

1. Meeting Minutes 8-10-20

Documents:

[BUDGET REVIEW COMMITTEE, 08-10-20.PDF](#)

2. 8-10-20 BUDGET REVIEW COMMITTEE PUBLIC NOTICE

Documents:

[8-10-20 BUDGET REVIEW COMMITTEE PUBLIC NOTICE.PDF](#)

3. Additional Documents 8-10-20

Documents:

[BUDGET HEARINGS PRESENTATION 8-10-20 \(005\).PDF](#)
[9. PFM PRESENTATION NIFA REFNIANCING ANALYSIS OPTIONS TO SAVE 75M IN FY2020.PDF](#)

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NASSAU COUNTY LEGISLATURE

RICHARD NICOLELLO

PRESIDING OFFICER

BUDGET REVIEW COMMITTEE

LEGISLATOR JOHN FERRETTI, JR.

CHAIR

Theodore Roosevelt Building
1550 Franklin Avenue
Mineola, New York

August 10, 2020

1:00 P.M.

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A P P E A R A N C E S:

LEGISLATOR JOHN FERRETTI, JR.

Chair

LEGISLATOR RICHARD NICOLELLO

Vice Chair

LEGISLATOR HOWARD KOPEL

LEGISLATOR ELLEN BIRNBAUM

LEGISLATOR KEVAN ABRAHAMS

Ranking member

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: We are going
3 to start with this meeting of the Budget
4 Committee. Mr. Pulitzer, would you be so
5 kind as to call the roll.

6 MR. PULITZER: Yes, thank you.
7 Budget Review Committee attendance.
8 Chairman Howard Kopel.

9 LEGISLATOR KOPEL: I'm here.

10 MR. PULITZER: Vice Chairman
11 Richard Nicoletto.

12 LEGISLATOR NICOLELLO: Here.

13 MR. PULITZER: Member John
14 Ferretti, Jr.

15 LEGISLATOR FERRETTI: Here.

16 MR. PULITZER: Ellen Birnbaum.

17 LEGISLATOR BIRNBAUM: Here.

18 MR. PULITZER: Thank you. And
19 ranking Kevan Abrahams.

20 LEGISLATOR ABRAHAMS: Here.

21 MR. PULITZER: Thank you, Kevan.
22 We have a forum, sir.

23 LEGISLATOR KOPEL: Thank you.
24 And you want to lead us in the Pledge,
25 please.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: Good

3 afternoon.

4 MR. PERSICH: Good afternoon
5 legislators, Andy Persich, Management
6 Budget.

7 LEGISLATOR KOPEL: Andy, are you
8 going to do the presentation?

9 MR. PERSICH: I'm going to do --
10 well, I think the way we're going to
11 run this is I'm going to go through
12 with what the 2020 budget looks like
13 and then we're going to hand it over to
14 PFM and Ray Orlando to some of the
15 financial options that we have out
16 there. Okay?

17 LEGISLATOR KOPEL: One -- one
18 little difference I think that we're
19 going to do, if nobody objects is that
20 instead of waiting until the end, we
21 may stop you and ask questions as you
22 go, so that we don't forget things.

23 MR. PERSICH: That's okay with
24 me.

25 LEGISLATOR KOPEL: Okay. Why

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 don't you go to it whenever you're set.

3 MR. PERSICH: If everybody's set
4 I'll go through it. It's a very short
5 presentation on what the 2020 budget
6 looks like. The first line actually
7 we're going to go through what happened
8 in 2019 which was rather good news
9 because we finished with quite a big
10 surplus which luckily we have. For
11 2019, we finished with \$145 million
12 surplus in the operating funds in sewer
13 district of which \$112 million we can
14 actually spend. That goes into the
15 unassigned fund balance. Our fund
16 balance increased from \$72 million to
17 approximately \$217 million.

18 LEGISLATOR KOPEL: And to what do
19 you attribute the surplus?

20 MR. PERSICH: Most of it was in
21 payroll and personnel savings and
22 better sales tax anticipations that we
23 got in. Those were the primary
24 components of what happened in 2019.
25 Some things fell our way, some things

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 didn't. I mean, but that's just the
3 nature of budgeting.

4 In 2020, what we're seeing is
5 a dramatic drop in our revenue side of
6 the budget. This slide shows you how
7 we get to the 385 but I think what the
8 main component what's driving down is
9 our revenue, sales tax particularly, is
10 dropping. Will drop like a rock and
11 continues to be a little uncertain and
12 this budget is heavily dependant on
13 that because it accounts for about 40
14 percent of our revenues.

15 LEGISLATOR KOPEL: The sales tax,
16 your assumption I see here, is for a 20
17 percent decrease.

18 MR. PERSICH: That is correct.

19 LEGISLATOR KOPEL: Looking at the
20 Legislative Budget Review Office, as
21 well as I think the Comptroller, well
22 actual -- actual experience has been
23 what 12.9, if I recall.

24 MR. PERSICH: As of to date, I
25 think it's, roughly, around 12.9 over

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 year to date.

3 LEGISLATOR KOPEL: 12.9?

4 MR. PERSICH: But in the middle
5 of a pandemic we were down in the 30s,
6 so I mean.

7 LEGISLATOR KOPEL: Understood.
8 But actual year to date we're at 12.9?

9 MR. PERSICH: Let me just check
10 for you, Legislator.

11 LEGISLATOR KOPEL: AND trending
12 up; isn't that correct?

13 MR. PERSICH: Well, I wouldn't
14 say it's trending up. We haven't
15 gotten into the meat of the season but
16 it's approximately --

17 LEGISLATOR KOPEL: Well, economic
18 activity is trending up?

19 MR. PERSICH: The last check was
20 higher is what I -- was less negative,
21 is what I can tell you. It was less
22 negative.

23 LEGISLATOR KOPEL: Trending up
24 from the bottom. Fewer words, it's
25 been increasing.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. PERSICH: Correct. It is up
3 from the last checks. I don't know --
4 I mean, we haven't seen a pattern yet
5 is what I can tell you.

6 LEGISLATOR KOPEL: So why the
7 what seems like an excessively gloomy
8 20 percent, why would you do that?

9 MR. PERSICH: I don't -- right
10 now, Legislator, I think we're being --
11 it's not conservative. I think it's
12 the unknown because I don't think
13 anybody can tell. This is something
14 that we've never experienced before. I
15 mean, I don't see the economic activity
16 going to be robustly V -- like I would
17 call a V recovery, I think. Right now
18 we're guessing that it's 20 percent.
19 Could be 25, it could be 15, I think
20 but we --

21 LEGISLATOR KOPEL: But doesn't it
22 seem more likely that it's going to be
23 12.9 or less at this point? Just based
24 upon what we've actually seen and what
25 we're seeing in terms of economic

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 recovery, doesn't it seem more
3 reasonable?

4 MR. PERSICH: Let's keep in mind,
5 though, that the robust part of the
6 sales tax to me comes at the latter
7 part of it, which is the Christmas
8 season and we haven't -- we're not
9 there yet, you know what I mean? I
10 know the checks don't bounce that much
11 but I think Q4 will be a determining
12 factor of what this looks like and I
13 can't tell you with malls being
14 shutdown, with shopping changing and
15 spending habits where the numbers are
16 going to land. I think -- I think we
17 have to estimate where we think is a
18 pretty, you know, conservative number
19 to make sure that we have enough --

20 LEGISLATOR KOPEL: I hear you. I
21 hear but -- but I don't understand at
22 all the basis for that assumption. It
23 doesn't seem reasonable to me because,
24 as I say, if we're 12.9 we're now
25 thankfully at a below one percent

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 infection rate in terms of testing and
3 so forth. Economic activity has
4 dramatically picked up since the depth
5 of the economic activity recession
6 we'll call it, and we're trending
7 upwards. It seems like it's -- I think
8 in order to achieve a 20 percent
9 year-on-year decrease we would have to
10 go to God knows what. We'd probably
11 have to experience a 30, 40 percent
12 drop now. I don't get it.

13 MR. PERSICH: Well, I can tell
14 you the unknown is what scares us a
15 little about what's going to happen if
16 we the secondary wave if it does come.
17 Then what? If we shut back down, then
18 what do we do? I think we're -- we're
19 seeing -- right now what's happening
20 is, yes, it's slowed to recover but
21 it's not going to bounce right back and
22 I don't know, you know. Spending and
23 people's behavior has changed
24 dramatically. So, I mean, a couple
25 bumps. Maybe this last check was up --

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 down only 11 percent compared to checks
3 that were down 25, 35, 28, 36, those
4 were the checks that were coming in
5 during the middle of the pandemic. I
6 mean, that -- I can't sit here and tell
7 that you 20 percent is right, wrong.
8 I'm -- I'm coming up with an estimate
9 that I believe is going to be a
10 conservative way to look at this if
11 things continue downward. You know,
12 we're trending good right now but the
13 uncertainty with this pandemic is
14 clearly, clearly a financial. I mean,
15 especially from municipalities.

16 LEGISLATOR KOPEL: That would not
17 be a reasonable basis upon which to
18 take any drastic action yet.

19 MR. PERSICH: Well, we --
20 remember, I hate to say it, but one of
21 the jobs we have to do is keep this
22 budget balanced, I mean, and you know,
23 we have to come up with realistic
24 projections to see where we're going to
25 end the year at and it's -- you know --

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 like I said, I don't think there's
3 anybody out there, an economist or
4 anybody else, that's going to hit this
5 right, this number right dead square
6 on. I think-- I think we're being
7 conservative -- maybe not conservative
8 enough -- but I think we're being
9 conservative in how we think the number
10 is going to land. And it could be 18,
11 it could be 22, it could be 14. I
12 don't know. But I do know it will have
13 direct impact on the economic --

14 LEGISLATOR KOPEL: Okay. I don't
15 want to beat a dead horse. By the way,
16 is there anybody who -- yes, please.
17 Go ahead.

18 LEGISLATOR BIRNBAUM: Just to
19 continue along those lines about the
20 sales tax drop lower than 12.9 percent.
21 Is it true that most of -- a lot of the
22 sales tax comes from the gasoline tax?

23 MR. PERSICH: No, it's split up a
24 bunch of different ways. It's not --
25 it's a component of it. It's one of

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 the larger components of it, you know.
3 It's retail - -

4 LEGISLATOR BIRNBAUM: How much of
5 it is internet sales taxing?

6 MR. PERSICH: I don't have that
7 breakdown for you, Legislator, but I
8 can get that for you. The chart we do
9 have of what the different components
10 of sales tax. A big component is car
11 sales, you know, retail sales, liquor
12 sales, restaurant sales. There's all
13 different buckets that make up that
14 number, it's not just one single thing.
15 I mean, you might see a dip in what I
16 would call brick and mortar retail and
17 an uptick in internet, but I don't, you
18 know.

19 The other problem is is
20 consumer confidence right now is at an
21 all time low. I'm not the economist,
22 nor am I going to go there but I think
23 people are a little scared about
24 spending money at this point. But, you
25 know, there are other things that, you

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 know, a strong housing market does add
3 a little help to us but I -- you know,
4 how big that's going to be, I don't --
5 I -- I don't think anybody's going to
6 pinpoint the different sectors and say
7 this is going to go up, this is going
8 to go down, you know. You know, we are
9 the sixth wealthiest, you know, county.
10 One of the wealthiest counties, which
11 we have the going for us but I don't
12 think that that's going to be the thing
13 that saves, I mean, around us. What's
14 going to be the -- how this budget is
15 going to look based on people's
16 spending habits. I'm concerned so.

17 LEGISLATOR KOPEL: Go on, Andy,
18 please.

19 MR. PERSICH: So as you can see
20 on slide two I've given you what the
21 breakout is of all the different things
22 of how we land at the 385. If you turn
23 to page three, this is where we get
24 into the assumptions of what the budget
25 looks like. The 20 percent,

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 Legislator, as I think I just covered
3 with you, we've had no impact on
4 property taxes, although it has
5 impacted our cash flow notes and the
6 make hold payment for the school
7 districts. We had to borrow,
8 approximately, \$70 million in
9 additional funds to cover that.

10 The other thing, too, as
11 everybody's aware, the governor does
12 have it in his ability under the
13 executive order to reduce state funding
14 to municipalities. We're estimating 15
15 percent. Could be 20. Could be 30.
16 We are --

17 LEGISLATOR KOPEL: Or it could be
18 five. Or it could be zero.

19 MR. PERSICH: It could be but I'm
20 -- based on collections that I've seen
21 from this year to last year, and what
22 some of the reimbursements for some of
23 the programs we have. We've seen some
24 checks, vouchers submitted that was 20
25 percent lower than what we were

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 supposed to be reimbursed for, so they
3 are withholding some funds right now.

4 LEGISLATOR KOPEL: But that's a
5 matter of cash flow?

6 MR. PERSICH: No. That's a
7 matter of what the flexibility that the
8 State's has - -

9 LEGISLATOR KOPEL: No, I meant it
10 could be a matter of state cash flow.

11 MR. PERSICH: It could be. But I
12 don't know how - - I mean, if I'm in
13 this big of a deficit position, I can
14 only imagine that the State's is much
15 bigger than our problem right now and I
16 don't think - - cash is not only the
17 problem I think their budget is s a
18 problem, too. How much money are they
19 going to be able to give out to the
20 local municipalities?

21 LEGISLATOR KOPEL: So what your
22 15 percent is, is, again, it's just a
23 total guess?

24 MR. PERSICH: Based on the
25 information that we've gotten from the

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 state's that they have the flexibility
3 to --

4 LEGISLATOR KOPEL: Has the
5 state's given you information --

6 MR. PERSICH: We have not got --

7 LEGISLATOR KOPEL: -- to lead you
8 feel that their planning a 15 percent
9 decrease?

10 MR. PERSICH: No, we've not
11 gotten anything formal from the
12 state's. Only the guidance that was
13 issued in the executive orders of when
14 the pandemic first hit.

15 LEGISLATOR KOPEL: And what were
16 those that lead you to think that there
17 might be a 15 percent decrease in state
18 aid?

19 MR. PERSICH: Well, based on what
20 I've experienced with the state's
21 sometimes and being in the fiscal
22 position that they're in. I think that
23 they would be -- have the ability to
24 cut funding to us at any given point.
25 And you know, no funded mandates, the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 old story that I've heard around here
3 for a lot of years, funded mandates by
4 the State's or the unfunded mandates,
5 meaning that you -- yeah, we're going
6 to make you implement this program,
7 we're going to give you the start up
8 money and then we're going to pull it
9 away at some point. That's what I'm
10 afraid of. I mean, you know, outside
11 funding sources right now, because
12 everybody's in the same shape, I think
13 -- I have to sit here, you know, and be
14 a little bit more conservative about
15 how I want to keep -- you know, keep in
16 check. I don't think we're going to
17 get the full amount of state aid in the
18 budget and I think 15 percent might be
19 a little low at this point. I think
20 that could to 20 or 30 at some point
21 but.

22 LEGISLATOR KOPEL: Go on, please.

23 MR. PERSICH: Sure. We did --
24 for federal aid we did see an increase.
25 We got Cares money for the bus services

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 but that was to offset the fare box
3 revenue because that we, you know,
4 basically it's been, collections have
5 been very bad.

6 LEGISLATOR KOPEL: Well, aren't
7 you assuming in the budget that -- zero
8 collections?

9 MR. PERSICH: For fare box, yes.

10 LEGISLATOR KOPEL: Yeah, but
11 that's not, in fact, what happened?

12 MR. PERSICH: For the first
13 quarter, I thin there were collections
14 but at this point I think collections
15 are down dramatically because I don't
16 think the ridership is back up yet.

17 LEGISLATOR KOPEL: But it's noto
18 -- it's a far cry from zero.

19 MR. PERSICH: It's not -- yeah,
20 but I would say ridership is down so I
21 don't think the collections are going
22 to be as robust.

23 LEGISLATOR KOPEL: And federal
24 aid, indeed, if Congress ever gets
25 together it may go -- it may, in fact,

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 dramatically go -- get better. It may
3 increase.

4 MR. PERSICH: We are hoping that
5 there is a solution in Washington. I
6 mean, it's not something we want -- we
7 would love that. But you know, you're
8 going to hear hope's not a strategy.
9 The way things are going down there
10 right now, I don't know when, if
11 anything is going to be sent to the
12 local jurisdictions, you know, and how
13 much that will be. You know, the holes
14 we're talking about is, you know, it's
15 pretty significant, you know.

16 LEGISLATOR KOPEL: Andy, would
17 you agree at this point that basically
18 a lot of the budget is almost
19 pointless? I mean, it's just based on
20 guesses?

21 MR. PERSICH: No. I think we've
22 taken a lot of time to sit down and
23 figure out, like we didn't just, you
24 know, throw darts at a board. We
25 figured revenue would decline, you

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 know, because of the pandemic we
3 thought -- we took a snapshot and all
4 right, we'll take revenue down by 5-
5 percent in the second quarter because
6 that was the meat of the -- we didn't
7 know the pandemic when it was going to
8 end. But when we did the assumptions,
9 we figured that that would be good and
10 then rolling forward, because we talked
11 to other agencies, other municipalities
12 and we kind of asked them what they
13 were doing, we kind of landed at the
14 scenarios of, you know, excluding the
15 sales tax but on the departmental and
16 all the other revenue streams, that 50
17 percent -- we dropped it by 50 percent
18 in the second quarter; 25 percent in
19 the third and fourth quarter. We're
20 kind of seeing a lot of those trends.
21 There are some anomalies in certain
22 areas but, you know, it's not as
23 robust. A classic example, like -- one
24 second, if I can finish the thought --
25 is that when the pandemic shutdown,

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 let's take for instance driving habits.
3 They were grossly changed and one of
4 the biggest revenues we have is red
5 light cameras and there was no cars on
6 the road. I mean, I can tell you point
7 blank that the traffic was a beautiful
8 thing but we didn't have the -- we're
9 not getting that revenue stream.

10 LEGISLATOR KOPEL: Andy, the
11 things have -- but you know, again,
12 nobody knows the future and you've made
13 that point a number of times and
14 obviously it's not an arguable point.
15 Of course, it's true. But based upon
16 what we're seeing in real life, and
17 actually going on out there, it's just
18 not the case anymore.

19 Look, I remember the -- I
20 remember what you were saying you can
21 roll a bowling ball down the LIE and
22 not hit anything and now you're stuck
23 in traffic jams. The traffic is back.
24 It is back, it's there. Thank God the
25 infection is low. I'm just afraid that

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 your assumptions -- I understand your
3 desire to be conservative and
4 responsible and so forth but I think
5 they're very excessively gloomy and --
6 well, you're undoubtedly aware that the
7 Comptroller and Office of Legislative
8 Budget Review don't agree.

9 MR. PERSICH: I saw the reports
10 late on Friday. There are some, you
11 know, I mean, the biggest changes I saw
12 between -- or the differences in the
13 report were one was the sales tax
14 assumption by about \$20 million, give
15 or take. The other thing is some of
16 the departmental revenues are about,
17 you know, \$10 to \$20 million difference
18 between what I have.

19 You know, that said, I don't
20 think anybody can sit here right now
21 and think, you know. Let me put as far
22 as an economic activity. If you have a
23 restaurant right now -- and just think
24 about this -- you're at 50 percent
25 capacity. I don't know how, you know,

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 what the -- that norm is going to be
3 going forward. If it's going to be 50,
4 75 or what's going to happen. You
5 know, those types of businesses and
6 everybody's changed the way they do
7 business. You know, people not being
8 able to flood the stores to get things.
9 You know, the home Depot's of the world
10 were restricting the number of people
11 going into the store in the middle of
12 March. I know. I went there
13 personally and I, you know, now they're
14 a little more open, you know, there's a
15 little more freedom there.

16 I still don't think anybody
17 can put the nail in the hammer and say
18 that this is going to be the number
19 going forward. I think, being
20 conservative at this point, and I don't
21 think it's ultra conservative, I think
22 it's moderately, if anything. I think
23 these numbers could -- look, we're
24 talking about a definite of 385 or 310
25 or 315. It's still 300. You know what

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 I mean, and I see some things that are
3 not trending the best but it's still a
4 \$300 million deficit. 350, 375. We
5 are at 385. I don't think that's going
6 to be far off. We may land in the
7 middle. Remember we're forecasting but
8 it's still \$300 million. Something
9 I've never seen. I mean, I've been
10 doing this for 15 years. The
11 recessions, everything else. This was
12 something I didn't believe but I'm a
13 believer now so.
14 Okay. Let me continue on. So
15 that's the revenue side of the
16 equation.
17 The expense side, we have
18 approximately \$55 million in savings
19 and salaries just from the vacant
20 positions and we're currently in the
21 hiring freeze. We've have a lull in
22 the local government assistance because
23 that's a function of the sales tax
24 number. We've had additional monies in
25 OTPS spending from COVID and 3.9

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 million in anticipated cost due to
3 shelter and room and board costs. The
4 other thing we did get was FMAP money
5 from the State's which saves us about
6 \$9 million. So when you take all the
7 revenue side of the equation, the
8 expense side of the equation, that's
9 how we come to our \$385 million gap.

10 LEGISLATOR KOPEL: By the way,
11 I'm just jumping back a little bit.
12 You're -- on the revenue side.
13 Actually, real estate transactions have
14 been up contrary to expectations.

15 MR. PERSICH: I'm sorry. Say
16 that again.

17 LEGISLATOR KOPEL: Real estate
18 transactions have been up, contrary to
19 expectations. So you think that's
20 causing that flip from a negative to a
21 positive, in terms of the revenue?

22 MR. PERSICH: What -- we're going
23 to look at that. There are some trends
24 that are up year over year. It would
25 have to stay strong through the winter

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 months, you know what I mean, for me to
3 be a believer in it, which would mean
4 that we, you know --

5 LEGISLATOR KOPEL: Well, I'm
6 talking only year to date.

7 MR. PERSICH: Well, I think the
8 refi business became a little bit busy
9 in the beginning of this and it was
10 still going on. The housing market,
11 from what I read, is somewhat strong
12 but I don't know how consistent that's
13 going to remain because we have an
14 inventory problem and I think that's
15 going to be, you know, we may not have
16 the number of transactions; prices are
17 going up. I mean, we'll reevaluate i
18 tin the third quarter and see what it
19 looks like.

20 LEGISLATOR KOPEL: Well, prices
21 going up, mortgages going up is not on
22 the fee side but it's certainly on the
23 transfer taxes or --

24 MR. PERSICH: Correct.

25 LEGISLATOR KOPEL: -- or mortgage

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 tax side, because there's more revenue.

3 MR. PERSICH: Correct. There is
4 some indicators that it's leading up.

5 LEGISLATOR KOPEL: Winter months
6 always goes down.

7 MR. PERSICH: Well, remember the
8 real estate market was shutdown for
9 three months though, too. I mean, I
10 have realtors friends that couldn't,
11 you know, couldn't show a house, you
12 know what I mean. So I think you --

13 LEGISLATOR KOPEL: Yeah, no one's
14 looking. Right.

15 MR. PERSICH: I think you got to
16 realize that, I think there's an
17 abundance of, you know, what I will say
18 is the man tatter has increased a
19 little bit because I think people are
20 looking to come a little further east.

21 LEGISLATOR KOPEL: People want to
22 get out of the city.

23 MR. PERSICH: Yeah, people want
24 to get out -- it's the old pattern of
25 how Nassau County and Suffolk County

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 started, you know. They left the city,
3 you came to Nassau and then you moved
4 out to Suffolk.

5 So getting back to it, that's
6 how we landed the \$385 million budget
7 gap.

8 On the next slide, this is, I
9 think, the crux of what we're going to
10 talk about today is how are we closing
11 the gap. Well, thank goodness 2019
12 finished better than we anticipated at
13 \$112 million in surplus, which we have
14 to use this year. We have a plan to
15 spend the 103 million in CARES funding
16 as a result of the pandemic. We've
17 done a couple of the little things
18 that, thank goodness, we have. We have
19 the PEG program which we've kind of
20 went to the agencies and asked them to
21 cut their OTPS and some of their
22 overtime and seasonal budgets to come
23 up to about \$25 million. We have money
24 in the litigation fund and we have the
25 \$15 million from the worker's comp. In

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 addition, we have about \$32 million in
3 old capital close-out programs that
4 we're hoping to use to close out, you
5 know, old projects within the capital
6 fund that will be a revenue stream to
7 the either the general or police
8 district fund.

9 On slide six, I'm just going
10 to give you a snapshot of what I think
11 the --

12 LEGISLATOR KOPEL: Before you get
13 there.

14 MR. PERSICH: Sure.

15 LEGISLATOR KOPEL: That debt
16 service savings, let's talk about that
17 a bit.

18 MR. PERSICH: Can we put a pin in
19 that because we're going to bring up
20 PFM and I think we can have a more
21 structured conversation about that, if
22 that's all right with you guys. If --
23 that's fine. If you want me to --

24 LEGISLATOR NICOLELLO: My
25 preference would be administration give

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 its presentation and then we have him
3 speak to PFM. If you have multiple
4 people, I don't think you're going to
5 accomplish anything that way.

6 MR. PERSICH: No, it's just me
7 and PFM so that's why. Go ahead, I'm
8 sorry Legislator. I think the \$75
9 million question is what's on this
10 piece of paper. I thin what I'm saying
11 is I think we'll just put that on the
12 side for a minute and we can discuss
13 that a little further in the future, if
14 that's all right with everybody.

15 LEGISLATOR KOPEL: You'll still
16 be at the table?

17 MR. PERSICH: I will be here,
18 yes, sir. Not running away.

19 LEGISLATOR KOPEL: Go on, please.

20 MR. PERSICH: Current events.
21 Here's what's happening. We did
22 receive, surprisingly, \$4.8 million
23 from OTB for VLTs, which is great. But
24 I also have to refund because the SCAP
25 grant we were over funded and they did

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 a reconciliation and we have to give
3 back \$3 million. In addition to that,
4 police terminations are running a
5 little bit at a higher rate than last
6 year, so I have a little bit of risk
7 not only there, but in overtime cost
8 that I'm going to have to evaluate in
9 my August projections.

10 So that in a nutshell is how
11 we calculated our \$385 million debt
12 that, you know, I think, you know, I've
13 given you the funding sources for part
14 of it but we don't have the gap closed
15 and I think that's why we're going to
16 discuss the next piece of this which is
17 the debt restructuring. If there's any
18 other questions for me I will...

19 LEGISLATOR NICOLELLO: I do. I
20 know Mr. Orlando's also there remotely,
21 so to the extent either one of you can
22 answer these questions, I'd appreciate
23 it.

24 The one point I would make to
25 start off with was with respect to the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 surplus in 2019. I mean the County has
3 become more and more reliant on sales
4 tax revenues, which, you know, we've
5 all been very grateful and thankful
6 for, it eases the burden on the
7 taxpayers but there's always been a
8 risk with becoming overly reliant on
9 sales tax which is that when the
10 downturn hits it becomes a major
11 problem for the County, and we saw that
12 in the last decade with County
13 Executive Suozzi. Nobody anticipated a
14 pandemic, obviously, but the reliance
15 on sales tax created a greater risk.
16 It created that surplus in large part
17 but it put us in a risky position.

18 We all understand that the
19 County is facing difficult times and
20 that COVID-19 and the lockdown has
21 created an extreme fiscal problem for
22 our county, as well as probably every
23 local government throughout this
24 country, more so here in New York. We
25 also understand that the County is

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 going to have to consider a variety of
3 options to deal with the crisis. Some
4 of these options should be avoided if
5 at all possible.

6 So the legislature has been
7 seeking additional information so that
8 we can make intelligent decisions and
9 choices and the County can make
10 intelligent decisions with respect to
11 its responses to the budget crisis. So
12 far we have been provided with a
13 15-page PowerPoint, apparently provided
14 by the Office of Management and Budget,
15 a spreadsheet analyzing if NIFA
16 refinanced its own debt, as well as the
17 County's debt. And now in response to
18 subpoenas, PFM's analysis of the County
19 versus NIFA refinancing, as well as
20 recently analysis of short-term options
21 in connection with upcoming NIFA debt
22 service payments.

23 My question is: Is there
24 anything else that the administration
25 has in terms of analyzing -- analysis

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 or reports with respect to the budget,
3 with respect to possible restructuring
4 of debt alternatives? Is there
5 anything else besides what's been given
6 to us; 15-page PowerPoint, couple of
7 pages of a spreadsheet and now this PFM
8 communications.

9 MR. PERSICH: From my
10 perspective, this is all that we have
11 in front of us is -- the information
12 that we provided to you is all that
13 that we have. There's no other, you
14 know, bucket of money that we're
15 looking to do anything with.

16 LEGISLATOR NICOLELLO: What does
17 PFM do for the County?

18 MR. PERSICH: They're our
19 financial advisors and our debt steals.
20 They're BFA, as we call them.

21 LEGISLATOR NICOLELLO: Other than
22 a couple of e-mails and a memorandum
23 dated April 21st, a PowerPoint for
24 today, did they provide anything else
25 in terms of analysis or reports to the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 County?

3 MR. ORLANDO: Hi's it's Ray. Can
4 you all hear me?

5 LEGISLATOR NICOLELLO: Yes.

6 MR. ORLANDO: Andy, if I may.
7 Hi, Legislator Nicolello. We went
8 through all of the documents that PFM
9 had provided to us and these are those
10 documents are the ones you have. The
11 only other analysis that they've done
12 for us was related to the take out of
13 the bond anticipation note that was due
14 on -- back on June 1st and the sale of
15 the revenue anticipation notes earlier
16 this month. Other than that, these are
17 the only work products that PFM has
18 produced for the County.

19 LEGISLATOR NICOLELLO: Thank you,
20 Mr. Orlando. What about OMB. Did OMB
21 produce any reports or analysis?

22 MR. ORLANDO: OMB -- other than
23 the monthly reports that we published
24 on the budget, I don't -- we've put
25 together some presentation for you all

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 for the staff that I think we shared
3 with you over the summer once or twice.
4 Other than that, I'm not aware of any
5 other documents that would be related
6 to this work.

7 LEGISLATOR NICOLELLO: Did NIFA
8 provide any documents to the County;
9 analysis, reports?

10 MR. ORLANDO: Andy submits the
11 monthly report as required. I've been
12 having weekly phone conversations with
13 NIFA but other than that, I don't
14 believe we've -- we've -- there have
15 been other stuff that we have,
16 necessarily.

17 LEGISLATOR NICOLELLO: Here's the
18 difficulty I'm having with that, which
19 is that, again, we've been provided
20 with a 15-page PowerPoint presentation.
21 We've been provided with a two- or
22 three-page spreadsheet with respect to
23 NIFA restructuring its debt, and now
24 we've been provided with a couple of
25 e-mails from PFM, as well as the

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 PowerPoint they prepared for today.

3 That was the only thing. Those were
4 the only things, reports, analysis the
5 County has as it attempts to deal with
6 a projected \$700-plus million deficit?
7 That's all that was produced?

8 Either Andy or Ray, you want
9 to answer that, please?

10 MR. ORLANDO: Sure. I mean, you
11 know, the work that OMB engages in on a
12 monthly basis to update the budget
13 documents that we publish on the
14 website for NIFA are, in fact, our
15 ongoing view of what we think is
16 happening based on the expenses and
17 revenues as they change each month.
18 That really is the work product of the
19 monitoring and the thinking about how
20 we're going to approach the problem we
21 face.

22 LEGISLATOR NICOLELLO: Here's the
23 problem for us as legislators because
24 that information that we're being given
25 is so sparse that it makes it difficult

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 for us to make an intelligent decision
3 when the County comes to us. One of
4 the options that was on the table,
5 obviously, was having NIFA restructure
6 its debt and potentially restructure
7 the County's debt, which would commit
8 the County to something, to a cause of
9 action that would will have effects for
10 30 years. It seems to me that there
11 should be more information from -- that
12 we could look at, analysis that we
13 could look at, reports that we could
14 look at, to make a decision. But I'll
15 move on.

16 In terms of what PFM provided,
17 you did provide an e-mail, a couple of
18 e-mails. One was dated April 10, 2020.
19 It involves an analysis or a comparison
20 of refinancing debt if the County does
21 it as opposed to if NIFA does it. Who
22 made the request that PFM do that
23 study?

24 MR. ORLANDO: I believe that we
25 requested that PFM perform that

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 analysis for us as a sizing exercise.

3 LEGISLATOR NICOLELLO: What's a
4 sizing exercise?

5 MR. ORLANDO: We were interested
6 back at the very beginning of the
7 pandemic in understanding what the
8 difference would be if NIFA was able to
9 refund the County's debt versus the
10 County refunded the debt itself. There
11 weren't specific bonds identified. It
12 was just -- it was a modeling exercise.
13 It was sort of for exemplary purposes,
14 if you will.

15 LEGISLATOR NICOLELLO: One of the
16 presumptions that went in to that was
17 that the County would have the ability
18 to refinance its own debt, correct?

19 MR. ORLANDO: The County does
20 have the ability to refinance its own
21 debt. However, when NIFA refinances
22 the County's debt, NIFA is not subject
23 to New York State local finance law and
24 so NIFA has flexibility that the County
25 does not have to place the repayment of

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 that debt in different ways that make
3 it more efficient or more economical
4 than the County can do itself. But
5 yes, the County does have the ability
6 to refund its own debt on a current
7 refunding basis.

8 LEGISLATOR NICOLELLO: Those
9 efficiencies would be relatively short
10 term, correct? NIFA's advantages in
11 terms of its efficiencies, I guess the
12 overall cost would be a relatively
13 short-term benefit?

14 MR. ORLANDO: A lot depends on
15 which bonds are structured and where.
16 There's a lot of details associated
17 with such a transaction potentially,
18 sure.

19 LEGISLATOR NICOLELLO: Initially,
20 PFM was asked to look at refinancing
21 \$100 million worth of debt, correct?

22 MR. ORLANDO: We asked that PFM
23 look into options for how we can save
24 ourselves from having to pay the \$75
25 million, approximately \$75 million of

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 NIFA debt that's coming due in
3 November. So we asked them to look at
4 what options we had for that.

5 LEGISLATOR NICOLELLO: They
6 looked at a hypothetical \$100 million
7 30-year bond. Was that for the County?

8 MR. ORLANDO: From the April
9 10th?

10 LEGISLATOR NICOLELLO: Yes.

11 MR. ORLANDO: That was the
12 separate analysis. That had to do --
13 what we were trying to identify was
14 what if we were to do it ourselves, how
15 much would it cost versus if NIFA were
16 to do it for us, how much would it cost
17 as a frame. Is it, in fact, would it
18 be cheaper to have NIFA do it for us
19 and how would you define cheaper,
20 right? That's kind of the
21 conversation.

22 LEGISLATOR NICOLELLO: But who
23 came up with \$100 million? Just
24 something the County picked at random
25 in the initial --

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. ORLANDO: The County asked
3 PFM to look at if we did \$100 million
4 refunding and then if we did a \$200
5 million refunding, I believe, in that
6 packet what would potentially, if we
7 did it versus NIFA, what were the
8 differences be and that work was back
9 in April.

10 LEGISLATOR NICOLELLO: What
11 information did the County provide to
12 PFM with respect to NIFA's operating
13 costs so that they could factor that
14 into their analysis?

15 MR. ORLANDO: I don't recall but
16 I can get that for you.

17 LEGISLATOR NICOLELLO: Well, I
18 believe that the PFM's e-mail indicates
19 there were -- they believe it would be
20 a \$2 million expense each year for
21 NIFA's operating costs. Do you know
22 where they got that figure, \$2 million?

23 MR. ORLANDO: I believe that is
24 the cost of the administrative staff of
25 NIFA, and other administrative expenses

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 of NIFA, but I don't have those figures
3 in front of me.

4 LEGISLATOR NICOLELLO: But that
5 information went from the County to
6 PFM, correct? They provided PFM with
7 approximate cost of NIFA's operating
8 costs?

9 MR. ORLANDO: I believe that OMB
10 did but, like I said, I can get that
11 for you. I don't have it for you right
12 now.

13 LEGISLATOR NICOLELLO: With
14 respect to the April 10th e-mail, what
15 was PFM's conclusions in terms of
16 comparison between the County and NIFA
17 borrowing over 30 years? What was
18 their conclusion about how much it
19 would cost or how much additional cost
20 for NIFA to do that, as opposed to the
21 County?

22 MR. ORLANDO: I believe that if
23 the County did a -- I believe there
24 were a variety of things happening,
25 right? One thing that happened is if

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 NIFA continues to -- for a period
3 beyond its current extension, beyond
4 its current sort of period of
5 existence, there would be
6 administrative costs associated with
7 NIFA that would be costs that the
8 County would not incur if the County
9 refunded the debt itself. However,
10 NIFA does, in fact, have the ability to
11 both borrow at a lower rate, as well as
12 has flexibility under the local finance
13 laws I mentioned that the County does
14 not. So a lot of different things go
15 into the, sort of the measure. But
16 there are, in fact, expenses that NIFA
17 -- that the County would incur on
18 behalf of NIFA if, NIFA, in fact, did
19 refund the County's debt as opposed to
20 the County doing it itself.

21 LEGISLATOR NICOLELLO: Thank you.
22 But getting to their conclusion, PFM
23 indicated overall issuing through NIFA
24 would cost approximately \$44.7 million
25 more over the life of the bonds than

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 issuing through the County, correct?

3 MR. ORLANDO: I believe that's
4 what the memo says, yes.

5 LEGISLATOR NICOLELLO: You have
6 any reason to doubt that that was
7 accurate?

8 MR. ORLANDO: No. As I said, the
9 expenses of NIFA would be incurred if
10 NIFA were used to refund the County's
11 debt, that the County would not face if
12 the County, in fact, refunded its own
13 debt.

14 LEGISLATOR NICOLELLO: So even
15 there are efficiencies through
16 borrowing through NIFA, obviously the
17 cost of the their ratings are better,
18 et cetera, over the life of the bond,
19 if it was \$100 million, it would cost
20 the County and its residents 44.7
21 million more, correct?

22 MR. ORLANDO: Using the data at
23 that time, yes, as a frame, but again,
24 it was for sizing purposes, it's not
25 associated with specific bonds. Those

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 numbers would change if we were to sort
3 of identify, you know, which payments
4 and where they were structured and
5 stuff like that.

6 LEGISLATOR NICOLELLO: All right.
7 So the County went back to PFM and
8 asked them to rerun the numbers with
9 the full \$400 million of NIFA's
10 capacity to borrow, correct?

11 MR. ORLANDO: I believe so, yes.

12 LEGISLATOR NICOLELLO: With that
13 larger, it would still cost more to the
14 County over the course of 30 years to
15 have NIFA do the borrowing, correct?

16 MR. ORLANDO: Yes, because of it
17 the -- because NIFA compared to NIFA
18 going out of existence, NIFA's
19 continued existence under a refunding
20 scenario would, in fact, lead to costs
21 that the County wouldn't be able to --
22 wouldn't have if the County refunded
23 it's own debt. However, again, a lot's
24 going to depend on which bonds and
25 where they're placed and how much, but

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 as a frame, it -- yes.

3 LEGISLATOR NICOLELLO: How much
4 would the County have to refinance
5 through NIFA for it to become more cost
6 effective over 30 years?

7 MR. ORLANDO: I'm sorry. Can you
8 repeat that question? I apologize.

9 LEGISLATOR NICOLELLO: How much
10 total would NIFA have to borrow for it
11 to become more cost effective for the
12 County over 30 years?

13 MR. ORLANDO: I guess, what we
14 would -- I think what -- the goal that
15 we share with you, I believe, is to,
16 you know, make the County's debt
17 service profile affordable, efficient
18 and minimize the cost. I think we
19 share that goal. And I think the
20 question is how to get there, right?
21 And when we're weighing all of our
22 various options, I think it's important
23 that we, you know, keep track of all of
24 the different strands of what's going
25 on. One strand that you've identified

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 is, in fact, the fact that there are --
3 if NIFA hangs around for longer over --
4 for the next 30 years, which is not
5 contemplated, you know, under current
6 regime, that would, in fact, incur
7 additional expenses for sure. And then
8 the question is, how do you play that
9 off of what the alternative is to NIFA
10 borrowing and how we make decisions
11 jointly about the services the County,
12 residents, you know, and taxpayers and
13 businesses receive.

14 LEGISLATOR NICOLELLO: I think
15 the answer to that question was \$2
16 billion. NIFA would have to borrow \$2
17 billion for them to -- it to be more
18 cost effective over 30 years for NIFA
19 to borrow, as opposed to county. So
20 would it be fair to say by April 20th,
21 the date of this second e-mail, that it
22 was understand that refinancing NIFA's
23 debt -- that refinancing debt through
24 NIFA would actually cost the County
25 more over 30 years than if the County

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 did it?

3 MR. ORLANDO: I believe that was
4 the conclusion of the memo of April
5 20th.

6 LEGISLATOR NICOLELLO: Was PFM's
7 analysis provided to NIFA?

8 MR. ORLANDO: I don't recall. I
9 can find out but I don't recall.

10 LEGISLATOR NICOLELLO: Has NIFA
11 issued its midyear report yet?

12 MR. ORLANDO: Andy, do you know?

13 MR. PERSICH: Not that I'm aware
14 of.

15 LEGISLATOR NICOLELLO: Have they
16 released any analysis to the County
17 regarding COVID's impact on Nassau
18 County?

19 MR. PERSICH: Not as of yet I
20 haven't seen a midyear report. They
21 only do, you know, periodic reports --
22 so based on our information that we
23 provide to them.

24 LEGISLATOR NICOLELLO: So as of
25 April 20th, based on the analysis that

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 was done by the County's financial
3 consultants it was understood that over
4 30 years having NIFA borrow instead of
5 the County would cost the County more.
6 I'm going to read to you a memo that
7 was sent by the County Executive to all
8 department heads and all agency heads
9 in the County. Dated April 21, 2020,
10 which was the day after that, after the
11 20th, the last e-mail. We are
12 currently assembling the resources we
13 have available to stabilize the
14 County's fiscal condition, including --
15 there's four different bullets, let me
16 just read the one about NIFA. Using
17 the NIFA's AAA credit rating to our
18 advantage and credit markets for are
19 debt restructure with a hardy thanks to
20 state legislative delegation and
21 Governor Cuomo, we were able to
22 increase NIFA's bonding capacity during
23 the closing days of the State's budget
24 deliberations.

25 So it was understood when this

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 was sent to the all department heads
3 that it would actually cost the County
4 more to use NIFA's bonding capacity as
5 opposed to using the County's bonding
6 capacity, correct?

7 MR. ORLANDO: I wouldn't say
8 that. I guess what I would say is, as
9 I've mentioned, a lot depends on how
10 you would structure it, right? If
11 there are ways to restructure debt that
12 may or may not result in savings to the
13 County, both on NIFA's debt and on the
14 County's debt. So for example, NIFA
15 could restructure its own debt in a
16 manner that would be potentially cost
17 effective to us.

18 LEGISLATOR NICOLELLO: Well, do
19 you have any analysis or reports that
20 indicate that it would be -- over the
21 cost of 30 years -- it would be more
22 cost effective for the County -- for
23 NIFA to borrow instead of the County?
24 Do you have any reports or analysis you
25 can provide to us?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. ORLANDO: The options for
3 refinancing the \$75 million payment in
4 November are included in PFM's debt,
5 which we'll be going over hopefully
6 later this afternoon. And those
7 options, in fact, may result in savings
8 to the County in a manner that we think
9 is constructive.

10 LEGISLATOR NICOLELLO: We'll go
11 over the short-term borrowing options
12 that was analyzed by PFM. But do you
13 have any documents or reports or
14 analysis that say it would be more cost
15 effective for the County for NIFA to
16 borrow as opposed to the County over
17 the course of 30 years?

18 MR. ORLANDO: Over the course of
19 30 years, I'm not aware of any analysis
20 that shows that for NIFA to refinance
21 the County's debt.

22 LEGISLATOR NICOLELLO: You
23 mentioned having the NIFA restructure
24 its own debt, correct, as a
25 possibility?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. ORLANDO: What we're hoping
3 to do in 2020 is have NIFA restructure
4 its own debt in a manner that saves the
5 County \$75 million in 2020, that's
6 correct.

7 LEGISLATOR NICOLELLO: I think
8 you're alluding now to the potential
9 short-term options that were proposed.

10 MR. ORLANDO: Yes, that's fair.
11 Yeah.

12 LEGISLATOR NICOLELLO: But if
13 NIFA were to restructure its own debt
14 with 30-year bonds, it would, in fact,
15 tie the County to NIFA for those 30
16 years, correct?

17 MR. ORLANDO: If NIFA were to
18 issue debt that went out for 30 years,
19 then the County would -- the NIFA would
20 presumably be around for that period or
21 for whatever period until those bonds
22 are paid off.

23 LEGISLATOR NICOLELLO: I'm going
24 to go to the PowerPoint presentation
25 that you provided to the legislative

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 staff on June 30th, it's a 16-page
3 document, and on the executive summary,
4 which is page 1, fourth bullet, says,
5 Without NIFA, the County would have to
6 implement drastic cuts in services.

7 What is that based on? We've
8 already established that over the
9 course of 30 years it would be cheaper
10 for the County to refinance debt as
11 opposed to NIFA. So now you're
12 representing to the legislative leaders
13 that without NIFA the County would have
14 to implement drastic cuts in services.
15 Can you explain that statement?

16 MR. ORLANDO: Yes. The County
17 does not have -- after -- the County
18 does not have -- our gap closing plan
19 for 2020 assumes that NIFA's debt of
20 \$75 million due in November is
21 restructured to a future period. In
22 the absence of that action, we believe
23 that we would have to reduce spending
24 in 2020 in order to maintain budget
25 balance. We don't have any additional

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 -- we've sort of, you know, worked
3 through all of our, sort of, gap
4 closing plans and this is our plan.
5 Our plan includes \$75 million. We
6 would, in fact, have to take an
7 additional \$75 million of expense
8 actions which would damage services to
9 the County business, residents and
10 taxpayers, we believe in 2020.

11 LEGISLATOR NICOLELLO: But this
12 is saying that NIFA, based on NIFA
13 restructuring, is the only way we could
14 implement drastic cuts in services.
15 Isn't there a possibility that the
16 County could restructure its own debt?

17 MR. ORLANDO: The County's trying
18 -- the County does not have the ability
19 to refinance NIFA's debt.

20 LEGISLATOR NICOLELLO: Does the
21 County have the ability to refinance
22 its own debt?

23 MR. ORLANDO: I don't believe
24 that there is a sufficient amount of
25 debt available to us for the remainder

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 of the year that has not already been
3 taken care of. I don't think it's a
4 solution for 2020.

5 LEGISLATOR NICOLELLO: Is it a
6 potential solution for 2021?

7 MR. ORLANDO: I'm not sure that
8 the County can refinance its debt in
9 2021 in a manner that would be
10 consistent with what we're trying to
11 accomplish in 2021. We'll be
12 publishing our plan for 2021 in
13 September with the County's executive
14 budget, as you know, and then you all
15 will hold hearings as you always do and
16 we'll be presenting our plan then.

17 LEGISLATOR NICOLELLO: Do you
18 have any analysis or reports that would
19 substantiate that in terms of the
20 County's ability to borrow --
21 restructure its own debt and its effect
22 on 2021, something that we can look at
23 and we can see, an analysis?

24 MR. ORLANDO: I don't believe
25 that we've done any analysis like but

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 but I can get that for you, for sure.

3 LEGISLATOR NICOLELLO: I'm going
4 to move on to the letter from the
5 County Executive to me dated July 6.
6 I'm attaching the most recent debt
7 service schedule prepared by OMB. As
8 you can see the utilization of NIFA
9 borrowing capacity produces essential
10 multiyear savings of \$435 million which
11 is necessary for the continuation of
12 the central county services for our
13 residents that presents the most
14 fiscally responsible solution to the
15 impact of COVID-19.

16 Now, at the time this was
17 written, it was understood that NIFA
18 restructuring of debt would cost the
19 County more money over the course over
20 30 years, correct?

21 MR. ORLANDO: What we've been
22 trying to solve for all along has been
23 how do we save ourselves \$75 million of
24 NIFA debt service in November. That
25 what we were trying to do is, and the

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 task that we asked PFM to perform, in
3 fact, and is included in the deck is,
4 in fact, an analysis of how can we
5 refinance this \$75 million payment to a
6 future period that is not 30 years, in
7 fact, as what we're trying to do.

8 LEGISLATOR NICOLELLO: I think
9 that's something that we're on board
10 with in terms of limiting it to a
11 short-term borrowing as opposed to a
12 30-year borrowing, keeps NIFA around
13 for 25 years more than it's supposed to
14 or they should be.

15 When did you ask PFM to do the
16 analysis in terms of the short-term
17 measures?

18 MR. ORLANDO: Sometime this
19 month.

20 LEGISLATOR NICOLELLO: August or
21 before?

22 MR. ORLANDO: End of July early
23 August, yes. End of July early August,
24 yes. Mid to end of July, if memory
25 serves.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR NICOLELLO: Who
3 submitted that request, was that your
4 office?

5 MR. ORLANDO: Yes. I believe we
6 asked PFM to perform that analysis,
7 yes.

8 LEGISLATOR NICOLELLO: We have a
9 four-page undated document from PFM
10 this was provided to us last week.
11 When was that provided to the County?
12 There's no date on it. It's addressed
13 to you, to PFM, NIFA 2020 refinancing.

14 MR. ORLANDO: I'm sorry. I'm not
15 sure which document you're referring
16 to. I apologize.

17 LEGISLATOR NICOLELLO: I mean,
18 they're -- actually, it's the four-page
19 memo that PFM did. They only produced
20 two things --

21 MR. ORLANDO: The memo laying out
22 the options, yes.

23 LEGISLATOR NICOLELLO: When did
24 the County receive that?

25 MR. ORLANDO: I believe we

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 received it, I want to say last week or
3 the week before. In the last two
4 weeks.

5 LEGISLATOR NICOLELLO: Anything
6 that you have that could tell us,
7 maybe, or you know, obviously, you
8 don't have it now could you get that
9 information to us?

10 MR. ORLANDO: I'm sorry. Can you
11 repeat it?

12 LEGISLATOR NICOLELLO: Sure. I
13 mean, if you could let us know more
14 specifically and obviously if you don't
15 have it in front of you you can do
16 it -- provide it --

17 MR. ORLANDO: Absolutely. I'll
18 let you know exactly when, yes.

19 LEGISLATOR NICOLELLO: Just in
20 general terms, PFM's conclusions with
21 respect to short-term options and
22 refinancing of NIFA's \$75 million
23 obligation this year.

24 MR. ORLANDO: Sure. So to
25 summarize the PFM debt, briefly, for

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 you, the PFM debt looked at four
3 options. The option that we are
4 proposing is an option that is a
5 conversion and a tender and that
6 option, in fact, takes the \$75 million
7 payment, which is a sinking fund
8 payment, due in November and we would
9 renegotiate with the -- we would ask
10 NIFA to renegotiate with the letter of
11 credit bank, which provides liquidity
12 on that bond, to eliminate the sinking
13 fund requirement and then make the bond
14 due bond payable at maturity next year.
15 So it would move the payment from
16 fiscal year 2020 to fiscal year 2021.
17 That is the lowest cost option and we
18 believe the simplest transaction to
19 perform and does not require NIFA to
20 borrow any money.

21 LEGISLATOR NICOLELLO: Which one
22 of their options was that? There's
23 four options.

24 MR. ORLANDO: I believe Mary
25 Francoeur from PFM is there. I believe

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 it's option four.

3 Mary, is that correct? Andy?

4 LEGISLATOR NICOLELLO: We can get
5 into that later. I'll finish up so
6 that --

7 MR. PERSICH: Mary's coming up
8 now.

9 MR. ORLANDO: It's the tender and
10 conversion of 2008 B bonds.

11 LEGISLATOR NICOLELLO: I think we
12 can get to Mary in a couple of minutes.
13 I just have a couple more questions and
14 then we'll get to --

15 MR. ORLANDO: Okay, sure.

16 LEGISLATOR NICOLELLO: Then I'll
17 pass it back to the Chair.

18 Are you aware that the Office of
19 Legislative Budget Review, as well as
20 the Comptroller's office has projected
21 that, according to the report by the
22 OLBR, that it may not be necessary for
23 us to -- let me just say it this way.
24 That we could potentially close the gap
25 completely with the gap closing measure

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 that you have identified with current
3 trends and what their analysis without
4 reference to the \$75 million savings
5 from NIFA. Both the Comptroller's and
6 the OLBR indicated that could be done.
7 Is that an option you --

8 MR. ORLANDO: We agree that there
9 are, in fact, ways that would, you
10 know, we agree. But the first and best
11 solution I think we all know is federal
12 aid, right? We are all supporters of
13 additional federal aid. That would be
14 -- that would make our lives and all of
15 our lives so much easier, right? A
16 thousand times easier and we could be
17 having sort of different conversations
18 all of us together. Unfortunately,
19 based on the weekend's activity, I
20 think that that is -- is less likely
21 than perhaps some of us might have
22 hoped, probably all of us might have
23 hoped.

24 But yes, if there were to be a
25 big slug of federal aid then some of

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 these actions that we're proposing to
3 take might not be necessary but we're
4 in a very -- we're in a very difficult
5 forecasting period because as Andy has
6 mentioned, we've never seen anything
7 like this. We've never seen the
8 economy shutdown like this and we don't
9 know what the recovery is going to look
10 like. It's probably pretty damaging to
11 Nassau residents who are relying on the
12 unemployment benefits that have run
13 out. It's probably damaging from --
14 for a variety of other programs that
15 have sort of, you know, not been
16 renewed or continued. That's probably
17 going to impact the third and fourth
18 quarters potentially.

19 In addition, as Andy
20 mentioned, there's a risk that,
21 although we've had great success here
22 in New York at managing the pandemic,
23 there's a lot of fear about the future
24 in the next few months and what might
25 happen if, in fact, it came back and we

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 had to go back to earlier phases and
3 potentially even lockdown phase. So I
4 think there's a lot of uncertainty out
5 there and, you know, no one is more
6 hopeful than I am that we can get some
7 federal aid to help us, you know,
8 replace some of this lost revenue that
9 we're seeing.

10 But I have to plan for things
11 to go wrong, unfortunately, as the
12 Deputy County Executive for Finance and
13 I'm very, very, very concerned about
14 the next few months.

15 LEGISLATOR NICOLELLO: I agree.
16 We all are. I didn't raise the
17 prospect of federal bailout monies
18 coming to Nassau. What I was referring
19 to was that the -- I think the analysis
20 the Comptroller does and the analysis
21 that has been done by the OLBR of the
22 gap closing measures along with the
23 developments are an indication you may
24 not need to achieve the \$75 million
25 from NIFA. I would ask the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 administration to take a look at those
3 analyses and make a -- reconsider what
4 you have to do.

5 MR. ORLANDO: We absolutely will.
6 We'll review them for sure.

7 LEGISLATOR NICOLELLO: Thank you,
8 Mr. Chairman.

9 LEGISLATOR KOPEL: Just following
10 up on a few of those points. When
11 would be the date by which you would
12 have to make a decision on this \$75
13 million question, as we call it? This
14 restructuring?

15 MR. ORLANDO: I'm sorry, can you
16 repeat the question?

17 LEGISLATOR KOPEL: Yes, of
18 course. As the presiding officer just
19 pointed out, there are some responsible
20 parties that have suggested that we may
21 not need the \$75 million independent of
22 whether or not there's additional
23 federal aid coming. So what I'm asking
24 is how long can this decision on
25 whether or not to have that NIFA, that

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 NIFA payment that's coming up,
3 deferred? How long can we defer that
4 decision?

5 MR. ORLANDO: Given that the NIFA
6 payment is due in November I believe
7 that between now and then is the time
8 that we would want to take action and
9 request that NIFA - -

10 LEGISLATOR KOPEL: Potentially,
11 when in November?

12 MR. ORLANDO: - - do the tender
13 and conversion as we've discussed.

14 LEGISLATOR KOPEL: When in
15 November?

16 MR. ORLANDO: The payment that
17 we're looking to move to 2021 is due - -
18 is a NIFA payment due in November so we
19 would probably look over the next few
20 weeks to ask NIFA to begin
21 conversations with the liquidity
22 provider for the tender and conversion
23 of the 2008 B bonds which don't require
24 NIFA to borrow any money and don't
25 extend the life of NIFA.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: What I asked
3 is when in November are they due, first
4 of all?

5 MR. ORLANDO: When in November?
6 I want to say the 15th. But I can get
7 you the exact date.

8 LEGISLATOR KOPEL: Let's call it
9 the 15th. Why would you need to make a
10 decision within the next few weeks?

11 MR. ORLANDO: The lawyers need
12 time to talk.

13 LEGISLATOR KOPEL: Can the
14 lawyers go ahead and talk without doing
15 anything?

16 MR. ORLANDO: The lawyers
17 presumably can talk without pulling the
18 trigger on an action, I suppose but I
19 think what the steps would be is I
20 think we would want to -- I think we're
21 seeking your support and we'd like to
22 ask NIFA to take this action. They
23 would probably want to review it at a
24 staff level and get their board on
25 board, potentially, and then authorize

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 their -- sort of the process to begin
3 and that might take some time.

4 November, although it's a thousand
5 degrees out, November is right around
6 the corner from a, sort of,
7 restructuring perspective.

8 LEGISLATOR KOPEL: Would this
9 require legislative approval?

10 MR. ORLANDO: I don't believe so
11 because it would be NIFA changing the
12 terms of its conversion and tender.

13 LEGISLATOR KOPEL: Can I ask you
14 this: Can we have a commitment that
15 you won't pull the trigger? Let them
16 go ahead with doing whatever
17 discussions they need to do and
18 preparatory work that they need to do
19 without actually pulling the trigger
20 until the last moment because as I
21 think we've established pretty clearly
22 over here, nobody really knows. I
23 mean, Andy has expressed that rather
24 eloquently. We just don't know what's
25 going to happen and maybe some better

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 things than anticipated will happen.
3 Certainly it's better than anticipated
4 by the administration.

5 MR. ORLANDO: We are gravely
6 concerned that we will need to have
7 taken this action -- we will not have
8 the information that we need to -- we
9 won't know that we needed this action
10 until it's too late to take it is my
11 concern, Legislator.

12 LEGISLATOR KOPEL: I'm sorry, I'm
13 going to keep on asking this. If
14 you've taken all of the preparatory
15 steps and it's a matter of go, no go.
16 I would hope that it would not be that
17 long of a period that you would require
18 to simply implement a pre prepared
19 plan. Wouldn't that be true?

20 MR. ORLANDO: I'm sorry. Can you
21 repeat the question?

22 LEGISLATOR KOPEL: You've got a
23 plan. You're working on the plan now.
24 You're going to work on all the --
25 whatever groundwork you need to lay,

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 you go ahead and do that. The lawyers
3 will talk and the bond people will do
4 whatever they need to do in terms of
5 preparing the paperwork but you don't
6 pull the trigger until the last
7 possible moment. What I'm still trying
8 to establish is when would that last
9 possible moment be?

10 MR. ORLANDO: I suspect that last
11 possible moment would be sometime in
12 October, if I had to guess.

13 LEGISLATOR KOPEL: So can we
14 agree then that administration will not
15 request, or request that it not be
16 done, affirmatively request that it not
17 be done until October because that
18 would be the most responsible thing to
19 do, since we don't know what's going to
20 happen and we may not need it or we may
21 not need as much as you're
22 contemplating.

23 MR. ORLANDO: I will bring that
24 back. I'm not comfortable making that
25 commitment at this time.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 Unfortunately, what I'm most
3 concerned about is if, you know, if we
4 end up in a lockdown in December,
5 right, and the sales tax falls off the
6 cliff again, it'll be down 30 percent,
7 and we will have lost the opportunity
8 to do the \$75 million transaction and
9 we'll be in an even worse condition
10 than we are. I will let you know.

11 LEGISLATOR KOPEL: No one was
12 asking you to wait until December.
13 We're talking about October when I
14 think that you said it would be still
15 be doable. I don't see the --

16 MR. ORLANDO: I hear what you're
17 asking. I'll bring it back. I
18 understand.

19 LEGISLATOR KOPEL: Now, can you
20 tell me, also, there's a -- I know
21 there's a \$16 million a year
22 procurement cost that's incurred by
23 NIFA. Can you tell me what that is?

24 MR. ORLANDO: Andy?

25 MR. PERSICH: I'm not aware of a

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 procurement cost. If I had a guess,
3 it's probably any debt issuances. It
4 might be that or their banks -- banking
5 needs. I mean, their annual operating
6 budget is \$2 million a year. I mean,
7 there's cost of issuance and maybe
8 there's terms and conditions in some of
9 their variable rate securities that
10 have to get paid out, I mean, as a
11 result of them. But I'm not aware of,
12 you know.

13 LEGISLATOR KOPEL: That was in
14 the notes there. Could you look into
15 that, please?

16 MR. PERSICH: I will get back to
17 you on that, Legislator. Absolutely.

18 LEGISLATOR KOPEL: Because if
19 that's their cost of borrowing, that's
20 something that, perhaps, we have to
21 look at as well, and compare that to
22 what it might cost if the County did it
23 directly.

24 MR. PERSICH: Of course.

25 LEGISLATOR KOPEL: I've been

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 handed a list of costs which come to
3 about \$16 million, I'm sorry, but it's
4 15,397,000 and change of various costs
5 associated with procurement contracts
6 for the period of 2011 through 2018 and
7 that's an average number, I believe,
8 over the year. We're talking about,
9 looks like cost for various financial
10 services and analysis costs.

11 MR. PERSICH: I will get back to
12 you on that, Legislator. I think the
13 majority of it has to do with some of
14 the variable rate instruments out there
15 and some of their debts out there that
16 we have to pay lending facilities on
17 because there's some swaps that they
18 have out there that I think we have to
19 pay these people as a result of those
20 transactions but I will get back to
21 you.

22 LEGISLATOR KOPEL: It is some of
23 that, probably, but it's also other
24 costs. I mean, there's even a Staples.
25 A small one but --

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. PERSICH: The larger numbers,
3 I think, are going to be with financial
4 institutions as it relates to debt.

5 LEGISLATOR KOPEL: I would love
6 to see an analysis of --

7 MR. PERSICH: Those costs.

8 LEGISLATOR KOPEL: -- County
9 expenses for a similar amount of debt
10 versus this. That would be, I think,
11 very instructive.

12 MR. PERSICH: Okay. We will work
13 on that for you. Absolutely.

14 LEGISLATOR KOPEL: Mr. Ferretti.

15 LEGISLATOR FERRETTI: Thank you,
16 Chairman. Good afternoon, gentlemen.

17 I do have some questions. I
18 might hop around on a couple of
19 different topics, a lot of my questions
20 I the had presiding officer and
21 Chairman Kopel already asked, so I'll
22 probably be fairly quick. Although
23 that's the kiss of death saying that
24 but I'm still shooting for.

25 I'm referring to the April

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 10th and April 20, 2020 reports
3 correspondence from PFM to OMB. Was
4 PFM's analysis, April 10th, April 20th,
5 included any report or update provided
6 by your office to the legislature until
7 it was released to us after being
8 served with a subpoena?

9 MR. ORLANDO: I'm sorry. I have
10 a little trouble hearing. Can you
11 repeat the question.

12 LEGISLATOR FERRETTI: Yes.
13 Referring to the April 10th and April
14 20th e-mail with the report from PFM to
15 OMB. That's what I'm referring to,
16 those two correspondence. Okay?

17 MR. ORLANDO: The refunding
18 sizing memos? Okay. Yes.

19 LEGISLATOR FERRETTI: Yes. So my
20 question is: Were either of those
21 e-mails, or both, were any analysis
22 attached, included in any report,
23 update or anything else provided by
24 your office to the legislature until it
25 was released recently after being

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 served with a subpoena?

3 Mr. Orlando, you seem
4 confused. Maybe I'm not asking it
5 clearly.

6 MR. ORLANDO: I'm having
7 trouble hearing you. I'm very sorry.

8 LEGISLATOR FERRETTI: OMB
9 received correspondence from PFM on
10 April 10th, correct?

11 MR. ORLANDO: OMB has the memos
12 from April 10th and April 20th, yes,
13 that we received. We've never received
14 any other memos on that type of
15 analysis from them, no, we've not.

16 LEGISLATOR FERRETTI: So those
17 memos and analysis from April 10th and
18 April 20th, were they ever, were the
19 results of those memos and findings
20 from PFM, were they ever shared with
21 the legislature?

22 MR. ORLANDO: Did we share with
23 you the sizing memos, I don't believe
24 so but I don't know that -- I don't
25 know that they have or have not been.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: Well, they
3 were shared after -- they were
4 subpoenaed, right? We have them now.

5 MR. ORLANDO: They were shared
6 when the other documents were shared.

7 LEGISLATOR FERRETTI: In the last
8 week, correct? Late last week.

9 MR. ORLANDO: Last week, yes.

10 LEGISLATOR FERRETTI: So but for
11 the subpoenas, would they have ever
12 been shared?

13 MR. ORLANDO: The sizing memos on
14 the refundings? I don't know. I don't
15 know what would have happened.

16 LEGISLATOR FERRETTI: Well, have
17 you intended on sharing them if you
18 weren't subpoenaed?

19 MR. ORLANDO: I don't know that I
20 had any intentions or didn't have any
21 intentions to do so.

22 LEGISLATOR FERRETTI: Were those
23 same analysis and e-mails shared with
24 the County Executive?

25 MR. ORLANDO: Were they shared

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 with -- I don't know.

3 LEGISLATOR FERRETTI: Well, did
4 you ever share them with the County
5 Executive?

6 MR. ORLANDO: I don't believe so
7 but I don't recall. I can find out. I
8 just don't remember if I have.

9 LEGISLATOR FERRETTI: I'm sorry.
10 Can you say that again?

11 MR. ORLANDO: I can find out. I
12 just don't remember if I have.

13 LEGISLATOR FERRETTI: How would
14 you find out? Looking through your
15 e-mails.

16 MR. ORLANDO: I can go back and
17 look and see if there was anything that
18 I sent to her, probably.

19 LEGISLATOR FERRETTI: Probably
20 what? You probably sent it to you her?

21 MR. ORLANDO: No, that's probably
22 how I would go about doing it. I'd
23 probably look and see if -- I'd look in
24 my e-mail to see if I sent it to her,
25 probably. I don't know if I sent it to

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 her or not. I just don't recall. I'm
3 sorry.

4 LEGISLATOR FERRETTI: I
5 understand that the current plan is for
6 NIFA to refinance their debt over the
7 short term but that wasn't the plan as
8 of about five days ago, correct? The
9 plan was for NIFA to refinance their
10 debt over 30 years, correct?

11 MR. ORLANDO: I think what we are
12 always looking to do is refinance the
13 payment to a future period and it
14 became clear to us, sometime later this
15 summer, that this tender and conversion
16 idea was a possibility and that is the
17 option that we asked PFM to, you know,
18 to consider along with other options.

19 LEGISLATOR FERRETTI: So later in
20 the summer it became clear that NIFA --
21 it would be beneficial to County and
22 the residents of this county for NIFA
23 to refinance their own debt over five
24 years rather than 30 years, that became
25 evident later in the summer?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. ORLANDO: I guess what I
3 would say to you is we share your goal
4 of effectively managing the County's
5 budget using NIFA in such a way, if
6 possible, to not go beyond its
7 existence currently. We believe, as
8 you do, that we should return the
9 ultimate financial decision making back
10 to the County's elected officials. The
11 County Executive and this legislature.
12 We share that goal and belief with you.

13 LEGISLATOR FERRETTI: I'm very
14 happy to hear that. I share your
15 opinion on that. But my question is:
16 At some point OMB, the administration
17 or some combination of that, either or
18 both those, the County Executive and
19 OMB, determined that it was beneficial
20 to the County to have NIFA refinance
21 their own debt over five years rather
22 than 30, correct?

23 MR. ORLANDO: Actually, what we
24 decided was we wanted to look at all of
25 the options. Right? We've been work

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 -- as you can see from the work back in
3 April, we've been thinking about this
4 for months, right? And as we've been
5 thinking about it our thinking has
6 evolved as we've considered, you know,
7 scenarios that, you know, do, in fact,
8 accomplish the goal of saving the
9 County \$75 million in 2020 without
10 extending the life of NIFA.

11 LEGISLATOR FERRETTI: Okay. But
12 your plan prior to last week was for
13 NIFA to refinance their own debt and
14 extend the life of NIFA 25 years. That
15 was the plan, right? I'm not imagining
16 this. That was -- I've heard
17 presentations about this, correct?

18 MR. ORLANDO: I think that -- I
19 believe that what we were thinking, we
20 were always looking for a way to move
21 this payment to a future period. One
22 of the ways to move it to a future
23 period would have been to finance it
24 over 30 years. That's correct, yes.

25 LEGISLATOR FERRETTI: That's one

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 of the ways and that was the way it was
3 submitted in your plan, correct?

4 MR. ORLANDO: That was one of the
5 way -- I don't believe that we ever
6 actually landed on what we -- what our
7 final, sort of, you know,
8 recommendation would be. I think we
9 were always thinking can we keep
10 thinking about it and come up with a
11 better way, more efficient, cheaper way
12 to do it and we did.

13 LEGISLATOR FERRETTI: But in
14 April, PFM told you there was a better
15 way in their April 10th e-mail, right?

16 MR. ORLANDO: In April we were
17 looking at sizing up refundings and
18 comparing the cost of NIFA to our own
19 issuance of refunding debt.

20 LEGISLATOR FERRETTI: When we
21 talk about NIFA, their current budget
22 is \$2 million; is that correct, Mr.
23 Persich?

24 MR. ORLANDO: I believe those are
25 the administrative costs of NIFA, yes.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. PERSICH: Yes, that's
3 correct.

4 LEGISLATOR FERRETTI: What was
5 their budget in 2019?

6 MR. PERISCH: Their budget was \$2
7 million. Hovering around \$2 million,
8 annually. Annually, it's roughly \$2
9 million.

10 LEGISLATOR FERRETTI: In PFM's
11 analysis from back in April, did they
12 incorporate any growth of NIFA's budget
13 over the period for which they did
14 their analysis?

15 MR. ORLANDO: I don't recall.

16 LEGISLATOR FERRETTI:
17 Mr. Persich, do you recall?

18 MR. PERSICH: I do not recall.

19 MR. ORLANDO: Although I believe
20 that NIFA has been budgeted \$2 million
21 of administrative expenses.

22 Andy, is that what it's been
23 spending?

24 MR. PERSICH: It spends sometimes
25 -- it's usually under the \$2 million

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 annually but their budget is
3 approximately \$2 million and it's been
4 consistently that way for the five
5 years that I can recall back.

6 LEGISLATOR FERRETTI:
7 Mr. Persich, referring to those five
8 years, has their spending increased
9 every year?

10 MR. PERSICH: I can't answer
11 that, Legislator. I have to go back
12 and look. I don't think they've ever
13 exceeded their budgetary capacity. No,
14 if you're asking me that question, no,
15 but I don't recall the actual numbers
16 historically. Some have gone up. Some
17 have gone down. They've had some staff
18 turnovers and stuff like that.
19 They've, you know, have outside counsel
20 fees that have gone up or down
21 depending on what's happening. So I
22 don't know if it's gone up or down.
23 But I could that information for you.
24 LEGISLATOR FERRETTI: How about
25 '19 to '20? I'm sorry. '18 to '19?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. PERSICH: I don't recall,
3 Legislator.

4 LEGISLATOR FERRETTI: What is
5 NIFA's debt ceiling?

6 MR. PERSICH: I don't have that
7 right in front of me. I don't know
8 what that is.

9 LEGISLATOR FERRETTI: Do you know
10 if its \$2 billion?

11 MR. PERSICH: I don't believe so,
12 no.

13 LEGISLATOR FERRETTI: It's lower
14 -- you believe it's lower than \$2
15 billion?

16 MR. PERSICH: Yes.

17 LEGISLATOR FERRETTI: Well, in
18 the report to the County from PFM back
19 in April, they indicated that in order
20 for NIFA to borrow and be cost
21 effective for the County, they'd have
22 to borrow \$2 billion, correct, in order
23 for the benefit of bonding through NIFA
24 to exceed the cost of NIFA?

25 MR. PERSICH: I -- if that's what

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 the analysis said then, yes. So I
3 don't think the capacity was there in
4 order for them to effectuate to do the
5 restructuring if they only had capacity
6 of less than \$2 billion, so -- so they
7 don't have the authority to go up to \$2
8 billion, I don't believe.

9 LEGISLATOR FERRETTI: So I just
10 want to be clear. And Mr. Orlando,
11 maybe you can answer this: The County
12 Executive and the administration did
13 propose a plan to fill this gap,
14 correct, this summer? There was a
15 plan? There still is a plan but that
16 plan that has changed, correct?

17 MR. ORLANDO: The plan has
18 evolved.

19 MR. FERRETTI: Okay. The plan
20 has evolved.

21 MR. ORLANDO: We've landed on a
22 final plan on how to restructure the
23 \$75 million payment, yes.

24 LEGISLATOR FERRETTI: When did
25 you land on that change?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. ORLANDO: Earlier this
3 summer.

4 LEGISLATOR FERRETTI: Meaning
5 June?

6 MR. ORLANDO: Possibly June.
7 Probably more likely July.

8 LEGISLATOR FERRETTI: Have you
9 ever represented to this legislature
10 that NIFA restructuring their
11 department over a 30-year period was
12 the only way to fill this gap?

13 MR. ORLANDO: I don't recall
14 saying that.

15 LEGISLATOR FERRETTI: In terms of
16 the \$385 million number we arrived at,
17 has that number changed at all since
18 April?

19 MR. ORLANDO: I don't think.
20 Andy, has it changed since April?

21 MR. PERSICH: Actually, I think,
22 the deficit grew, I think, from like
23 April to May because we still had sales
24 tax collection really tanking so I
25 think it grew from where the April

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 projection was but I think --

3 MR. ORLANDO: It may have.

4 MR. PERISCH: -- it grew because
5 we saw the tax collections going south
6 at a rapid pace, more than 20. It was
7 in the 30s and 40s, I think at that
8 point. So I can get back to you the
9 exact difference when they changed,
10 though. We definitely changed our
11 monthly report when we -- with the
12 deficit changed, too.

13 LEGISLATOR FERRETTI: Was any
14 other number ever presented to the
15 legislature in terms of the 2020 debt?

16 MR. ORLANDO: I don't recall.

17 MR. PERSICH: I don't recall,
18 either.

19 LEGISLATOR FERRETTI: Have you
20 reviewed Comptroller's Schnirman
21 report, both of you or either of you?

22 MR. ORLANDO: I have not had a
23 chance to review it yet myself.

24 MR. PERSICH: I have not either,
25 briefly, because it came out late on

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 Friday, so I mean, we're still noodling
3 through to see what they actually --
4 what their -- what some of their
5 assumptions are.

6 LEGISLATOR FERRETTI: How about
7 the OLBR estimated budget gap?

8 MR. PERSICH: In depth analysis
9 of some of their assumptions, I can't
10 say that I know what makes up the
11 components of their differences than
12 our's. On the surface, I can tell you
13 the largest two things are sales tax
14 and departmental revenue that are the
15 two different components that are
16 different than my projections.

17 LEGISLATOR FERRETTI:
18 Specifically, when it comes to
19 departmental revenue, what are the
20 differences?

21 MR. PERSICH: That level of
22 detail I haven't gotten down to. I
23 have to look because my report does it
24 on a departmental basis. I read his
25 briefly but I don't recall, you know

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 what I mean. I think there's some
3 differences that we have. But you
4 know, there's three different people
5 looking at three different numbers and
6 we all could have three different
7 forecasts. So you know, it's not
8 uncommon is what I'm -- Legislator,
9 we're not all landing at the same
10 number.

11 LEGISLATOR FERRETTI: How about
12 on the sales tax projections, where are
13 the differences there?

14 MR. PERSICH: Between the
15 Comptroller's and us, it's
16 approximately -- you know, it's around
17 a \$20 million difference. We're at
18 \$1.15 billion, everybody's at, roughly,
19 the 135 or 140. 1.040. So there's a
20 enters in my eyes approximately a \$20
21 million -- in my eyes, a \$20 million
22 difference, which is a swinging
23 percentage of spending.

24 LEGISLATOR FERRETTI: To be
25 clear, on the plan that's currently in

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 front of us that the administration's
3 proposing, we are no longer proposing.
4 Like, the administration is no longer
5 proposing refinancing county debt
6 through NIFA, correct?

7 MR. ORLANDO: We believe we found
8 a way to save the \$75 million payment
9 by this tender and conversion as we
10 mentioned that would not require NIFA
11 or the County to borrow any additional
12 funds.

13 LEGISLATOR FERRETTI: So when the
14 County Executive indicated back in
15 July, and I'm quoting from a Newsday
16 article, it is important to keep in
17 mind that every dollar saved by
18 utilizing NIFA can be applied to avoid
19 cuts to vital services and County
20 workforce. There, in fact, would be no
21 dollar saved but utilizing NIFA to
22 refinance the County's debt, correct?

23 MR. ORLANDO: I'm not sure I
24 heard all of that but I think that if
25 we don't do the \$75 million

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 restructuring, we would need to --
3 tender and conversion -- then we would
4 need to take down county expenses by an
5 additional \$75 million this year at a
6 time when we're running out of, you
7 know, landing room. There's only four
8 and a half months to go. I think that
9 would be very challenging and result in
10 very difficult spending reductions.

11 LEGISLATOR FERRETTI: But the
12 long and short of it is, I think we
13 would all agree, that by extending NIFA
14 the cost of NIFA's existence would
15 outweigh the savings by refinancing
16 through NIFA, correct? Right? We
17 agree with the April determination by
18 PFM?

19 MR. ORLANDO: I believe that if
20 NIFA were to -- NIFA borrowing for 30
21 years would, we believe, extend the
22 life of NIFA, including the
23 expenditures associated with NIFA's
24 administrative costs as well. Those
25 costs, based on the April memo, seem to

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 outweigh the savings that come from the
3 difference in the interest rates that
4 we could get.

5 LEGISLATOR FERRETTI: Right. And
6 that's based on April --

7 MR. ORLANDO: -- at a level that
8 NIFA can borrow at versus what we can
9 borrow at. However, the flexibility
10 that NIFA provides to the County makes
11 the ability to use NIFA to refinance
12 the County's debt, we believe, remains
13 an option for us as we think about how
14 we're going to keep the County going
15 financially during this very difficult
16 time.

17 LEGISLATOR FERRETTI: So it
18 sounds like you agree with my position,
19 and PFM's position, back in April that
20 extending the life of NIFA, the cost of
21 doing so, would outweigh the benefit of
22 refinancing through NIFA. I think
23 that's what you just agreed with me,
24 correct, Mr. Orlando?

25 MR. ORLANDO: I wouldn't put it

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 like that, to be honest.

3 LEGISLATOR FERRETTI: Okay.

4 MR. ORLANDO: I think what I
5 would say is that looking at the
6 totality of what NIFA can do for the
7 County, we would not want to eliminate,
8 as an option today, the potential for
9 NIFA to borrow long term. Obviously,
10 as I mentioned earlier, all of us would
11 prefer that federal aid come to our
12 rescue as we require in this very
13 difficult time. In the absence of
14 federal aid, we believe that we found a
15 way for the \$75 million payment in 2020
16 to, in fact, be moved via the tender
17 and conversion in a manner that doesn't
18 require NIFA to do any borrowing,
19 doesn't extend the life, and we're
20 working right now to put together the
21 next year's budget.

22 LEGISLATOR FERRETTI: I'm going
23 to pass it off for now but I may have a
24 few more questions in a minute.

25 LEGISLATOR KOPEL: I just want to

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 follow-up just really briefly and then
3 I'll turn it over to the presiding
4 officer for some questions.

5 The payment of \$75 million
6 that's due in November we said, let's
7 just say November 15th, is the
8 borrowing a matter of a legal
9 requirement for any reason to do it
10 before that or is it a matter of cash
11 flow or cash position, I should say.

12 MR. ORLANDO: What it will do is,
13 moving the payment to 2021 will release
14 an \$75 million of forecast sales tax
15 revenue --

16 LEGISLATOR KOPEL: No, that
17 wasn't my question.

18 MR. ORLANDO: -- that would
19 otherwise have gone to NIFA to pay for
20 this cost. That money would come to
21 the County instead.

22 LEGISLATOR KOPEL: That was not
23 my question and I'm sorry --

24 MR. ORLANDO: I'm sorry.

25 LEGISLATOR KOPEL: -- maybe I

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 wasn't clear. My question was this:
3 The timing -- it relates to the timing
4 of that restructuring. So my question
5 is: Whether the timing of the
6 restructuring as for any reason needs
7 to be done prior to the due date of
8 that \$75 million payment, does it need
9 to be legally before that or is that
10 simply a matter of the County's cash
11 position at that time?

12 In other words, restructuring
13 the County has cash sufficient to make
14 the payment could that borrowing be
15 pushed even beyond November, let's say?

16 MR. ORLANDO: The County has
17 borrowed that -- the County has done a
18 cash flow borrowing this summer already
19 and intends to do another one in
20 December.

21 LEGISLATOR KOPEL: That wasn't my
22 question.

23 MR. ORLANDO: It does not have
24 plans to do any other cash flowing
25 borrowing.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: That wasn't my
3 question. Once again, what I'm asking
4 is: If the County has cash in the bank
5 in November sufficient to pay that \$75
6 million amount that's due at that time.

7 MR. ORLANDO: The County's
8 current cash flow doesn't contemplate
9 that this payment gets made.

10 LEGISLATOR KOPEL: I'm sorry.
11 Say that again.

12 MR. ORLANDO: The County's
13 current cash flow does not contemplate
14 that this payment gets made.

15 LEGISLATOR KOPEL: Wasn't my
16 question.

17 MR. ORLANDO: The County's cash
18 flow assumes that this payment is
19 refinanced to a future year.

20 LEGISLATOR KOPEL: My question --
21 I'll keep on saying it if I need to,
22 please. If the County -- let's make it
23 a theoretical question, okay? Maybe
24 that'll make it easier.

25 If the County had cash in the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 account sufficient to make that payment
3 at the time it's due and as well as to
4 take care of its normal operating
5 expenses for a period of time, is there
6 any reason that that borrowing must --
7 or that restructuring must take place
8 before the November date?

9 MR. ORLANDO: Well, if the County
10 has the cash to pay it, it still
11 doesn't have a revenue to pay it with,
12 right? That's the problem we're facing
13 is that we don't, in fact, have a
14 revenue to match to that expense.

15 LEGISLATOR KOPEL: But that's --
16 again, I'm asking a theoretical
17 question, please. We don't have the
18 revenue that'll impact on the cash,
19 that begs the question of whether or
20 not we have the cash. What I'm asking
21 is: Assuming that the cash is there,
22 make that assumption for me, please.
23 The cash is there. Because, again,
24 that begs the question the revenue
25 assumptions that the administration is

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 making are not the same assumptions
3 that some other people are making. We
4 don't know which one will be correct.
5 We don't know. So I'm asking you to
6 make an assumption here for a moment.
7 Just humor me. Let's assume that the
8 cash is there, the cash is there, you
9 can make the payment and you can meet
10 operating expenses for another few
11 weeks.

12 Is there any legal reason that
13 you have to make that restructuring
14 before the November date?

15 MR. ORLANDO: It's not actually
16 an expenditure, right? In the cash,
17 the way it works is it's -- the
18 County's cash flow has an additional
19 \$75 million in it in November. There's
20 an additional \$75 million in sales tax
21 in November, so if we were to make this
22 payment, there would -- NIFA would
23 confiscate that \$75 million before it
24 came to the County. So we would --
25 from a cash flow perspective, we would

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 be taking down the cash flow by \$75
3 million in November, if we made this
4 payment.

5 LEGISLATOR KOPEL: Of course.
6 That's exactly what my question
7 contemplates. In other words, if that
8 happens, NIFA would extract that money,
9 would confiscate that money, whatever
10 word you want to use, and that payment
11 would be made and the County could
12 still meet its operating expenses for a
13 while --

14 MR. ORLANDO: The County could
15 not meet its operating expenses because
16 it doesn't have a revenue to cover that
17 cash payment. There is no revenue to
18 cover that, I'm just out the cash.

19 LEGISLATOR KOPEL: I'll give up.
20 You're not going to answer it, I'm
21 afraid.

22 Yes, Mr. Presiding Officer.

23 LEGISLATOR NICOLELLO: Just a
24 couple of quick follow-ups.

25 Back in early July the Office

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 of Management and Budget produced a
3 three-page analysis of restructuring
4 NIFA and the County's debt by NIFA. So
5 at that point, obviously, that was the
6 alternative you were looking at, at
7 least for 2020, to fill the \$75 million
8 gap that you identified, as well as '21
9 and '22. But it indicated if NIFA
10 refinanced the County's debt in 2021,
11 there would be a \$119 million savings
12 because the County would not be paying
13 its debt service that year. And \$71
14 million savings in 2022.

15 Did you run an analysis if the
16 County refinanced its own debt how much
17 of a savings there would be in '21 and
18 '22?

19 MR. ORLANDO: I don't believe
20 we've run it yet. I believe we will
21 run a various scenarios as we continue
22 to put together the 2021 County
23 Executive's budget due in September to
24 you all.

25 LEGISLATOR NICOLELLO: That

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 response compounds the frustration
3 because this is the information that we
4 are looking for and we have been
5 looking for for quite some time. I
6 know you're just trying to do the best
7 job you can but, Andy, you just
8 mentioned before in response to
9 Legislator Ferretti's question as to
10 whether the Office of Management and
11 Budget had reviewed the OLBR report, as
12 well as the Comptroller's report,
13 response was well, I haven't looked at
14 it in detail. The Comptroller's report
15 came out on July 31st, it's been out
16 for ten days. The Office of
17 Legislative Budget Review report was
18 dated Friday, but it was an update, so
19 I mean, we want you as the County
20 officials not to disregard this other
21 information that's out there but to
22 absorb it and if there is another
23 option or other options that they're
24 presenting that is from their
25 perspective, we want that to be

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 considered.

3 So I mean, again, it's not --
4 it almost seems as if you are giving
5 the Comptroller and the OLBR the back
6 of the hand and saying, you know, not
7 giving us due consideration. Let's
8 look at all the different, options
9 that's what our perspective here has
10 been at the legislature. Let's get as
11 much information as possible. Let's
12 make the best decision that we can and
13 by pushing their reports aside, we're
14 not doing that.

15 So again, you guys have been
16 responsive and we appreciate you being
17 here and answering these questions but
18 we expect a little bit more.

19 MR. PERISCH: Understood,
20 Legislature.

21 MR. ORLANDO: If we've left you
22 with the impression that we don't --
23 that we're giving the back of the hand
24 to the Comptroller or OLBR, please let
25 me assure you that we are not. We are

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 trying to collect as much information
3 from as many different parties as can.
4 We don't believe that we have a
5 monopoly on good ideas. We're looking
6 for ideas from everyone at all times.
7 Unfortunately, we have not been able to
8 review in detail as quickly as we might
9 have hoped, some of the recent reports.
10 But I assure you that Andy and the team
11 are working tirelessly every day on the
12 County's finances trying to find a way
13 to keep the County's finances together
14 while doing the -- at the most cost
15 effective level while doing the minimum
16 amount of damage to the services that
17 the County business, residents and tax
18 payers demand and deserve.

19 LEGISLATOR KOPEL: Thank you.
20 There are a couple of deliverables,
21 hopefully, that you'll be able to
22 provide us. The way I've got it is we
23 want to know what the procurement cost
24 analysis, you were going to do that,
25 Andy.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 And we would like to know how
3 far we can -- you're going to get back
4 to us on how far you can -- you believe
5 you can defer the decision on the
6 borrowing. And with respect to that,
7 I'll go a little bit further, I know
8 you give us reports, but I'd like to
9 see -- I think a lot of us would like
10 to see -- an enhanced level of
11 reporting as we go. In other words, in
12 terms of projections versus actual.
13 See how that's going. Because a lot of
14 decisions need to be made between now
15 and November.

16 I think Minority Leader
17 Abrahams has some questions. Kevan.

18 LEGISLATOR ABRAHAMS: Yes. Hi,
19 how are you guys? I want to thank you
20 for accommodating us today. Very weird
21 and strange times we live in as we
22 continue to try to do the virtual
23 meeting, so I appreciate you being able
24 to accommodate us. I just want to also
25 stress to -- I can hear Ray and anyone

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 else that's on the conference piece
3 correctly, but it's very difficult,
4 Howard, to hear you or to hear anyone
5 else that's actually in the chamber.
6 Anyone at the -- anyone at the actual
7 table, so if they could speak right
8 into the mic that would definitely help
9 things more for us to be able to hear
10 things a little bit better.

11 But I do want to ask questions
12 as it pertains to 2020 but I do want to
13 take the opportunity to thank the
14 administration for their proposal as it
15 stands for 2020 and I look forward to
16 hearing from PFM as well as from OLBR
17 as well as it pertains to 2020 as well
18 as 2021. But in regards to 2020, if
19 I'm understanding and seeing the
20 proposal correctly, forgive me if I'm
21 repeating anything because many of the
22 comments I wasn't able to hear clearly,
23 but as it pertains to 2021, if I'm
24 understanding this correctly, if I look
25 at the FY, fiscal year 2020 gap closing

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 plan, it identifies gap closing plan of
3 \$385 million of which you've spent
4 probably close to an hour and a half or
5 so discussing the \$75 million. But I
6 do want to ask the administration as it
7 pertains to the other action items.
8 Obviously, we spent a good chunk of
9 time talking about the sales tax and
10 projections for Fiscal Year 2020 and
11 how it will be end, which has a
12 tremendous impact on the revenue for
13 the County. But I do want to ask more
14 specifically when and what period will
15 we have a better idea of the sales tax
16 numbers and from what I can gather
17 here, you're still only projecting a
18 very very small -- though I understand
19 and appreciate your commitment and your
20 work, you're still only projecting a
21 very small surplus for 2020 so you
22 really don't have much wiggle room as
23 it pertains, even with the \$75 million
24 deferment going into 2021. When will
25 you have a better idea because it looks

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 like these projections in sales tax are
3 based off of first quarter, when will
4 you have a better idea in terms of
5 second quarter numbers and some idea of
6 the months that may come up in the
7 third quarter leading into the budget
8 process for the fall?

9 MR. ORLANDO: Andy.

10 MR. PERSICH: Unfortunately,
11 Legislator, I mean, we analyze the
12 sales tax check every time it comes in.
13 I mean, so we sit there and its kind of
14 like, you know, the hope or otherwise
15 you got the long face that the stock
16 market crashed again, kind of that's
17 they way I am when I look at these
18 numbers. So you know, this check came
19 in a little bit less negative, it's
20 till negative. As far as, like,
21 getting a better handle as we're doing
22 the 2021 budget, we start to realize
23 where trends are going and we're in the
24 process of doing that right now, so
25 we'll probably have a better handle

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 when we present the executive budget on
3 the 15th of September. You know, as
4 far as some other trends and
5 tendencies, you know, things could
6 change. Especially with sales tax
7 because I thin if I rewind a little bit
8 and not that I was here then, but I do
9 recall that one year, you know, the
10 sales tax projection was right on
11 target and then in February we realized
12 that there was a shortfall. The
13 unpredictability and the scariness of
14 when you determine when the numbers for
15 sales tax are finalized are, you know,
16 unfortunately we don't have the
17 information because, you know, you're
18 talking about people's spending habits
19 which is like a Wal-mart shopper
20 figuring out what's in the market in
21 the basket of the customer. Everybody
22 has a different way of spending money
23 these days, so I don't know -- you
24 know, we do our best looking at every
25 piece of analysis when we analyze sales

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 tax. We have Moody's Analytics that
3 does some things. We have other things
4 that we look at, but you know, we use a
5 lot of peer group analysis to figure
6 out where sales tax is, so you know, I
7 can tell you as we get to the September
8 budget, we'll have a better handle on
9 where the number are going to land.

10 LEGISLATOR ABRAHAMS: Andy, and
11 though I appreciate you putting
12 together the gap closing plans, but by
13 that comment, it sounds like we are
14 nowhere near out the woods for 2020. I
15 know we spent part of your time talking
16 about the debt, the knife and debt
17 service savings of \$75 million and when
18 that happened, when were you and when
19 PFM drafted the memo, but it sounds
20 like to me, if I'm a Nassau County
21 resident I want to make sure you're
22 getting through 2020 first the best way
23 we can without having to reduce
24 services and looking at the beginning
25 of the year when we had a dramatic drop

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 in sales tax and God forbid there's
3 actually a resurgence and we see a
4 repeat of the first quarter and the
5 fourth quarter of this year, it looks
6 to me that we are nowhere near out of
7 the woods on regards to 2020. With
8 this -- I'm assuming you have other
9 contingencies that are in place to
10 mitigate that potential shortfall in
11 sales tax projection of 20 percent is
12 exacerbated or other issues are
13 developed or occur?

14 MR. PERSICH: Well, I can tell
15 you this: I don't have a comfort level
16 that we're out the woods yet,
17 Legislator.

18 MR. ORLANDO: Kevan, it's Ray,
19 and Andy if I may.

20 MR. PERISCH: Yeah, go ahead.

21 MR. ORLANDO: One of the things
22 that we're trying to do, Kevan, is
23 we're trying to get to a place that
24 we're comfortable that we've got the
25 risks managed on the right side and

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 that they're not too high in one place
3 or too low in another. And as you
4 point out, there's a lot left in 2020
5 to go and it's really uncertain. And
6 so we need to be as careful as we can
7 that we don't decide that things are
8 rosier because we'd like them to be
9 rosier, and that we just deal with the
10 fact that we're in a very treacherous
11 environment and we desperately need
12 federal aid to help us get through this
13 pandemic and without it we're stuck
14 with just these choices that are very
15 difficult to make. Sorry Andy.

16 LEGISLATOR ABRAHAMS: No, I
17 understand. And based on what we've
18 all seen with this current in
19 Washington, we don't envision federal
20 aid being able to come through in the
21 next couple of weeks. If it does,
22 great. I think we welcome it. But it
23 seems like all parties aside in
24 Washington have to come together in a
25 more concrete way before we can

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 actually rely on that money for 2020.
3 But I guess what I'm driving at is, I
4 appreciate the fact that you identified
5 the risks on both sides. I just want
6 to make sure that it's impressed on our
7 legislative body that though we've
8 spent a lot of time talking about the
9 affirmative \$75 million, which is very
10 important to understand how that
11 mechanism works, I'm still expressing
12 to Nassau County residents in my
13 district that we are nowhere near out
14 of the woods as it pertains to 2020.
15 Many municipalities across the State's,
16 as well as the country, are still
17 battling enormous deficits and the fact
18 that you've been able to put together
19 at least a plan that gets you to a
20 \$300,000 potential surplus, to me is
21 commendable, but at the same time we
22 are no where out of the woods, so we
23 look forward to hearing updates from
24 you in the future as it pertains to the
25 2020 budget and hopefully we'll have

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 more of a concrete idea as we head into
3 the budget cycle for October. The rest
4 of my questions are more related to PFM
5 and OLBR so I'll refrain from that for
6 now but thank you, Chairman, for the
7 opportunity.

8 LEGISLATOR KOPEL: Ms. Birnbaum.

9 LEGISLATOR BIRNBAUM: I think
10 we've asked so many questions of you
11 already and I want to thank you for
12 your testimony. There is a lot to
13 consider and it's a lot of going over
14 the numbers and a lot of conjecture
15 because we don't know what the rest of
16 the year will bring. Sales tax, of
17 course the way things are it's an
18 unprecedented year. It can't be the
19 same as last year, or whatever we
20 predicted it would be this year, so I
21 would like to wait and ask more
22 questions after we've heard from
23 Maurice Thomas and hear from Mary from
24 PFM. Thank you.

25 LEGISLATOR KOPEL: Mr. Ferretti.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: I don't
3 want to keep harping on the same issue
4 but I think its an important issue to
5 make sure we kind of understand we're
6 on the same page because there's a
7 level of trust that needs to be
8 maintained and I want to ensure that
9 we're on the same page here. April
10 20th and April 10th you received these
11 communications for PFM. The April 10th
12 e-mail, I'm going just to read a line:
13 Overall issuing through NIFA would cost
14 approximately 44.7 million over the
15 life of the bonds. It went on to say
16 on the next page of the e-mail, our
17 analysis shows that for the NIFA
18 pricing to be more favorable, the
19 County spread would have to be over 300
20 bps higher than NIFA's, which we see as
21 highly unlikely.

22 Put another way, the County
23 would need NIFA to issue \$2 billion in
24 debt to absorb the operating costs.
25 The very next day, the County Executive

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 issued a memo, April 21, 2020, to which
3 she lays out essentially a plan. We're
4 currently assembling the resources we
5 have available to stabilize the
6 County's fiscal condition including
7 bullet number 2, using the Nassau
8 interim finance authority's AAA credit
9 rating to our advantage in credit
10 markets for debt restructuring. With a
11 hardy thanks to our state legislative
12 delegation and Governor Cuomo, we were
13 able to increase NIFA's bonding
14 capacity during the closing days of the
15 state's budget deliberations. We then
16 went forward through the end of July
17 working under the assumption that
18 presentations that would be made to us,
19 the plan the County Executive in the
20 administration put forward for NIFA to
21 restructure their debt over 30 years
22 extend NIFA's life an additional 25
23 years, that that was the plan of the
24 administration.

25 Now, Mr. Orlando, you

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 indicated earlier that you can't
3 remember whether you shared the April
4 correspondence with the County
5 Executive. That's very troubling to
6 me. That's extremely troubling. The
7 County Executive put forth a plan and
8 went around the entire summer to the
9 media, to us saying that the plan was
10 to extend NIFA an additional 25 years.
11 We have our fiscal advisor telling us
12 don't do that and you're telling me you
13 can't remember if you shared that with
14 the County Executive, correct?

15 MR. ORLANDO: I don't recall if I
16 shared that information with the County
17 Executive or not.

18 LEGISLATOR FERRETTI: Do you
19 think that that information may have
20 been helpful for her decision to go
21 forward with a plan for NIFA to
22 restructure their debt an additional 25
23 years.

24 MR. ORLANDO: I don't know.

25 LEGISLATOR FERRETTI: Okay.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 Well, do you think if we brought the
3 County Executive down here and asked
4 her she would have the same answer?

5 MR. ORLANDO: I've told you that
6 I'm -- I will be going back to see if I
7 did, in fact, share this information
8 with her by checking my e-mail earlier
9 and I will get back to you as I
10 mentioned if I did, in fact, do that.

11 LEGISLATOR FERRETTI: That's very
12 troubling. That's very troubling. We
13 talked about transparency. This
14 legislature has had no information
15 given to us about this at all. The
16 idea that the County Executive did not
17 either is an incredible thought. If
18 that's your answer, that's fine, you
19 know, but at the end of the day,
20 there's been zero transparency to this
21 legislature, to the public. We've
22 wasted months, apparently, going over
23 the plan that was put forward by the
24 administration, about three or four
25 months wasted. It's suppressed any

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 discussion or analysis to alternatives
3 and, you know, its really really
4 concern to me. So I would request, if
5 you get us a response as to whether you
6 ever communicated the April
7 correspondence to the County Executive
8 because I think that that's something
9 we really need an answer to. Thank
10 you.

11 MR. ORLANDO: I will do so.

12 LEGISLATOR FERRETTI: I'm sorry,
13 did you say -- did you have a response
14 to that?

15 MR. ORLANDO: I will do so, yes.

16 LEGISLATOR FERRETTI: Thank you.

17 MR. ORLANDO: I will do so.

18 LEGISLATOR KOPEL: Anybody else?
19 I guess we're ready from PFM. Someone
20 here from PFM, please.

21 MR. PERISCH. PFM, you have that?
22 I want to make sure that everyone has a
23 presentation because Mary's going to be
24 working off of that. All right.

25 LEGISLATOR KOPEL: We've all got

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 your copy of --

3 MR. PERSICH. This is now Mary
4 Francoeur from PFM.

5 MS. FRANCOEUR: I'm Mary
6 Francoeur, I'm a managing director with
7 PFM Financial Advisors.

8 LEGISLATOR FERRETTI: I'm going
9 to ask you to speak more loudly because
10 there are some people who are remote
11 and they not hear you well.

12 MS. FRANCOEUR: Hello. There we
13 go. Sorry about that.

14 LEGISLATOR FERRETTI: Can you
15 repeat your name. I'm sorry.

16 MS. FRANCOEUR: Sure. My name is
17 Mary FRANCOEUR. I'm a managing
18 director with PFM Financial Advisors.

19 LEGISLATOR FERRETTI: Was that
20 Brunhouer?

21 MS. FRANCOEUR: Let me spell it
22 for you, it's not an easy one. It's F
23 as in Frank, R as in Robert, A, N as in
24 Nancy, C as in cat, O-E-U-R as in
25 Robert. If you ever took high school

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 French, the last part is cur.

3 LEGISLATOR FERRETTI: Is that
4 pronounced Francoeur?

5 MS. FRANCOEUR: Francoeur,
6 yes. Sure. Thank you.

7 LEGISLATOR KOPEL: Go on please.

8 MS. FRANCOEUR: Thank you. Thank
9 you, Mr. Chairman, and thank you to the
10 committee for the invitation to speak
11 today. As has been discussed
12 previously, PFM has been asked to
13 provide an analysis for the County of
14 evaluating some opportunities with
15 respect to refinancing of NIFA's debt
16 in order to address some the budgetary
17 issues that have been discussed here
18 today. And so we'll flip rather
19 quickly. We have put forth an agenda,
20 just an overview of the request. Some
21 of the options that we had looked at.
22 A comparison of those options and then
23 we have some concluding remarks. So if
24 you flip to page 4, just to put the
25 request ion context. PFM was asked to

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 review the -- some options with respect
3 to a \$75 million, thereabouts,
4 mandatory sinking fund payment that
5 NIFA has on its 2008 B bonds. Those
6 bonds are -- were issued as variable
7 rate demand obligations and so those
8 are bond -- the holder of the bond has
9 the opportunity to tender those back to
10 the issuer so they're really considered
11 sort of a short-term obligation and the
12 interest rates are presently reset
13 weekly.

14 You know, as noted previously
15 the refinancing of that payment or the
16 restructuring or some options with
17 respect to that payment, and I'm going
18 to use different terms because with
19 respect to the debt, the concepts are
20 going to vary and I'd like to be as
21 specific as possible. But there's a
22 variety of options that are available
23 to NIFA to address that payment and
24 we've walked through -- we'll walk
25 through several of those.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: Just to be
3 clear, you were asked, PFM was asked to
4 analyze this with the assumption --
5 with the preexisting assumption that
6 that payment could not be made without
7 some restructuring?

8 MS. FRANCOEUR: So we were asked
9 to take a look at whether or not there
10 were options available to defer that
11 payment in order to create some
12 capacity. What happens is that -- so
13 as you know, NIFA collects the County's
14 sales tax, sets it aside for its debt
15 payments and any sales tax that are
16 needed to pay --

17 LEGISLATOR KOPEL: You were not
18 asked to analyze any underlying
19 economic assumptions or what the
20 availability of funds would be or
21 anything of that sort, would that be
22 fair?

23 MS. FRANCOEUR: That's fair.
24 That's fair. Our job is not to provide
25 the County's budget analysis. Our job

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 is to evaluate debt financing options.

3 LEGISLATOR KOPEL: Very good.

4 Thank you.

5 MS. FRANCOEUR: Thank you. Just
6 to put it in context, one of the things
7 that we've been asked by a variety of
8 issuers is the prospect for doing a
9 debt restructuring and one of the
10 things that we're finding, you know,
11 PFM is the largest financial advisor in
12 the United States. We work with
13 governmental agencies from coast to
14 coast, we have 43 offices and we
15 actually have several clients of PFM
16 cities, counties, states that are
17 looking at some alternatives associated
18 with their debt in order to create some
19 budgetary relief in their current
20 fiscal years. Many of them have fiscal
21 years that started July 1, others have
22 fiscal years that have started earlier
23 in the year, but they're all looking at
24 options and one of -- and debt
25 refinancing and debt restructuring are

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 one of the options that they're looking
3 at, and so we just wanted to put it in
4 that context.

5 LEGISLATOR KOPEL: And when was
6 this -- when was the date that -- do
7 you have the precise date upon which
8 this mandatory payment is due?

9 MS. FRANCOEUR: It's November 15,
10 2020 yes.

11 LEGISLATOR KOPEL: It is November
12 15th?

13 MS. FRANCOEUR: Yes.

14 LEGISLATOR KOPEL: Okay. Thank
15 you.

16 MS. FRANCOEUR: And Mr. Chairman,
17 one of the questions that you had asked
18 if we come to November 15th and nothing
19 is done, that payment is made that
20 money goes out the door. I'm pretty
21 sure that that was the -- what you were
22 getting at with one of those questions.
23 Among the things that need to happen
24 with the debt is that -- and I'll talk
25 about it a little bit as we get into

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 the presentation -- but a notice of
3 tender needs to be made and so there
4 are some decisions that need to be made
5 well in advance of November 15th in
6 order for this deferral to be executed.

7 LEGISLATOR KOPEL: Will you be
8 able to give us a timeline of decision
9 points?

10 MS. FRANCOEUR: So I don't have
11 the specific documentation but that's
12 something we can take a look at, yes.

13 LEGISLATOR KOPEL: And how long
14 -- when do you think you might be able
15 to get those to us?

16 MS. FRANCOEUR: We could probably
17 provide that within a couple of days.
18 It's really more a matter of taking a
19 look of the documentation for the
20 tender.

21 LEGISLATOR KOPEL: You would
22 provide that directly to, I guess, the
23 Clerk, the Legislative Clerk and he can
24 distribute it?

25 MR. PERSICH: That will come

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 through our office and then we will
3 distribute it down to the Clerk's
4 office, if that's all right with
5 everybody here. That's the usual path,
6 the circle of how things work here
7 instead of them going directly to you.

8 LEGISLATOR KOPEL: So that would
9 be the critical path of decision points
10 that would need to be made, as well as
11 the -- in other words, the order as
12 well as the timing.

13 MS. FRANCOEUR: Yes.

14 LEGISLATOR KOPEL: Okay. Thank
15 you. Go on, please.

16 MS. FRANCOEUR: Among the things
17 to consider, too, in terms of the
18 current environment that, despite the
19 challenges, the economic challenges
20 that we see with COVID, the bond
21 market, and particularly the municipal
22 market is providing for fairly
23 effective interest rates and so
24 undertaking a debt deferral now or a
25 debt restructuring wouldn't cost today

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 what it would normally cost in other
3 markets. So it does provide certain
4 advantages.

5 One the other things that, you
6 know, we've looked at and actually if
7 you don't mind, I'd like to go back to
8 the analysis that PFM had done back in
9 April on behalf -- at the request of
10 the County with respect to NIFA versus
11 county direct issuance is that one of
12 the things that NIFA does offer to the
13 County is flexibility in terms of its
14 debt structure. As you know, the
15 County in your debt is subject to the
16 local finance law, which has very
17 specific provisions as to when debt
18 needs to be repaid, both short-term
19 borrowing for cash flow, as well as
20 long-term borrowings for capital
21 projects that you're obligated to repay
22 it within a certain amount of time
23 related to the life of the asset and
24 things like that. And so one of the
25 things that, you know, one of the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 considerations here is some of the
3 flexibility that's provided to NIFA
4 that's not necessarily provided to the
5 County.

6 And so if we flip to page 5,
7 the goals that were relayed to us and
8 that we considered in our analysis was
9 that the County was looking to generate
10 \$75 million in savings in the 2020
11 budget through the refinancing. Then
12 provide continued capacity or continued
13 flexibility to -- you know, in
14 subsequent budgets because of
15 uncertainties going into Fiscal Year
16 2021 and beyond. And then the other
17 choice was to avoid the issuance of
18 debt to the extent that the
19 restructuring could be effectuated
20 without having to go through the entire
21 process of reissuing debt.

22 So we'll walk through the
23 options. One of the things -- and an
24 apology, Mr. Chairman, the memo that
25 was provided to you that PFM had

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 prepared for the County, that was
3 addressed to Mr. Orlando. That was
4 actually transmitted on July 31. We'll
5 go back and make sure that it's
6 actually got a date on it. I apologize
7 for that.

8 So the first option that we
9 were actually asked to look at
10 subsequently was the possibility of the
11 County borrowing through the municipal
12 liquidity facility, that's been
13 established by the Federal Reserve Bank
14 --by the Board of Governors but managed
15 by Federal Reserve Bank of New York.
16 We've, PFM has analyzed the program on
17 behalf of not just the County but on
18 behalf of many of our clients of I
19 guess a couple of things to bear in
20 mind with respect to the municipal
21 liquidity facility as an option is that
22 if the County were to borrow through
23 the MLF, it would still be subject to
24 the local finance law and so it
25 wouldn't provide relief for the 2020

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 budget, which is what we understood to
3 be the goal because any revenues that
4 would come -- it be like any cash flow
5 borrowing and it would be subject to
6 the requirements that you would use,
7 current years' revenue to repay that
8 current year debt.

9 And just on a very practical
10 matter, the municipal liquidity
11 facility -- so the rule of the Federal
12 Reserve is to the efficient execution
13 of capital markets. So the reason the
14 municipal liquidity facility was
15 created was really to be a stopgap to
16 the extent governmental borrowers
17 didn't have access to the market and it
18 was also there to protect investors so
19 that if borrowers needed to access the
20 market and couldn't, investors wouldn't
21 go unpaid. And so, it's really not
22 intended to be a normal course of
23 action and, in fact, it's not intended
24 to displace the normal operations of
25 the capital market, you know, the debt

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 markets for municipal borrowers. And
3 so it actually carries very high
4 interest rates. And the cost to borrow
5 through it is is really, what I would
6 describe, as punitive. And it's really
7 there as very much a last resort and so
8 it's really not a viable option for the
9 County for that reason as well.

10 What we would describe as sort
11 of viable options would be the
12 refinancing of -- there's two options
13 that we discussed that are actually
14 refinancings where NIFA would actually
15 issue debt to refund the payments --
16 the payment that's due in November and
17 repay that either in one year or in
18 five years. So that would require the
19 issuance of specific bond and because
20 of tax law, and I'm not a tax attorney,
21 so I apologize if I can't answer any --
22 too many specific questions but because
23 there will have already been money set
24 aside if -- for the County to have
25 actually access to that money, they

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 wouldn't be able to -- NIFA wouldn't be
3 able to issue the debt on a tax exempt
4 basis. They would have to issue it on
5 a taxable basis which carries the
6 additional cost associated with the --

7 LEGISLATOR KOPEL: Slow down.

8 MS. FRANCOEUR: Sure. Sorry.
9 Okay. So the County borrows in the tax
10 exempt markets the interest that they
11 pay. The interest that the holder pays
12 is not subject to.

13 LEGISLATOR KOPEL: Right.

14 MS. FRANCOEUR: It's a municipal
15 bond. But in order to issue bonds that
16 are considered -- that are not subject
17 to taxation that are tax exempt
18 requires meeting certain requirements
19 about use of proceeds, monies available
20 and things like that, and so any time
21 that you don't meet those requirements
22 in order to issue a debt that's tax
23 exempt, you have to issue it on a
24 taxable basis. In order for NIFA to
25 issue bonds to take out the payment or

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 to make the payment in November would
3 require them to issue debt that would
4 be subject to taxation.

5 LEGISLATOR KOPEL: So any time
6 that a municipality might keep these
7 one bond for another to take advantage
8 of lower interest rates, let's say.
9 Would that not be --

10 MS. FRANCOEUR: So in this
11 particular instance, because there will
12 already have been money set aside to
13 make the debt service payment, in order
14 for the cash to come in to the County
15 the bonds have to be issued on a
16 taxable basis.

17 LEGISLATOR KOPEL: So that's
18 only --

19 MS. FRANCOEUR: It's only -- it's
20 very specific to the circumstances
21 here.

22 LEGISLATOR KOPEL: That's because
23 the money is already there by virtue of
24 sales tax collection?

25 MS. FRANCOEUR: Yes.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: I'm not sure I
3 understand why and everything but I get
4 what you're saying.

5 MS. FRANCOEUR: I don't know if I
6 understand why but I talked to counsel
7 and counsel says yes.

8 LEGISLATOR KOPEL: We'll take it
9 on faith.

10 MS. FRANCOEUR: We'll take it on
11 faith and then they start getting into
12 things that, you know, are so obscure
13 in terms of federal tax law that my
14 eyes started to glaze over.

15 So we looked at two options
16 just to kind of do a cost evaluation.
17 And especially kind of, again, taking
18 advantage of a relatively cost
19 effective market. We looked at moving
20 -- refinancing the payment so that in
21 one instance that it would be -- become
22 due, it would be a one-year note that
23 would become due in 2021. And then we
24 also looked at -- if you look on page
25 9, we looked at a five year

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 refinancing. So in that instance that
3 debt would go out longer. It would be
4 sort of sculpted around NIFA's
5 outstanding debt but still be within
6 the current sunset on NIFA. Those are
7 two of the alternatives that we looked
8 at. Again, in each of those instances
9 the debt would be subject to taxation
10 and, you know, the interest payments.

11 The other option that we
12 looked at, option four which is
13 detailed on page 10 is the idea that --
14 so if NIFA executes a tender of the
15 bonds, which basically means -- so
16 what's coming due in November, on
17 November 15, 2020 is a mandatory
18 sinking fund payment. So all of the
19 2008 bonds are actually due in 2021 but
20 what NIFA has agreed to with bond
21 holders at this point, is to make
22 periodic payments. So what would
23 happen is that the bonds as variable
24 rate demand obligations are -- they --
25 there's a handful of parties involved.

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 There's a remarketing agent it is to
3 kind of place the bonds in the market
4 and there's a standby purchase
5 agreement provider which is -- SUNY
6 Toma bank that provides liquidity in the
7 event that a tender is effectuated.
8 What needs to happen is that NIFA needs
9 to enter into an agreement with both
10 the remarketing agent and the standby
11 purchase agreement provider that
12 basically says okay, we aren't going to
13 make this payment on November 15, 2020,
14 we will just make that payment at this
15 point when the final maturity comes
16 right now in 2021. So that would
17 require an agreement with these parties
18 but it wouldn't require a NIFA to issue
19 debt in order to take it out --

20 LEGISLATOR KOPEL: It's just
21 restructuring.

22 MS. FRANCOEUR: It's
23 restructuring.

24 LEGISLATOR KOPEL: Let me ask you
25 then, going back to what we were

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 discussing a little earlier. Should
3 the County go ahead and be able to
4 allow this payment to be made in
5 accordance with its requirements, just
6 as a matter of course, and then find
7 itself short of cash or shortage or
8 budgetary, short whatever, any
9 borrowing or any debt issued at that
10 point would then be tax exempt, would
11 it not?

12 MS. FRANCOEUR: So if the County
13 issues - -

14 LEGISLATOR KOPEL: In other
15 words, be caught by virtue of the
16 timing. In other words, if the
17 borrowing happened, make it clear, on
18 November 16 after the payment had been
19 made.

20 MS. FRANCOEUR: So if the County
21 borrows on November 16th because it
22 doesn't have the cash right now, that
23 would be a cash flow borrowing for
24 fiscal 2020 and so that, under local
25 finance law, that borrowing would

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 actually have to be repaid from 2020
3 revenues.

4 LEGISLATOR KOPEL: All right.

5 MS. FRANCOEUR: Yeah. So anyway
6 --

7 LEGISLATOR KOPEL: I won't say I
8 got it, I understand it well, but I
9 hear what you're saying and they'll
10 have to look into it. Sure.

11 MS. FRANCOEUR: Sure. And so
12 option four is laid out in terms of the
13 steps that are necessary in order to
14 effectuate it but also the results of
15 allowing the deferral of the payment
16 into 2021.

17 What I would like to do,
18 actually, hopefully I've provided you a
19 reasonable overview of what the options
20 are and then kind of go forward into,
21 you know, how the numbers sort of
22 layout across the different options.
23 And just for demonstration purposes, on
24 page 12, just so that you see sort of
25 see the County's debt is in the blue,

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 NIFA's debt -- and you see that NIFA's
3 debt service is declining over the next
4 several years into 2025. But this is a
5 current picture the aggregate debt
6 service requirements over the next five
7 years for both the County and NIFA.

8 But just on page 13 is where
9 we provide the comparison of the
10 various alternatives. One of the
11 things to just kind of bear in mind so
12 basically what we do is we look at the
13 debt service requirements in each year
14 under the various alternatives and I
15 can sort of walk you through the
16 assumptions that have gone into them
17 and then look at it both in the
18 aggregate in terms of what the total
19 cost of the debt service is going to be
20 over the period of time. And then we
21 also do a present value analysis
22 because, you know, the time value of
23 money, you know a dollar in five years
24 is worth less than a dollar today but
25 having to pay a dollar in five years is

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 cheaper for the County than having to
3 pay \$1 today.

4 And so what we do is we
5 compare the numbers on both an
6 aggregate and a present value basis.
7 And so you'll see that the current --
8 so the cost -- and this is just the
9 cost of that, the NIFA debt over the
10 next couple of years, the current cost
11 -- so if nothing happens, the debt
12 service -- the NIFA debt service for
13 fiscal 2020 is going to be a little
14 over a \$133 million. And it's a
15 declining debt service over the next
16 five years after that. If we look at
17 the one year refinancing, the cost of
18 shifting that \$73 million and then the
19 associated interest cost with it from
20 2020 into 2021 the total cost of NIFA's
21 debt service goes up from \$101 million
22 in 2021 to \$177 million.

23 If you look at doing the five
24 year refinancing, you know, that number
25 drops down, the \$177 million drops down

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 to \$102 million but the total cost of
3 the debt service over the next couple
4 of years, obviously, increases.

5 And then the last column is
6 the 2000 B tend during conversion
7 option and you'll see that the cost of
8 the -- that the 77 -- the shift of that
9 payment from 2020 to 2021 has, you
10 know, a similar impact. Although, one
11 of the things to -- that we know is
12 that with the debt -- the refinancing
13 options have been done on a fixed rate
14 basis, the expectation is that the
15 conversion would continue -- the
16 redemption and conversion option would
17 be -- would provide for a continuation
18 of the variable rate mode and right now
19 the NIFA's paying, I think, 14 basis
20 points, so 0.14 percent on those
21 variable rate obligation and so kind of
22 continuing into next year even with
23 some push --

24 LEGISLATOR KOPEL: In actual
25 dollars in every year it looks like

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 that tender and conversion and one year
3 refinancing would come out to be pretty
4 close.

5 MS. FRANCOEUR: Uh-huh-huh.

6 LEGISLATOR KOPEL: Not that much
7 difference at all.

8 MS. FRANCOEUR: Right.

9 LEGISLATOR KOPEL:
10 Notwithstanding that the one year would
11 be taxable.

12 MS. FRANCOEUR: So it's close.
13 The one thing that I would say is that
14 the tender and conversion continues to
15 provide some flexibility. What will
16 happen is that if you do --

17 LEGISLATOR KOPEL: Just kicks the
18 can down the road one year,
19 essentially.

20 MS. FRANCOEUR: Well, they all
21 kick the can down the road for some
22 period of time.

23 LEGISLATOR KOPEL: But this one
24 would be one year, really, because it
25 creates the -- you know, the lump

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 moving through the snake, it just goes
3 down one year and then in 2021 we've
4 got a -- we're faced potentially with
5 the same problem either way.

6 MS. FRANCOEUR: Yes. Although
7 what I will say is that so the tender
8 and conversion would still leave the
9 bonds in a variable rate demand mode
10 and so there may be continued options
11 given the flexibility of that debt
12 structure to continue to provide
13 options next year if the County needs
14 it to smooth that out a little bit
15 further without some the cost and
16 inflexibility associated with the
17 refinancing options.

18 So on page 14, unless there's
19 any other questions on the comparative
20 numbers. One thing to just to kind of
21 point out is that on a present value
22 basis the tender and conversion. You
23 know, because of the very cost
24 effective interest rates on those bonds
25 is, you know, does provide the least

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 cost on a present value basis.

3 Then on page 14 we walk
4 through some of the considerations and
5 advantages associated with each of the
6 options. Across the board, you know,
7 they all eliminate the \$75 million
8 payment that's due November 15, 2020,
9 and in some instances in five year
10 financing it allows you to sort of
11 smooth it out among the considerations.

12 So for the 2008 B tender and
13 conversion option, it continues --
14 you're not incurring the transaction
15 costs. Generally speaking, when
16 governmental agencies issue debt about
17 three percent of -- you know, they're
18 going to incur issuance costs of about
19 three percent of the total cost of the
20 debt, the parliament of the bond and so
21 in this instance it would be about two
22 and a half million dollars. For the
23 conversion, the cost associated with
24 the conversion would basically be the
25 legal costs associated with the bank

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 and the remarketing agent.

3 LEGISLATOR KOPEL: Those numbers
4 are included in your bottom line, so
5 they're not - -

6 MS. FRANCOEUR: Yes. Yes. Those
7 have already been considered. In that
8 comparative analysis, the cost of
9 issuance are already included there.

10 To one of the questions that
11 had come earlier. I mean, I think just
12 to put it in context, you know, the
13 decision point, once you know, kind of
14 the idea of moving forward or the
15 potential of moving forward without
16 sort of a specific plan to move
17 forward, to the extent that you get
18 attorneys involved you start incurring
19 costs, right? And some the
20 considerations are just really about
21 how - -

22 LEGISLATOR KOPEL: You have to
23 remember, a of us here are attorneys,
24 so that's not necessarily a bad thing.

25 MS. FRANCOEUR: Some of my best

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 friends are attorneys, sometimes I
3 pretend do be one. You spend a lot of
4 time reading legal documents and you
5 start to think you're an attorney and
6 then someone starts giving you, you
7 know, tax counsel advice and you're
8 like, I am not an attorney. Anyway.
9 I'm sorry. I digress.

10 You know, kind of across the
11 board, each of them eliminates the \$75
12 million payment but they each have sort
13 of distinct advantages and
14 disadvantages. I think one the things
15 that in our analysis that we understood
16 was important to the County in
17 particular was the potential of
18 preserving flexibility, which is why we
19 viewed the tender and conversion as the
20 more cost effective, as well as the
21 most flexible.

22 LEGISLATOR KOPEL: Are you
23 finished?

24 MS. FRANCOEUR: I am.

25 LEGISLATOR KOPEL: To your

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 knowledge, are there opportunities for
3 the County to gain any advantage by
4 refinancing its own debt, either this
5 year or next year?

6 MS. FRANCOEUR: So we're
7 continuing. I mean, it's something
8 that we evaluate on a regular basis. I
9 mean, I think one the things to bear in
10 mind is that specifically with the
11 opportunity to do what a restructuring
12 that provides sort of, you know, near
13 term capacity or over the next couple
14 of years because of the budgetary
15 constraints, the County in its debt is
16 still subject to the constraints of the
17 local finance law. So the ability to,
18 you know, defer principal payments is
19 very constrained.

20 LEGISLATOR KOPEL: I'm not asking
21 about that. I'm talking about the
22 taking advantage of the lower interest
23 rate requirement in terms of existing
24 debt that's out there.

25 MS. FRANCOEUR: So there may be

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 opportunities to continue to look at --
3 yes, those are options.

4 LEGISLATOR KOPEL: Not in 2020?

5 MS. FRANCOEUR: I think whatever
6 was -- there may be -- I'd have to go
7 back and check. I think that there may
8 be some options, interim options.

9 LEGISLATOR KOPEL: The would be
10 interesting to know if we do. Would
11 you mind?

12 MS. FRANCOEUR: Sure.

13 LEGISLATOR KOPEL: The next
14 question is County -- the County --
15 does the County have the opportunity to
16 repay NIFA debt? Is that something
17 that's doable?

18 MS. FRANCOEUR: Does the County
19 have the option to prepay NIFA debt.

20 LEGISLATOR KOPEL: Yes. Are
21 there any covenants that prohibit that?
22 Let's say the County was to borrow, in
23 order to prepay that, the County was to
24 borrow of it's own accord.

25 MS. FRANCOEUR: Of it's own

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 accord to pay?

3 LEGISLATOR KOPEL: Correct.

4 MS. FRANCOEUR: That's something
5 that we'd to evaluate again on. So the
6 -- a lot the -- so NIFA's debt
7 issuances have been, again, sort of
8 structured outside of the local finance
9 law because NIFA had that authority. I
10 think one of the things we'd have to go
11 do is go back and sort of look at the
12 original issuance of the NIFA debt and
13 the terms and conditions of that debt
14 in order to see if the -- it's within
15 the County's legislative authority,
16 statutory authority to do that
17 refinancing. My gut reaction is that
18 that might not be an option because of
19 the flexibility that NIFA had in the
20 issuance of that debt in the first
21 place.

22 LEGISLATOR KOPEL: I would be
23 interested in hearing that and if that
24 does, indeed, exist, in other words if
25 that is a possibility, we would love to

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 know what that looks like, taking into
3 account, as well, the annual cost of
4 NIFA. Are you familiar with that \$16
5 million procurement budget that NIFA
6 has?

7 MS. FRANCOEUR: I am not. I am
8 not.

9 LEGISLATOR KOPEL: So you have no
10 opinion as to whether that's a high
11 number or low number or reasonable or
12 anything?

13 MS. FRANCOEUR: I have no opinion
14 on that number at all. I don't even
15 know what it's for. Sorry.

16 LEGISLATOR KOPEL: Okay.
17 Presiding Officer.

18 LEGISLATOR NICOLELLO: Thank you.
19 Thank you for joining us today.

20 MS. FRANCOEUR: Sure. My
21 pleasure.

22 LEGISLATOR NICOLELLO: We
23 appreciate it. The first question I
24 have is: Your analysis of the
25 advantages and considerations. What

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 are the potential disadvantages of the
3 tender and conversion option? Are
4 there any risks here that we haven't
5 identified?

6 MS. FRANCOEUR: So the -- I mean,
7 it's -- so the fact that, you know,
8 NIFA is a triple A issuer provides it
9 with good marketing access. So they
10 should -- it should be a cost effective
11 tool for them. One of the things about
12 the tender and conversion is that as a
13 variable rate demand obligation, it'll
14 have kind of continued flexibility. So
15 if there were any issues around it,
16 they'd have more flexibility. They
17 wouldn't have to wait to call the bonds
18 and have the negative carry. I'm
19 throwing munibond jargon at you and I
20 apologize for that. But the tender and
21 conversion actually keeps a fair amount
22 of flexibility so that even in there --
23 even if they did come up against some
24 constraints, they would be most easily
25 debt with as compared to the other

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 options.

3 LEGISLATOR NICOLELLO: In slide
4 10 you indicate that there's a
5 potential under tender and conversion
6 if you go into 2021 you can restructure
7 again.

8 To do that would, would NIFA
9 have complete control to restructure
10 again or would there be limitations to
11 do to try to do it a second time?

12 MS. FRANCOEUR: I think it would
13 be in their control to do that.

14 LEGISLATOR NICOLELLO: I guess
15 the draw back of that is it just
16 increases the debt service in
17 succeeding years, right, not paying
18 off.

19 MS. FRANCOEUR: Right.

20 LEGISLATOR NICOLELLO: For 2021,
21 the advantages of the tender and
22 conversion over the five year financing
23 is largely due to that option that you
24 haven't tied yourself into payments?

25 MS. FRANCOEUR: Yes.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR NICOLELLO: Obviously,
3 just looking at the numbers, just by
4 the numbers, the debt service would be
5 \$102 million under the five year
6 financing in 2021 and \$177 million
7 under the tender and conversion but
8 again, the flexibility is what you're
9 -- what's the most important part.

10 MS. FRANCOEUR: Yes. I think
11 that's -- yes, I would agree with that.

12 LEGISLATOR NICOLELLO: I guess
13 this is an obvious answer but if the
14 administration has various other
15 entities have come up with gap closing
16 measures, if they were able to close
17 the gap completely then the optimal
18 position would be NIFA would pay their
19 department service this year and worry
20 about what we had to do next year. You
21 understand what I'm saying? If we
22 didn't have to go to that route it
23 would be better or all concerned, if we
24 didn't have to worry about pushing off
25 their debt service to proceeding years.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MS. FRANCOEUR: That's not
3 something I'd probably be in a position
4 to render an opinion on.

5 LEGISLATOR NICOLELLO: If NIFA
6 was able to make this full payment of
7 it's debt service, then the obligations
8 for the succeeding years are going to
9 be smaller and these options would
10 still be on the table in 2021.

11 MS. FRANCOEUR: Yes.

12 LEGISLATOR NICOLELLO: Fully
13 understanding the point that was made
14 earlier that we are in a uncertain time
15 period, we don't know what the pandemic
16 is going to look like three months from
17 now or two months from now, four months
18 from now, I understand wanting the
19 flexibility, but just looking at the
20 global picture. Thank you.

21 LEGISLATOR FERRETTI: Thank you
22 Ms. Francoeur, for your presentations
23 and thank you for coming down today. I
24 just have a few questions for you.

25 In terms -- well, you heard

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 the Q and A that went back and forth
3 earlier with OMB, right?

4 MS. FRANCOEUR: Yes.

5 LEGISLATOR FERRETTI: In terms of
6 the correspondence back in April
7 dealing with the 30 year restructuring
8 -- of NIFA restructuring of that debt,
9 was -- were you aware of that
10 correspondence, was that from you?

11 MS. FRANCOEUR: It was from my
12 office, yes.

13 LEGISLATOR FERRETTI: You had
14 seen that correspondence?

15 MS. FRANCOEUR: Yes.

16 LEGISLATOR FERRETTI: At any time
17 between the date of that
18 correspondence, let's say April 20th,
19 the second correspondence and today,
20 has your opinion changed or your
21 office's opinion changed as to the
22 content of that report and e-mail?

23 MS. FRANCOEUR: So to put that
24 analysis in context, it was around the
25 time that the legislature -- the State

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 legislature authorized the extension of
3 -- the potential additional debt and
4 extension of NIFA, so it was really
5 kind of done in that context. We have
6 understood that it's been the County's
7 goal to no longer be subject to NIFA
8 and has been working to meet the
9 requirements in order for that to
10 happen. I think that analysis was
11 really an apples to apples analysis of
12 each entity issuing debt over the next
13 30 years. I think, again, to my
14 earlier comment, one of the things --
15 the role of NIFA, and, you know, is to
16 provide market access to the County.
17 It was to provide market access to the
18 County at a time when it didn't have
19 market access to address, you know,
20 some of the severe budgetary
21 constraints that the County was
22 experiencing at turn of the millennium.
23 So NIFA has flexibility and so
24 the memo sort of was looking at an
25 environment of what I would describe as

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 inflexibility or without the need for
3 flexibility. We were sort of at the
4 early stages of the pandemic. So among
5 the things that weren't kind of
6 considered there was the idea of
7 everybody paying the sort of the same
8 amount of debt service on an annual
9 basis, whereas it didn't sort of take
10 into account potential for NIFA to
11 actually do more backloading and things
12 like that. So there are a couple of
13 things that I would actually look back
14 -- in looking back at that analysis.
15 It really sort of made an assumption
16 that the County's debt and the NIFA
17 debt looked exactly the same, which is
18 exactly not when you would have NIFA
19 issue debt on your behalf. You would
20 have NIFA issue debt on your behalf
21 when the structure of the County's debt
22 wasn't advantageous to the County.

23 LEGISLATOR FERRETTI: The
24 analysis that you provided back in
25 April, that also did not take into

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 account any possibility of NIFA's
3 budget or carrying expenses increasing,
4 correct?

5 MS. FRANCOEUR: I thought we made
6 an assumption about increasing, I'd
7 have to go back and check. I thought
8 we had some inflation in there. Maybe
9 not. Okay.

10 LEGISLATOR FERRETTI: You had
11 said that you understood that the
12 County's goal was not to extend the
13 life of NIFA.

14 MS. FRANCOEUR: Yes.

15 LEGISLATOR FERRETTI: What
16 brought you to that understanding?

17 MS. FRANCOEUR: It's been
18 communicated to us from OMB and it's
19 actually been what County staff has
20 communicated to the market as well.

21 LEGISLATOR FERRETTI: Speaking of
22 County staff, do you have communication
23 with any other department in Nassau
24 County other than OMB?

25 MS. FRANCOEUR: No, our

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 communication is with OMB, with the
3 Deputy County Executive for Finance,
4 Orlando and other OMB staff.

5 LEGISLATOR FERRETTI: Any
6 communication with the Comptroller's
7 office?

8 MS. FRANCOEUR: I haven't had any
9 communication with the Comptroller's
10 office since I've been working with the
11 County.

12 LEGISLATOR FERRETTI: Okay. So
13 then is it fair to assume that the
14 April reports and correspondence that
15 we've been talking about were not sent
16 to the Comptroller's office?

17 MS. FRANCOEUR: They were
18 requested by the Deputy County
19 Executive or his staff and it was
20 provided to them.

21 LEGISLATOR FERRETTI: To the
22 Deputy County Executive. It was not
23 provided to the Comptroller?

24 MS. FRANCOEUR: Right. We -- our
25 requests -- our engagement is through

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 the Deputy County Executive and so
3 that's where our requests come in and
4 that's where our analyses are provided.

5 LEGISLATOR FERRETTI: So then in
6 terms of -- as far as you know -- the
7 Deputy County Executives that you
8 mentioned who you have -- your office
9 has communication with are essentially
10 the sole arbiters as to where that
11 information goes after it arrives to
12 them, correct?

13 MS. FRANCOEUR: That's my
14 understanding.

15 LEGISLATOR FERRETTI: I see on
16 page 14 of the packet, the slide show,
17 we have the one year refinancing
18 option, the five year refinancing
19 option, the 2008 B tender and
20 conversion. Is there a reason that the
21 30 year refinance proposal which was
22 the plan that was in place as recently
23 as six days ago is not one of the
24 options?

25 MS. FRANCOEUR: So this was a

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 specific analysis of the \$75 million
3 mandatory redemption that was due in
4 November. The analysis in April was
5 actually just really a hypothetical
6 comparison of the cost to borrow
7 through NIFA and the cost to borrow
8 through the County. It wasn't
9 associated with any specific
10 refinancing plan.

11 LEGISLATOR FERRETTI: I
12 understand that. Are you aware that
13 the administration put forward a plan
14 that I referenced earlier in this
15 hearing, which was for NIFA to
16 restructure their debt over 30 years?

17 MS. FRANCOEUR: That was not --
18 our analysis was responding to the
19 specific request of OMB to analyze --
20 again, compare the cost of borrowing
21 between NIFA and the County and then in
22 this particular instance to do a review
23 of the options for the \$75 million
24 mandatory redemption.

25 LEGISLATOR FERRETTI: I

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 understand that. So when OMB requested
3 this analysis, did they request that
4 you compare one year versus five year,
5 versus 2008 B tender and conversion?

6 MS. FRANCOEUR: Those were among
7 -- I mean, we evaluated those options.
8 I guess, yeah, they were among the
9 things that they had asked us consider.

10 LEGISLATOR FERRETTI: They
11 specifically said compare one year to
12 five year to 2008 so those were the
13 options your department -- your office
14 came up with?

15 MS. FRANCOEUR: No, these were --
16 we were looking -- I think that's what
17 they had asked us to do, yes.

18 LEGISLATOR FERRETTI: So is it
19 fair to assume that they did not ask
20 you to compare refinancing over 30
21 years.

22 MS. FRANCOEUR: They did not.

23 LEGISLATOR FERRETTI: Were you
24 aware that that was their plan, prior
25 to doing this analysis?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MS. FRANCOEUR: I was not. A
3 gain, the analysis that we did back in
4 April was an analysis, just a
5 hypothetical analysis of comparing the
6 relative cost of issuance.

7 LEGISLATOR FERRETTI: I
8 understand. I'm not asking about April
9 right now because as recently as six
10 days ago the plan was to refinance --
11 for NIFA to refinance their debt for 30
12 years, as far as we knew.

13 MS. FRANCOEUR: That was not part
14 of the request that was made to us.

15 LEGISLATOR FERRETTI: So you
16 didn't know that existed?

17 MS. FRANCOEUR: I would say
18 that's correct.

19 LEGISLATOR FERRETTI: That's all
20 I have for now. Thank you very much.

21 MS. FRANCOEUR: Sure. Yes.

22 LEGISLATOR KOPEL: Are there any
23 bright ideas that you might have that
24 weren't included in the request for
25 analysis?

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MS. FRANCOEUR: No, I think what
3 we've laid out are really sort of the
4 most viable options under the current
5 circumstances and, again, with the
6 focus on the tender and converse which,
7 you know, seeming -- which we view as
8 probably the most compelling option
9 right now.

10 LEGISLATOR KOPEL: Right now more
11 flexible than the five year
12 refinancing?

13 MS. FRANCOEUR: Yes.

14 LEGISLATOR KOPEL: In what ways
15 is it more flexible?

16 MS. FRANCOEUR: Well, because the
17 five year refinancing would be a fixed
18 rate obligation. It wouldn't -- if you
19 wanted to call it, you'd have to pay
20 costs associated with, you know, kind
21 of calling -- actually, you wouldn't be
22 able to refinance them on a tax exempt
23 basis. If you wanted to sort of
24 restructure them or do anything with
25 them, you'd still be subject to

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 taxation with anything that you did.

3 LEGISLATOR KOPEL: But the bottom
4 line cost would not be significantly
5 different taxable or not taxable.

6 MS. FRANCOEUR: It's really a
7 matter of the cost, the carrying cost
8 and the issuance cost associated with
9 having to kind of restructure them or
10 do something in the future.

11 LEGISLATOR KOPEL: But your
12 bottom line analysis shows -- well,
13 let's see. The five year financing
14 versus the tender and conversion versus
15 current, is not tremendous difference
16 in present value, is there?

17 MS. FRANCOEUR: So it's not
18 tremendous but it's -- you're talking
19 about a relatively short period of
20 time. We're talking about sort of one
21 year's worth of interest or five or six
22 years worth of interest on \$75 million.
23 And what we're looking at here is sort
24 of aggregate NIFA debt service. So in
25 the - the \$75 million is the additional

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 cost of refinancing that is not going
3 to be great in the context of the
4 remaining debt.

5 LEGISLATOR KOPEL: I would have
6 thought that given the current economic
7 situation if you're kicking the can
8 down the road anyway, this would kick
9 it all the way down mostly to 2024 and
10 '25, in terms of the repayment of that
11 additional amount of money. Instead of
12 '21 when you're likely -- well, I won't
13 say likely but very possibly going to
14 be faced with this same exact situation
15 again at this time of year next year.

16 MS. FRANCOEUR: So the one year
17 refinancing option doesn't provide that
18 flexibility. The five year does
19 provide the flexibility but the tender
20 and conversion can also provide some of
21 that same flexibility. And actually,
22 the way that the variable rate demand
23 bonds work is that we can -- that NIFA
24 and the County could probably work with
25 that piece of debt, you know, over the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 course of the next 12 months as opposed
3 to having to wait until sometime more
4 into the middle of the year next year.

5 LEGISLATOR KOPEL: Thank you.
6 I'll be very interested in seeing your
7 analysis on those other items that
8 we've asked you.

9 Ms. Birnbaum, you had
10 something.

11 LEGISLATOR BIRNBAUM: Yes. Hi.

12 MS. FRANCOEUR: Hi.

13 LEGISLATOR BIRNBAUM: Just to go
14 back who what we've been discussing
15 about the various dates. In April,
16 when these other reports were prepared
17 that we haven't seen with the various
18 time periods. It wasn't in regard to
19 specifically \$75 million, it was more
20 hypothetical, about 1000, 200 --

21 MS. FRANCOEUR: The April
22 analysis, it was really intended to
23 compare the relative cost of borrowing
24 between NIFA and the County. It wasn't
25 an analysis to a specific problem, I

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 guess is what I would say.

3 LEGISLATOR BIRNBAUM: This
4 current one that you presented today,
5 when was this one, this analysis?

6 MS. FRANCOEUR: The memo that I
7 think you had received was produced on
8 July 31st. The request came in from
9 the OMB probably a week and a half
10 before that, so you know, to Deputy
11 County Executive Orlando's point, I
12 think it was sometime mid July that he
13 had asked us to perform this analysis.

14 LEGISLATOR BIRNBAUM: Thank you
15 very much.

16 LEGISLATOR KOPEL: Mr. Ferretti.

17 LEGISLATOR FERRETTI:
18 Ms. Francoeur, I just want to follow up
19 on something that Legislator Birnbaum
20 was just pointing out.

21 I know that you said a couple
22 times during your testimony that this
23 was just a hypothetical back in April,
24 right?

25 MS. FRANCOEUR: Yes.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: But your
3 office did come to a determination that
4 in order for refinancing through NIFA
5 to be beneficial to the County that the
6 amount that NIFA would have to
7 refinance was \$2 billion, correct?

8 MS. FRANCOEUR: I would describe
9 that as the inflection point that would
10 -- that based upon the relative cost of
11 borrowing the interest rates, that
12 would -- it was that amount of debt
13 that would allow the County to -- that
14 would allow NIFA to absorb the costs --
15 their annual operating costs, the \$2
16 million, right.

17 LEGISLATOR FERRETTI: Right.
18 Just to be clear, so for refinancing
19 through NIFA to be beneficial to the
20 County, the amount that would be
21 refinanced would be \$2 billion.
22 Anything less than \$2 billion it's a
23 net loss to the County, right?

24 MS. FRANCOEUR: Over the period
25 of 30 years.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: Right.

3 Over the period of 30 years.

4 MS. FRANCOEUR: Yes.

5 LEGISLATOR FERRETTI: And the
6 proposed -- I know you weren't aware of
7 it -- but the proposal that the
8 administration put forward, up until 6
9 days ago before they were subpoenaed,
10 was to refinance \$75 million. Of
11 course that's less than \$2 billion so
12 would it be fair to assume that that
13 would not be beneficial to the County?

14 MS. FRANCOEUR: The specific \$75
15 million was the refinancing of the --
16 or address the \$75 million mandatory
17 redemption and so I don't know that
18 there was any consideration that that
19 was going to be done on a 30 year
20 basis. That was a very specific
21 assignment given to us to look at the
22 amount that was coming due in November.

23 LEGISLATOR FERRETTI: Mr. Persich
24 or Mr. Orlando, was it ever a
25 consideration to refinance that debt

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 over 30 years through NIFA?

3 Mr. Orlando, can you hear me?

4 I think your audio is off.

5 MR. ORLANDO: I was muted. I

6 apologize.

7 LEGISLATOR FERRETTI: Was it ever
8 a consideration by the administration
9 to refinance debt over 30 years through
10 NIFA?

11 MR. ORLANDO: I'm sorry. You
12 broke up. I apologize.

13 LEGISLATOR FERRETTI: I know it's
14 not anymore but was it ever a
15 consideration by the administration to
16 finance debt through NIFA for 30 years?

17 MR. ORLANDO: So back in April
18 when the memos were written by PFM
19 regarding these two sizing cases that
20 we've been talking about, the market
21 was closed as you might remember, no
22 one could borrow any money. And so at
23 that time what the administration was
24 thinking about was how could we access
25 the capital markets if the County

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 didn't have access to the capital
3 markets. And one way that we thought
4 about doing that was using NIFA. If we
5 can't borrow it at our A level, maybe
6 NIFA can borrow at the triple A level
7 and so that was sort of, as Mary
8 pointed out, the inflection point of
9 when we asked PFM to conduct that
10 analysis was if we couldn't borrow,
11 right, in the circumstance where we
12 couldn't borrow, what would it look
13 like if NIFA borrowed on our behalf,
14 how much different would it be. And
15 that was the purpose of that analysis
16 so at that time, sure, we absolutely
17 were considering refinancing debt for
18 NIFA over 30 years when the market was
19 closed. 100 percent.

20 LEGISLATOR FERRETTI: So then
21 Ms. Francoeur, as you can see now, that
22 was a consideration and so the April
23 analysis provided by your office,
24 although not identical to the \$75
25 million, clearly is relevant to the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 analysis we're having right now, right?
3 I mean, your conclusion, your office's
4 conclusion was for refinancing through
5 NIFA to be beneficial to the County and
6 for it to pay off. The refinancing
7 amount would have to be \$2 billion,
8 correct?

9 MS. FRANCOEUR: In that analysis,
10 yes, that was -- I mean, that's where
11 the savings associated with issuing
12 through NIFA covered the cost of the
13 administrative costs of NIFA.

14 LEGISLATOR FERRETTI: And so if
15 the County is proposing to refinance
16 debt less than \$2 billion through NIFA
17 it's not beneficial to Nassau County,
18 correct, come out net negative doing
19 that, yes?

20 MS. FRANCOEUR: So over 30
21 years --

22 LEGISLATOR FERRETTI: Over 30
23 years. Only talking about over 30
24 years right now, yes.

25 MS. FRANCOEUR: So but -- I'd

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 have to say yes.

3 LEGISLATOR FERRETTI: Did the
4 administration ever come to you at any
5 point, since the pandemic started, and
6 ask you for your analysis of
7 refinancing through NIFA a specific
8 amount over 30 years?

9 MS. FRANCOEUR: No.

10 LEGISLATOR FERRETTI: Thank you.

11 LEGISLATOR NICOLELLO: So I just
12 have a couple of follow-up questions,
13 also.

14 Looking at the analysis that
15 you did back in April, it hypothesizes
16 that the County can borrow or refinance
17 over 30 years. Does the County have
18 that ability to restructure, refinance
19 not for capital but for cash flow
20 issues?

21 MS. FRANCOEUR: For cash flow
22 borrowing it can't borrow for 30 years
23 under local finance law. I mean, the
24 question was whether or not -- so the
25 analysis was -- to put it in context,

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 that analysis was really sort of less
3 about refinancing and restructuring and
4 really just more about, you know,
5 relative cost of borrowing between NIFA
6 and the County. I know I'm sort of --
7 we're angels dancing on the head of a
8 pin here. I just want to make sure
9 that I put that analysis in the right
10 context and it was really to -- at that
11 point in time -- the relative cost of
12 borrowing between NIFA and the County
13 and NIFA what it would like on a, you
14 know, on a 25 or 30 year basis.

15 LEGISLATOR NICOLELLO: The
16 analysis did assume \$2 million per year
17 with no increase from year 6 to year
18 30.

19 MS. FRANCOEUR: Okay.

20 LEGISLATOR NICOLELLO: Did you
21 know that the NIFA's cost for the last
22 ten years have increased 8.7 percent on
23 average per year?

24 MS. FRANCOEUR: I did not know
25 that.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR NICOLELLO: Obviously
3 if you factor in a cost increase over
4 the course of time, it becomes more
5 disadvantages for the County for having
6 NIFA borrow because of the operating
7 costs.

8 MS. FRANCOEUR: Okay.

9 LEGISLATOR NICOLELLO: Accurate
10 or not accurate?

11 MS. FRANCOEUR: So I haven't
12 looked at the numbers. Being an
13 analyst by training and demeanor, I'd
14 want to kind of get a little bit more
15 detail in terms of what those costs are
16 because there may be some, sort of,
17 elements in there that might not be
18 what I would describe as, kind of,
19 operating costs in terms of salaries
20 and wages.

21 LEGISLATOR NICOLELLO: Everything
22 else being equal, assume for a moment
23 that NIFA's costs were going to
24 increase over the course of 30 years.
25 Therefore, the actual difference

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 between the costs for the County
3 borrowing as opposed to NIFA would
4 increase, does that tell me that's a
5 fact, that's a sole fact that we're
6 considering it's going up, so
7 therefore, it actually would be the gap
8 between what it would cost the County
9 as opposed to what it would cost NIFA
10 with increase over 30 years.

11 MS. FRANCOEUR: Uh-huh.

12 LEGISLATOR NICOLELLO: Thank you.

13 LEGISLATOR KOPEL: Just following
14 up. I think those procurement cost
15 numbers probably would be the numbers
16 that with which you would be concerned
17 in terms of let's say nonoperating
18 costs. I think what the presiding
19 officer was referring to were actual
20 operating costs and hopefully that's
21 not controversial.

22 In any event, thank you so
23 much for coming.

24 MS. FRANCOEUR: My pleasure.

25 Thank you.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: And being a
3 responsive witness and we all
4 appreciate it. You're excused. Thank
5 you.

6 MS. FRANCOEUR: Thank you.

7 LEGISLATOR KOPEL: Next, we have
8 Office of Legislative Budget Review,
9 Mr. Chalmers. The hot seat will be
10 available I think. Andy, thank you as
11 well. Mr. Orlando.

12 MR. CHALMERS: Maurice Chalmers,
13 Budget Review.

14 MS. CARLSON: Helen Carlson,
15 Budget Review.

16 LEGISLATOR KOPEL: Are you going
17 to make a presentation or just answer
18 questions?

19 MR. CHALMERS: I actually was not
20 prepared to make a presentation but I
21 could go over my numbers quickly where
22 we see the 2020 yearend projections.

23 LEGISLATOR KOPEL: That would be
24 great.

25 MR. CHALMERS: To be quick, what

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 we did is we did the projections for
3 2020 and we think we see the gap as
4 304.8 million budgetary basis compared
5 to the Comptroller's office of 312.5
6 million. When we adjust for some gap
7 adjustments that the Comptroller's
8 made, our number would become 332.7
9 million on a gap basis versus his 340.4
10 million.

11 LEGISLATOR KOPEL: You want to
12 just elaborate on the import of the
13 GAAP versus budgetary in this context.

14 MR. CHALMERS: Well, we are not
15 100 percent sure of all the adjustments
16 that the Comptroller made so we kind of
17 follow his lead --

18 LEGISLATOR KOPEL: Assuming that
19 the adjustments are all correct and so
20 forth, the implications of having a
21 budgetary versus GAAP in this context.

22 MR. CHALMERS: The numbers that
23 we focused on are the budgetary numbers
24 which are more in line with the
25 administration numbers. The

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 administration's numbers are on a
3 budgetary basis not a GAAP basis.

4 LEGISLATOR KOPEL: So it's an
5 apples and apples. Got it.

6 MR. CHALMERS: Correct. So to be
7 in sync with the administration, we
8 believe the budgetary number would be
9 the number that we would use prior to
10 any adjustment to get to a GAAP number.

11 LEGISLATOR KOPEL: Got it.

12 MR. CHALMERS: And that number is
13 --

14 LEGISLATOR KOPEL: And they would
15 have to go through a similar type of
16 adjustment?

17 MR. CHALMERS: Yes, we would have
18 to go through some adjustment for GAAP
19 basis and some adjustment that don't
20 really match for a NIFA GAAP basis.
21 There are certain, I guess, numbers
22 that they allow that GAAP does not. We
23 have the NIFA GAAP basis, which we call
24 the control period basis versus the
25 GAAP basis, purely GAAP basis. But for

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 this purpose, we stuck with the
3 budgetary basis which is more in line
4 with what OMB did. OMB's number is
5 384.8. We are at 304.8.

6 Now to come up with our
7 numbers, we believe there are still
8 going to be some adjustments to be made
9 to our budgetary numbers.

10 For example, sales tax -- and
11 I heard a lot about sales tax. Our
12 sales tax number assumes that the
13 remaining checks decrease by 20
14 percent. Now we are trending much
15 better than the 20 percent but our
16 number varied from OMB's number and are
17 more in line with the Comptroller's
18 numbers because what OMB did, they are
19 doing 20 percent for the entire budget.
20 The difference in methodology leads to
21 about \$24 million in difference to the
22 betterment of the County. So that's
23 one of the differences that we think we
24 are going to have to make.

25 Another area that we see a

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 positive trend also is in debt service.
3 We had some conversation with OMB, as
4 far as debt service is concerned, and
5 we see an opportunity of 15 to \$18
6 million, which is not yet reflected in
7 our.

8 LEGISLATOR KOPEL: Where do those
9 numbers come from?

10 MR. CHALMERS: So what we did is
11 we looked at the debt service borrowing
12 schedule that they had before when they
13 presented the FY2020 budget. Not all
14 of it has been done and we believe that
15 there is room. So we went back to the
16 administration and we spoke to them in
17 terms of what flexibility there would
18 be in terms of debt service and we
19 agreed on 15 to 18 million.

20 LEGISLATOR KOPEL: In other words
21 where -- what would create that
22 opportunity, specifically?

23 MR. CHALMERS: They did not issue
24 all the debt that they had included in
25 their plan, yes.

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 LEGISLATOR KOPEL: Go on, please.
3 MR. CHALMERS: That's the second
4 area. The third area that we see some
5 possibilities and, again, that was not
6 been included, has not been included in
7 our number yet, in the clerk and
8 assessment fees. The clerk has
9 presented to us some backup that shows
10 that the number of recordings in her
11 office are actually up 5.7 percent. We
12 were initially looking at a deficit of
13 approximately \$25 million between the
14 clerk and the assessment office. When
15 we look at the finance system, we
16 lowered that GAAP, that deficit to
17 approximately \$2 million. We think
18 there's going to be an upswing because
19 if we start seeing the mortgage
20 instrument being registered and the
21 fees coming in, we think we are going
22 to end up with approximately 5.9
23 percent surplus. So there is some
24 movement in our projections. We think
25 there are some areas that are going to

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 improve. There could be some areas
3 that don't improve as quick and we'll
4 make the adjustments, I guess, as we
5 go.

6 LEGISLATOR KOPEL: You feel your
7 numbers are realistic or conservative
8 or what?

9 MR. CHALMERS: We think our
10 number is probably a good number as of
11 right now. It is close to the
12 Comptroller's number and it is close to
13 the NIFA's numbers also. NIFA has not
14 published a report yet but we have had
15 conversation with them and I would
16 expect that they would have a number
17 that is very similar to the number that
18 we have.

19 LEGISLATOR KOPEL: Based on --
20 the question that I asked earlier,
21 would the County have the ability,
22 strictly speaking in terms of cash, if
23 NIFA were to go ahead and make that
24 payment of 70 some odd million dollars,
25 how would the County's cash position

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 be? Would it be desperate for a few
3 weeks or would it be okay?

4 MR. CHALMERS: To answer that
5 question now I would have to go look at
6 the cash flow. I haven't seen the cash
7 flow so I can't answer that question on
8 the fly but I could go back and take a
9 look at their cash flow.

10 LEGISLATOR KOPEL: Need to
11 ascertaining whether or not there's a
12 danger of delaying this decision until
13 the last possible moment, and maybe
14 even past what might have been
15 considered the last possible moment, if
16 there's any harm in that.

17 MR. CHALMERS: I think DC Orlando
18 testified that he could wait, I
19 believe, until September or October. I
20 think that's a good midpoint because by
21 then, I believe the first week of
22 October we should get our quarterly
23 sales tax adjustment and that should be
24 very indicative of what the numbers.

25 LEGISLATOR KOPEL: So according

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 to what you're saying then, it would
3 be -- actually the most responsible way
4 of handling things is to wait and see
5 what develops, especially since we're
6 in this uncertain environment, why
7 don't we better wait and see how things
8 develop and make a better decision?

9 MR. CHALMERS: I would have to
10 agree because everything is in flux
11 right now. Numbers change. They swing
12 back and forth on a daily basis and if
13 we can wait then -- if we can wait and
14 not cause any financial harm to the
15 County, I don't see any reason why not
16 wait.

17 LEGISLATOR KOPEL: Will your
18 office then keep an eye on the cash
19 flow and the way things are developing
20 and keep us apprised?

21 MR. CHALMERS: Absolutely.

22 LEGISLATOR KOPEL: Thank you.

23 LEGISLATOR NICOLELLO: Maurice,
24 how are you?

25 MR. CHALMERS: Very well.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR NICOLELLO: If we
3 accept the numbers that you have, we
4 know all these are estimates and
5 projections. If we accept the numbers,
6 then with the administrations other
7 GAAP closing measures, we would not
8 need the relief from deferring the \$75
9 million debt service.

10 MR. CHALMERS: We would be below
11 the \$310 million which does not include
12 the \$75 million.

13 LEGISLATOR NICOLELLO: Your
14 understanding of the Comptroller's
15 report is it's similar?

16 MR. CHALMERS: Yes, his numbers
17 on the budgetary basis it's \$312
18 million so he is right at that line of
19 \$310 million.

20 LEGISLATOR NICOLELLO: And you
21 mentioned two areas, actually three
22 areas, of which you believe there's a
23 better outlook than the administration
24 apparently, one is sales tax, the other
25 is debt service. Then you have fees

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 that are coming in to the clerk's
3 office and assessment.

4 MR. CHALMERS: That is correct.

5 LEGISLATOR NICOLELLO: Anything
6 else or are those the three major ones?

7 MR. CHALMERS: These are the
8 three major areas.

9 LEGISLATOR NICOLELLO: Does the
10 administration take into account the
11 reduction in Medicaid payments?

12 MR. CHALMERS: They did not but
13 we included it in our numbers, our
14 304.8 already captures the benefit of
15 that 9.1 million in mitigate.

16 LEGISLATOR NICOLELLO: And I just
17 have a couple of questions about NIFA's
18 operating cost because you did an
19 analysis for us.

20 MR. CHALMERS: Yes.

21 LEGISLATOR NICOLELLO: For the
22 last ten years, what has been the
23 average increase in NIFA's operating
24 costs?

25 MR. CHALMERS: We looked at the

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 -- we looked at the operating costs, I
3 think it was -- approximately, ten
4 years and it was 8.7 percent. We also
5 looked at it from a budgetary basis and
6 that was in the fours, I believe. I
7 don't have the report in front of me
8 but I remember the 8.7, distinctly.

9 LEGISLATOR NICOLELLO: What's the
10 difference between the 8.7, you
11 mentioned for budgetary basis?

12 MR. CHALMERS: We looked at the
13 change in their budget numbers and we
14 looked at it also in the change in the
15 actual expense. The actual, I believe,
16 was 8.7.

17 LEGISLATOR NICOLELLO: The actual
18 expense was 8.7 but budgeted was 4.5
19 percent.

20 MR. CHALMERS: Correct.

21 LEGISLATOR NICOLELLO: Is there
22 an actual line in the County's budget
23 for NIFA?

24 MR. CHALMERS: I'm sorry?

25 LEGISLATOR NICOLELLO: Is there

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 an actual line the County's budget for
3 NIFA?

4 MR. CHALMERS: Yes, there is an
5 actual line, it's under object code NA,
6 which is called NIFA expenditures.

7 LEGISLATOR NICOLELLO: If you
8 projected 8.7 percent increase going
9 forward, over 30 years I know it's a
10 little bit unfair because you got to be
11 getting five years anyway, but over 30
12 years what's the cost?

13 MR. CHALMERS: I think it ended
14 up with like in the mid 200s. I don't
15 have the report in front of me but it
16 was in the mid \$200 million.

17 LEGISLATOR NICOLELLO: Even in
18 their budgeted 4.5 percent increase,
19 what would be the cost to the County?

20 MR. CHALMERS: We did it at two
21 percent, I believe the number was about
22 \$81 million at two percent and we did
23 one at four percent and I believe that
24 was close to \$115 million.

25 LEGISLATOR NICOLELLO: So it

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 basically to keep NIFA in existence,
3 again, I don't know if this -- does
4 this include a calculation that they're
5 going to be here for five years anyway
6 was this straight over 30 years?

7 MR. CHALMERS: That was straight
8 over 30 years with \$2 million times 30
9 years, no inflation at \$60 million.
10 Then we did a two percent scenario and
11 we were asked to do the others also,
12 the four point something percent versus
13 that 8.7.

14 LEGISLATOR NICOLELLO: So if they
15 hit the 8.7, which they've actually
16 been spending, you're talking about an
17 increase of I mean, a cost of about 200
18 plus million dollars over the course of
19 30 years.

20 MR. CHALMERS: Correct. I
21 believe Newsday actually did an
22 analysis and they used 3.9 and they
23 came up with \$111 million.

24 LEGISLATOR NICOLELLO: In the
25 Newsday article, July 12th, Mr. Varske

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 said that cost was about \$1 million.
3 Do you have any idea where he got that
4 number from?

5 MR. CHALMERS: I don't know.

6 LEGISLATOR NICOLELLO: Thank you.

7 MR. CHALMERS: You're welcome.

8 LEGISLATOR FERRETTI: Hello.

9 Thank you, Maurice and Ellen, for
10 testifying today.

11 Just a question following up
12 on the assessment and clerk fees.
13 Would it be fair to say that the
14 assessment fee is a tax verification
15 fee, that's primarily what you're
16 referring to?

17 MR. CHALMERS: Yes.

18 LEGISLATOR FERRETTI: And the
19 clerk fees are the recordings fees such
20 as --

21 MR. CHALMERS: Mortgage and deed
22 and recording fees.

23 LEGISLATOR FERRETTI: Right. All
24 the recording, the block fee and things
25 like that.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. CHALMERS: Correct.

3 LEGISLATOR FERRETTI: Based on
4 your information, you're indicating
5 that there will be a 5.9 percent
6 surplus?

7 MR. CHALMERS: 5.7 percent
8 increase is what they reported in the
9 number of documents recorded. For now,
10 we only included actually a negative \$2
11 million between assessment and the
12 clerk fee because that's where we could
13 see the system. We wanted to be
14 consistent and match what's in the
15 system.

16 LEGISLATOR FERRETTI: I want to
17 understand what the 5.7 percent
18 increase is. Is that from this point
19 last year?

20 MR. CHALMERS: Correct. It's
21 from this year, year to date this year
22 versus last year year to date.

23 LEGISLATOR FERRETTI: Why are we
24 putting any decrease in revenue in
25 there as a -- if there's an increase in

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 recordings why is there a decrease in
3 revenue?

4 MR. CHALMERS: We included only
5 \$2 million decrease just to match the
6 financial system. We are actually
7 being very cautious and giving it some
8 time to see how much revenue is
9 recorded in the financial system and
10 then make our final adjustment. We
11 started with approximately 25 to 28
12 million decrease in the clerk fees at
13 the height of the pandemic. But as we
14 started seeing more revenue being
15 recorded, we adjusted that risk down
16 and we expect to adjust it further once
17 we see once comes in the financial
18 system.

19 LEGISLATOR FERRETTI: So
20 obviously if it continues to be this
21 projection of 5.7 increase over last
22 year, at the end of the year if there's
23 5.7 percent increase then it would
24 actually not a negative \$2 million, it
25 would be a positive --

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 MR. CHALMERS: There will be a
3 positive and that's why we see it as an
4 opportunity.

5 LEGISLATOR FERRETTI: Is
6 assessment and the clerk, did you get
7 this information from those two
8 departments?

9 MR. CHALMERS: I got it from the
10 clerk's office.

11 LEGISLATOR FERRETTI: What about
12 the assessment portion, where did you
13 get that?

14 MR. CHALMERS: Usually what
15 happens at the clerk effects what
16 happens in the GI tax map verification
17 fee, which is the assessment fees also,
18 so they kind of go hand in hand.

19 LEGISLATOR FERRETTI: You're
20 basing the 5.7 in projection increase
21 is assessment on the 5.7 percent
22 increase in the clerk's office because
23 they're essentially hand in hand?

24 MR. CHALMERS: They go hand in
25 hand, yes.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: When was
3 that information given to you.

4 MR. CHALMERS: That information
5 as given to us about three weeks ago.

6 LEGISLATOR FERRETTI: So mid
7 July?

8 MR. CHALMERS: Mid July, I would
9 say.

10 LEGISLATOR FERRETTI: I apologize
11 but I don't know if it Chairman, if it
12 be all right if I would ask Mr. Persich
13 if anybody's reached out to the clerk's
14 office for similar information from
15 OMB?

16 MR. PERSICH: My office contact
17 with all of the departments. I mean,
18 there's been some communication that
19 the recording fees are up over the
20 six-month period but, you know, we're
21 still a little hesitant being a little
22 conservative that the second half of
23 the year may have some impacts. We're
24 in communication with every department
25 that we do a report on.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: I just want
3 to be clear. Obviously, the recording
4 fees are a big part of the budget, it's
5 a significant revenue producer. The
6 County Clerk's office have a specific
7 revenue generator.

8 Has there been a specific
9 request through the County Clerk's
10 Office to get a midyear report as to
11 what the increase or decrease is in
12 recordings from their office?

13 MR. PERSICH: I have received
14 information from the office that there
15 was a recording increases, yes.

16 LEGISLATOR FERRETTI: So would
17 you agree with Mr. Chalmers that it was
18 a 5.7 percent increase in recordings?

19 MR. PERSICH: Year over year?

20 LEGISLATOR FERRETTI: Yeah.

21 MR. PERSICH: If you're looking
22 at actuals and actuals, I don't have
23 the numbers in front of me. I can't
24 say that right now, I don't have that
25 percentage, but if he's looking at year

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 over year, it's going to be factual so
3 I'll trust his numbers at this point.

4 LEGISLATOR FERRETTI: I
5 apologize. What is the projection that
6 you have in terms of the decrease for
7 clerk and assessment fees?

8 MR. PERSICH: We were consistent
9 in our fee structures where we took
10 everything down by 50 percent, 25
11 percent and 25 percent by quarter, so
12 we took the point in time we got
13 through the first quarter of March and
14 then we -- what we did is we ramped
15 down the assumptions in the latter part
16 of the year by 50 percent, 25 and 25,
17 so we broke it up into quarters,
18 reduced it by 50, then broke it up to
19 25 percent.

20 LEGISLATOR FERRETTI: I guess my
21 question is, you know, I'm very happy
22 you're in communication with all the
23 departments, specifically the clerk's
24 office, in terms of their revenue and
25 their projections and how they've been

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 -- the projections have been updated by
3 Mr. Chalmers, but what's the point in
4 being in contact with them and getting
5 updates if you're not going to adjust
6 your projections when you get that
7 information? I mean, the \$385 million
8 GAAP. I've been hearing that number
9 since May. Now we have information
10 that the clerk's office is actually --
11 to their testament and I think it's a
12 testament to every employee in there,
13 that despite the fact that the, like
14 everyone else, were closed, you know,
15 they've been recording these documents
16 at a great number, and they're actually
17 outproducing what they did last year.

18 Why aren't you adjusting your
19 numbers? Why get the information if
20 you're not going to make adjustments.

21 MR. PERSICH: We make adjustments
22 accordingly, I mean, in fairness to me
23 and my team is that six months doesn't
24 tell the whole story. It tells a good
25 portion of the story but a lot of

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 things can change. So I would rebut
3 back that, you know, while there's
4 upside in the clerk's office that
5 things didn't happen daily, like I get
6 a removal of a grant funding for \$3
7 million, I have terminations going
8 higher. There's not only benefits,
9 there's a lot more risks in this county
10 than there are benefits. So if I can
11 be honest with you, if that were the
12 case that we were running rampant and
13 really doing great, we'd be finishing
14 with surpluses every year but we're
15 not.

16 So the fact that the clerk is
17 doing great, that's great news for us.
18 But we also have other holes that keep
19 popping up that we don't know about
20 like overtime costs in PD and
21 corrections. There's all these little
22 assets that we try and wrap our hands
23 around. It's not one or two components
24 of it, there's 40 departments out there
25 that have a lot of moving parts.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR FERRETTI: I

3 completely understand but at the same
4 time, we have reports now from Maurice,
5 as well as from the Comptroller whose
6 bottom line number is significantly
7 different than yours. So they've done
8 their calculations and come up with
9 this number in the middle of July, the
10 385, I've been hearing that number
11 since, like, April. You tell me when
12 it was but it was before the middle of
13 July. So generally speaking, the most
14 recent number based on the most recent
15 information you would logically think
16 is more accurate.

17 MR. PERSICH: I'm not going to
18 dispute with you that the number has
19 been 385. I mean, the fact that the
20 Clerk revenue fees are up, we'll
21 evaluate that in our July report. We
22 will look at all the other factors
23 that, you know, we're only talking
24 about a snapshot in time. I have to
25 look for the remainder of the year of

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 what's going to happen. So yes, we
3 evaluate it but I do also understand
4 that things can change again and that's
5 you know --

6 LEGISLATOR FERRETTI: Things can
7 always change and things are very
8 volatile, I'm sure, that Chairman Kopel
9 can tell you in the real estate market
10 you never know. We do know that we've
11 gotten through this pandemic and the
12 real estate market is still booming and
13 I think if we're still looking at a 50
14 percent reduction or 25 percent for the
15 third quarter and forth quarter, it
16 doesn't seem to be even close within
17 the realm of reality and so maybe we
18 can look at that and get it to be more
19 accurate.

20 MR. PERSICH: Part of our plan is
21 we reevaluate on a monthly basis
22 there's things that move, you know what
23 I mean, but we also have to just be
24 cognizant.

25 LEGISLATOR FERRETTI: We do need

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 to be cognizant but at the same time we
3 also have to be cognizant with that
4 fact that what was on the table as of
5 five years ago, was a 25-year extension
6 of a note unelected temporary control
7 board. So we do have to be cognizant
8 of that but if there is any opportunity
9 whatsoever not to extend that control
10 board, which was the plan as of as six
11 ago as far as we knew, we have to be
12 vigilant in making sure that we take
13 those opportunities. And if you look
14 at the numbers that Mr. Chalmers is
15 presenting, that that Comptroller is
16 presenting, there's a significant
17 opportunity that we do not have to do
18 that. And so I would ask you to please
19 update those numbers, let's get down to
20 that bottom line number of what reality
21 is and avoid saddling our children and
22 grandchildren with debt for the next 30
23 years.

24 MR. PERSICH: Understood.

25 LEGISLATOR FERRETTI: Thank you.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 LEGISLATOR KOPEL: Anyone else?

3 Ms. Birnbaum.

4 LEGISLATOR BIRNBAUM: Hi Maurice
5 and Ellen. I want to thank you for
6 your analysis and I understand as we've
7 been hearing this is just a snapshot of
8 where we are today and nobody knows
9 what the rest of the year will bring.
10 We have no idea if we have this
11 pandemic under control, in Nassau
12 County we would like to think that
13 that's it. But we don't know what the
14 next couple of months will bring so
15 these numbers could change drastically.

16 MR. CHALMERS: And we absolutely
17 agree with that. But these are the
18 best numbers that we have as of right
19 now capturing the current trends. Now
20 what happens with a second wave of a
21 virus, I don't think anybody would be
22 able to tell you exactly how the budget
23 would be impacted but we are seeing
24 some positive trends and we are trying
25 to capture as much of it as we can in

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 the budget.

3 Now, we still have a
4 significant budget gap, which is \$304
5 million, by all means we are cognizant
6 of the fact that there is a huge gap to
7 be filled out. But using the numbers
8 that the administration set forth, we
9 are right at that bar where we could
10 probably get by as of right now. If
11 things change and sales tax decreases,
12 we'll make the necessary adjustments.

13 LEGISLATOR BIRNBAUM: Let's just
14 hope that we're okay.

15 MR. CHALMERS: We hope, too.

16 LEGISLATOR KOPEL: Thank you,
17 Maurice.

18 MR. CHALMERS: Thank you.

19 LEGISLATOR KOPEL: I think we're
20 done. Thank you. I'm sorry. Are you
21 here for public comment? Why don't you
22 just state your name. Sorry. We
23 didn't realize you were here.

24 MS. HOITT-LANGE: That's okay. I
25 didn't know that this budget review

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 meeting was going to be this, I thought
3 it was going to be articulating the
4 fiscal year 2021 budget, so that's kind
5 of what I'm here for. My name is
6 Marianna Hoitt-Lange and I am from Sea
7 Cliff, 11579, I'm a constituent of Sea
8 Cliff.

9 First, I want to thank you for
10 taking the time for this public comment
11 and for you guys took so much time to
12 really think things through and really
13 talk about things. As I said, I came
14 in thinking this budget meeting would
15 be address the fiscal year 2021 budget
16 and I do hope in the future -- at least
17 for -- it was difficult for me but I
18 hope there can be more transparency to
19 the public to know when these meetings
20 are taking place and what the meetings
21 will consist of. Over the weekend, I
22 was looking to see what the agenda was
23 and what this meeting was going to be
24 about and I could not really find as
25 such but I will do more in-depth

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 research on my part.

3 As a Nassau County resident, I
4 do want to be involved in my local
5 government and understand more. I
6 thought this was going to be the only
7 budget meeting before Laura Curran
8 released the Executive Budget by
9 September 15 and that concerned me as a
10 constituent who wishes to have their
11 wishes be heard before this budget is
12 proposed.

13 I'm a member of Young Long
14 Island for Justice which we'd like to
15 see Budget Justice in Nassau County
16 with a reallocation of funds from the
17 police force to reinvestment in our
18 communities, housing, social services
19 and health care that truly makes our
20 communities flourish.

21 So according to the Nassau
22 County's 2020 budget report, the police
23 had a budget of \$894 million, which you
24 know this, which was more than health,
25 social services and housing combined.

1 BUDGET REVIEW COMMITTEE - 08-10-20
2 I just want to be incredibly mindful
3 where our tax paying money is going and
4 I really want to invest in communities,
5 especially specifically investing in
6 Black Lives. I supposed increased
7 funding to the Office of Community
8 Development and affordable housing
9 programs for low income people, the
10 Department of Social Services and the
11 Office of Mental Health, chemical
12 dependency and developmental
13 disabilities services. I'm asking you
14 to please defund all capital funds that
15 increase the number of weapons the
16 police have in the future, including
17 expensive tasers. We don't need tasers
18 to keep Nassau County safe. We need
19 community programs to support our
20 students, queer and trans youth,
21 domestic violence survivors,
22 incarcerated folks, individuals and
23 families experience food insecurity and
24 homelessness, immigrant families and
25 excluded workers.

1 BUDGET REVIEW COMMITTEE - 08-10-20

2 There are many nonprofit's
3 already doing this work in Long Island
4 that can be funded. Erase racism. New
5 Hour For Women and Children Long
6 Island, Woman's Diversity Network, Make
7 the Road New York, Jericho Project,
8 Long Island Against Domestic Violence
9 and Girls, Inc. of Long Island, just to
10 name a few. I also want to ask my
11 legislators how they're going to
12 implement that Comptroller's equity
13 GAAP took kit into Nassau County's 2021
14 fiscal year budget to ensure economic
15 equity for black Long Islanders. I'm
16 sharing these thoughts to the
17 legislator with the upmost respect and
18 I hope you are willing to listen.
19 Thank you so much for your time.

20 LEGISLATOR KOPEL: Thank you very
21 much. Anyone else? Thank you
22 everyone.

23 (Committee was concluded at
24 4:23 p.m.)

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CERTIFICATION

I, FRANK GRAY, a Notary
Public in and for the State of New
York, do hereby certify:

THAT the foregoing is a true and
accurate transcript of my stenographic
notes.

IN WITNESS WHEREOF, I have
hereunto set my hand the 4th day of
September, 2020.

FRANK GRAY



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



Expenses		FY2020
Salaries	\$	873,757,869
Fringe Benefits		587,753,947
Local Gvt Assistance		60,840,853
Transportation		180,581,778
OTPS		236,414,459
Debt Service		397,236,425
Direct Assistance		544,230,723
Other		621,315,509
Total	\$	3,502,131,563
 Revenues		
Sales Tax	\$	1,014,969,253
Property Tax		821,407,785
State Aid		184,404,488
Federal Aid		172,301,710
Department Revenues		145,724,283
Other Revenues		778,528,496
Total	\$	3,117,336,015
 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
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NET CHANGE	\$0.3 Million
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NIFA Refinancing Analysis

Options to Save \$75M in FY2020

PFM Financial Advisors LLC

August 10, 2020

PFM Financial
Advisors LLC

40 Wall Street
49th Floor
New York, NY 10005

212.809.4212
www.pfm.com



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

MLF Rates as of August 3, 2020				
LOAN TERM	6M	1Y	2Y	3Y
AAA/Aaa - <i>Applicable to NIFA</i>	1.56	1.53	1.49	1.48
AA+/Aa1	1.76	1.73	1.69	1.68
AA/Aa2	1.81	1.78	1.74	1.73
AA-/Aa3	1.96	1.93	1.89	1.88
A+/A1	2.46	2.43	2.39	2.38
A/A2 - <i>Applicable to County</i>	2.56	2.53	2.49	2.48
A-/A3	2.71	2.68	2.64	2.63
BBB+/Baa1	3.31	3.28	3.24	3.23
BBB/Baa2	3.46	3.43	3.39	3.38
BBB-/Baa3	3.86	3.83	3.79	3.78
Below Investment Grade	5.96	5.93	5.89	5.88

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

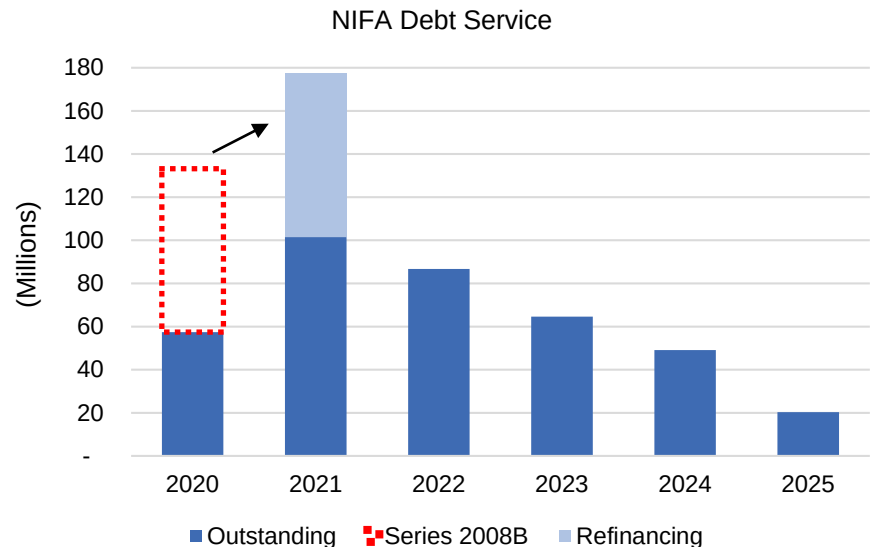
- Refund the \$75M sinking fund payment with a taxable fixed-rate bond maturing in FY2021

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

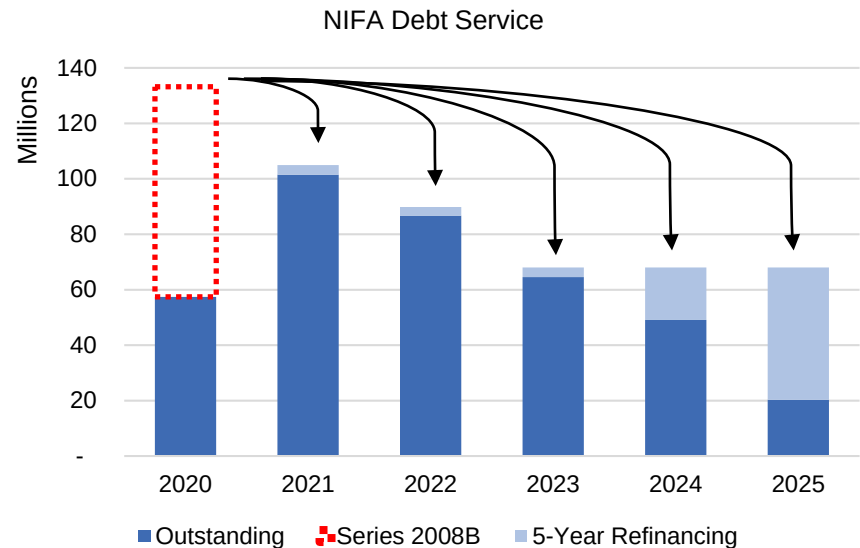
- Refund the \$75M sinking fund payment with taxable fixed-rate bonds maturing on or before November 2025

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

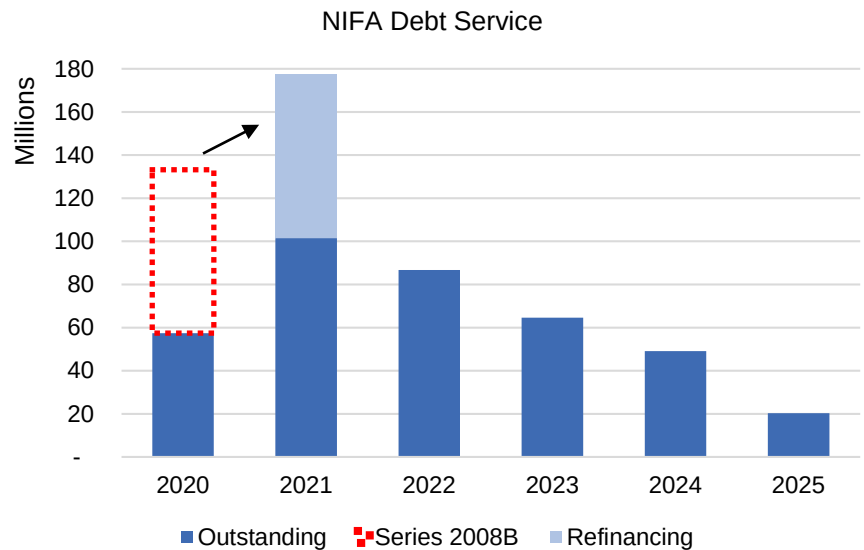
- Modify the 2008B Bond to eliminate the required 2020 sinking fund payment

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



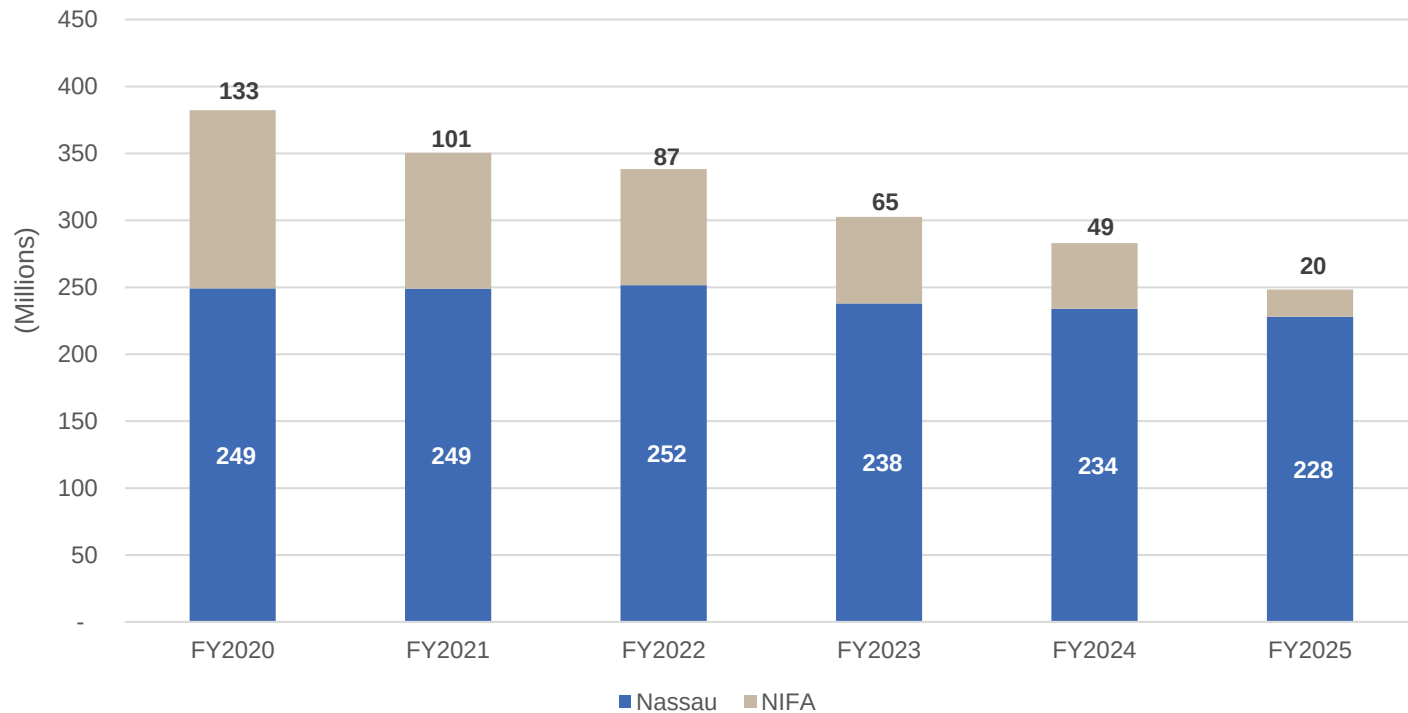


III. Comparison



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 Schedule¹

- 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

FY	Current	1-Year Refinancing	5-Year Refinancing	2008B Tender and Conversion
2020	133,195,788	57,431,915	57,431,915	57,920,788
2021	101,499,579	177,663,412	102,250,364	177,118,347
2022	86,745,427	86,745,427	87,414,444	86,745,427
2023	64,586,813	64,586,813	70,525,829	64,586,813
2024	49,111,387	49,111,387	70,526,675	49,111,387
2025	20,295,682	20,295,682	70,523,496	20,295,682
Total²	455,434,676	455,834,636	458,672,724	455,778,443
<i>PV Total³</i>	<i>447,783,670</i>	<i>447,462,403</i>	<i>447,703,498</i>	<i>447,361,278</i>

¹1 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

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

³Discounted at 5-year TIC of 0.96%



Advantages and Considerations

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



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