NIFA Nassau County Interim Finance Authority

**FOR IMMEDIATE RELEASE**
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**FOR FURTHER INFORMATION**
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# NIFA Issues Conditional Approval for Nassau County's Proposed Multi-Year Financial Plan for Years 2003 - 2006

**October 7, 2002 – Uniondale, NY –** The Nassau County Interim Finance Authority (NIFA) released a 73-page report today evaluating Nassau County's proposed Multi-Year Financial Plan for Fiscal Years 2003-2006. The Multi-Year Plan was submitted to NIFA by County Executive Thomas Suozzi on September 17, for review under the requirements of the State law that created NIFA.

NIFA approval of the County's 2003 budget is subject to review after Legislative action. But NIFA did not completely endorse the four-year plan.

NIFA Chairman Frank Zarb said "There are too many uncertainties in the out years. Therefore the Board has given conditional approval to the plan. It must be approved by the NIFA Board again on May 1, 2003."

NIFA's Report, entitled: *Nassau County Interim Finance Authority Review of Proposed Financial Plan Fiscal Years 2003 – 2006*, provides an independent analysis of the County's four-year plan as submitted to the Authority on September 17, and amended on October 1.

Nassau County still has a significant structural deficit even after more than two years of NIFA assistance, as evidenced by the projected use of $72 million of State and NIFA assistance to balance the 2003 Budget. The economic problems currently being experienced by many other counties does not vindicate past practices of this County or lessen its current financial dilemma.

However, NIFA believes that the new Administration has brought a sense of discipline and urgency to the fiscal affairs of the County. There has been a good faith effort to explore many, although not all, of the available options. Henceforth, every opportunity should be investigated and no special interest group, whether within or outside of the County government, should be immune from scrutiny.

Short term, the FY 2003 Budget appears to be sound, but going forward the Out-Years could be materially affected (up or down) depending upon circumstances beyond the control of the County. The County must consider earlier implementation of initiatives in order to protect its long-term fiscal security.

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Long term, NIFA hopes that the County can successfully wean itself from the need for outside intervention. In the interim, modest progress can be seen, but the need for NIFA oversight remains strong.

"NIFA has taken a close look at the County's Multi-Year Plan and progress is being made in achieving some of the fiscal goals County Executive Suozzi set out earlier this year," said Mr. Zarb. "Much remains to be done. The County still faces some difficult challenges and it will need to work with its various stakeholders to fully implement some of the initiatives contained in the Multi-Year Plan."

The centerpiece of the County's four-year plan is an estimate of annual budget gaps and the identification of the gap-closing initiatives necessary to achieve budgetary balance.

On October 1, 2002 the County submitted a revised projection of these gaps, as follows: $146.4 million in FY 2004: $285.2 million in FY 2005; and $362.1 million in FY 2006. The Plan sets forth a series of actions designed to close these projected gaps.

The major **corrective actions** outlined in the Plan are:

- Increases in the property tax in FY 2003 to generate recurring revenues, with no further increases until FY 2006 when it is proposed that there will be an increase that is pegged to the Consumer Price Index. It is important to note that the proposed 20% tax increase represents over 90% of the entire gap-closing proposals in FY 2003. Moving Out-Year initiatives into FY 2003 and FY 2004 could prevent further unanticipated changes from upsetting budgetary balance in future years.

- Reduction in the workforce through an aggressive attrition based program, eliminating up to 1,400 jobs. Much of this is being achieved through the New York State Early Incentive Retirement Program.

- Smart government initiatives designed to maximize existing resources.

- Labor concessions "by improving productivity, work rules and stabilizing wages and other benefits."

- Debt reform through decreased borrowing, restructuring and creation of a Sewer and Storm Water Authority.

The major **challenges** outlined in the NIFA Report are:

- Based upon current market conditions, the County's estimate of its pension contributions may still be too low.

- The Plan relies, in part, upon the successful attainment of labor concessions. Although the County and the PBA have now scheduled arbitration, the outcome may not favor the County's position and could have a negative ripple effect on contracts with the other unions.

- Increased estimates of workforce reduction may also increase termination costs and ultimately produce unacceptable declines in the delivery of services.

- Successful reform of assessment practices and elimination of the certiorari backlog still requires a significant influx of qualified personnel and agreement as to the methodology for updating of assessments.

- Capital expenditures for infrastructure remain very low considering the extent of the needs in this area.

- If the Sewer and Storm Water Authority is not adopted by the State Legislature, there will be a gap in FY 2004 of the Plan.

- The Plan does not account for the possibility of the County providing additional financial support to the Nassau Health Care Corporation.

## Plan Review Findings

NIFA is making the following general findings, which should not be misconstrued as an endorsement of every part of every section of the Plan.

**FY 2002 –** The projected shortfalls in the FY 2002 budget should be successfully filled through the use of monies received in a legal settlement, deferral of borrowing, a freeze on OTPS spending in FY 2002, and other measures.

**FY 2003** - This first year of the Plan, also known as the proposed FY 2003 budget (the "Budget") is reasonable and if certain risks are resolved in the County's favor, could produce surpluses in 2003. However, the County still has a structural operating deficit as evidenced by the proposed use of $72 million of State and NIFA assistance. The major uncertainties facing the County are the risks that: (1) labor settlements exceed budgeted expectations; (2) the State pension system asset value declines by more than the amount anticipated in the County budget; and (3) a slowdown in the economy creates a significant decline in sales tax revenue.

**FY 2004 - FY 2006** (the "Out-Years") - The gaps projected and the County gap-closing Plan are within ranges deemed to be reasonable based upon the information currently available. However, there are potentially serious risks including increases in cost for pensions and labor; as well as the ability of the County to effectively deliver services, meet its capital needs, eliminate the cert backlog and update its reassessment. The County must also be assertive, but realistic in its demands from third parties.

NIFA indicated that it would require an updated Financial Plan for 2003 to 2006 to be submitted to the Authority by May 1, 2003, for formal approval. Should the Legislature make any material changes to the budget or the Plan, NIFA can rescind its approval.

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