

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

Documents:

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

2. Additional Documents 8-10-20

Documents:

[BUDGET HEARINGS PRESENTATION 8-10-20 \(005\).PDF](#)

[9. PFM PRESENTATION NIFA REFNIANCING ANALYSIS OPTIONS TO SAVE 75M IN FY2020.PDF](#)



PUBLIC NOTICE

PLEASE TAKE NOTICE THAT

THE NASSAU COUNTY LEGISLATURE WILL HOLD A MEETING OF THE BUDGET REVIEW COMMITTEE

ON

MONDAY, AUGUST 10, 2020 AT 1:00 PM

IN

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

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

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

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

MICHAEL C. PULITZER

**Clerk of the Legislature
Nassau County, New York**

**DATED: August 3, 2020
Mineola, NY**

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 - Applicable to NIFA	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 - Applicable to County	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

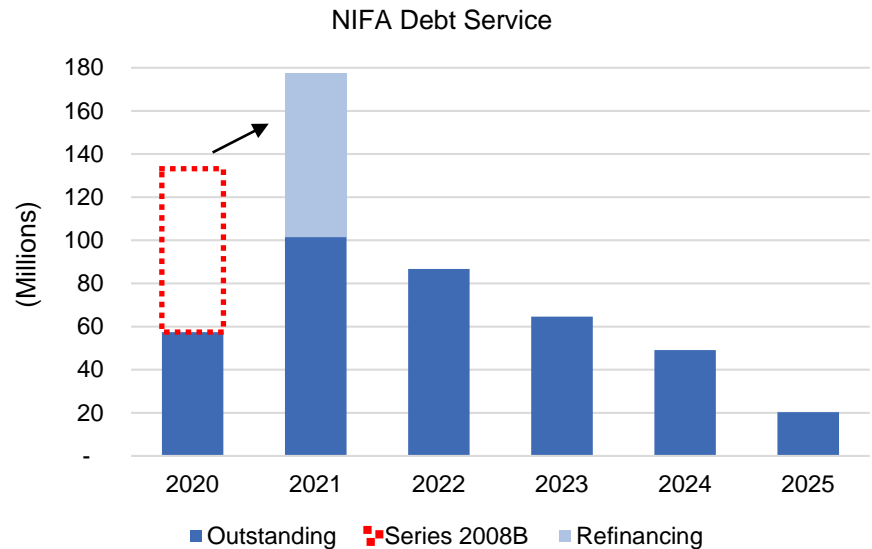
- Refund the \$75M sinking fund payment with a taxable fixed-rate bond maturing in FY2021

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

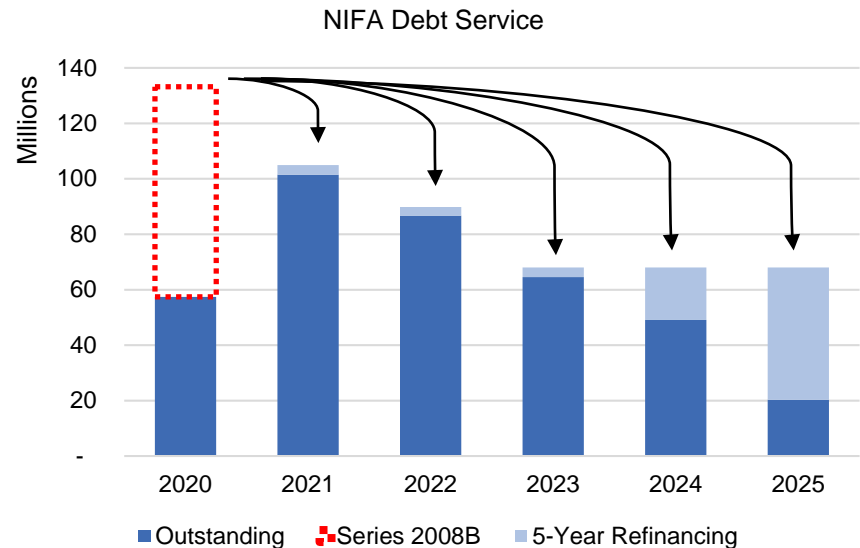
- Refund the \$75M sinking fund payment with taxable fixed-rate bonds maturing on or before November 2025

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

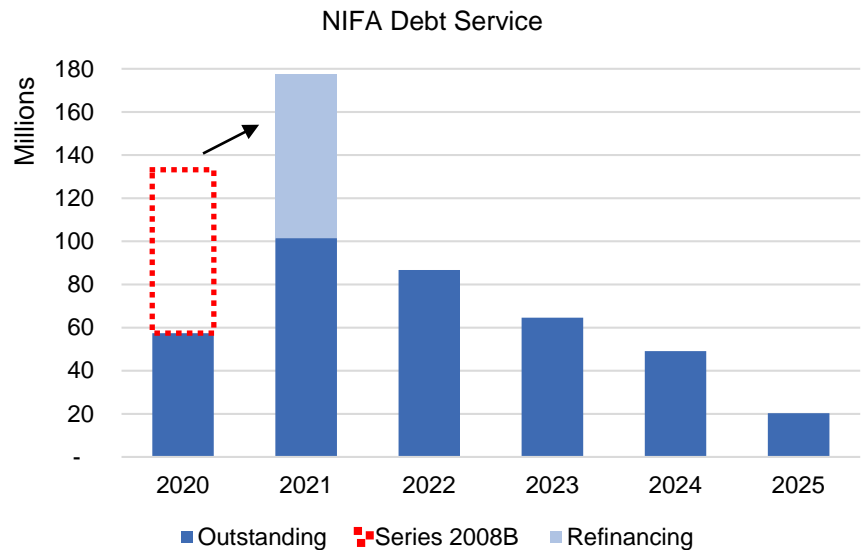
- Modify the 2008B Bond to eliminate the required 2020 sinking fund payment

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



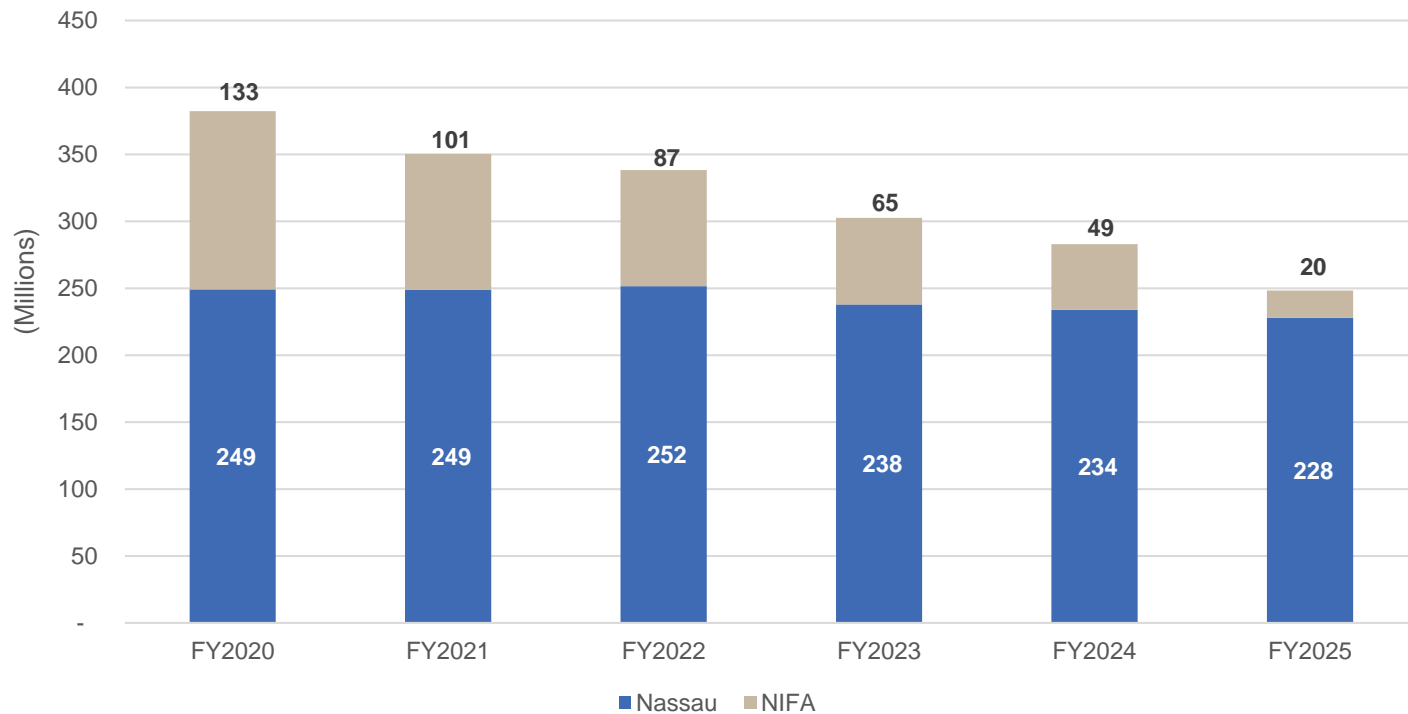


III. Comparison



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>

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

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

³ Discounted at 5-year TIC of 0.96%



Advantages and Considerations

	Advantages	Considerations
1-Year Refinancing	<ul style="list-style-type: none">• Eliminates \$75 million principal payment due in November 15, 2020	<ul style="list-style-type: none">• Increase in debt service for FY 2021• NPV savings are approximately net neutral (-0.24%)• Higher COI than Option 4
5-Year Refinancing	<ul style="list-style-type: none">• Eliminates \$75 million principal payment due in November 15, 2020• Reduces impact of balloon payment over 3 years	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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