td>1.49</td>
<td>1.48</td>
</tr>
<tr>
<td>AA+/Aa1</td>
<td>1.76</td>
<td>1.73</td>
<td>1.69</td>
<td>1.68</td>
</tr>
<tr>
<td>AA/Aa2</td>
<td>1.81</td>
<td>1.78</td>
<td>1.74</td>
<td>1.73</td>
</tr>
<tr>
<td>AA-/Aa3</td>
<td>1.96</td>
<td>1.93</td>
<td>1.89</td>
<td>1.88</td>
</tr>
<tr>
<td>A+/A1</td>
<td>2.46</td>
<td>2.43</td>
<td>2.39</td>
<td>2.38</td>
</tr>
<tr>
<td>A/A2 - Applicable to County</td>
<td>2.56</td>
<td>2.53</td>
<td>2.49</td>
<td>2.48</td>
</tr>
<tr>
<td>A-/A3</td>
<td>2.71</td>
<td>2.68</td>
<td>2.64</td>
<td>2.63</td>
</tr>
<tr>
<td>BBB+/Baa1</td>
<td>3.31</td>
<td>3.28</td>
<td>3.24</td>
<td>3.23</td>
</tr>
<tr>
<td>BBB/Baa2</td>
<td>3.46</td>
<td>3.43</td>
<td>3.39</td>
<td>3.38</td>
</tr>
<tr>
<td>BBB-/Baa3</td>
<td>3.86</td>
<td>3.83</td>
<td>3.79</td>
<td>3.78</td>
</tr>
<tr>
<td>Below Investment Grade</td>
<td>5.96</td>
<td>5.93</td>
<td>5.89</td>
<td>5.88</td>
</tr>
</tbody>
</table>

The MLF is not a viable option as debt issued through the MLF must be redeemed using FY2020 revenues
Option 2: Short-Dated Refinancing

Plan

- Refund the $75M sinking fund payment with a taxable fixed-rate bond maturing in FY2021

Steps

- Issue a fixed-rate taxable refunding bond
- Bond matures on November 15, 2021

Results

- The $75M payment is delayed to FY2021
- The bond can be currently refunded on a tax-exempt basis within 90 days of its maturity date and could ultimately be restructured
- Requires transaction with associated issuance costs
- Requires new issuance for NIFA in 2020
Option 3: Five-Year Refinancing

Plan
- Refund the $75M sinking fund payment with taxable fixed-rate bonds maturing on or before November 2025

Steps
- Issue fixed-rate taxable refunding bonds
- Bonds mature on November 15, 2023 through November 15, 2025

Results
- The $75M payment is delayed to FY2023-25
- The bonds are structured to wrap around existing NIFA debt to achieve more level overall debt service
- Requires transaction with associated issuance costs
- Requires new issuance for NIFA in 2020
Option 4: 2008B Tender and Conversion

Plan

- Modify the 2008B Bond to eliminate the required 2020 sinking fund payment

Steps

- Get approval from the liquidity provider (Sumitomo) and Remarketer (Citigroup) to eliminate the sinking fund requirement
- If necessary, liquidity provider and/or remarketer can be replaced
- Obtain sign-off from NIFA’s bond counsel (Norton Rose)

Results

- The $75M payment is delayed to FY2021
- Bond remains callable at any time
- Restructure again for 2021 gap
- Not a reissuance so transaction costs will be limited to counsel fees
- Preserves market capacity for future NIFA new issues
III. Comparison
NIFA Debt as a Portion of County Debt Outstanding

- NIFA Debt accounts for 35% of County debt service in FY2020 and decreases to 8% by FY2025
NIFA Projected Debt Service Schedule

- All financing options provide lower debt service on a PV basis than NIFA's existing debt service
- Option 4, the Tender and Conversion scenario, offers the lowest PV debt service

<table>
<thead>
<tr>
<th>FY</th>
<th>Current</th>
<th>1-Year Refinancing</th>
<th>5-Year Refinancing</th>
<th>2008B Tender and Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>133,195,788</td>
<td>57,431,915</td>
<td>57,431,915</td>
<td>57,920,788</td>
</tr>
<tr>
<td>2021</td>
<td>101,499,579</td>
<td>177,663,412</td>
<td>102,250,364</td>
<td>177,118,347</td>
</tr>
<tr>
<td>2022</td>
<td>86,745,427</td>
<td>86,745,427</td>
<td>87,414,444</td>
<td>86,745,427</td>
</tr>
<tr>
<td>2023</td>
<td>64,586,813</td>
<td>64,586,813</td>
<td>70,525,829</td>
<td>64,586,813</td>
</tr>
<tr>
<td>2024</td>
<td>49,111,387</td>
<td>49,111,387</td>
<td>70,526,675</td>
<td>49,111,387</td>
</tr>
<tr>
<td>2025</td>
<td>20,295,682</td>
<td>20,295,682</td>
<td>70,523,496</td>
<td>20,295,682</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>455,434,676</strong></td>
<td><strong>455,834,636</strong></td>
<td><strong>458,672,724</strong></td>
<td><strong>455,778,443</strong></td>
</tr>
<tr>
<td><strong>PV Total</strong></td>
<td><strong>447,783,670</strong></td>
<td><strong>447,462,403</strong></td>
<td><strong>447,703,498</strong></td>
<td><strong>447,361,278</strong></td>
</tr>
</tbody>
</table>

1 and 5-year refinancings use PFM's taxable NIFA scale; Tender and Conversion assumes NIFA’s current variable rate plus a 25bps cushion on the $75M portion of Series 2008B

2 1 and 5-year refinancings assume COI and UWD of $3/bond; tender and conversion scenario assumes cost of $50,000

3 Discounted at 5-year TIC of 0.96%
## Advantages and Considerations

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Year Refinancing</td>
<td>• Eliminates $75 million principal payment due in November 15, 2020</td>
<td>• Increase in debt service for FY 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• NPV savings are approximately net neutral (-0.24%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Higher COI than Option 4</td>
</tr>
<tr>
<td>5-Year Refinancing</td>
<td>• Eliminates $75 million principal payment due in November 15, 2020</td>
<td>• Furthest extension of debt service</td>
</tr>
<tr>
<td></td>
<td>• Reduces impact of balloon payment over 3 years</td>
<td>• Increase in debt service 2021-2025</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• NPV savings are approximately net neutral (-0.30%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Higher COI than Option 4</td>
</tr>
<tr>
<td>2008B Tender &amp;</td>
<td>• Eliminates $75 million principal payment due in November 15, 2020</td>
<td>• All 2008B bonds must be tendered to renegotiate sinking fund structure with liquidity provider</td>
</tr>
<tr>
<td>Conversion</td>
<td>• No new bonds</td>
<td>• NPV savings are approximately net neutral</td>
</tr>
<tr>
<td></td>
<td>• Minimal transaction costs</td>
<td>• Increase in debt service for FY 2021</td>
</tr>
<tr>
<td></td>
<td>• Maintenance of variable rate for continued flexibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Remains tax-exempt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lowest total debt service (gross and PV) from FY2020-FY2025</td>
<td></td>
</tr>
</tbody>
</table>
IV. Conclusion
Conclusion

- PFM encourages the County to explore a refinancing to address the 2020 budget gap resulting from Covid-19
  - Uncertain economic outlook could create continued gaps in the out years, so further remediation of the NIFA debt should be a consideration

Options 2 & 3 provide immediate relief from the FY 2020 principal payment but do not provide the level of savings nor the future flexibility of Option 4

- Option 4 – Tender and conversion:
  - Lowest projected short-term debt service
  - Lowest projected debt service on a PV basis
  - Lowest projected COI
  - Continued flexibility for future refinancings

Based on PFM’s analysis, Option 4 provides the greatest current benefit to the County by lowering short-term debt service costs and providing the most flexibility for the future