Nassau County Interim Finance Authority

NIFA

REVIEW OF NASSAU COUNTY'S PROPOSED MULTI-YEAR FINANCIAL PLAN FISCAL 2016 - 2019

October 19, 2015

NASSAU COUNTY
INTERIM FINANCE AUTHORITY

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I. Overview

On September 15, 2015, the County released its Proposed Multi-Year Financial Plan, Fiscal 2016-2019 (the "Proposed Plan"), the first year of which is the Proposed Budget for FY 2016 (the "Proposed Budget"). The following discussion reflects staff's views on the County's submission.

The Proposed Plan contains significant projected deficits in each year. These include approximately $211 million in FY 2016 when 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 control period will continue as long as there is at least a 1% deficit on a GAAP Basis in the County's Major Funds (defined herein), or $29.5 million based on the 2016 Budget.

A substantial portion of the projected risk results from proposed initiatives that are subject to County legislative action, such as $21.6 million in additional property tax revenue and $42.8 million in additional fees and fines. An additional $32.8 million relates to proposed borrowing for police termination pay, which NIFA has indicated it would not approve.

The County's financial outlook continues to be challenging due to several reasons, including the protracted weakness in the County's local economy and its prior and continuing use of:

1. County borrowings for expenses that should be paid for out of operating income (e.g., tax certiorari refunds, judgments and settlements, and termination expenses) – and which are paid for out of operating revenues by other comparable municipalities;
2. Reserves to fund operating expenditures. While the appropriation of reserves is not prohibited under GAAP, it does nothing to reduce the persistent structural imbalance between recurring revenues and expenditures; and
3. Optimistic assumptions of certain baseline and gap-closing revenue and expenditure projections.

The County has made notable progress in realigning its finances in recent years through workforce reductions, new labor agreements, public-private partnerships, tax certiorari reforms, and increases in several revenue streams. Unfortunately, these changes, which have often come at the urging of rating agencies or the direction of NIFA, have not been enough to staunch the GAAP Basis deficits that continue to plague the County, as shown in the following table.

Operating Results on a GAAP Basis ($ in millions)							
FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015p**	**FY 2016p**
($180.4)	($144.9)	($160.0)	($64.1)	($73.6)	($189.2)	($188.2)	($211.4)

One of the changes recommended by NIFA has been the restriction on certain types of non-essential borrowing. Since the beginning of the control period, NIFA has rejected borrowings of more than $200 million and has instituted limits on borrowing for judgments and settlements and termination expenses. NIFA also required the County to identify savings and other sources of revenue to fund its labor contracts as a condition of lifting the wage freeze, which had generated hundreds of millions in gap-closing savings. Unfortunately, the largest revenue initiative (school zone speed cameras) was subsequently repealed by the County Legislature shortly after its rollout.

The County reiterated its commitment to achieve balance on a GAAP Basis, the statutory standard by which NIFA is required to measure balance, by FY 2018. However, the projected risks are sizeable and we question the County's willingness to raise sufficient revenue to meet its recurring expenditures or its readiness to cut sufficient expenditures to match its recurring revenues. Public comments made by elected officials objecting to proposed revenue-raising initiatives and expressing support for spending increases on "vital programs" have fueled our skepticism.

Consequently, we find that GAAP Basis balance is unlikely to be achieved without considerable changes to the Proposed Plan and the mindset of the County's leaders and stakeholders.

II. DISCUSSION OF FY 2015

Before examining the Proposed Plan we need to discuss the projected operating results for FY 2015 because they form the baseline for future years and are the foundation of our analysis of the County's revenue and expenditure assumptions for FY 2016 and FY 2017 – FY 2019 (the "Out-Years").

FY 2015 RISKS

Our analysis of revenues and expenditures in the Major Funds indicates that the County could end FY 2015 with a substantial operating deficit when examined on both a GAAP Basis, as required by State law, or on a budgetary basis, which otherwise obscures the County's true underlying financial weakness. The Major Funds are defined as the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Commission Fund, and the Debt Service Fund.

We currently project a FY 2015 deficit of approximately $51 million on a budgetary basis and up to $188 million on a GAAP Basis, including approximately $135 million in operating expenditures that the County proposes to fund with bond proceeds and reserves. Our projections depend primarily on the total amount of tax certiorari refunds that will be made in 2015 and if the risks we have identified all break unfavorably against the County. Likewise, the projected deficits assume that no favorable variances will develop, beyond those already identified, in the remaining months of the year. See "Projected FY 2015 Operating Results" table on page 4.

Projected County deficits will result despite the County's multi-year efforts to increase revenues and reduce expenditures, including the realization of significant savings from the NIFA imposed wage freeze, which has now been lifted. Significant, unanticipated shortfalls in projected revenue from sales taxes, speeding tickets (the Legislature repealed the school zone speed camera program), OTB's video lottery terminal initiative (delayed site selection), and sewer fees charged to non-profit institutions (delayed by court-ordered injunction) have exacerbated the fiscal challenges confronting the County.

The GAAP Basis deficit in FY 2015 could end up being smaller than estimated if, for example, sales tax revenues pick up in the remaining months of the year, additional prior-year encumbrances are reversed, and tax certiorari refunds are postponed. Alternatively, operating results could be worse than projected if sales tax revenues do not rebound and other negative variances develop. At best, the GAAP Basis deficit for FY 2015 will likely exceed by multiple times the control period trigger of a 1% deficit in the County's Major Funds.

Projected FY 2015 Operating Results on a Budgetary Basis			
($ in millions)	**Adopted Budget**	**Current Projection**	**Surplus/(Risk)**
Revenues:			
Fines and Forfeitures	**$103.7**	**$58.0**	**($45.7)**
Red Light Cameras	*37.1*	*29.6*	*(7.5)*
School Zone Speed Cameras	*40.3*	*3.9*	*(36.4)*
Other	*26.3*	*24.5*	*(1.8)*
Rents and Recoveries	**19.3**	**41.8**	**22.5**
Departmental Revenues	**170.8**	**169.5**	**(1.3)**
Bond Proceeds Used to Pay Operating Costs			
*Tax Certiorari Payments**	**100.0**	**100.0***	**0.0**
Judgments and Settlements	**18.0**	**0.0**	**(18.0)**
Bond Premium in excess of costs of issuance	**0.0**	**18.0**	**18.0**
Termination Pay	**33.0**	**0.0**	**(33.0)**
Off-Track Betting Profits (VLTs)	**9.0**	**0.0**	**(9.0)**
Sales Tax	**1,146.2**	**1,103.3**	**(42.9)**
Other Revenue	**1,380.3**	**1,384.7**	**4.4**
Total Revenues	**2,980.3**	**2,875.3**	**(105.0)**
Expenditures:			
Salaries and Wages	**851.1**	**880.6**	**(29.5)**
Overtime	*79.3*	*87.4*	*(8.1)*
Terminal Leave	*34.2*	*65.8*	*(31.6)*
Vacancy Savings	*624.7*	*609.0*	*15.7*
Other	*112.9*	*118.4*	*(5.5)*
Fringe Benefits	**496.1**	**480.7**	**15.4**
Health Insurance	*275.4*	*259.5*	*15.9*
Other	*220.7*	*221.2*	*(0.5)*
Contractual Services	**253.9**	**245.3**	**8.6**
Debt Service	**174.5**	**164.2**	**10.3**
Tax Certiorari Payments*	**100.0**	**100.0**	**0.0**
Judgments and Settlements	**21.2**	**21.3**	**(0.1)**
Direct Assistance	**569.0**	**548.0**	**21.0**
Other Expenditures	**514.5**	**486.2**	**28.3**
Total Expenditures	**2,980.3**	**2,926.3**	**54.0**
Total Risk			**($51.0)**

*The County plans to use $40 million in bond proceeds from prior borrowings plus $60 million in bond proceeds raised in 2015 (total of $100 million) to pay an equal amount of tax certiorari refunds in 2015.

Some of the major projected *revenue budgetary variances* in FY 2015 include the following:

- Fines and Forfeitures are projected to fall short of budget by approximately $45.7 million due to shortfalls in both Red Light Camera and other TPVA revenue collections. Most notably, the County will fall short of its school zone speed camera target by more than $36 million due to the repeal of the program at the end of 2014. Although it was budgeted at $40 million, a small amount of revenue from unpaid speed camera tickets issued last year has been collected in FY 2015. The shortfall is partially offset by approximately $8.6 million in savings from expenditures that had been appropriated to pay the contracted speed camera program vendor.

- Rents and Recoveries are projected to surpass budget by approximately $22.5 million. The favorable variance results primarily from $13.1 million in Community Development Block Grant ("CDBG") funding the County has received to cover FEMA expenses from Superstorm Sandy, the recovery of prior year appropriations for unused Pre-School Education expenses, and higher than anticipated sales of County property due to a delayed sale from 2014 into 2015.

- Departmental revenues are projected to fall below budget by $1.3 million. The projected shortfall includes: $1.7 million in mortgage recording fees; $1.2 million in parks revenue; $3.5 million in bus fare box revenue; $1.3 million in tow truck franchise fees; $0.9 million in ambulance fees; and $1.0 million from continued delays in implementing the Clerk's online registration fee. The projected negative variances are mostly offset by projected favorable variances including: $4.4 million in the Assessment Department from its tax map verification fee; $1.4 million in deed recording fees; $0.6 million in Fire Commission fees; and $1.9 million in other miscellaneous fees and revenues.

- Bond proceeds have been used by the County to fund certain operating costs, including payments for tax certiorari refunds, judgments and settlements and, in recent years, termination costs. NIFA has rejected the County's requests to borrow directly for judgments and settlements and employee termination costs in FY 2015 with the admonition each time that these operating costs should be paid with operating revenue.

  Nevertheless, the County estimates that it will use $100 million in authorized bond proceeds ($60 million was issued in FY 2015) to fund tax certiorari payments in FY 2015. Through September, the County has paid out approximately $76 million in claims. To the extent that the County pays out less than $100 million in tax certiorari liabilities, the remaining bond proceeds will be available next year for this purpose.

NIFA recently authorized the County to use available bond premium to pay judgments and settlements. Technically excess bond premium will be used to pay budgeted debt service, thereby freeing up an equivalent amount of resources to pay judgments and settlements. Since resources raised through the issuance of premium bonds is merely another form of borrowing, NIFA unambiguously cautioned the County that these resources are not considered revenue and therefore would not reduce the GAAP Basis deficit. The County currently estimates that it will have approximately $18 million in bond premium in excess of its costs of issuances to cover judgments and settlements this year. To the extent that bond premium exceeds its actual liabilities, the County will roll an equivalent amount of monies into a Litigation Fund, which it will use to pay judgments and settlements in future years.

- Off-Track Betting Corporation ("OTB") was authorized by State legislation in July 2013 to install up to 1,000 video lottery terminals ("VLTs"). The County anticipated that this would be done by the middle of 2015 and, as a result, the County would realize $9 million in new revenue. Strong opposition by constituents and local elected officials led OTB to abandon its efforts to implement this initiative at the vacant former site of Fortunoff, thereby creating a $9 million budgetary shortfall.

- Sales tax revenue this year, through the quarterly sales tax distribution on October 9th, is up 0.88% from the same period last year. Assuming that sales tax growth in the remaining months remains at 0.88%, we project total year-end receipts to be $42.9 million lower than budget. If sales tax revenue does not grow at all during this period, then the year-end shortfall could reach $45.8 million. Likewise, if sales tax revenue declines, the shortfall will be ratably larger. Actual collections will depend on the timing and strength of economic activity in Nassau County during the fourth quarter and will not be known with certainty until after the last sales tax revenues related to FY 2015 are received in February 2016.

Some of the major projected *expenditure budgetary variances* in FY 2015 include the following:

- Expenditures for salaries and wages are projected to exceed budget by approximately $29.5 million. The projected variance is composed primarily of approximately $8.1 million in overspending on overtime and $31.6 million on terminal leave expenditures, which are payments to separating employees for unused vacation and sick leave balances. Both risks are partially offset by $15.7 million in projected savings arising from vacant full-time positions.

  The unfavorable variances were incurred because the County continues to allocate overtime funding below historical levels, especially in the Police Department and Department of Public Works, and the number of civilian and police retirements surpassed budgeted assumptions. Police retirements have surged due to a combination of an aging police force and an opportunity for prospective retirees to optimize their pension benefits, which have been boosted by the historically high levels of overtime earned by police officers during the past three years. The County has stated that approximately 130 police officers have retired or have filed their papers and it expects up to 70 more police officers to retire before the end of the year.

The County expects police overtime spending to decrease in the coming months as new classes of police officers are brought on board to fill vacancies created by the high level of retirements. In the meantime, minimum manning provisions contained in the County's police labor agreements continue to place upward pressure on overtime usage since these unique contractual restrictions limit management's flexibility to efficiently deploy police resources where and when they are needed.

The County appropriated $34.2 million for terminal leave expenditures, which we estimate may be $31.6 million less than is needed. The County assumed that its terminal leave costs would be funded entirely with borrowed money, as discussed on page 5, but it never received the requisite authorization. Contributing to the problem, the County executed an agreement with the CSEA union to offer a Voluntary Separation Incentive Program ("VSIP") to its members despite NIFA clearly warning that it would not support bonding for this type of operating expense.

The additional CSEA VSIP-related costs (*e.g.*, separation incentive, longevity payments and previously lagged wages) added approximately $8 million in unbudgeted expenditures, some of which the County expects to offset with savings to be realized from leaving these positions vacant. The County currently estimates that the vacancy savings will reduce the unfunded VSIP liability to approximately $5.5 million and expects to realize additional savings next year by limiting backfill rates.

- <u>Fringe benefit savings of $15.4 million</u>, which arise primarily from health insurance premiums rising by less than the amount budgeted and from leaving vacant positions unfilled, will partially offset unbudgeted salaries and wages. Premiums for the New York State Health Insurance Program ("NYSHIP") are negotiated by the State Department of Civil Service and are finalized after the County's budget is adopted. In contrast, the County's annual pension liability is set by the State Comptroller and is known prior to budget adoption. It should be noted that pension costs would have been $60.9 million higher than currently projected had the County paid its full pension liability in FY 2015 rather than opting to amortize a portion of these costs over the next 12 years (this impacts budgetary basis accounting only and does not affect the timing or amount of GAAP pension expenses).

- Contractual costs are projected to be approximately $8.6 million less than budgeted primarily due to the repeal of the School Zone Speed Camera Program. Although the County will not realize all of the $40 million in budgeted gross ticket revenue, it will also not incur the full $9.6 million cost of the County's contract with American Traffic Solutions ("ATS") to operate the program. This contract called for paying ATS based on a percentage of ticket revenue (excluding administrative fees).

- Debt service costs are projected to be approximately $10.3 million less than budget. This is due to delayed debt issuances, and in smaller amounts and at lower interest rates than assumed. It should be noted that lower levels of borrowing is partly due to NIFA not approving certain borrowings requested by the County since declaring a Control Period in 2011 (more than $200 million in such borrowing has been rejected to date).

- Tax certiorari payments may reach approximately $100 million in FY 2015. All of these payments are expected to be funded with bond proceeds, of which $60 million was authorized during FY 2015. The difference will be covered by bond proceeds remaining from prior issuances. The Comptroller projects that the County's long-term tax certiorari liability could decline to approximately $282 million in FY 2015 from the estimated $296 million level at year-end 2014. However, the Comptroller also projects that the long-term liability may grow to $305 million during FY 2016 as new liability is added.

- Judgments and Settlements expenditures are currently estimated by the County to be approximately $21.3 million in 2015, of which only $3.3 million has been budgeted from operating revenues. The other $18 million will be paid with borrowed monies raised in the form of bond premium. As noted earlier, technically excess bond premium will be used to pay budgeted debt service, thereby freeing up an equivalent amount of resources to pay judgments and settlements. To the extent that available bond premium exceeds the County's judgments and settlements liability in 2015, the County can direct it toward additional tax certiorari payments or it is required to transfer an equivalent amount of monies into a Litigation Fund, which can be used to fund these same liabilities in FY 2016.

- Direct assistance costs, which include expenditures for Early Intervention/ Preschool Special Education, recipient grants, purchased services, emergency vendor payments, and Medicaid are projected to be $21.0 million less than budget. The largest favorable variance is $16 million in Medicaid savings from State reductions in the County's Medicaid Local Share Cap and Indigent Care payments. In addition, the County will realize savings from lower caseloads under the Temporary Assistance for Needy Families, Institutional and Foster Care, Day Care and other social services programs.

III. DISCUSSION OF FY 2016

As required by the County Charter and NIFA Act, the County submitted its Proposed Multi-Year Financial Plan, Fiscal 2016-2019 (see Appendix A) the first year of which is the Proposed Budget for FY 2016. Our analysis of the Proposed Budget indicates that the County could end FY 2016 with an operating deficit in the Major Funds of approximately $191 million on a budgetary basis, or approximately $211 million on a GAAP Basis, if all of the risks we have identified are not resolved. This is more than seven times the $29.5 million deficit which would otherwise trigger a control period. See "Analysis of Proposed FY 2016 Budget" table on page 10.

The projected risks include $21.6 million in higher property taxes and $42.8 million in increased fees (both require approval by the Legislature) and $92.8 million in proposed borrowings for operating expenses (requires approval by the Legislature and NIFA). NIFA advised the County that it would not approve the $32.8 million of proposed borrowings earmarked to fund termination costs. In response, the Administration presented a contingency plan to offset these expenditures, some of which have already been reflected in our baseline projections. The projected GAAP Basis results would be unchanged even if the $60 million component of the proposed borrowing for tax certiorari refunds is approved since these resources are not revenues.

If the Legislature approves the proposed increases in property taxes and fees, as well as the items included in the contingency plan, the projected deficit could be reduced to approximately $54 million on a budgetary basis, or $134 million on a GAAP Basis. Since a deficit of this size is still more than four times the control period threshold we do not expect the control period to be terminated.

FY 2016 RISKS

The risks in FY 2016 fall into two main categories:

A. Category One Risks – **Implementation Risks** ($34.2 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 an increase in sales tax revenue, OTB profits from the installation of VLTs, and has plans to sell certain properties for which no contracts currently exist.

B. Category Two Risks – **Requires NIFA or County Legislative Action** ($157.2 million).

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

For example, the County proposes to increase property taxes and fees and also bond payments for tax certiorari refunds and termination expenses.

Analysis of Proposed FY 2016 Budget on a Budgetary Basis (Prior to Legislative Action)			
($ in millions)	**FY 2016 Proposed**	**FY 2016 Projection**	**Surplus/(Risk)**
Revenues:			
Fines and Forfeitures	**66.7**	**54.6**	**(12.1)**
Rents and Recoveries	**47.6**	**42.5**	**(5.1)**
Departmental Revenues	**213.5**	**172.2**	**(41.3)**
Mortgage Recording Fees	*37.5*	*19.8*	*(17.7)*
GIS Tax Map Fee	*27.3*	*9.1*	*(18.2)*
Other	*148.7*	*143.3*	*(5.4)*
Bond Proceeds for Operations	**92.8**	**0.0**	**(92.8)**
Tax Certiorari Payments	*60.0*	*0.0*	*(60.0)*
Termination Payments	*32.8*	*0.0*	*(32.8)*
OTB Profits	**20.0**	**0.0**	**(20.0)**
Property Taxes	**853.9**	**832.3**	**(21.6)**
Sales Tax	**1,124.3**	**1,113.6**	**(10.7)**
Other Revenue	**528.1**	**529.0**	**0.9**
Total Revenues	**2,946.9**	**2,744.2**	**(202.7)**
Expenditures:			
Salaries and Wages	**870.1**	**876.8**	**(6.7)**
Overtime	*82.2*	*88.9*	*(6.7)*
Fringe Benefits	**521.8**	**514.6**	**7.2**
Contractual Services	**245.1**	**245.1**	**0.0**
Debt Service	**203.6**	**196.6**	**7.0**
Tax Certiorari Payments	**70.0**	**70.0**	**0.0**
Other Expenditures	**1,036.3**	**1,036.5**	**(0.2)**
Total Expenditures	**2,946.9**	**2,939.6**	**7.3**
Subtotal of Risks			**($195.4)**
Contingency Reserve			**4.0**
Total Net Risk			**($191.4)**

The following discussion explains in greater detail what NIFA staff consider to be the major projected risks.

Fines and Forfeitures – The County has budgeted $66.7 million in anticipated revenue from fines and forfeitures. At this time, our analysis indicates that the County's revenue target may be overstated by $12.1 million. Approximately $9.7 million of this risk arises from projected shortfalls in the Red Light Camera program. About one-half of this risk may be mitigated by additional revenue that could be realized if the Legislature approves the proposed increase in administrative fines on tickets paid to the Traffic and Parking Violations Agency.

Rents and Recoveries – The County has budgeted $47.6 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 against defendants.

Included in this amount is $18 million of one shots that the County expects to realize from the Tobacco Settlement Corporation Residual Trust and $5.1 million from the sale of County property in FY 2016. Despite using Tobacco Fund resources for health-related expenses in the past, the County has assured us that there are no legal restrictions attached to the transfer of the tobacco proceeds to the General Fund. We consider, however, the additional 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 $213.5 million in departmental revenue, of which we project $41.3 million to be at risk. Most of this risk stems from proposed increases in the mortgage recording and tax map verification fees that must be approved by the Legislature. Other risks include $3.5 million in projected fare box revenue in the County's bus system run by Transdev North America and projected shortfalls in online registration fees.

Bond Proceeds for Operations – The County has budgeted the use of $92.8 million in bond proceeds to pay operating expenses in FY 2016. These uses include $60.0 million for tax certiorari refunds and $32.8 million for employee termination costs. The borrowings require approval by the Legislature and NIFA and are subject to risk until the requisite authorizations are secured.

NIFA has already notified the County that it would not approve the proposed borrowing for termination expenses, thereby creating a hole in the Proposed Budget that needs to be filled by the County. In response, the Administration presented a contingency plan, which it valued at $32.8 million, to offset these unfunded expenditures. Some of the proposed contingency savings, such as lower health insurance expenses, reduced overtime in the Correctional Center, and debt service, are already reflected in our baseline projections. The contingency plan must be approved by the Legislature.

The County also plans to fund its expenditures for judgments and settlements with resources that will be held in its Litigation Fund, which is being created this year. The Litigation Fund resources will be raised indirectly through the County's issuances of premium bonds. To the extent that excess bond premium is available after funding its capital needs and costs of issuances, as well as current judgments and settlements, the County will transfer an equivalent amount of monies into the Litigation Fund.

The County should be paying its operating costs with operating revenues as is done in other municipalities. The practice of financing these expenditures, which add to the GAAP Basis deficit, burdens future taxpayers with debt service costs for a benefit obtained solely by current taxpayers. These concerns have been noted many times by NIFA in past years and are also discussed elsewhere in this report.

OTB Profits – The County is projecting $20 million in profits from the installation of up to 1,000 video lottery terminals ("VLTs"), which were authorized by State legislation in July of 2013, at an OTB facility. OTB announced that it would work quickly to get a temporary site operational by April 1st while continuing its effort to finalize plans for a permanent location. The County stated that the temporary site selection should be announced in the coming weeks.

Although there is data suggesting that the County could achieve its targets after the facility is operational, we are concerned that delays are likely to reduce the amount that can be realized in FY 2016 and possibly throughout the term of the Proposed Plan. Strong opposition by both constituents and elected officials derailed past efforts by the OTB to locate the gaming facility at the former site of Fortunoff. Consequently, we consider these revenues to be at risk until a site is selected and there is evidence that a facility is operational and generating the profits at the projected levels.

Property Tax – Property taxes, which provide a steady source of recurring revenues regardless of the health of the local economy, is projected to account for almost 30% of all revenues in the Major Funds. It is budgeted at $853.9 million, which is an increase of $21.6 million from the $832.3 million budgeted in FY 2015. Combined with an offsetting reduction of $9.6 million in the Environmental Bond Fund tax levy (bringing it to zero dollars), the County will realize a net increase of $12 million, or 1.25% when calculated across the combined tax levies of the Major Funds, Environmental Bond Fund and the Sewer and Storm Water Finance Authority. The property tax increase must be approved by the Legislature, which is an action that is uncertain.

Sales Tax – Sales tax is the largest revenue source for the County, comprising approximately 38% of all revenues in the Major Funds, and is budgeted at $1.124 billion in FY 2016. Our analysis indicates that sales tax revenue may be overstated in FY 2016 by approximately $10.7 million.

The County projects that sales tax revenue will grow in FY 2016 by 2.0% over the amount projected in FY 2015. While we don't consider this growth rate assumption to be unreasonable – this is the average annual growth rate during the previous four years – our analysis indicates that sales tax revenues in FY 2015 may come in less than anticipated by the County and we use a slightly more conservative growth rate assumption of 1.6%, which is the annual growth rate averaged by the County over the past ten years.

Projected sales tax revenues in FY 2016 could be greater or smaller to the extent that sales tax revenues vary from assumed levels in the remaining months of FY 2015. This revenue source requires close monitoring and the County must be prepared to quickly mitigate shortfalls that would likely materialize if the current weakness in sales tax collections continues through the end of FY 2015.

Salaries and Wages – The County projects that salaries and wages will total $870.1 million. In contrast, our analysis indicates that salaries and wages may be underfunded by $6.7 million. The projected risk is attributed primarily to overtime expenditures within the Police District and Headquarters Funds, which are historically overspent compared to the budget, offset partially by projected favorable overtime expenditures within the Corrections Department.

Headcount – The Proposed Budget maintains headcount ("HC") at the same level as the FY 2015 Adopted Budget of 7,395 full-time positions (see Appendix B). The County's on-board HC as of early September was 7,301, or 94 positions below the budgeted HC. An additional 187 separations occurred mid-September in response to the VSIP offered to CSEA employees. As of this writing, it is unclear how many of these positions will be backfilled since the County has not provided us with its plan. The County also anticipates that up to 70 additional police officers will retire before year end, as discussed previously on page 7, and announced the commencement of a new police class of 183 officers on October 16th to shore up police staffing levels.

Fringe Benefits – We project expenditures on fringe benefits to be $7.2 million below budget. Savings are driven by lower than budgeted health insurance costs for active and retired employees and an expectation that premiums being negotiated by the State Department of Civil Service will grow by a lower rate than assumed in the Proposed Budget.

For the fifth consecutive year, the County is taking advantage of a State authorized provision that allows the County to amortize certain pension costs. This provision translates to savings of approximately $41.1 million in FY 2016, but increases the cumulative deferred pension liability to more than $200 million. As we have warned in previous years, while the use of this provision will yield considerable budget relief in FY 2016, the effect of the amortization is to merely extend current liabilities into the future.

Contractual Services – The County uses outside contractors for many different services. Within the Major Funds, the Transdev North America contract costs approximately $125.3 million for the provision of bus transportation services. The County spends $34.3 million per year on Health and Human Services and Social Services programs. Additionally, the County uses an outside vendor to provide medical and psychiatric services to inmates at the Correctional Center with costs averaging $16.0

million per year. The Traffic and Parking Violations Agency is projected to spend approximately $10.2 million, a majority of which is for the provision of red light camera monitoring and enforcement. This is a substantial decrease from the 2015 Adopted Budget of $22 million due to the repeal of the school-zone speed camera program.

Debt Service – The Proposed Budget appropriates $203.6 million for County debt service. Due to conservative interest rate assumptions and delayed debt issuances, we project that this expenditure may be overstated by approximately $7 million.

Tax Certiorari Payments – The County projects that it will pay $70 million in tax certiorari refunds in FY 2016. Although this is a reasonable projection, the County plans to use $60 million in bond proceeds and only $10 million of operating revenue to fund these expenditures, as discussed above. The County has committed to phasing out this type of borrowing and the Proposed Plan eliminates it entirely in FY 2018.

In June 2014, the State Assembly and Senate passed legislation that created a "Disputed Assessment Fund" by which commercial property owners will, in essence, self-fund refunds that are due for contested property assessments. The Governor signed the legislation into law in November 2014. We acknowledge this as a major accomplishment; however, assuming all goes as planned, this new legislation will not have an effect on the County's tax certiorari liability until calendar year 2017 and no impact on the County's budget until 2018. In the meantime, old cases will languish and new cases will arise.

The County Comptroller estimated that the County's long-term tax certiorari liability might grow from $296 million at year-end 2014 to $305 million at year-end 2016. For this reason, we are concerned that the County's plan to pay only an additional $135 million in tax certiorari refunds, combined, in FY 2017, FY 2018 and FY 2019 will be insufficient to substantially bring down the backlog. Furthermore, it is noteworthy that the estimated tax certiorari backlog does not include other property tax litigation, which the County estimates could be between $200 and $385 million, that may be payable under the "utilities" lawsuits.

Judgments and Settlements – The County has not budgeted any operating revenue to cover the costs of judgments and settlements under the assumption that sufficient bond premium will be available to cover its annual liability. Although the County will likely raise sufficient bond premium resources in FY 2016 to use as planned, they are merely another form of borrowing and will add to the GAAP Basis deficit on a dollar for dollar basis.

As we have stated in the past, only in the case of extraordinary judgments or settlements should they be funded through borrowing or from an appropriate reserve since borrowing for these expenditures just defers the impact of the current year's operating costs to future periods.

Other Expenditures – We project that the County has reasonably estimated its other expenditures. While additional variations are likely to develop during the year, we expect the County to be able to identify offsetting savings.

Contingency Reserve – The Proposed Budget allocates only $4 million for contingencies. In light of the magnitude of the projected risks, the amount appropriated for contingencies may be insufficient to mitigate unanticipated shortfalls that could emerge in FY 2016, such as from lower revenues from sales taxes, red light camera violations or other revenue and expenditure categories that could exceed the risks already considered. The County's decision to not maintain any reserve for contingencies in the Out-Years is even more disconcerting and fiscally imprudent.

Other Major Concerns

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

Sewer and Storm Water Resource District – Although the Sewer and Storm Water Resource District 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 and, absent other gap-closing measures and the depletion of remaining fund balance, will likely necessitate future increases in the sewer tax levy.

The Proposed Plan projects deficits of $12.6 million in FY 2016, $25.4 million in FY 2017, $32.6 million in FY 2018 and $39.4 million in FY 2019. It should be noted that these deficits reflect the Administration's removal of $12.6 million in annual sewer fees that it has wanted to charge non-profit entities, but has been held up in litigation. The service charge would bring in needed revenue to pay for services currently received by these entities for free, but paid for by other residential and commercial property owners in the County.

The County proposes to fill these deficits with fund balance in the first two years and with debt service savings that the County projects could be realized from its proposed Public-Private Partnership ("P3") initiative. We briefly discuss the County's proposed P3 initiative on page 19.

IV. THE OUT-YEAR GAPS: FY 2017 – FY 2019

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 2016 gap-closing plan, the County projects (on a budgetary basis) that baseline gaps of $89.3 million in FY 2017, $123.6 million in FY 2018, and $155.5 million in FY 2019 will emerge prior to implementing new gap-closing initiatives.

Projected Out-Year Gaps on a Budgetary Basis			
($ in millions)	**FY 2017**	**FY 2018**	**FY 2019**
County Estimated Baseline Gap*	**($89.3)**	**($123.6)**	**($155.5)**
NIFA Risks	**(180.4)**	**(178.5)**	**(195.8)**
NIFA Estimated Baseline Gap	**($269.7)**	**($302.1)**	**($351.3)**

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

However, our analysis indicates that if the risks we identified in FY 2016 are not satisfactorily addressed with recurring solutions, the County's projections of Out-Year gaps may be understated by approximately $180.4 million in FY 2017, $178.5 million in FY 2018, and $195.8 million in FY 2019. Combined, we project that the baseline gap can reach $269.7 million in FY 2017, $302.1 million in FY 2018 and $351.3 million in FY 2019.

Most of these risks are carried forward from our analysis of projected revenues and expenditures in FY 2016, except for termination expenses, which are reasonably estimated and are funded with operating revenue. The major risks are described in detail earlier in this report, beginning on page 9.

Contingency Reserve - We advise the County to fund contingency reserves in each of the Out-Years with operating revenues and at greater levels than the meager $4 million it has appropriated in FY 2016. Robust contingency reserves are necessary because of the probability that certain assumptions will break unfavorably against the County each 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.

Historic Mission Payment – The Proposed Plan reflects the County's resolve to uphold its decision to end its annual $13 million historic mission payment to the Nassau Health Care Corporation ("NHCC") after its legal obligation expired in FY 2014. The County's only remaining assistance is limited to its guaranty of NHCC's outstanding long-term debt, which was $243 million as of December 31, 2014.

While we are not considering the $13 million payment to be a risk, we remain concerned about the fiscal stability of NHCC and the effect that any disruption in its services would have on the residents of Nassau County. However, the County should look first to its legal obligations and if it gives money to NHCC it should be convinced that the money would be spent in a targeted manner and for its highest and best uses.

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 more rapidly than assumed. We project risks of approximately $3 million in FY 2017, $13 million in FY 2018, and $23 million in FY 2019. We recommend that the County use more conservative growth rate assumptions to project the Out-Year costs of this fringe benefit, over which it has limited control for current employees and retirees.

*** * ***

The following discussion describes the County's plan to close the baseline gaps it has projected. However, as discussed above and illustrated in the table on page 17, 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 the NIFA estimated baseline gap (NIFA's projected risks plus the County's estimated baseline gap) even if fully implemented. See "County Gap Closing Plan" table on page 19. If completely successful, the projected gaps would still be $166.1 million in FY 2017, $175.3 million in FY 2018 and $197.2 million in FY 2019, as shown below. Moreover, we think it is unlikely that the full savings from the proposed gap-closing initiatives can be realized.

County Gap-Closing Plan			
($ in millions)	FY 2017	FY 2018	FY 2019
NIFA Estimated Baseline Gap	**($269.7)**	**($302.1)**	**($351.3)**
County Gap-Closing Options			
Expense/Revenue Actions			
Benefits from Public Private Partnership (P3)	$10.0	$20.0	$30.0
Revenue Initiatives	$20.0	20.0	25.0
Workforce Management	10.0	12.0	15.0
Nassau County District Energy	10.0	10.0	10.0
Health Insurance Cost Reduction	10.0	10.5	11.0
United Water Synergy Savings	4.0	9.0	9.2
Advertising Revenue	6.0	6.5	7.0
Program/OTPS Reduction	5.0	6.0	7.0
eGovernment Revenues	1.0	2.0	4.0
Building Consolidation Efficiencies		1.0	4.0
On-line Tax Lien Auction	2.0	2.0	2.0
BOE Reimbursement	2.0	2.0	2.0
Strategic Sourcing	2.0	3.0	4.0
ERP Implementation	1.0	2.0	3.0
NYS Actions			
Mandate Reform	10.0	10.0	10.0
E-911 Surcharge	6.9	6.9	6.9
NYS Highway Traffic Offense Surcharge	5.7	5.7	5.7
Total Gap-Closing Options	**$105.6**	**$128.6**	**$155.8**
Remaining Surplus/(Deficit)	**($164.1)**	**($173.5)**	**($195.5)**

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 this may be true, the plans of implementation and subsequent meeting to discuss these initiatives has generated little confidence, in most instances, that the projections are achievable.

Public-Private Partnership ("P3") – The County has proposed a Public-Private Partnership for the sewer system that would allow the County to retain public ownership of the system with the vendor acting as "concessionaire." The County projects that the agreement could produce savings to the Major Funds of $10 million in FY 2017, $20 million in FY 2018 and $30.0 million in FY 2019 from reduced debt service while ensuring other benefits such as performance level guarantees, risk transfer for environmental compliance and improvements in service levels and customer service.

NIFA engaged its own consultant to examine the benefits and risks of the P3 plan and note the County's tendency to overestimate savings projections within these proposed partnerships. The County has already entered into a separate agreement with United Water, which took over management of its sewer system and is acting as a private operator. The current contract promised a minimum of $10 million in savings, but indicated optimism that even more could be generated from the introduction of new efficiencies and synergy savings elsewhere in the County. These additional savings have not yet materialized. For this reason, until the proposed P3 concessionaire agreement can be vetted and possibly implemented, NIFA must put this gap-closing measure at risk.

Revenue Initiatives – The County provides a two-sentence description of this initiative that is estimated at $20 million in FY 2017 and FY 2018 and $25 million in FY 2019. In absence of anything of substance, such as specific planned measures supported by an analysis of how these revenues were calculated and projected, NIFA has no choice than to risk the entire initiative.

Workforce Management – The County claims that savings can be derived from eliminating vacant positions and filling other vacancies with employees earning lower salaries. Our analysis indicates that these savings have already been incorporated into the County's baseline projections. It is unclear if the County is proposing to contract part of its workforce, which could provide unbudgeted savings to the extent that funded vacancies remain unfilled.

Nassau County District Energy – The County's agreement with Suez Energy NA, who currently provides electric power and thermal energy to various County buildings and institutions, will expire in 2016. Therefore, the County indicates that it is exploring a public-private partnership that could involve a "sale, lease, or private operation" of the district energy facility and expects to issue a request for proposals by the end of 2015. The County is short on specifics that explain the projected revenue of $10 million per year of each of the out-years of this Plan; therefore, we cannot affirm the viability or time parameters of generating this amount of revenue.

Health Insurance Cost Reduction – The County has projected that it will be exploring options to reduce health premium costs by between $10 and $11 million from FY 2017 to FY 2019 with a request-for-proposals that was issued in August 2015. NIFA can only acknowledge these savings when programs are selected, offered and implemented.

United Water Synergy Savings – The County anticipates that it can generate additional revenue and cost savings by utilizing the unneeded Sewer and Storm Water employees in revenue-generating tasks and for workforce productivity in various County departments. To date, the County has not been as successful as planned in this application and it seems these employees are more of a cost burden than savings or revenue enhancement. Consequently, the projected savings targets of $4 million beginning in FY 2017, $9 million in FY 2018 and $9.2 million in FY 2019 are placed at risk.

Advertising Revenue – The County indicates it has a contract in place and expects to generate revenue through roadside and other forms of advertising such as corporate sponsorships and marketing programs. This idea has been floated and then unsuccessfully implemented, for many years.

Program/OTPS Reduction – The County will continue to explore options to reduce costs by means of consolidation, contract renegotiation and private partnerships. Further information will be necessary to support the County's projections of savings.

eGovernment Revenues – The County is exploring on-line payment and internet-based technologies to enhance customer service and ease-of-payment options to enhance revenues. With little more to go on representative of analysis and forecasting models, the projected revenues of $1.0 million in FY 2017 growing to $4.0 million in FY 2019 is dubious.

Building 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. They also state that they have lagged in consolidation efforts, which they claim will generate savings. We question whether there would be significant savings without the transfer of employees out of leased space to County-owned facilities.

On-line Tax Lien Auction – Similar to the eGovernment initiative, the County expects that by modifying the Administrative Code to permit flexibility in tax lien auctions, the County Treasurer could utilize modern technology to maximize the collection of unpaid property taxes. Until the local law is amended and the viability of this initiative is more apparent, the revenues projected to begin in FY 2017 cannot be confirmed.

BOE Reimbursement – As allowed by law, the County intends to allocate the cost of elections with local municipalities, which is a decision that the Nassau County Legislature must make. The Legislature did not pursue this for 2015 or 2016 but the option is still open moving forward.

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.

ERP Implementation – The County intends to pursue efficiencies and savings by streamlining core business processes. No further details are known.

New York State Actions

Among the initiatives are three proposals that would require State approval before they could be advanced: (1) mandate reform; (2) E-911 Surcharge; and (3) NYS Highway Traffic Offense surcharge.

Mandate Reform – The County believes that fraud and inefficiencies exist within State-mandated programs and it intends to uncover those frauds and eliminate the inefficiencies.

E-911 Surcharge – The County intends to amend current County law and seek New York State approval to increase surcharges on telecommunication equipment and telephone service supplier customers in order to provide enhancements to the 911 (E911) emergency telephone system of the County believing this would allow the County to raise the necessary revenues to cover the costs of this technology.

NYS Highway Traffic Offense Surcharge – The County intends to seek permission from New York State to provide a mandatory surcharge for traffic incidents that occur on the Long Island Expressway, the Seaford-Oyster Bay Expressway or Sunrise Highway in order to generate revenues that would be used to reimburse the County for its share of the cost of patrolling State roadways. This is a slight variation on the previous "LIE Surcharge" initiative that has been repeatedly rejected in the past.

V. CONCLUSION

The County will be challenged to ensure budgetary balance in FY 2016 even if all of the proposed borrowings and increases in fees and property taxes are approved. Most importantly, our analysis indicates that the County will be unable to close the projected GAAP Basis deficit (the statutory standard by which NIFA is required to measure balance) in FY 2016 and will likely continue to be well in excess of the trigger point for the continuation of a control period for every year of the Proposed Plan.

Fiscal responsibility demands the County to immediately adopt measures that significantly raise the level of revenue likely to be available each year to fund its desired level of services. In the alternative, the County must immediately act to radically cut its expenditures to a level that can be sustained by its preferred level of revenues. A reasonable course of action would combine both approaches.

A realistic effort to match recurring revenues and expenditures has been paradoxically absent in Nassau County for far too long. The County's elected officials have clearly endeavored to avoid making the difficult, but prudent decisions needed to address this persistent imbalance by repeatedly seeking to bond certain operating costs under the pretense of protecting the County's taxpayers. In actuality, in the process they have inequitably burdened future taxpayers with the inflated costs for cleaning up current financial problems.

We have intentionally refrained from selecting from among these key policy alternatives, leaving those decisions to the County's elected officials; however, regrettably the need to take a more active role in this process is fast approaching. NIFA's resolve to let the current leaders make economic decisions may need to be reconsidered after the Legislature's budget adoption process has concluded.

VI. APPENDICES

Appendix A

OBJECT	2016 PROPOSED BUDGET	2017 PLAN	2018 PLAN	2019 PLAN
EXPENDITURES				
AA - SALARIES, WAGES & FEES	870,064,056	918,401,415	936,945,857	949,149,663
AB - FRINGE BENEFITS	521,795,704	543,774,664	569,048,097	596,692,517
AC - WORKERS COMPENSATION	31,582,954	31,582,954	31,582,954	31,582,954
BB - EQUIPMENT	1,936,454	1,948,073	1,948,073	1,948,073
DD - GENERAL EXPENSES	37,884,015	38,073,583	38,087,728	38,147,991
DE - CONTRACTUAL SERVICES	245,128,648	245,916,507	246,312,689	246,718,775
DF - UTILITY COSTS	40,195,456	40,462,486	41,878,525	43,911,284
DG - VAR DIRECT EXPENSES	5,250,000	5,250,000	5,250,000	5,250,000
FF - INTEREST	116,528,821	127,601,787	133,600,124	138,125,280
GA - LOCAL GOVT ASST PROGRAM	67,626,890	69,286,312	71,327,402	73,429,724
GG - PRINCIPAL	87,035,000	109,810,000	119,050,001	132,220,000
HC - NHC ASSN EXP NASSAU HEALTH CARE ASSN	0	0	0	0
HH - INTERFD CHGS INTERFUND CHARGES	28,134,268	28,072,229	27,931,502	27,783,106
MM - MASS TRANSPORTATION	43,803,242	44,998,006	46,227,417	47,492,482
NA - NCIFA EXPENDITURES	1,950,000	2,000,000	1,925,000	2,000,000
OO - OTHER EXPENSE	293,923,271	279,715,926	222,147,869	220,360,316
PP - EARLY INTERVENTION/SPECIAL EDUCATION	135,000,000	137,700,000	140,454,000	143,263,080
SS - RECIPIENT GRANTS	62,000,000	63,240,000	64,504,800	64,504,800
TT - PURCHASED SERVICES	65,851,121	67,168,143	68,511,506	69,881,736
WW - EMERGENCY VENDOR PAYMENTS	50,980,000	50,470,200	50,470,200	50,470,200
XX - MEDICAID	240,233,215	251,071,349	255,615,874	251,071,349
TOTAL EXPENDITURES	**2,946,903,115**	**3,056,543,635**	**3,072,819,618**	**3,134,003,329**
REVENUES				
AA - FUND BALANCE	0	0	0	0
BA - INT PENALTY ON TAX	31,900,000	31,900,000	31,900,000	31,900,000
BC - PERMITS & LICENSES	15,114,750	16,114,750	15,114,750	16,114,750
BD - FINES & FORFEITS	66,653,563	70,239,653	70,239,653	70,239,653
BE - INVEST INCOME	979,300	979,300	979,300	979,300
BF - RENTS & RECOVERIES	47,626,757	34,323,701	38,906,301	25,407,783
BG - REVENUE OFFSET TO EXPENSE	13,400,000	13,400,000	13,400,000	13,400,000
BH - DEPT REVENUES	213,537,222	214,287,222	214,287,222	214,287,222
BI - CAP BACKCHARGES	0	0	0	0
BO - PAY LIEU TAX PAYMENT IN LIEW OF TAXES	12,980,179	13,315,546	13,562,692	12,395,593
BQ - D/S FROM CAP DEBT SERVICE FROM CAPITAL	64,483,620	80,400,000	20,719,200	21,200,000
BS - OTB NON-TAX REVENUE	20,000,000	22,000,000	25,000,000	25,000,000
BW - INTERFD CHGS INTERFUND CHARGES REVENUE	105,118,376	82,699,824	86,866,451	92,904,604
FA - FEDERAL AID REIMBURSEMENT OF EXPENSES	135,005,324	136,118,914	136,118,914	136,098,899
SA - STATE AID REIMBURSEMENT OF EXPENSES	210,348,977	211,933,917	213,550,556	215,199,527
TA - SALES TAX CO SALES TAX COUNTYWIDE	1,042,478,623	1,068,540,589	1,100,596,806	1,133,614,710
TB - PART COUNTY SALES TAX PART COUNTY	81,809,065	85,186,793	90,719,033	93,440,604
TL - PROPERTY TAX	853,913,528	853,516,389	845,146,093	844,372,798
TO - OTB 5% TAX	2,385,331	2,165,283	1,966,609	1,787,188
TX - SPECIAL TAXS SPECIAL TAXES	29,168,500	30,168,500	30,168,500	30,168,500
TOTAL REVENUES	**2,946,903,115**	**2,967,290,381**	**2,949,242,080**	**2,978,511,132**
PROJECTED SURPLUS/GAP	**0**	**(89,253,254)**	**(123,577,538)**	**(155,492,197)**

Appendix B

FY 2016 PROPOSED BUDGET FULL-TIME HEADCOUNT (HC) COMPARISON TABLE

Department	Sum of 2015 Adopted HC	Sum of 2016 Proposed HC	Inc/Dec	On-Board Sept 3, 2015	Inc/Dec
AR - ASSESSMENT REVIEW COMMISSION	30	29	(1)	30	1
AS - ASSESSMENT DEPARTMENT	148	142	(6)	144	2
AT - COUNTY ATTORNEY	98	94	(4)	94	0
BU - OFFICE OF MANAGEMENT AND BUDGET	25	26	1	26	0
CA - OFFICE OF CONSUMER AFFAIRS	25	25	0	25	0
CC - NC SHERIFF/CORRECTIONAL CENTER	1,072	1,049	(23)	1,027	(22)
CE - COUNTY EXECUTIVE	18	18	0	15	(3)
CF - OFFICE OF CONSTITUENT AFFAIRS	38	34	(4)	35	1
CL - COUNTY CLERK	84	81	(3)	76	(5)
CO - COUNTY COMPTROLLER	86	85	(1)	72	(13)
CS - CIVIL SERVICE	51	51	0	52	1
DA - DISTRICT ATTORNEY	373	371	(2)	369	(2)
EL - BOARD OF ELECTIONS	169	163	(6)	164	1
EM - EMERGENCY MANAGEMENT	11	12	1	10	(2)
FC - FIRE COMMISSION	93	96	3	97	1
HE - HEALTH DEPARTMENT	170	175	5	172	(3)
HI - HOUSING & INTERGOVERNMENTAL AFFAIRS	14	16	2	16	0
HR - COMMISSION ON HUMAN RIGHTS	8	7	(1)	7	0
HS - DEPARTMENT OF HUMAN SERVICES	70	62	(8)	67	5
IT - INFORMATION TECHNOLOGY	82	82	0	83	1
LE - COUNTY LEGISLATURE	95	92	(3)	85	(7)
LR - OFFICE OF LABOR RELATIONS	4	5	1	4	(1)
MA - OFFICE OF MINORITY AFFAIRS	6	6	0	6	0
ME - MEDICAL EXAMINER	75	71	(4)	70	(1)
PA - PUBLIC ADMINISTRATOR	6	6	0	6	0
PB - PROBATION	190	189	(1)	184	(5)
PD - POLICE DEPARTMENT	3,092	3,105	13	3,013	(92)
PE - DEPARTMENT OF HUMAN RESOURCES	9	9	0	9	0
PK - PARKS, RECREATION AND MUSEUMS	156	154	(2)	152	(2)
PR - PURCHASING DEPARTMENT	9	10	1	10	0
PW - PUBLIC WORKS DEPARTMENT	401	458	57	480	22
RM - RECORDS MANAGEMENT	12	12	0	11	(1)
SA - COORD AGENCY FOR SPANISH AMERICANS	4	4	0	4	0
SS - SOCIAL SERVICES	616	613	(3)	603	(10)
TC - TAXI & LIMOUSINE COMMISSION	0	9	9	2	(7)
TR - COUNTY TREASURER	31	27	(4)	27	0
TV - TRAFFIC & PARKING VIOLATIONS AGENCY	47	47	0	47	0
VS - VETERANS SERVICES AGENCY	7	7	0	7	0
SubTotal	**7,425**	**7,442**	**17**	**7,301**	**(141)**
Unallocated HC Reduction	**(30)**	**(47)**	**(17)**	**0**	**47**
Grand Total	**7,395**	**7,395**	**0**	**7,301**	**(94)**

Appendix C
Multi-Year Plan Baseline Inflators

Category	2017, 2018, 2019	Inflator Explanation
Expenditures		
Wages: Non-Police Pension Police Pension Health Ins. – Active Health Ins. – Retirees	 2.46%, 4.27%, 5.25% 6.66%, 4.80%, 5.30% 5.48%, 5.48%, 5.48% 4.44%, 4.44%, 4.44%	 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	0.6%, 1.0%, 1.0%	
Utilities:		
Light and Power Brokered Gas	4.3%, 3.56%, 3.54% 4.2%, 8.40%, 5.79%	EIA (DOE) 2015 Annual Energy Outlook Price Projection for Mid-Atlantic Region Commercial Customers (June 2015) (Base reference case)
Trigen	3.62%, 6.43%, 4.68%	Blended (2/3 weighting for natural gas for electric power [EIA 2015 AEO] & 1/3 weighting for the 10 yr. avg. CPI [2.65%])
Fuel Water	0.23%, 1.40%, 1.41% 2.96%, 2.96%, 2.96%	EIA (DOE) 2015 Annual Energy Outlook Price Projection for Mid-Atlantic Region Commercial Customers (June 2015) (Base reference case)
Telephone	2.43%, 2.43%, 2.43%	Historical Trend
Medicaid	Flat, Flat +1 Week, 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	2.5%, 3.0%, 3.0%	