Nassau County Interim Finance Authority

NIFA

REVIEW OF NASSAU COUNTY'S PROPOSED MULTI-YEAR FINANCIAL PLAN FISCAL 2018 - 2021

October 17, 2017

NASSAU COUNTY INTERIM FINANCE AUTHORITY

DIRECTORS

Adam Barsky
Chair

Paul D. Annunziato

John R. Buran

Paul J. Leventhal

Lester Petracca

Howard S. Weitzman

Christopher P. Wright

STAFF

Evan L. Cohen
Executive Director

Carl A. Dreyer
Treasurer

Laurie A. Giardina
Corporate Secretary

Maria Kwiatkowski
Deputy Director

Jeremy A. Wise
General Counsel

Table of Contents

I. OVERVIEW 1

II. DISCUSSION OF FY 2018 3

III. THE OUT-YEAR GAPS: FY 2019 – FY 2021 13

IV. CONCLUSION 21

V. APPENDICES 23

I. Overview

On September 15, 2017, the County released its Proposed Multi-Year Financial Plan, Fiscal 2018-2021 (the "Proposed Plan"), the first year of which is the Proposed Budget for FY 2018 (the "Proposed Budget"). The following discussion reflects the analysis of NIFA staff regarding the County's submission.

We acknowledge that, at NIFA's urging, the County has made notable progress in realigning its finances and reducing the size of the deficit since peaking in FY 2014, although the County's amount of progress is often less than they claim (see table below).

NIFA's imposition of increasing fiscal discipline is evidenced in certain areas of County expenditures, including reductions in borrowings for: capital projects; termination payments; judgments and settlements; and tax certiorari refunds. The County has also continued to reduce its workforce, implement tax certiorari reforms and has increased several revenue streams.

However, although the cessation of borrowing for tax certiorari refunds in FY 2017 is one year sooner than planned, which is an action that avoids increasing the County's debt burden and related interest costs, the County substituted the use of Fund Balance for bond proceeds, which is an action that does not reduce the deficit.

Operating Results on a GAAP Basis ($ in millions)								
FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017p**
($180.4)	($144.9)	($160.0)	($64.1)	($73.6)	($189.2)	($125.3)	($83.1)	($54.9)

Immense fiscal challenges remain as reflected in the Proposed Plan, which we project has deficits in each year, if the proposed revenue increases are not approved by the Legislature or realistic alternatives are not adopted. These deficits are estimated to be approximately $127.9 million in FY 2018, $182.1 million in FY 2019, $218.4 million in FY 2020, and $230.8 million in FY 2021 {when revenues and expenditures are calculated in accordance with Generally Accepted Accounting Principles and without using "other financing sources" (such as bond proceeds) to support operating expenses (hereinafter, deficit on a "GAAP Basis")}.

The deficit projections optimistically reflect the County's assumption that new labor contracts will be cost-neutral, meaning that all costs resulting from new raises will be offset by savings from new concessions (most current union contracts expire December 31, 2017). We are skeptical of this outcome; hence, the projected deficits will likely be larger to the extent that cost-neutral agreements are not reached.

The Control Period will continue if there occurs, or there is a substantial likelihood, of a 1% deficit on a GAAP Basis in the County's Major Funds (defined herein), or $30.0 million based on the 2018 Proposed Budget. Hence, the County will probably continue to remain under the Control Period for the foreseeable future without a large infusion of recurring (and growing) revenue, or a significant realignment of expenditures.

A substantial portion of the projected risk could be eliminated if the Legislature approves approximately $60 million in estimated revenue from fees and fines proposed by the Administration. In addition, $40.0 million of risk is related to our assessment that tax certiorari refunds are underfunded. While the County has some discretion on settlement activity, a protracted settlement process merely postpones, but does not eliminate the liability. The tax certiorari risk could be reduced or eliminated to the extent the County chose to utilize its dedicated property tax line (which was previously approved by the Legislature) to raise the additional operating revenue necessary to properly fund its tax certiorari obligations. Of course, we recognize that any action taken to pierce the State-imposed property tax cap would require the approval of 60% of the Legislature (12 members of the Legislature).

The financial outlook continues to be challenging due to several reasons, including:

1. the growth rate of recurring expenditures exceeds the growth rate of recurring revenues;
2. earlier decisions by the County that pushed off liabilities to "later years," which later years have now become the current year(s);
3. several years of only modest growth in its sales tax revenue, which comprises approximately 40% of the revenue budget;
4. prior use of County borrowings for expenses that should have been paid for out of operating income as is the case with other municipalities (*e.g*., tax certiorari refunds and judgments and settlements);
5. use of reserves to fund operating expenditures, which does nothing to reduce the persistent structural imbalance between recurring revenues and expenditures (*e.g*., Litigation Fund for judgments and settlements); and
6. optimistic projections of certain baseline revenues, expenditures and gap-closing savings initiatives (*e.g.*, growth rate of health insurance costs and expectations of savings from State mandate relief).

Based upon the foregoing and the findings in this Report, we once again conclude that GAAP Basis balance is unlikely to be achieved without the Legislature partnering with the Administration to support the Proposed Plan or finding more acceptable, but realistic alternative solutions that achieve the same result.

II. DISCUSSION OF FY 2018

As required by the County Charter and NIFA Act, the County submitted its Proposed Plan (see Appendix A), the first year of which is the Proposed Budget.

Our analysis of the Proposed Budget indicates that the County could end FY 2018 with an operating deficit in the Major Funds (which are defined as the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Commission Fund, and the Debt Service Fund) of approximately $127.9 million if all the risks we have identified are not resolved. This projection includes risks for each of the proposed fee and fine increases that must be approved by the Legislature. It is noteworthy that the Sewer Fund (discussed later in this Report) is also projected to have a deficit. Deficits in the Major Funds are calculated on a GAAP Basis, as required by the NIFA Act. See "Analysis of Proposed FY 2018 Budget" in Table 1 on page 5.

The projected deficit in the Major Funds is more than four times the $30.0 million deficit which would otherwise trigger a Control Period had one not already been in place since 2011. Even if all the risks we have identified for FY 2018 are eliminated, the GAAP Basis deficit continues to grow in FY 2019 – FY 2021 (the "Out-Years").

The $127.9 million of projected risks in FY 2018 includes approximately $60 million in new revenue initiatives requiring approval by the Legislature, the largest being $35 million the County projects would be generated by increasing its Public Safety fee on moving violations from $55 to $120.

If the Legislature approves the proposed increases in fees and fines, the projected deficit could be reduced to approximately $67.9 million on a GAAP Basis. Since a deficit of this size is still more than twice the control period threshold we do not expect the Control Period to be lifted in FY 2018.

FY 2018 RISKS

The risks in the Proposed Budget fall into three main categories:

1. Category One Risks – **Implementation Risks** ($62.7 million).

These are risks from actions that our analysis indicates may be difficult to execute and/or may result in fewer savings or less revenue than assumed.

For example, the County projects the receipt of OTB revenue derived from the installation of video lottery terminals ("VLTs") on the grounds of Aqueduct Racetrack, and proceeds from the sale of certain properties for which no contracts currently exist.

2. Category Two Risks – **Requires Legislative or NIFA Action** ($60.0 million).

These are risks that cannot be implemented until the County Legislature takes a favorable action(s).

For example, the County proposes to increase certain fees and fines for which approval is uncertain.

3. Category Three Risks – **Requires Outside Party Action** ($5.2 million).

These risks that cannot be implemented until a party outside the County takes a favorable action(s).

For example, the County has budgeted revenue it expects to collect from imposing fines on commercial property owners who are not in compliance with the Income and Expense Law. The matter is being litigated and requires a favorable court ruling.

Table 1 lists the major projected risks in FY 2018 prior to Legislative action.

Table 1

Analysis of Proposed FY 2018 Budget (Prior to Legislative Action)			
($ in millions)	FY 2018 Proposed	FY 2018 Projection	Surplus/(Risk)
Revenues:			
Fines and Forfeitures	**133.4**	**96.1**	**(37.3)**
Public Safety Fee	*64.0*	*28.4*	*(35.6)*
RLC	*21.0*	*21.4*	*0.4*
RLC Admin	*20.0*	*18.2*	*(1.8)*
TV Admin	*9.3*	*9.1*	*(0.2)*
Other	*19.1*	*19.0*	*(0.1)*
Rents and Recoveries	**25.1**	**21.5**	**(3.6)**
Sale of County Land	*3.6*	*0.0*	*(3.6)*
Other	*21.5*	*21.5*	*0.0*
Departmental Revenues	**256.9**	**226.2**	**(30.7)**
Mortgage Recording Fee	*42.4*	*32.9*	*(9.5)*
Deed Recording Fee	*11.6*	*9.7*	*(1.9)*
GIS Tax Map Verification Fee	*54.6*	*40.5*	*(14.1)*
Income and Expense Law	*5.2*	*0.0*	*(5.2)*
Other (incl. fee increases)	*143.1*	*143.1*	*0.0*
OTB Profits (VLTs)	**15.8**	**3.0**	**(12.8)**
Sales Tax	**1,183.5**	**1,183.5**	**0.0**
Other Revenue	**1,384.6**	**1,383.0**	**(1.6)**
Total Revenues	**2,999.3**	**2,913.3**	**(86.0)**
Expenditures:			
Salaries and Wages	**887.5**	**887.5**	**0.0**
Overtime	*89.1*	*94.1*	*(5.0)*
Other	*798.4*	*793.4*	*5.0*
Tax Certiorari Payments	**30.0**	**70.0**	**(40.0)**
Judgments and Settlements	**23.0**	**23.0**	**0.0**
Social Services	**542.4**	**543.4**	**(1.0)**
Other Expenditures	**1,516.4**	**1,517.3**	**(0.9)**
Total Expenditures	**2,999.3**	**3,041.2**	**(41.9)**
Contingency Reserve	**0.0**	**0.0**	**0.0**
Projected Risks			**($127.9)**

Discussion of Major Risks Listed in Table 1

Fines and Forfeitures – The County has budgeted $133.4 million in anticipated revenue from fines and forfeitures. We are holding $37.3 million of this revenue at risk until the proposed increases are approved by the Legislature. A small portion of this amount would remain at risk after approval due to our assumption of a projected fall off on the underlying number of violations.

The County proposes to increase its Public Safety surcharge from $55 to $120 on all moving violations, which they project could generate $35 million in new revenues. It is unclear if there is Legislative support for this new fee. Even if approved, it is possible that the large surcharge may lead to improved driver behavior, which could result in a decline in the number of violations and associated revenues.

Rents and Recoveries – The County has budgeted $25.1 million in rents and recoveries, which is a category of revenue that includes the sale of County property, rental income from tenants that occupy County facilities, recoveries generated by the reversal of prior year appropriations, and recoveries associated with the settlement of claims brought by the County.

Included in this amount is a $3.6 million "one shot" that the County expects to realize from the sale of County property in FY 2018. Although the County has had past success in selling property, there have been years when anticipated transactions closed later than expected (or not at all) and budgeted revenues fell short. Consequently, we consider the revenue anticipated from property sales to be at risk until specific parcels and potential purchasers are identified, contractual agreements are reached, and the legislative approvals are secured.

Departmental Revenues – The County has budgeted $256.9 million in departmental revenue, of which we project $30.7 million to be at risk. Most of this risk stems from approximately $24.0 million in various proposed fee increases that must be approved by the Legislature.

The County also budgeted the receipt of $5.2 million from enforcing the Income and Expense law, which subjects commercial property owners who do not file required tax returns to a fine. The law is still being legally challenged.

Although a stay remains in effect on enforcement of penalties for the litigants in this case, the County has been permitted to begin enforcement efforts against commercial property owners who are not parties to the case. The County has collected approximately $813,000 from these owners to-date; however, the County does not want to recognize any revenue until all the legal hurdles are cleared. Consequently, the entire $5.2 million in budgeted revenue is being held at risk until there is greater confidence that the initiative can withstand any further challenges and appeals.

OTB Profits – The County is assuming that OTB will pay it $20 million in 2018 (of which it can recognize $15.8 million in FY 2018 and the rest in FY 2019) from proceeds it expects to realize from its agreement with Genting to operate up to 1,000 VLTs on the grounds of Aqueduct Racetrack. Although OTB remitted $3 million to the County in 2016 and is expected to do the same in 2017, we remain concerned that OTB will not fulfill its entire commitment in future years should they not effectuate their plan to downsize and restructure their operations.

Reinforcing our concern is that OTB has not remitted a $620,000 payment to the County that was legally due in February. This omission violates the terms of the Support Agreement with the County, which guarantees OTB's 2005 Revenue Bonds and requires OTB to make annual payments to the County.

Unlike the legally binding Support Agreement, we are not aware of any binding agreement that obligates OTB to make the VLT payments to the County. Consequently, we hold these revenues at risk until they are remitted to the County.

Sales Tax – Sales tax is the largest revenue source for the County, comprising approximately 40% of all revenues in the Major Funds, and is budgeted at approximately $1.184 billion in FY 2018. The County assumes that sales tax revenues will grow by 2% in each year of the Proposed Plan. Our analysis indicates that the County's assumptions are reasonable, but not conservative.

To date, sales tax revenue is up 2.53% over the same period in 2016. Consequently, sales tax revenue must grow by 1.9% in the remaining months of FY 2017 (compared to the same period in FY 2016) and by 2.0% overall in FY 2018 to reach the budgeted amount.

Although we are cautiously optimistic that these growth rates are achievable, we note that the County has averaged growth of only 1.6% during the same period of remaining months over the past 5 years and 10 years. Additionally, the County's growth rate for the entire year has averaged 2.0% over the past 5 years, but only 1.4% over the past 10 years. Therefore, while we are comfortable with the County's assumptions, history shows they may not come to fruition.

Salaries and Wages – The County projects that salaries and wages will total $902.5 million in FY 2018. Our analysis indicates that this estimate is reasonable; however, we note that most labor agreements expire at the end of FY 2017. The County budgeted for the additional costs of step increases that will be provided to eligible employees in 2018; however, it did not include any funding for cost of living adjustments ("COLAs"), which have typically been provided in previous contracts. The unfunded impact of providing COLAs is not quantified as a risk in Table 1; however, COLAs could cost almost $8 million per year for each one percent increase.

The County's presumption in the Proposed Plan is that all salary increases will be self-funded by savings from union concessions. This has never occurred in the past and we are skeptical that cost-neutral agreements will be successfully negotiated in the future.

This conclusion is further supported by a series of recent union demands regarding longevity payments.

Our analysis indicates that there is a risk that overtime may exceed proposed levels (despite the $5.4 million in additional funding compared to FY 2017). The Police Department has historically posted the largest budgeted shortfall in overtime and despite improvement during FY 2017, we predict that overtime spending will exceed the FY 2018 Budget, which is unchanged from FY 2017.

The Department of Corrections expends the second largest shortfall in overtime of any department in the County. In FY 2015, the Department experienced an inexplicable and substantial surplus in the amount budgeted for overtime. For equally unknown reasons, this progress reversed itself in FY 2016 and the trend has only worsened in FY 2017 purportedly due to an uptick in the inmate population and delays in hiring correction officers to backfill vacancies. Therefore, although the additional overtime funding is allocated primarily to the Correctional Center, we don't know if it will be sufficient.

Although we project an overtime risk based on historical overspending in the Police Department and the upward trend of overtime spending in the Department of Corrections, we believe that workforce management and savings from vacancies and attrition will be enough to offset this risk. We will continue to closely monitor spending to determine if more critical measures need to be taken.

Headcount – The Proposed Budget contains headcount ("HC") of 7,450 full-time positions, which is 155 positions below the FY 2017 Adopted Budget (see Appendix B). Further, the County's on-board HC as of early September was 7,377, which is already 73 full-time positions below the Proposed Budget HC.

Since more than half of the budgeted 155 position reduction has not been allocated to specific departments, we strongly advise the County determine where it wants to contract its workforce and how the 301 employees that left the County under its 2017 Voluntary Separation Incentive Program ("VSIP") fits into workforce management plan, which must restrict backfilling VSIP-vacated positions to 50%.

Tax Certiorari Payments – The County Comptroller, in his 2017 Mid-Year Report, projected the long-term tax certiorari liability ("backlog") will be $344.5 million at the end of FY 2017 and it is probable that figure will be higher at the end of FY 2018 as new liability is added. The County projects that it will pay $75 million in tax certiorari refunds in FY 2017 by using: $36.4 million in Fund Balance; $23.6 million of a 2016 accrual that was made for this purpose; and only $15 million of 2017 operating revenue. We are not projecting a risk in FY 2017 although we feel it is poor fiscal policy to keep maintaining such a large unpaid backlog liability (see below).

In 2017 and throughout the term of the Proposed Plan, the County plans to use resources held in its Disputed Assessment Fund ("DAF") to pay most tax certiorari refunds to commercial property owners; however, beginning in FY 2018 it is appropriating only

$30 million annually to pay certiorari claims from other property owners not covered by DAF. Any remaining balance from the $30 million appropriation can be used to pay down the backlog.

Although court-ordered settlements are normally recognized as an expenditure in the same year that the matter is resolved, the County has some discretion in pacing the settlement and subsequent payment of other tax certiorari refunds. Their liberal use of this discretion has merely increased the accumulating interest penalties that are owed on these known liabilities. Responsible budgeting would indicate a faster elimination of the backlog; hence we conclude that the County continues to underfund the backlog by approximately $40 million in FY 2019, FY 2020 and FY 2021.

Finally, it is noteworthy that the backlog does not include other property tax litigation, which the County estimates could be as high as $280 million, that may be payable under utilities-related lawsuits.

Judgments and Settlements – The County has budgeted $23 million to cover the costs of non-certiorari judgments and settlements and has almost depleted its Litigation Fund. Based on historical spending, our analysis indicates that $23 million is a reasonable projection of expenditures. Although it is impossible to predict with certainty the likelihood or magnitude of future litigation, we are not placing the funding amount at risk; however, we think a prudent measure would be for the provision of contingency funding, as discussed below, to mitigate the fiscal impact of unanticipated costs.

Contingency Reserve – Because the County is counting on using its Fund Balance in case of emergencies (which would not reduce a GAAP Basis deficit), the Proposed Budget does not allocate funding for contingencies. Although our analysis indicates that the Proposed Budget contains fewer risks than in recent years, other than proposed revenue increases, unanticipated shortfalls could emerge in FY 2018. For example, from lower sales tax revenues, higher expenditures for overtime and judgments and settlements, or unachievable savings and revenue enhancement initiatives. The County's decision to not maintain any reserve for contingencies in the Out-Years is equally disconcerting.

Other Major Concerns

In addition to the risks described above, we continue to have other concerns which could hinder the County's ability to achieve and maintain balance on a GAAP Basis.

Fringe Benefits – For the seventh consecutive year, the County is taking advantage of a State authorized program that allows the County to amortize certain pension costs over several years. The original program, which was called the "Contribution Stabilization Program," allowed the deferred portion to span ten years. Beginning in 2014, the County began to use the "Alternate Contribution Stabilization Program," which allowed the amortization period to be extended by two years to 12 years.

By deferring a portion of its current pension liability, the County will "save" approximately $25.0 million in FY 2018, but it will add to the cumulative deferred pension liability, which has already reached almost $279 million. As we have repeatedly warned in past years, while the use of this program will yield considerable short term budget relief, the effect of the amortization is to merely extend current liabilities into the future. Stated differently, the County has avoided paying almost $279 million in current liabilities and passed that expense onto future taxpayers through FY 2030.

In addition, the County has a significant unfunded liability for certain benefits owed to retirees (unrelated to pensions) referred to as Other Post-Employment Benefits ("OPEB"). The County's OPEB liability is estimated to be $5.0 billion as of December 31, 2016. The County is not required by law to provide funding for post-employment retirement benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries, which have been budgeted. However, OPEB is a liability that will eventually have to be paid and has been noted repeatedly as a negative by the various rating agencies.

Contractual Services – The County uses outside contractors for many different services. The Transdev North America contract is budgeted at $127.6 million for the provision of bus transportation services. The County also spends approximately $34.3 million per year on Health and Human Services and Social Services programs. Additionally, the cost to the County for the provision of medical and psychiatric services to inmates at the Correctional Center is budgeted at $25.2 million per year. The Traffic and Parking Violations Agency is projected to spend $10.3 million, most which is for the provision of red light camera monitoring and enforcement and the County Attorney's Office is budgeted to spend approximately $5 million for outside counsel.

The Transdev contract is being increased from the 2017 Adopted Budget by $6 million to more closely approximate the 2016 actual expenditure of $128.3 million. This would appear to maintain most routes at the present level of service.

The contentious Armor contract, under which medical services had been provided to inmates at the Correctional Center since May 2011, expired on August 31, 2017 and has been superseded by a contract with the Nassau Health Care Corporation ("NHCC"). The new agreement is expected to cost $21.0 million in FY 2018, which is $9.4 million higher than the FY 2017 Adopted Budget, and indemnifies NHCC for their provision of care at the Correctional Center.

The County selected NHCC to provide these services, despite the higher costs, after it failed to secure bids from other vendors. Although, the current agreement appears to be budgeted in accordance with the signed agreement, the appropriation is based on estimated payments that will be advanced to NHCC and subsequently reconciled to reflect actual staffing costs, including fringes and other related costs.

The Police Department and Headquarters 2018 Proposed Budget is increased by more than $3 million over the Adopted Budget to provide for escalating costs related to legal counsel fees and services.

Sewer and Storm Water Resources District Fund – Although the Sewer and Storm Water Resources District ("SSWRD") is not one of the five Major Funds, as defined in the NIFA Act, we have concerns regarding the sustainability of its business model. Simply stated, projected baseline revenues are insufficient to support projected baseline expenditures. Absent other gap-closing measures the County plans to continue to utilize limited remaining fund balance, supplemented by proposed increases in the sewer tax levy.

The County projects that the SSWRD will have a deficit of $15.8 million in FY 2018 even after accounting for a proposed increase of 0.8% in the sewer tax levy, which it will plug with the remaining sewer fund balance. The tax increase requires approval by the Legislature, which is an action that we are unsure will take place.

The County projects ongoing baseline deficits of $21.0 million in FY 2019, $27.9 million in FY 2020 and $30.4 million in FY 2021. To close these projected deficits, the Proposed Plan reflects proposed increases in the sewer tax levy of 16.8% in FY 2019, 4.7% in FY 2020, and 1.7% in FY 2021.

We are skeptical that there is support for this approach to funding the County's sewer system. The County's efforts to charge non-profit institutions for sewer and storm water remains inexplicably blocked by a Court injunction, robbing it of an estimated $12.6 million annually which could be used to mitigate approximately half of the proposed increases.

The County's answer to these concerns is the proposed Public-Private Partnership ("P3") initiative, which is briefly discussed later in this Report on page 18. The County hopes to use proceeds raised from the P3 transaction to pay off outstanding sewer debt, which in turn will provide debt service savings that, combined with assumed sewer rate increases, the County estimates will be sufficient to close the projected deficits.

III. THE OUT-YEAR GAPS: FY 2019 – FY 2021

This section of the Report discusses the projected Out-Year gaps and the County's plan for ensuring balance in these years.

Sizing the Out-Year Gaps – Even if it can successfully implement its entire 2018 gap-closing plan, the County projects baseline gaps of $34.2 million in FY 2019, $58.2 million in FY 2020, and $56.1 million in FY 2021 prior to implementing new gap-closing initiatives.

However, our analysis indicates that if the risks we identified in FY 2018 are not satisfactorily addressed with recurring solutions, the County's projections of Out-Year gaps may be understated by approximately $147.9 million in FY 2019, $160.2 million in FY 2020, and $174.7 million in FY 2021. Combined, we project that the baseline gap could reach $182.1 million in FY 2019, $218.4 million in FY 2020 and $230.8 million in FY 2021, as shown in Table 2.

Table 2

Projected Out-Year Gaps are Understated			
($ in millions)	**FY 2019**	**FY 2020**	**FY 2021**
County Estimated Baseline Gap*	**($34.2)**	**($58.2)**	**($56.1)**
NIFA Risks	**(147.9)**	**(160.2)**	**(174.7)**
NIFA Estimated Baseline Gap	**($182.1)**	**($218.4)**	**($230.8)**

*The baseline gaps were calculated by the County using growth rate assumptions listed in Appendix C.

Most of these risks are carried forward from our analysis of projected revenues and expenditures in FY 2018, which are described in detail earlier in this Report, beginning on page 3. However, there are a few Out-Year risks that are either new or require closer examination, as discussed below.

OTB Profits – As discussed earlier, the County assumes that OTB will begin paying it $20 million per State fiscal year, which ends on March 31, beginning in SFY 2019 (of which it can recognize only $15.75 million in FY 2018 due to the timing difference between County and State fiscal years). The resources are supposed to come from the proceeds OTB expects to receive from Genting for operating 1,000 VLTs on the grounds of Aqueduct Racetrack. These amounts are significantly greater than the $3 million the County received in 2016 and "promised" in 2017 and since we are not aware of a binding agreement between OTB and the County guaranteeing these payments, we continue to hold the incremental revenues above $3 million at risk.

Salaries and Wages – At the end of FY 2017, the County's major labor agreements expire as well as NIFA's commitment not to re-impose a wage freeze. As we discussed earlier in this Report, the County has budgeted for the additional costs of step increases that will be provided to eligible employees in the Out-Years; however, it did not include

any funding for cost of living adjustments ("COLAs"), which have typically been provided in previous contracts. The unfunded impact of providing COLAs is not quantified as a risk in Table 2; however, COLAs could cost almost $8 million per year for each one percent increase.

The County's presumption in the Proposed Plan is that all salary increases will be self-funded by savings from union concessions. This has never occurred in the past and we are skeptical that cost-neutral agreements will be successfully negotiated in the future. This conclusion is further supported by a series of recent union demands regarding longevity payments.

County leaders should not assume that NIFA will find that the necessary prerequisites exist to re-impose a wage freeze. Furthermore, even if implemented, the wage freeze would save significantly less money if changes to the NIFA statute, which were approved by the State Legislature, are submitted to and signed by the Governor. We expect the Administration and its unions to be mindful of NIFA's concerns and the County's distressed finances during any negotiations. In addition, NIFA has repeatedly stated that as a prerequisite to NIFA's review of any proposed labor agreements, the County and each of its unions must-have completed the preparation and execution of consolidated contracts.

Health Insurance - Our analysis indicates that the County's projections for health insurance costs may be understated in the Out-Years if the premiums were to rise by approximately 8.4% annually (the anticipated increase for 2018), which is more rapidly than they assumed. The County assumed health premiums would grow in the Out-Years by 6.1% for current employees and 4.2% for retirees. The difference in assumptions results in potential risks of approximately $10 million in FY 2019, $22 million in FY 2020, and $35 million in FY 2021. We recommend that the County use more conservative growth rate assumptions to project the Out-Year costs of health insurance, over which it has limited control for current employees and retirees.

Tax Certiorari Refunds – The County should be commended for taking steps to fund its annual tax certiorari obligations with operating revenue rather than looking to bond or use Fund Balance to pay these operating costs. However, our analysis indicates that the County's schedule for tax certiorari refunds are woefully understated in the Out-Years, assuming it has any intention of diligently working down the existing backlog, as discussed earlier in this Report.

The backlog arose because of the County's unique obligation for paying 100% of the required refunds on successful property assessment challenges despite it having received less than 20% of the property taxes in the first instance (they also refund the portion that relate to school and town taxes originally received by these other entities). Efforts by the County to change the burdensome State law imposing the "County Guarantee" have been unsuccessful.

The County Comptroller estimated the long-term liability for certiorari claims to be $302 million at the beginning of FY 2017. Other than using Fund Balance to pay these expenses in FY 2017 (which exacerbates the GAAP Basis deficit), the County has shown very little indication of its willingness to pay for this liability in a meaningful way (with operating revenues) to eliminate the backlog. In fact, the County Comptroller, in his 2017 Mid-Year Report, projected the long-term tax certiorari liability ("backlog") will be $344.5 million at the end of FY 2017 and predicted that it will be higher at the end of FY 2018 as new liability is added.

As shown below, the County has budgeted only $30 million per year which, if the backlog does not grow in 2017, would take more than 10 years to pay down. Further, the County will use a portion of the $30 million to cover any commercial liability not funded in the DAF. Consequently, we assume that a more reasonable expenditure for tax certiorari refunds would be $70 million in FY 2018, FY 2019, FY 2020 and FY 2021, which is $40 million more than assumed by the County.

Projected Annual Liability for Certiorari Claims

($ in millions)	FY 2018	FY 2019	FY 2020	FY 2021
Proposed MYP	$30.0	$30.0	$30.0	$30.0
NIFA Estimate	$70.0	$70.0	$70.0	$70.0
Better/(Worse)	**($40.0)**	**($40.0)**	**($30.0)**	**($30.0)**

Judgments and Settlements - As noted with tax certiorari refunds, the County should be commended for taking steps to fund its annual, non-certiorari judgments and settlements with operating revenue. After relying for years on bond proceeds to make these payments or, as it did in FY 2017, tap resources held in its Litigation Fund to fund to these obligations, the County appropriated $23 million in the operating budget for non-certiorari judgments and settlements in FY 2018. Our analysis indicates that this is a reasonable amount based on average historical spending, assuming no large judgments are rendered or settlements reached in FY 2018.

Regrettably, the County is a defendant in several other major lawsuits for which no funds have been reserved. The County Comptroller reported that the County has potential liabilities of $367 million for non-certiorari litigation and $235 million for Workers' Compensation claims as of December 31, 2016. Consequently, resolution of these potential liabilities will likely result in actual costs far exceeding budgeted amounts, necessitating a significant restructuring of other County spending unless a new revenue stream is identified.

Contingency Reserve - We advise the County to fund a non-earmarked contingency reserve in each of the Out-Years with at least $10 million in operating revenues. Reasonable contingency reserves are part of any well-constructed budget because of the probability that certain assumptions will break unfavorably in any year. Even a modest contingency reserve could buffer the otherwise disruptive impact on operations caused by unforeseen increases in expenditures or unanticipated shortfalls in revenues.

The following discussion describes the County's plan to close the baseline gaps it has projected. However, as discussed above and illustrated in "Projected Out-Year Gaps on a Budgetary Basis" in Table 2 on page 13, our analysis indicates that the County's projections of baseline gaps are understated.

Closing the Out-Year Gaps – Our analysis indicates that the projected value of the County's gap-closing plan will be insufficient to close NIFA's estimates of baseline gaps (NIFA's projected risks plus the County's estimate of baseline gaps) even if fully implemented. As shown in Table 3, even after fully implementing the County's gap-closing plan, the projected gaps would still be $118.3 million in FY 2019, $93.1 million in FY 2020 and $99.7 million in FY 2021. Moreover, we think it is unlikely that the full savings from the proposed gap-closing initiatives can be realized.

Table 3

County Gap-Closing Plan			
($ in millions)	**FY 2019**	**FY 2020**	**FY 2021**
NIFA Estimated Baseline Gap	**($182.1)**	**($218.4)**	**($230.8)**
County Gap-Closing Options			
Expense/Revenue Actions			
Revenue Initiatives	$15.0	$15.0	$15.0
Workforce Management	6.0	6.0	8.0
Health Insurance Cost Reduction	5.0	5.5	7.0
Debt Refunding	4.6	3.7	2.0
Program/OTPS Reduction	3.0	3.0	4.0
SUEZ Water Long Island, Inc. Synergy Savings	3.0	3.0	4.0
Technology	1.0	2.0	2.0
ERP Implementation	1.0	2.0	2.0
Public Private Partnership (P3)	-	20.0	20.0
County District Energy Facility	-	10.0	10.0
Strategic Sourcing	-	3.0	4.0
Consolidation Efficiencies	-	1.0	2.0
NYS Actions			
Mandate Reform	14.0	28.7	28.7
E-911 Surcharge	3.5	6.9	6.9
NYS Highway Traffic Offense Surcharge	2.8	5.7	5.7
Other NYS Legislative Actions	2.5	5.0	5.0
Hotel/Motel Tax Rate Increase	2.4	4.8	4.8
Total Gap-Closing Options	**$63.8**	**$125.3**	**$131.1**
Remaining Surplus/(Deficit)	**($118.3)**	**($93.1)**	**($99.7)**

Discussion of County Gap-Closing Initiatives Listed in Table 3

Expense/Revenue Actions – The County has referenced several initiatives that it is pursuing and that it projects could generate additional revenue or reduce expenditures in the Out-Years. While theoretically this may be true, in most instances our discussions and review of the plans for implementation of these initiatives have generated little confidence, that the projections are achievable.

Revenue Initiatives – The County provides a brief description of this initiative that is estimated to generate $15 million in each of the Out-Years. In the absence of anything of substance, such as specific planned measures supported by an analysis of how these revenues were calculated and projected, NIFA must risk the entire initiative.

Workforce Management – The County claims that savings can be derived by running County operations with fewer employees and without a detrimental impact on services. Current on-board staffing levels, combined with full-time headcount reductions resulting from the recent VSIP initiative (with a mandatory back-fill limit of only 50%), has provided workforce savings already accounted for within the Proposed Budget. Without the elimination of programs or a reduction in services provided, we remain doubtful that the County can realize additional workforce savings of $6 million to $8 million in the Out-Years.

Health Insurance Cost Reduction – The County has stated that it is already realizing savings in health insurance of more than 15% for new employees (by offering a lower cost health insurance option and a mandatory cost-sharing requirement) and challenges the incoming administration to build on these accomplishments as collectively-bargained contracts expire at the end of FY 2017. In the absence of specific initiatives, we remain unconvinced that savings of between $5 million and $7 million are easily achievable and have been provided with no analysis behind the projected savings. Therefore, NIFA will only acknowledge these savings when programs are selected, offered and implemented.

Debt Refunding – The County believes that it has options available to refund outstanding bonds for savings. We are skeptical because interest rates have been at historically low levels for several years, during which refundings have been achieved. When or if a refunding is proposed, NIFA will analyze the projected savings.

Program/OTPS Reduction – Short on specifics, the County again looks to the new administration to reduce costs by means of departmental consolidation, contract renegotiation and other creative endeavors. What these various options, are or if they can be achieved, remains to be seen.

SUEZ Water Long Island Inc. Synergy Savings – For the fourth consecutive year, and through the Out-Years, the County suggests that it can generate additional revenue and cost savings by utilizing displaced Sewer and Storm Water employees for revenue-generating tasks and to assist in workforce productivity. To date, the County has not been as successful as planned in this application and it seems these employees are more of a

negative cost than savings or revenue enhancers. Consequently, the projected synergy savings targets of $3 million beginning in FY 2019 and FY 2020, and $4 million in FY 2021 are placed at risk.

Technology – The County claims that it is exploring various internet-based technologies to reduce costs and increase revenue. With little information, and no supporting analysis or forecasting models, the projected revenues of $1.0 million to $2.0 million are unlikely.

ERP Implementation – The County is hopeful that its new Enterprise Resource Planning ("ERP") system will facilitate its pursuit of efficiencies and savings by streamlining core business processes. The County claims that the first phase involving personnel and payroll will be operational by the end of 2017, although the completion of this phase has slipped before. It's unclear how these savings will be realized considering few details are disclosed.

Public-Private Partnership ("P3") – The Administration continues to propose a Public-Private Partnership for the wastewater sewer system that would allow the County to retain public ownership with the vendor acting as a long-term lessor or "concessionaire." The Administration projects that by using a portion of the proceeds from the lease (exceeding the amount needed to pay off sewer debt) to pay off other outstanding County debt, the debt service savings to the Major Funds would be $20 million for both FY 2020 and FY 2021. They assert that the benefits of the P3 would also include performance level guarantees, risk transfer for environmental compliance and improvements in service levels and customer service.

Our concerns remain the same as expressed in previous reports regarding this initiative. It is unclear how much excess money (above the amount needed to pay off outstanding sewer debt), if any, can be raised from this transaction. We note that any "excess" funds will be generated only if the concessionaire is confident of an acceptable return on its investment.

We question both the wisdom of privatizing the sewer system and the political will for this project, especially if it is used to raise extra funding for non-sewer related projects. For these reasons, until the proposed P3 concessionaire agreement can be vetted and possibly implemented, NIFA must put this gap-closing measure at risk.

County's District Energy Facility – The County's agreement with Suez Energy NA, who currently provide electric power and thermal energy to various County buildings and institutions, was extended through May, 2018. The County indicates that it continues to explore a public-private partnership that could involve a "sale, lease, or private operation" of the district energy facility. The County is short on specifics that explain the projected revenue of $10 million per year in 2020 and 2021; therefore, we cannot affirm the viability or time parameters of generating this amount of revenue.

Strategic Sourcing – The County intends to continue pursuing efficiencies and savings through this initiative. They claim, without substantiation, that savings have already been realized and intend to expand this initiative in upcoming years.

Consolidation Efficiencies – The County claims that reductions in its workforce during the past few years have provided opportunities for reduction of office space and centralization of its staff. It has hired a vendor to assist with the process of finding opportunities within this framework. We have no additional information and question whether there would be significant savings without the transfer of employees out of leased space to County-owned facilities.

New York State Actions

Among the initiatives are five proposals that it says that it intends to pursue, but which would require State approval before they could be advanced: (1) mandate reform; (2) other New York State Legislative actions; (3) E-911 Surcharge; (4) NYS Highway Traffic Offense surcharge; and (5) Hotel/Motel tax rate increase. All five of these initiatives have been presented previously with little to no progress to date.

Mandate Reform – The County believes that fraud and inefficiencies exist within certain State-mandated programs and it asserts that it will uncover those frauds and eliminate the inefficiencies. It is unclear if the County has specific cost containment initiatives that it could implement to generate these savings or if it is simply hopeful that the State will implement reforms that result in lower costs for these services.

E-911 Reimbursement – The Administration recommends that the County amend current County law and seek State approval to increase surcharges on telecommunication equipment and telephone service supplier customers. The County would use this revenue to cover the cost technology needed to make enhancements to the 911 (E-911) emergency telephone system.

NYS Highway Traffic Offense Reimbursement – The Administration recommends that the County seek State approval of State legislation to provide a mandatory reimbursement for traffic offenses for incidents occurring on the Long Island Expressway, the Seaford-Oyster Bay Expressway or Sunrise Highway. They contend that this would reimburse the County for the costs associated with patrolling State roadways. This is a slight variation on previous "LIE Surcharge" initiatives that have been repeatedly rejected in the past.

Other NYS Legislative Actions – The County claims that it may seek NYS legislation for revisions on registration fees for non-commercial and commercial vehicles.

Hotel/Motel Tax Rate Increase – The County intends to seek approval from the State to increase the Hotel/Motel tax rate from 3 percent to 5.875 percent, which is the current rate allowed in New York City.

IV. CONCLUSION

The County will be fiscally challenged in FY 2018 even if the proposed increases in fees and fines are approved. Obstacles include, insufficient funding for tax certiorari refunds, modest growth in sales tax revenues, a Temporary Restraining Order on imposing fines on certain commercial property owners, and unbudgeted overtime costs.

Most importantly, our analysis indicates that the County will likely remain in a control period throughout the term of the Proposed Plan. This will occur because of our doubts that the County will be able to close the projected GAAP Basis deficit (the statutory standard by which NIFA is required to measure balance) in FY 2018 and subsequently if the proposed revenue increases are not approved by the Legislature or alternative gap-closing measures are not implemented.

As we have stated many times, the recipe for exiting the Control Period is well known and requires straightforward ingredients. The County must adopt measures that significantly raise the level of recurring revenue sufficient to fund its current obligations and desired level of services. In the alternative, the County must radically cut the level of its recurring expenditures so that they match its available recurring revenues. A reasonable course of action would combine both approaches.

Many proposals by the Administration to help match the County's recurring expenditures with recurring revenues have been foiled by the County's elected officials who have clearly endeavored to avoid making the decisions needed to address this persistent imbalance. At the same time, there are instances when the Administration's insistence on maintaining certain discretionary programs has been an impediment to achieving balance.

The County's preferred approach has been to defer current obligations to future years, in part by bonding certain operating costs under the pretense of protecting the County's taxpayers. However, this short-sighted philosophy has improperly allocated costs and inequitably burdened future taxpayers with the inflated costs for cleaning up current financial problems.

NIFA's statutory powers preclude it from imposing revenue enhancing initiatives, which leaves it with the unpopular alternative of trimming spending with resultant cutbacks in services. We have refrained from this approach for most of our tenure, which has now reached 17 years, six of which have been in a Control Period. While it remains the responsibility of County leaders to solve their own fiscal problems, we recognize our statutory mandate and are not taking any of our options off the table.

V. APPENDICES

Appendix A
Proposed Multi-Year Financial Plan, Fiscal 2018-2021

MAJOR FUNDS				
EXPENDITURES				
OBJECT	2018 Proposed	2019 Plan	2020 Plan	2021 Plan
AA-SALARIES, WAGES & FEES	887,501,979	902,038,258	908,270,322	913,227,819
AB-FRINGE BENEFITS	577,969,228	606,313,872	637,627,462	670,639,030
AC-WORKERS COMPENSATION	35,411,398	35,411,398	35,411,398	35,411,398
BB-EQUIPMENT	2,450,286	2,450,286	2,450,286	2,450,286
DD-GENERAL EXPENSES	33,335,871	33,590,747	33,969,161	34,189,132
DE-CONTRACTUAL SERVICES	266,734,499	267,033,691	267,548,363	268,073,328
DF-UTILITY COSTS	36,746,634	37,436,494	39,086,977	40,252,648
DG-VAR DIRECT EXPENSES	5,000,000	5,000,000	5,000,000	5,000,000
FF-INTEREST	127,407,030	125,373,372	128,118,653	127,662,071
GA-LOCAL GOVT ASST PROGRAM	70,543,549	71,929,420	73,343,008	74,784,869
GG-PRINCIPAL	101,380,169	116,705,000	129,045,001	139,245,001
HH-INTERFD CHGS - INTERFUND CHARGES	24,719,916	24,652,955	24,588,301	23,084,989
MM-MASS TRANSPORTATION	44,170,818	45,376,241	46,616,622	47,892,973
NA-NCIFA EXPENDITURES	2,025,000	1,925,000	2,025,000	2,075,000
OO-OTHER	241,454,445	241,830,059	227,423,229	197,858,996
PP-EARLY INTERVENTION/SPECIAL EDUCATION	134,500,000	137,190,000	139,933,800	142,732,476
SS-RECIPIENT GRANTS	55,650,000	56,206,500	57,049,598	57,905,341
TT-PURCHASED SERVICES	67,583,171	68,934,834	71,002,879	72,422,937
WW-EMERGENCY VENDOR PAYMENTS	47,025,000	46,554,750	46,554,750	46,554,750
XX-MEDICAID	237,685,256	237,685,256	237,685,256	237,685,256
TOTAL	**2,999,294,249**	**3,063,638,133**	**3,112,750,066**	**3,139,148,300**
REVENUES				
OBJECT	2018 Proposed	2019 Plan	2020 Plan	2021 Plan
BA - INT PENALTY ON TAX	34,850,000	34,850,000	34,850,000	34,850,000
BC - PERMITS & LICENSES	18,485,093	19,485,093	18,485,093	19,485,093
BD - FINES & FORFEITS	133,410,574	130,855,138	130,855,138	130,855,138
BE - INVEST INCOME	1,953,235	1,953,235	1,953,235	1,953,235
BF - RENTS & RECOVERIES	25,064,596	25,204,596	25,404,596	25,404,596
BG - REVENUE OFFSET TO EXPENSE	14,400,000	14,400,000	14,400,000	14,400,000
BH - DEPT REVENUES	256,880,578	256,880,578	256,880,578	256,880,578
BO - PAY LIEU TAX PAYMENT IN LIEU OF TAXES	45,621,235	44,791,079	44,317,188	44,316,434
BQ - D/S FROM CAP - DEBT SERVICE FROM CAPITAL	2,604,750	1,740,000	2,340,000	2,340,000
BS - OTB NON-TAX REVENUE	15,750,000	20,000,000	20,000,000	20,000,000
BW - INTERFD CHGS - INTERFUND CHARGES REVENUE	70,269,277	79,442,347	84,559,125	86,376,915
FA - FEDERAL AID - REIMBURSEMENT OF EXPENSES	134,593,732	135,690,304	136,776,165	136,400,206
IF - INTERFUND TRANSFERS	3,609,039	0	0	0
SA - STATE AID - REIMBURSEMENT OF EXPENSES	211,574,980	213,018,975	214,490,850	215,991,152
TA - SALES TAX CO - SALES TAX COUNTYWIDE	1,082,870,598	1,104,528,010	1,126,618,570	1,149,150,942
TB - PART COUNTY - SALES TAX PART COUNTY	100,617,346	102,739,526	98,962,582	100,941,833
TL - PROPERTY TAX	814,697,669	811,849,517	811,575,493	811,672,832
TO - OTB 5% TAX	2,100,000	2,100,000	2,100,000	2,100,000
TX - SPECIAL TAXS - SPECIAL TAXES	29,941,547	29,941,547	29,941,547	29,941,547
TOTAL	**2,999,294,249**	**3,029,469,945**	**3,054,510,159**	**3,083,060,501**
SURPLUS/(DEFICIT)	**0**	**(34,168,188)**	**(58,239,907)**	**(56,087,800)**

Appendix B

FY 2018 PROPOSED BUDGET FULL-TIME HEADCOUNT (HC) COMPARISON TABLE

Department	2017 Adopted HC	2018 Proposed HC	Inc/Dec Proposed to Adopted	On-Board Sept 1, 2017	Inc/Dec Proposed to On-Board
AC - DEPARTMENT OF INVESTIGATIONS	4	4	0	2	2
AR - ASSESSMENT REVIEW COMMISSION	30	30	0	29	1
AS - ASSESSMENT DEPARTMENT	135	123	(12)	123	0
AT - COUNTY ATTORNEY	96	85	(11)	82	3
BU - OFFICE OF MANAGEMENT AND BUDGET	26	25	(1)	25	0
CA - OFFICE OF CONSUMER AFFAIRS	26	25	(1)	25	0
CC - NC SHERIFF/CORRECTIONAL CENTER	1,040	1,042	2	966	76
CE - COUNTY EXECUTIVE	17	14	(3)	14	0
CF - OFFICE OF CONSTITUENT AFFAIRS	35	35	0	34	1
CL - COUNTY CLERK	83	83	0	73	10
CO - COUNTY COMPTROLLER	87	87	0	75	12
CS - CIVIL SERVICE	52	51	(1)	48	3
DA - DISTRICT ATTORNEY	371	375	4	375	0
EL - BOARD OF ELECTIONS	164	159	(5)	159	0
EM - EMERGENCY MANAGEMENT	8	9	1	8	1
FC - FIRE COMMISSION	95	96	1	90	6
HE - HEALTH DEPARTMENT	183	182	(1)	177	5
HI - HOUSING & INTERGOVERNMENTAL AFFAIRS	14	14	0	14	0
HR - COMMISSION ON HUMAN RIGHTS	7	7	0	6	1
HS - DEPARTMENT OF HUMAN SERVICES	65	63	(2)	60	3
IT - INFORMATION TECHNOLOGY	87	87	0	87	0
LE - COUNTY LEGISLATURE	95	90	(5)	82	8
LR - OFFICE OF LABOR RELATIONS	4	4	0	4	0
MA - OFFICE OF MINORITY AFFAIRS	5	5	0	5	0
ME - MEDICAL EXAMINER	73	84	11	70	14
PA - PUBLIC ADMINISTRATOR	6	6	0	6	0
PB - PROBATION	191	191	0	180	11
PD - POLICE DEPARTMENT	3,335	3,308	(27)	3,244	64
PE - DEPARTMENT OF HUMAN RESOURCES	9	8	(1)	8	0
PK - PARKS, RECREATION AND MUSEUMS	154	149	(5)	149	0
PR - PURCHASING DEPARTMENT	12	10	(2)	10	0
PW - PUBLIC WORKS DEPARTMENT	469	462	(7)	427	35
RM - RECORDS MANAGEMENT	12	12	0	12	0
SA - COORD AGENCY FOR SPANISH AMERICANS	4	4	0	4	0
SS - SOCIAL SERVICES	620	616	(4)	614	2
TC - TAXI & LIMOUSINE COMMISSION	10	10	0	9	1
TR - COUNTY TREASURER	27	27	0	26	1
TV - TRAFFIC & PARKING VIOLATIONS AGENCY	46	48	2	48	0
VS - VETERANS SERVICES AGENCY	7	7	0	7	0
SubTotal	**7,704**	**7,637**	**(67)**	**7,377**	**260**
Unallocated HC Reduction	**(99)**	**(187)**	**(88)**		
Grand Total	**7,605**	**7,450**	**(155)**	**7,377**	**73**

Appendix C
Multi-Year Plan Baseline Inflators

Category	2019, 2020, 2021	Inflator Explanation
Expenditures		
Wages: Non-Police Pension Police Pension Health Ins. – Active Health Ins. – Retirees	 NYSERS, 5.8%, 5.8% NYSERS, 6.11%, 6.11% 6.13%, 6.13%,6.13% 4.21%, 4.21%,4.21%	 Estimates provided by the NYS Retirement System Estimates provided by the NYS Retirement System Highest average increase over last 3, 5, or 9 years Highest average increase over last 3, 5, or 9 years
Other Than Personal Services	Flat, Flat, Flat	
Utilities:		
Light and Power Brokered Gas	1.14%, 5.61%, 3.31% 1.87%, 4.43%, 3.80%	EIA (DOE) 2016 Annual Energy Outlook Price Projection for Mid-Atlantic Region Commercial Customers (June 2016) (Base reference case)
Trigen	1.93%, 3.65%, 3.22%	Blended (2/3 weighting for natural gas for electric power [EIA 2016 AEO] & 1/3 weighting for the 10 yr. avg. CPI [2.65%])
Fuel Water	9.38%, 12.13%, 6.04% 2.5%, 2.5%, 2.5%	EIA (DOE) 2016 Annual Energy Outlook Price Projection for Mid-Atlantic Region Commercial Customers (June 2016) (Base reference case)
Telephone	2.06%, 2.06%, 2.06%	Historical Trend
Medicaid	Flat, Flat +1 Wk, Flat	2017 goes back to Original Weekly Medicaid Cap prior to relief
Social Services Entitlements	Variable	Reflects most current caseload information
Special Education Program	Variable	Reflects most current caseload information
Revenues		
State Aid	Variable	Variable based upon reimbursement formula
Federal Aid	Variable	Variable based upon reimbursement formula
Sales Tax	2.0%, 2.0%, 2.0%	