NIFA Nassau County Interim Finance Authority

December 8, 2000

Mr. Thomas Gulotta
Nassau County Executive
1 West Street
Mineola, NY 11501

Dear Mr. Gulotta:

The NIFA Directors have received Nassau County's adopted four-year financial plan. We have approved it despite having serious reservations about the out-years. The County must continue to move forward aggressively with the revenue and expenditure initiatives contained in the out-years of the multi-year plan. Additionally, it is important that the County exercises strong leadership implementing and monitoring the plan to ensure that the initiatives achieve their desired effect.

As a result of our concerns, the NIFA Board has conditioned its approval on the NIFA Board's continued confidence that open initiatives are achieved (or replaced with others) and that the plan is fully implemented without delay. As part of this process and in order to collectively monitor progress on an ongoing basis, NIFA will meet with County principals and staff monthly. The first meeting is scheduled for Thursday, January 18, 2001.

At each meeting, we expect updates from County leaders on the status of the plan. In advance of each meeting, NIFA will request specific information on, among other items, the status of significant initiatives (to be reported to NIFA at the meeting). Further, NIFA will track implementation of the initiatives contained in the FY 2001 budget and progress toward implementation of out-year initiatives.

We must be clear that: (1) the budget for each of the four years will be balanced with no remaining questions well before the budget is required to be adopted; (2) in four years we will have restored the fiscal health of Nassau County; and (3) if we fail to achieve these objectives at anytime during the four-year period we will have no choice but to replace the current system with hard controls.

The County is to be complemented for the effort which has been made to begin a restructuring of Nassau County's finances, but the most difficult part of our job is ahead of us.

Sincerely,

Frank G. Zarb
Chairman

December 8, 2000

Mr. Thomas Gulotta
Nassau County Executive
1 West Street
Mineola, NY 11501

Dear Mr. Gulotta:

The NIFA Directors have received Nassau County's adopted four-year financial plan. We have approved it despite having serious reservations about the out-years. The County must continue to move forward aggressively with the revenue and expenditure initiatives contained in the out-years of the multi-year plan. Additionally, it is important that the County exercises strong leadership implementing and monitoring the plan to ensure that the initiatives achieve their desired effect.

As a result of our concerns, the NIFA Board has conditioned its approval on the NIFA Board's continued confidence that open initiatives are achieved (or replaced with others) and that the plan is fully implemented without delay. As part of this process and in order to collectively monitor progress on an ongoing basis, NIFA will meet with County principals and staff monthly. The first meeting is scheduled for Thursday, January 18, 2001.

At each meeting, we expect updates from County leaders on the status of the plan. In advance of each meeting, NIFA will request specific information on, among other items, the status of significant initiatives (to be reported to NIFA at the meeting). Further, NIFA will track implementation of the initiatives contained in the FY 2001 budget and progress toward implementation of out-year initiatives.

We must be clear that: (1) the budget for each of the four years will be balanced with no remaining questions well before the budget is required to be adopted; (2) in four years we will have restored the fiscal health of Nassau County; and (3) if we fail to achieve these objectives at anytime during the four-year period we will have no choice but to replace the current system with hard controls.

The County is to be complemented for the effort which has been made to begin a restructuring of Nassau County's finances, but the most difficult part of our job is ahead of us.

Sincerely,

Frank G. Zarb
Chairman

Nassau County
Interim Finance Authority

(NIFA)

REVIEW OF ADOPTED MULTI-YEAR FINANCIAL PLAN

FISCAL YEARS 2001 – 2004

December 8, 2000

STAFF OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

Richard L. Luke
Executive Director

Jeremy Wise
General Counsel

Carol S. Kostik
Chief Financial Officer

Evan L. Cohen
Deputy Director

Timothy P. Sullivan
Deputy Director

Laurel A. Leat
Office Manager

Table of Contents

I. Introduction

On September 15, 2000 the County Executive submitted his proposed multi-year financial plan to the Nassau County Interim Finance Authority. At an October 2, 2000 meeting NIFA issued its formal comments concerning the proposed plan and the FY 2001 budget. The NIFA report issued on October 2nd identified a number of risks in the proposed plan. Over the next several weeks, the County Executive and the Legislature developed a new consensus budget and plan, and then on November 29, 2000 the County Legislature unanimously adopted the Plan by a vote of 19 to 0. The County Executive submitted the Plan to NIFA on December 1, 2000.

The Act requires that NIFA determine whether the Plan is complete and complies with the standards set forth in the Act. In addition, NIFA must ensure that the Budget is consistent with the Plan. If the Plan complies with the Act, NIFA is required to certify the County's revenues. If the Plan does not comply with the Act, NIFA must notify the County and give a specified period of time to modify the Plan.

The purpose of this report is to comment upon the Plan and to ensure that the Budget is consistent with the Plan. This document and transmittal letter constitutes NIFA staff's review and recommended findings regarding the Budget and Plan. It is proposed that this document, along with the findings contained herein, be adopted by NIFA as the report of the Directors.

Copies of this document have been transmitted to the Nassau County Executive, the Presiding Officer of the Nassau County Legislature, the Minority Leader of the Nassau County Legislature and the Nassau County Comptroller. Multiple copes of this report have been transmitted to the Clerk of the County Legislature, who will distribute copies to the members of the County Legislature.

II. Overview

NIFA's statutory mission relating to the Plan is to evaluate the Plan and determine if it will correct the budgetary mistakes of the past and set Nassau County on a sound fiscal path for the future. NIFA must also determine if it is likely that the County will end FY 2000 with its budget in balance.

While the County Executive and Legislative leaders have made substantial progress in adopting a consensus financial plan that begins to put Nassau County back on the road to fiscal stability, substantial and permanent changes must be made to spending and revenues for the Plan to succeed. Recurring expenditures must be matched with recurring revenues. Budget balancing efforts that merely slip costs into later years will not help the County attain structural balance. Structural balance can be restored only through permanent changes that make recurring revenues larger and/or grow more rapidly over time, or recurring expenditures smaller and/or grow more slowly over time. The need for structural changes that provide permanent relief is made more necessary as transitional borrowing, which creates spending burdens for future taxpayers, phases out.

Since budgets and financial plans are forward looking documents, they rely on various assumptions, which by their nature contain some element of risk. It is important to remember that these risks are an inherent part of the process of developing such documents. For the purpose of this analysis, three types of risks have been identified. The first risk, *Implementation Risk,* raises questions concerning whether an initiative will achieve the desired result. The second risk, *Requires County Action,* identifies initiatives that require County action before the desired results can be effectuated. The third risk, *Requires Outside Approval*, highlights the need for some type of external action or approval before the County can realize the desired goal. When discussing risk it is important to point out that the identification of a risk does not translate directly into future budgetary deficits. Rather, the risks highlight areas of uncertainty that must be closely monitored to ensure that potential slippage is recognized early and resolved quickly in a manner that sustains recurring balance. When evaluating the Plan, NIFA considered both the amount of risk and the probability of its occurrence.

SUMMARY OF FINDINGS

NIFA's review has determined that:

- Nassau County is likely to achieve a balanced FY 2000 budget. The current risks that the County faces within the gap-closing program should be controllable, with the foreseeable baseline risks offset by planned under spending, better-than-expected revenues, budget relief provided through a substantial debt restructuring, and State assistance of $25 million in transitional aid provided pursuant to the NIFA Act. Based upon the Quarterly County Budget Report for the period ending September 30, 2000, the County is projecting a $55.7 million fund balance at the end of FY 2000, comprised of the following:

Fund balance at beginning of year	$21.4 million
Residual fund balance (sale of hospital)	6.6 million
FY 2000 excess of revenues over expenses	27.7 million
Projected fund balance	$55.7 million

The County anticipates using $27 million of the projected excess of revenues over expenses to prepay FY 2001 debt service during FY 2000.

• The Budget represents a significant improvement over prior budgets in both estimating revenues and in the elimination of the use of one-shot revenues to fund recurring operating expenses. While the Budget contains several risks, the level of risk has been substantially reduced from the estimates contained in NIFA's October 2, 2000 report, from $81.7 million to $6.3 million, a level NIFA believes to be manageable. In order to minimize these risks it is important that the County ensure prompt implementation and monitoring of all proposed initiatives.

Table 2 on page 10 identifies $2.1 million of items at risk that relate to implementation.

Table 3 on page 13 indicates that all risks that required further County action have been satisfied.

Table 4 on page 15 identifies $4.2 million of items that remain subject to outside action or approval.

• The FY 2002 – 2004 financial plan sets forth a strategy for closing the out-year gaps, which contains many highly speculative initiatives that require immediate attention. The strategy is composed of numerous new revenue enhancement and expenditure reduction initiatives, many of which depend upon actions to be taken by other levels of government. The outcome of these initiatives are much more uncertain than gap-closing programs that can be implemented directly by the County. NIFA will monitor the County to ensure that modifications are made in a timely manner.

• The County has revised its proposal for utilizing the $5 million of targeted State assistance earmarked for the tax certiorari program. The revised program is a collaborative effort between the County Executive and the County Legislature and is a very preliminary first step. NIFA must receive a detailed implementation plan including timelines and deliverables before releasing any funds. NIFA will monitor the County as it more fully develops its plan so that it can be implemented as soon as possible.

CONCLUSION

Based upon the level of risk identified in the Plan we recommend that the Directors approve the Plan as adopted unanimously by the Legislature on November 29, 2000.

Once the Budget and Plan are in place, it is important that financial operations be stringently monitored. We believe that effective monitoring includes:

- the County Executive developing procedures and processes to ensure that initiatives are implemented and that they are achieving their expected results;

- monthly meetings with NIFA and the County leaders to share information, to communicate any variances from the Plan and to ensure that timely corrective action is taken to maintain budgetary balance; and

- continually reviewing and refining the Plan as circumstances change to increase the level of certainty surrounding the Plan as the County moves forward.

In addition, the County is also faced with a variety of other fiscal and management challenges that must be addressed over time. Section V of this report, beginning on page 26, identifies these challenges and management issues.

III. FY 2000 Projected Results

Nassau County's FY 2000 budgetary outlook has improved from initial deficit projections that reached $178 million earlier this year. During FY 2000, the County closed the projected gap by implementing $61 million in mostly non-recurring actions, introducing initiatives worth at least $50 million annually, utilizing $25 million in State transitional assistance, and realizing $42 million in budgetary relief through a NIFA-assisted debt restructuring.

In the County's Quarterly Budget Report, revised on November 6, 2000, the County projects a FY 2000 operating surplus of $27.7 million. Combined with an opening fund balance of $28 million, including a residual fund balance of $6.6 million from the Nassau Health Care Corporation, the County estimates a FY 2000 year-end fund balance of $55.7 million. These resources provide assurance that the County could fund unforeseen needs should they materialize in the remaining weeks of the fiscal year.

However, rather than adding to existing fund balances, the County has indicated that it intends to use most of its projected FY 2000 operating surplus to prepay $27 million of FY 2001 debt service expenses in FY 2000. While this action increases current-year expenses, it lowers FY 2001 expenditure needs by an equivalent amount, thereby providing immediate FY 2001 budget relief. This prepayment provides a mechanism for the County to move current-year surplus resources from one fiscal year into the next and is permitted under generally accepted accounting principals (GAAP) and the NIFA Act.

To the extent that the FY 2000 operating surplus grows above current projections of $27.7 million, NIFA encourages the County to use the unallocated resources to pay obligations, such as judgments and claims, which would otherwise be funded with bond proceeds. Using surplus resources in this fashion would provide the longer-term budgetary relief that is so essential to the County's effort to produce a structurally balanced four-year financial plan.

CHANGES TO THE COUNTY'S ESTIMATES

The County's $2.2 billion FY 2000 adopted budget assumed that current-year revenues would exceed current-year expenditures by $4 million.[1] However, the budget's underlying revenue and expenditure assumptions changed during FY 2000, as shown in Table 1. The County's current revenue forecast is $39.1 million lower than originally assumed in the FY 2000 adopted budget. Likewise, the County's current expenditure projections indicate that spending will be $62.8 million less than budgeted. In aggregate, these revised estimates result in an expected improvement in budgetary operating

[1] The FY 2000 adopted budget incorporated an opening fund balance deficit of $3.998 million and a projected closing fund balance of zero dollars. Consequently, the FY 2000 budget implicitly assumed a projected current-year operating surplus of $3.998 million.

performance by $23.7 million ($62.8 million minus $39.1 million). Combined with the County's $4 million operating surplus assumed as part of the adopted budget for FY 2000, the County now projects that it will generate a $27.7 million FY 2000 operating surplus.

(Table 1)
CHANGES TO THE COUNTY'S FY 2000 BUDGET PROJECTIONS

($ in millions, adopted budget compared to third quarter estimates)

Revenue Projections		Expenditure Projections	
Tax Revenue	($49.6)	Debt Service	($60.2)
Rents and Recoveries	(26.6)	Salaries and Wages	(35.1)
Capital Backcharges	(4.3)	Transportation	(6.3)
Investment Income	16.5	Fringe Benefits	(3.1)
Intergovernmental Aid	19.8	Contracts/Direct Assistance	39.0
Other Revenue	5.1	Other Expenditures	2.9
Total Revenue Change	($39.1)	Total Expenditure Change	($62.8)

Revenue Changes

The County anticipates receiving $49.6 million less in tax revenue than assumed in the adopted budget for FY 2000. This is driven primarily by a $62.4 million reduction in certain special taxes, as shown in the box to the right. The adopted budget included an assumption of $60 million in special tax revenue to be realized from a new real estate transfer tax imposed in August 1999, but subsequently repealed before the end of FY 1999. The remaining $2.4 million change resulted primarily from a shortfall in E-911 surcharge revenue due to implementation delays. The County also incurred $3.3 million in unanticipated debt service expenses resulting from NIFA debt issuance not known at the time of budget adoption. In contrast, the County currently anticipates that sales tax revenue will come in $16 million higher than originally forecast, offsetting a portion of the tax revenue losses.

Tax Revenue ($ in millions)	
Special Taxes	($62.4)
NIFA Debt Service	(3.3)
Other	0.1
Sales Tax	16.0
Total Change	($49.6)

The County expects to realize $26.6 million less in revenue from rents and recoveries than was projected in the adopted budget for FY 2000. The County chose to accelerate $25 million in tobacco settlement securitization proceeds it anticipated receiving in FY 2000 into FY 1999 to ensure budgetary balance in that fiscal year. This created a concomitant shortfall in FY 2000.

Revenues from capital backcharges are realized when reimbursements are made from the capital program for certain operating expenses incurred by the County during the execution of capital projects. Due to delays in certain projects, the County now projects that these revenues may be overstated by $4.3 million.

The County projects that income derived from its investments will yield $16.5 million more than assumed in the adopted budget. The additional income was realized from higher than expected levels of cash being available for investment from unexpended bond proceeds.

Intergovernmental aid is expected to be $19.8 million more than the County assumed in the adopted budget. As shown in the box to the right, this additional aid is comprised of $25 million in transitional NIFA assistance and $9.7 million in additional Federal aid. The County expects these additional resources to be offset by $14.9 million less in State aid.

Intergovernmental Aid ($ in millions)	
NIFA Aid	$25.0
Federal Aid	9.7
State Aid	(14.9)
Total Change	$19.8

Expenditure Changes

Debt service costs represent the largest category of County spending that changed since the FY 2000 budget was adopted. The County currently estimates that spending on FY 2000 debt service will be $60.2 million lower than assumed in the FY 2000 budget. These projections assume $42.5 million in principal and interest savings resulting from NIFA's restructuring of County debt in October. The other $17.7 million in reduced debt service needs stems primarily from an overestimate of FY 2000 County debt service interest costs and a more favorable interest rate climate than forecast.

County spending on salaries and wages is projected to be significantly lower than assumed in the FY 2000 adopted budget. The County currently estimates these costs to be $35.1 million less than originally budgeted, as shown in the box to the right. The revised projection is composed of a $62.8 million reduction in regular pay needs and a $2.6 million reduction in other pay categories. These savings were offset by a $30.3 million increase in terminal leave costs. These changes were driven by a significant voluntary reduction in the County's workforce. The County's voluntary severance and early retirement incentive programs resulted in the separation of 59 and 471 employees, respectively. In addition, the County's hiring freeze and surge in police retirements resulted in more than 200 additional separations. These headcount actions clearly translated into reduced salary and wage needs; however, the County's success in contracting its staffing levels resulted in significant unbudgeted terminal leave payments, especially in the Police Department where average terminal leave payments exceeded $200,000 per officer.

Salaries and Wages ($ in millions)	
Regular Pay	($62.8)
All Other	(2.6)
Terminal Leave	30.3
Total Change	($35.1)

The County's transportation payments are expected to be $6.3 million lower than assumed in the FY 2000 adopted budget, as shown in the box to the right. Transportation payments are composed of a subsidy to Long Island Bus, payments to the Long Island Rail Road for station maintenance, and payments to the Metropolitan Transportation Authority (MTA) for operating assistance. After reducing its subsidy to Long Island Bus

Transportation Payments ($ in millions)	
Long Island Bus	($7.0)
LIRR Station Maintenance	0.7
MTA Operating Assistance	0.0
Total Change	($6.3)

by $5 million during the adoption process, the County cut its subsidy by an additional $7 million in FY 2000. The FY 2000 cuts were eventually funded by the MTA ($5 million) and the State ($7 million). The County did not make any changes to funding levels supporting MTA operations.

Fringe Benefits ($ in millions)	
NYS Police Retirement	($5.1)
Workers' Compensation	1.9
All Other	0.1
Total Change	($3.1)

Fringe benefits are now expected to cost $3.1 million less than budgeted at adoption. This results from variances in a number of fringe benefit components. As shown in the box to the right, the net savings are driven by lower than expected costs for the Police retirement system offset by higher than anticipated costs for workers' compensation.

Contracts/Direct Assistance ($ in millions)	
Recipient Grants	($6.3)
NHCC Subsidy	(4.0)
Mental Health - Preschool	(0.4)
Contracts	3.5
Emergency Vendor	7.7
Purchased Services	8.3
Medicaid:	
County Share	0.0
IGT Payment to NYS	30.2
Total Change	$39.0

The cost of contracts and spending on direct assistance has grown substantially above budgeted levels. As shown in the box to the right, however, most of the $39 million in unanticipated spending resulted from an increase in the County's Intergovernmental transfer (IGT) payment to the State. This expenditure is actually a pass-through payment, which is fully recaptured through a reimbursement made to the County by the Nassau Health Care Corporation (NHCC). The County projects spending on recipient grants to be $6.3 million lower than budgeted. Similarly, the County's subsidy to the NHCC was reduced by $4.0 million. These savings were more than offset by $3.5 million in increased spending on contracts, $7.7 million in higher than planned spending on emergency vendor payments, and $8.3 million in additional costs for purchased services.

IV. FY 2001 – FY 2004 Financial Plan

The County adopted a Four-Year Financial Plan ("Plan") covering FY's 2001-04 on November 29, 2000. The first year of the Plan establishes the revenue targets and expenditure appropriations for FY 2001. The out-years of the Plan reflect the impact of actions taken in FY 2000 as well as the actions scheduled for FY 2001. The County also proposed a series of initiatives it plans to implement in each of FYs 2002-04 in order to close the residual gaps that are currently projected for each of those years. These initiatives are discussed in "Out-Year Gap-Closing Program," beginning on page 19.

FY 2001

NIFA's review of the County Executive's proposed FY 2001 budget and four-year financial plan identified areas of risks that needed to be addressed during the adoption process. The risks were classified into three major categories: (1) "Implementation," (2) "Requires County Action," and (3) "Requires Outside Approval."

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

- Requires County Action risks include initiatives that cannot be implemented until the County legislature takes a favorable action, such as by introducing or approving changes to local law.

- Requires Outside Approval risks refers to initiatives that require approval from other levels of government and/or outside interested parties, such as County municipal labor unions.

Any budget or financial plan is a set of estimates. Consequently, actual results will likely differ from initial expenditure and revenue assumptions. Risk assessment attempts to identify how wide these differences will be and whether they will ease or worsen budget pressures. Risking an item does not mean that the initiative will fail. It often means that there are a series of steps that must be accomplished before the initiative can be successfully achieved. Once the necessary actions have been taken the probability that the initiative will succeed is greatly enhanced. In addition, the County discounted most initiatives by 20% to account for factors that might negatively affect their fiscal impact. This methodology is consistent with prudent budgeting and accounts for timing delays and other uncertainties. The Budget for FY 2001, as reflected in the Plan, has dealt with substantially all of the risks identified in NIFA's earlier review.

CHANGES TO RISKS

Table 2, Table 3, and Table 4 list the risks that were identified in our previous review, followed by a discussion on how the Budget dealt with these risks. The out-years of the Plan (FY 2002 - FY 2004) are discussed later in this report. Based upon review, staff believes that the risk contained in the Budget has been reduced from $81.7 million to $6.3 million. NIFA believes this level of risk is unlikely to be a significant factor in the County's effort to ensure FY 2001 budgetary balance.

Implementation

(Table 2)
IMPLEMENTATION RISKS IN THE FY 2001 BUDGET

($ in millions)	Proposed Risks	Adopted Risks
Implementation Risks		
Debt Service	$11.5	$0.0
Use of Fund Balance	4.4	0.0
Board of Elections	2.8	1.2
Correctional Center Overtime	2.0	0.0
NIFA Funding	1.7	0.0
Increase Parking Fines Through Automation of Pre-Suspension Notices	1.2	0.0
Competitively Bid Banking and Money Management Services	1.0	0.0
Introduce Local Vehicle and Traffic Law Legislation to Mirror State and Federal Carrier Safety Regulations	0.8	0.0
Transitional State Aid - Certiorari Reform	0.8	0.0
Reinvent False Alarm Fee Management	0.7	0.0
Transfer Parks Security to the Police Department	0.6	0.6
Department of Drug and Alcohol	0.5	0.0
Long-Term Health Care – Monitoring	0.4	0.0
Competitively Contract Out Drainage Maintenance Operations	0.3	0.3
Risk Total	**$28.7**	**$2.1**

Debt Service

NIFA's earlier review indicated an underfunding of $11.5 million. Subsequent analysis by NIFA revealed that debt service was underfunded by approximately $19 million. Due to better than anticipated projected operating results for FY 2000, the County is planning to make sufficient prepayments of FY 2001 debt service in FY 2000 to offset the $19 million underfunding. This item is no longer at risk in the Budget.

Fund Balance

The proposed budget included the use of $4.4 million of fund balance as operating revenue. Under the NIFA Act the use of a fund balance is not allowable as operating revenue. This item has been removed from the Budget and is therefore no longer at risk.

Board of Elections

The County had proposed to reduce the Board of Elections' budget by $2.8 million in FY 2001. The Board had indicated that it would not be able to comply with election law mandates should County resources be reduced by this amount despite the efficiencies realized from its recent computerization project. During the adoption process $1.6 million was restored to the Budget. The Board still indicates that the remaining reduction of $1.2 million will leave them unable to fulfill the legal requirements of the State Election Law. NIFA is placing the reduction of $1.2 million at risk in the Budget.

Correctional Center Overtime

NIFA believed that the proposed Correctional Center appropriation underestimated overtime costs by approximately $2 million for the following reasons: the lifting of overtime restrictions ("over the cap"), the impact of proposed wage increases, and overly optimistic savings assumptions regarding the transportation of prisoners. The County addressed NIFA concerns by providing additional overtime funding in the Budget, therefore the item is no longer at risk.

NIFA Funding

Funding for NIFA was omitted from the proposed budget. During the adoption process this technical correction was made and the item is no longer at risk in the Budget.

Increase Parking Fines Revenue Through Pre-Suspension Notices

Nassau County is planning to collect 10% of the fines associated with traffic tickets currently outstanding prior to the suspension of the ticket holder's license and without having the individual appear in court. It hopes to accomplish this by mailing pre-suspension notices to the ticket holders prior to the suspension date. This will notify the ticket holder of an option to pay their ticket through the mail and avoid getting their license suspended. This initiative was slated to bring in $1.2 million in FY 2001. During the adoption process anticipated collections were reduced by $600,000. Coupled with the recent collections that the County has been successful in receiving, the item is no longer at risk in the Budget.

Competitively Bid Banking and Money Management Services

The County, in the proposed budget, had presumed that $1 million of additional investment income could be earned by competitively bidding the County's money management function, and that savings could be achieved by consolidating bank accounts and bidding banking services. A key element of the County's plan to increase investment earnings is to extend the duration of its maturities. While NIFA concurred that savings in these areas may be possible, there was concern that the County would not be able to provide the information necessary to support such a change in its cash management practices. Without the necessary systems to manage cash information the County will be unable to extend its maturities. During the adoption cycle this target was reduced by $750,000 for FY 2001. The remaining goal of $250,000 is an achievable target.

Legislation to Mirror State and Federal Carrier Safety Regulations

Nassau County wishes to mirror State legislation to allow for higher County fines for overweight vehicles traveling on County roads. This initiative calls for increasing the fines to State levels. There was concern, however, that this legislation would not be enacted in sufficient time to reach these goals. In addition, NIFA's analysis indicated that if the number of tickets issued remained constant, the County's revenue projection might not be achieved. The revenue for this initiative was removed during the adoption process and is therefore no longer at risk.

Transitional State Aid – Certiorari Reform

The County planned to use approximately $800,000 of the targeted assistance earmarked for certiorari reform to fund existing County positions. NIFA does not believe that this assistance should be used to replace existing funding. This assistance was reallocated during the adoption process and is no longer funding existing positions. By addressing this concern during the adoption process the item is no longer at risk.

Reinvent False Alarm Fee Management

The County has implemented an $18 surcharge on every alarm permit issued in Nassau County. Revenue in the proposed budget for this initiative did not accurately reflect the incremental dollars that will be received. The projection was reduced by $460,000, from $700,000 to $240,000, during the adoption process. The Police Department believes that this projection is more realistic and NIFA is no longer placing it at risk.

Transfer Parks Security to the Police Department

This initiative entailed reducing the existing contract for security at County parks from $850,000 to $250,000. The Police Department was slated to take on routine functions previously performed by the vendor. Concerns were raised during the adoption process about this initiative since it is uncertain that the Police Department will undertake certain park security functions such as supporting operations for concerts and traffic control. NIFA believes that the projected savings may be partially offset by the hiring of seasonal personnel to perform certain duties that must be continued. The funding reduction of $600,000 was restored by the Legislature and subsequently vetoed by the County Executive. It remains a risk in the Budget.

Department of Drug and Alcohol

Programmatic expenses in the Department of Drug and Alcohol were reduced by $2 million from the Department's original budget request to the Executive budget. The reimbursement revenue for this expense was kept constant. The Department estimates that the failure to adjust the matching revenue downward results in an overstatement of $500,000 in revenue. The revenue was reduced by $500,000 during the adoption process and the item is no longer at risk in the Budget.

Establish Long-Term Health Strategy, Including Monitoring

The County plans to introduce a more rigorous process for monitoring the provision of its long-term care services. The County expects that a more efficient and effective use of these programs could yield savings of $426,900 in FY 2001. The Department has indicated that funding for staff necessary to implement these reductions is in place. The item is no longer at risk for FY 2001.

Competitively Contract Out Drainage Maintenance Operations

The County is looking to outsource the maintenance of drainage operations. This is projected to save $300,000 in FY 2001. The Department of Public Works indicates that funding for the outsourcing has not been provided. Funding was restored and subsequently vetoed during the adoption process. As such the item still remains at risk.

Requires County Action

(Table 3)
REQUIRES COUNTY ACTION RISKS IN THE FY 2001 BUDGET

($ in millions)	Proposed Risks	Adopted Risks
Requires County Action Risks		
Increase Property Tax	$18.1	$0.0
Labor Contracts	13.5	0.0
Long Island Bus Subsidy	7.0	0.0
Levy Interest Charge on Tax Liens	1.6	0.0
Eliminate Discretionary Contracts with Social Service Agencies	0.4	0.0
Risk Total	**$40.6**	**$0.0**

Increase Property Tax

In the review of the proposed budget this item was placed at risk since the implementation required legislative approval. This item is no longer at risk since the adopted budget contains an increase of $46,579,136, raising the property tax levy from $516.4 million to $562.9 million. This represents an increase of 9.02% from the FY 2000 total tax levy.

Labor Contracts

With personal services costs, including salaries and wages, comprising approximately 40% of the FY 2001 budget and financial plan, labor agreements are an integral component in achieving structural balance. The proposed budget had assumed savings totaling $13.5 million from the implementation of three proposed collective bargaining agreements. Two of the three unions impacted are police unions, the Police Benevolent Association (PBA) representing approximately 2,000 police officers and the Detectives Association Incorporated (DAI) representing over 400 County detectives. The third is a new union, the Sheriff's Officers Association (ShOA), which represents approximately 1,000 uniformed corrections personnel. Prior to the formation of ShOA, the Civil Service Employees Association, Inc. (CSEA) represented uniformed corrections personnel.

At this time, none of these agreements have been submitted to the legislature and their approval remains uncertain. The County should be vigilant in pursuing the planned savings that can be realized outside the collective bargaining process. To the degree they do not materialize the County must find alternative savings to ensure budgetary balance. During the adoption process $4 million was restored to partially offset this risk. The potential for an arbitration settlement also poses a risk. A reserve of $10 million was established to deal with budget problems that arise during the year. These funding restorations strengthen the overall budget and serve to somewhat offset these labor risks.

Consistent with the proposed labor agreements, the Budget reflects salary increases in FY 2001 for uniformed corrections personnel (ShOA). In addition, proposed FY 2001 salary increases for police personnel in the PBA and DAI unions will be paid retroactively in FY 2002.

Long Island Bus Subsidy

The County proposes to freeze its subsidy to the Long Island Bus at its FY 2000 level, continuing $7 million in FY 2001 budget relief. The Legislature had expressed concern over this reduction and restored $4 million. This restoration was subsequently vetoed and not included in the Budget. While this reduction in funding may negatively impact service, it is a policy decision that the County has now made. As a financial initiative it is no longer at risk for FY 2001. County leaders are seeking alternative funding sources to reduce potential service impacts.

Levy Interest Charge on Tax Liens

On tax liens to be sold at auction, the County has imposed a 10% interest rate for each six-month period the lien is outstanding. The recurring financial impact is estimated to be $1.6 million. The County legislation required to implement this initiative has now been taken and the item is no longer at risk.

Eliminate Discretionary Contracts with Social Service Agencies

The proposed budget eliminated $449,230 in contracts for FY 2001 within the Department of Social Services. Partial funding was restored and subsequently vetoed during the adoption process. Reduction of discretionary contractual funding is a policy decision that relates to levels of services provided. However, as a financial concern it is no longer at risk in the Budget.

Requires Outside Approval

(Table 4)
REQUIRES OUTSIDE APPROVAL RISKS IN THE FY 2001 BUDGET

($ in millions)	Proposed Risks	Adopted Risks
Requires Outside Approval Risks		
Repayment of Lag Payroll	$8.0	$0.0
Medicaid Managed Care	2.9	3.8
Increasing Violations to NY State Maximum	1.1	0.0
Long-Term Health Care – Rate Adjustment	0.4	0.4
Risk Total	**$12.4**	**$4.2**

Repayment of Lag Payroll

The County is obligated to return gap-closing resources that have been realized from a series of lag payroll agreements previously negotiated with each of its labor unions upon the involuntary separation of County workers. Since no layoffs of union employees are contemplated in the Budget the item is no longer at risk.

Medicaid Managed Care

The County plans to transition its Medicaid recipient population from fee-for-service to managed care. The FY 2001 proposed budget included $2.9 in savings in the Medicaid program based upon the implementation of mandatory managed care effective January 1, 2001. The Budget increased the savings to $3.8 million. Before the Department can begin enrolling clients, the Federal Health Care Financing Administration (HCFA) must grant final approval. An on site visit scheduled for the first week in November has been delayed and is now scheduled for December. The delay in conducting the site review is expected to delay the implementation of mandatory managed care to February 1, 2001 resulting in the loss of approximately $600,000. Furthermore, information provided by the New York State Office of Medicaid Management indicates that the County may have overstated the potential savings from a conversion to managed care. With these various uncertainties surrounding this initiative, it remains at risk in 2001.

Increase Moving Violation Fines to NY State Maximum

The County is seeking an increase in the fines associated with moving violations issued within its borders. The County made a request to the Board of Judges for these changes and the Board has approved certain increases. Since this matter has been ruled on favorably, NIFA no longer holds this initiative at risk.

Establish Long-Term Health Strategy, Including Rate Adjustment

The County plans to introduce a uniform rate payment system for its Personal Care Attendant program (PCA). A consultant study indicated that the County could realize up to $711,750 in savings by using a weighted uniform rate. The Plan reflects a more conservative cost savings estimate of approximately $427,000. The County plans to implement this initiative by the end of the first quarter of FY 2001. However, before this change can be made, the County must seek an exemption from the State's cost-based rate setting methodology and submit the exemption application annually. Until these milestones have been achieved, the savings target remains uncertain.

FY 2002- FY 2004

Table 5 shows the County's revenue forecasts and expenditure estimates for each year of the Plan after the implementation of the FY 2001 gap-closing program, including the effect of additional debt restructuring and transitional State aid. The County projects that total revenues will grow from $2.2 billion in FY 2001 to $2.3 billion in FY 2004. Over the same period, expenditures are projected to grow from $2.2 billion to $2.6 billion. The mismatch in growth rates leads to a situation wherein, without the gap-closing program, the County's financial condition worsens from a projected operating surplus of $11.5 million in FY 2001 to projected deficits of $128.1 million in FY 2002, $186.2 in FY 2003, and $260.5 in FY 2004.

(Table 5)
NASSAU COUNTY FINANCIAL PLAN
FY 2001- FY 2004

($ in thousands)	FY 2001	FY 2002	FY 2003	FY 2004
Revenue				
Taxes				
Property	$562,946	$562,946	$562,946	$562,946
Sales	815,760	840,233	865,440	891,403
Other	18,627	19,027	19,437	19,857
Miscellaneous	267,605	271,183	274,389	277,676
Interfund Revenues/Transfers	234,767	237,003	239,602	242,267
Federal Aid	123,546	123,662	126,754	129,923
State Aid	195,105	199,983	204,983	210,107
NIFA Aid	25,000			
Total Revenue	**$2,243,356**	**$2,254,037**	**$2,293,551**	**$2,334,179**
Expenditures				
Personal Service	$897,914	$944,870	$994,297	$1,046,326
OTPS	842,162	873,811	907,301	942,751
Debt Service	277,098	346,746	359,305	384,644
Interfund Charges/Transfers	214,653	216,708	218,813	220,972
Total Expenditures	**$2,231,827**	**$2,382,135**	**$2,479,716**	**$2,594,693**
Operating Surplus/(Gap)	**$11,529**	**($128,098)**	**($186,165)**	**($260,514)**
Opening Fund Balance[a]	($11,529)			
Surplus/(Gap)	**$0**	**($128,098)**	**($186,165)**	**($260,514)**

[a]The Plan includes an FY 2001 opening fund balance deficit of $11.529 million in the Police District Fund.

The emergence of these large gaps stems from the ongoing imbalance between the growth of revenues and expenditures over the term of the Plan. The County projects that, between FYs 2001 and 2004, its baseline revenues will grow by 1.3% annually while its baseline expenditures grow by 5.1% annually, before implementation of the out-year gap-closing program.

Revenue Growth

Tax revenues, projected to grow by 1.8% annually, are composed of the property tax, sales tax and other tax categories. Baseline property tax revenue is assumed to be flat, while the out-year gap-closing program assumes that the annual property tax levy will be increased by 5% each year, beginning in FY 2002. Sales tax revenue is expected to grow by a net of 3% per year after accounting for the phase out of the sales tax on receipts from the transmission and distribution of natural gas and electric service. Finally, the other taxes category is projected to grow by 2.2% per annum.

Miscellaneous revenue, which includes revenue from rents and recoveries, permits and licenses, investment income, capital backcharges, and Off-Track Betting, is forecast to grow by 1.2% annually over the plan period.

The County forecast assumes that intergovernmental aid, composed of State and Federal Aid, will increase by 2.2% annually. Baseline projections include $25 million in NIFA assistance in FY 2001. Out-year NIFA assistance is reflected as part of the out-year gap-closing program.

Expenditure Growth

The County projects that personal services costs will grow by 5.1% annually between FYs 2001 and 2004. The Plan provides for across-the-board wage increases for non-union employees beginning in FY 2002 and for all other employee groups in years with no existing collective bargaining agreements. These wage increases are above the step increases assumed for most unionized employees. Other wage costs, such as overtime earnings, termination pay, shift differential, and longevity are assumed to track the growth in salaries.

The Plan reflects the County's assumption that fringe benefits costs will grow by 6% annually during the Plan period. This presumes that health insurance costs for active employees and retirees will return to 8% annual growth following higher adjustments in FY 2001. Social security expenditure growth tracks salaries and wages at 5% annually. Other fringe benefits costs, including pension contributions that grow by 3% and workers' compensation expenditures that are presumed to be flat, help moderate overall fringe benefits growth.

Other-than-personal-services (OTPS) costs are expected to increase by 3.8% annually. These costs are dominated by spending on contracts and direct assistance payments, which are projected to grow by 4.4% annually. The Plan reflects the cost of local government assistance, which represents a share of sales tax revenue, to grow by 3% annually. Regular OTPS expenditures, for items including general expenses and utilities, are projected to grow by 2.5% annually. Spending on transportation is projected to rise by 2.1% annually. In contrast, the County expects its payments to the Nassau Health Care Corporation to remain flat over the term of the Plan. However, in light of the County's contingent liability to fund deficiencies in the Debt Service Reserve

Account maintained by NHCC, the County needs to evaluate the potential need for providing credit support in the out-years of the Plan.

The County's budgeted debt service drops from FY 2001 to FY 2002, prior to NIFA debt restructuring, and then rises moderately in FY 2003 and FY 2004. This pattern reflects the amortization of existing County debt and the addition of debt service on future NIFA bonds that will be issued to fund County capital and certiorari needs, together with fairly steady annual cash flow borrowings. In response to changing circumstances and in order to meet the debt service budget, the County has scaled back and deferred its debt issuance plans from earlier proposals.

For example, the current backlog of tax certiorari claims is approximately $400 million. The County initially planned to bond $150 million in FY 2001 and $250 million in FY 2002. Currently, the County only plans to bond $50 million of backlogged claims in FY 2002. Capital bonding for FY 2001 of $165 million, previously projected at $188 million in June 2001 is now scheduled for $50 million in June and $115 million in November of 2001. Projections also assume that NIFA will issue debt with a 30-year final maturity, a change in debt practice that NIFA would consider, but has not reviewed or consented to.

Any changes to the assumptions on which the County's debt service projections are based, including the amounts, timing, and amortization schedules of the bonds, would change the debt service projections, and thus require modifications to the Plan. In particular, if the bonding needs grow, the County will have to find additional funds for debt service.

Out-Year Gap-Closing Program

The out-year gap-closing program outlines the County's current strategy to close its out-year budgetary deficits that are projected to grow from $128.1 million in FY 2002 to $260.5 million in FY 2004. The Plan includes a series of initiatives that, as proposed, begin to address the County's structural deficit by generating recurring revenues and/or savings. The out-year gap-closing program stands as a roadmap by which the County will attempt to navigate its finances in its efforts to attain structural balance. However, it will likely need significant refinement as the County proceeds with the actions it has proposed, especially in FY 2003 and FY 2004, since those years contain substantial budgetary relief from a series of new revenue and expenditure initiatives requiring additional planning and/or external action.

Table 6 lists the major components of the County's out-year gap-closing program. As shown, the County plans to close its out-year gaps through a mixture of NIFA-related assistance, in the form of debt restructuring savings and transitional State aid, as well as through the implementation of revenue enhancement programs and expenditure reduction initiatives. The County projects that the size of it's out-year gap-closing program will more than offset the projected deficits in each of the out-years, generating a modest surplus in FY 2002 and a cushion of approximately $23 million in FY 2003 and FY 2004.

The projected surpluses provide some level of assurance that resources will be available to offset unanticipated revenue shortfalls and/or support unforeseen expenditures that might materialize over the term of the Plan. The County must work diligently, however, to develop contingency initiatives capable of replacing and/or augmenting proposed actions should slippage occur in the gap-closing program and/or the local economy begin to cool.

(Table 6)
OUT-YEAR GAP-CLOSING PROGRAM

($ in millions)	FY 2002		FY 2003		FY 2004	
Baseline Gap	**($128.098)**		**($186.165)**		**($260.514)**	
NIFA Actions:						
Debt Restructuring	$57.000	n/a	$36.000	n/a	($23.000)	n/a
Transitional Aid	20.000	n/a	15.000	n/a	15.000	n/a
Subtotal	$77.000		$51.000		($8.000)	
County Proposals:						
Revenue Enhancements	$36.463	69.4%	$88.052	55.7%	$147.884	50.7%
Expenditure Reductions	16.083	30.6%	70.083	44.3%	144.083	49.3%
Subtotal	$52.546		$158.135		$291.967	
Total Program	**$129.546**		**$209.135**		**$283.967**	
Projected Surplus/(Gap)	**$1.448**		**$22.970**		**$23.453**	

The out-year gap-closing program includes significant budgetary relief to be provided by NIFA. The NIFA debt restructuring declines from $57 million in FY 2002 to $36 million in FY 2003 before negatively impacting the County by $23 million in FY 2004. The transitional State aid declines from $20 million in FY 2002 to $15 million in FYs 2003 and 2004.

In contrast, the County estimates that its own gap-closing proposals will generate recurring and growing budgetary relief of $52.5 million in FY 2002, $158.1 million in FY 2003, and $292 million in FY 2004. The County anticipates that expenditure reduction initiatives will represent a growing proportion of the gap-closing program, increasing from 30.6% in FY 2002 to 49.3% in FY 2004. Conversely, the County's revenue enhancement initiatives will comprise a shrinking portion of the gap-closing program, declining from 69.4% in FY 2002 to 50.7% in FY 2004.

Each of the out-year gap-closing initiatives are listed in Table 7 and briefly discussed after the table.

(Table 7)
OUT-YEAR GAP-CLOSING PROGRAM

($ in millions)	FY 2002	FY 2003	FY 2004
Projected Operating Deficit	**($128.098)**	**($186.165)**	**($260.514)**
Gap-Closing Program:			
NIFA Debt Restructuring	57.000	36.000	(23.000)
Transitional Aid	20.000	15.000	15.000
Property Tax Increases	28.147	57.702	88.734
Non-Tax Revenue Increases	5.000	5.000	10.000
Long Island Bus Subsidy	2.000	2.000	2.000
Expenditure Reductions	13.883	38.883	61.383
Grumman Lease Revenue	0.000	1.600	1.600
State Reimbursement of LIE Patrol	0.000	7.000	7.000
Union Savings	0.000	25.000	25.000
Local Certiorari Debt Service Savings	0.000	0.000	7.000
Sell Advertising on County Property	0.000	2.000	4.000
Partial Merger	0.000	0.200	0.500
Coliseum Site Development	0.000	0.000	15.000
Off-Track Betting Reforms	0.000	3.000	4.500
Cigarette Tax	1.066	4.300	4.300
Red Light Cameras	2.250	2.250	2.250
Grants Recovery Improvement	0.000	5.000	10.000
Transfer Duplicative Services to Localities	0.000	3.000	6.000
State Assumption of Local Medicaid	0.000	0.000	40.500
Privatize TPVA Functions	0.000	1.000	2.000
Privatize 9-Hole Golf Course Management	0.200	0.200	0.200
Total Gap-Closing Program	**$129.546**	**$209.135**	**$283.967**
Surplus/(Deficit)	**$1.448**	**$22.970**	**$23.453**

NIFA Assistance

The Plan reflects the level of budget relief anticipated by the County from the restructuring and refinancing of the County's outstanding debt and lower-cost issuance of future debt by NIFA. These actions are projected to yield savings of $57 million in FY 2002 and $36 million in FY 2003, and result in a cost of $23 million in FY 2004. In addition, the County expects to realize $50 million in State transitional assistance between FY 2002 and FY 2004. The County must meet several conditions in order for NIFA assistance to be effectuated, including implementing gap-closing actions with recurring budgetary value in compliance with milestones established in the NIFA Act and ensuring that it does not end the fiscal year with a budget deficit greater than 1%.

Property Tax Increases

The Plan reflects the County's proposal to increase property taxes annually by 5%. These increases are expected to provide a recurring and growing revenue stream that adds $28.1 million to overall property tax revenue in FY 2002, $57.7 million in FY 2003, and $88.7 million in FY 2004.

Non-Tax Revenue Increases

The Plan calls for the County to raise various fees sufficiently to generate $5 million in recurring revenue beginning in FY 2002 and an additional $5 million beginning in FY 2004. While the County has not finalized which fees it will increase, it has reported that it will be considering higher charges for: licenses and inspections in Consumer Affairs, filing fees in Planning, permits in Public Works, recreational facility charges in Recreation and Parks, and inspections and permits in the Health Department.

Long Island Bus Subsidy

The County proposes to reduce further its subsidy to the Long Island Bus by $2 million beginning in FY 2002. This reduction, combined with the recurring $7 million reduction imposed in FY 2001, would bring to $9 million the County's total annual subsidy reduction. In total, the County proposes that out-year local funding for the Long Island Bus be reduced to $5.9 million, about $1.2 million lower than the County's FY 2000 subsidy level. The County stated that any shortfall could be made up through operating efficiencies, reductions in service, or additional revenues such as State aid or other State initiatives.

Expenditure Reductions

The County plans to implement, in three successive years, a series of expenditure reduction initiatives that are projected to generate recurring savings over the term of the Plan. The Plan reflects savings from these initiatives worth $13.9 million beginning in FY 2002, $25 million beginning in FY 2003, and an additional $22.5 million beginning in FY 2004.

The County's efforts are focused on OTPS cost containment and savings to be achieved through workforce attrition, consolidations, and streamlining in a wide array of departments, contract cuts, and the implementation of privatization initiatives. In aggregate, the County contemplates reducing projected baseline expenditures by $13.9 million in FY 2002, $38.9 million in FY 2003, and $61.4 million in FY 2004.

Grumman Lease Revenue

The Plan reflects the County's expectation that the U.S. Navy will transfer a 105-acre piece of property currently operated by the Northrop Grumman Corporation to Nassau County during FY 2001. The County assumes that it could lease this property for $1.6 million beginning in FY 2003. These revenues remain uncertain until the County determines its exposure to possible environmental liabilities, takes title to the property, an action that requires the Navy approval of a County developed reuse plan, and secures lease agreements from interested property developers.

State Reimbursement of LIE Patrols

The County plans to receive State reimbursement for the cost of patrolling the Long Island Expressway (LIE). The County contends that, like the Cross Westchester Expressway in Westchester County (with police patrols that are reimbursed by the State), the LIE is of prime regional importance and should be treated by the State in a similar fashion. It is uncertain whether the State will agree to pay for the costs of LIE patrols.

Union Savings

The County's labor agreement with the Civil Service Employees Association (CSEA) expires at the end of FY 2002 and is targeted by the County for givebacks and recurring savings totaling $25 million beginning in FY 2003. While these savings must be determined through the collective bargaining process, the County has stated that it will seek this level of recurring budgetary relief through a multi-year wage freeze and other union concessions.

Local Certiorari Debt Service Savings

The County is seeking to modify state law, which currently obligates the County to pay the towns' and school districts' share of property tax refunds owed to property owners in cases of over-assessment. The County estimates that it could save $7 million beginning in FY 2004 from reduced debt service costs since property tax refunds are assumed to otherwise be financed with new debt. This requires State action and will likely encounter significant opposition.

Sell Advertising on County Property

The County plans to receive new revenue from the sale of advertising and naming rights for County facilities. The County projects that it can realize $2 million in FY 2003 and $4 million in FY 2004 from this initiative. The County expects to begin the public bid and/or request for proposal process in FY 2001 with the hope that the County can begin to realize revenue from these sources earlier than called for by the Plan.

Partial Merger of Drug and Alcohol into the Health Department

The County anticipates receiving $200,000 in additional revenue from higher reimbursements in FY 2003 and $500,000 in FY 2004 after merging certain functions currently performed separately by the Departments of Drug and Alcohol, Mental Health, and Health Department. The County states that even greater revenue can be realized—more than $1 million—by completely merging these Departments.

Coliseum Site Development

The County estimates that it can realize $15 million in new revenue in FY 2004 through better leases and additional sales tax revenues associated with the overall development of the Veteran's Memorial Coliseum site. The County suggests this effort could include a new hotel, convention center, sports complex, entertainment arcade, and entertainment and sports related establishments. While increased commercial activity and additional revenue growth is possible, it is unclear how much control the County has over developing this site.

Off-Track Betting Reforms

The County stated that implementing a series of reforms could increase revenue generated by the Off-Track Betting (OTB) Corporation. These reforms include expanding betting options and better staffing OTB telephone lines. The County maintains that these actions would result in more bets and higher profits. The Plan includes an additional $3 million in FY 2003 and $4.5 million in FY 2004.

Cigarette Tax

The County plans to seek State legislation to implement a 5-cent per pack tax on cigarettes. The County projects that this new cigarette tax would generate additional revenue of $1.1 million in FY 2002 and $4.3 million annually beginning in FY 2003.

Red Light Cameras

The County wants to install red-light cameras at 50 major intersections to enhance public safety and generate greater fine revenue from vehicular traffic infractions. The County estimates that it can realize $2.25 million annually from this initiative beginning in FY 2002. It is unclear if the County could realize this level of fine revenue from these intersections. In addition, the installation of red-light cameras requires State legislation.

Grants Recovery Improvement

The County plans to increase the level of grant revenue collected to support existing programs. The County has no centrally coordinated grants recovery office and assumes that departmental staff may be failing to access significant levels of available grant resources. The County projects that it can realize an additional $5 million in grant funds in FY 2003 and $10 million in FY 2004 by designating a full-time person to oversee available grant revenue and collection efforts.

Transfer Duplicative Services to Localities

The County estimates that it can save $3 million in FY 2003 and $6 million in FY 2004 by consolidating duplicative services provided by the County, town, and city governments. While the pursuit of these savings is prudent, the County must negotiate and sign agreements with other levels of local government before they can be realized.

State Assumption of Local Medicaid

The County's local share of Medicaid expenditures is approximately $190 million. The Plan reflects the County's projection that it could save $40.5 million beginning in FY 2004 from a partial State assumption of local Medicaid costs. While these savings would require a dramatic departure from current State policy, the County also plans to pursue other Medicaid cost containment strategies, including a reduction in Medicaid fraud and abuse, competitive bidding of Medicaid prescriptions, and seeking higher reimbursement rates for early intervention, preschool handicapped and handicapped children's programs.

Privatize TPVA Functions

The County projects that it can realize budget relief of $1 million in FY 2003 and $2 million in FY 2004 through the privatization of the Traffic and Parking Violations Agency (TPVA). The County envisions hiring a firm that would collect parking and traffic fines for the County either on a fee or contingency basis. These savings remain uncertain until a firm is selected through a request for proposal process and the terms of the financial arrangement clarified.

Privatize 9-Hole Golf Course Management

The County estimates that it can save $200,000 annually beginning in FY 2003 by hiring a professional golf course management firm to manage the County's two nine-hole golf courses. These savings remain uncertain until a firm is selected through a request for proposal process and the terms of the financial arrangement clarified.

V. Future Actions

The County will be confronted with fiscal and management challenges over the next several years. The following is a list of significant issues that we believe the County needs to address. While categorization is difficult, we have separated our list into short-term and the long-term items.

We recognize that the following list represents a number of significant management improvements, and that it is not possible to implement all of these in a short time period. Therefore, we believe that the County needs to develop a plan to deal with these issues. Such a plan would prioritize the issues, estimate the resources required to address them and determine the sequence in which they should be resolved.

SHORT-TERM CHALLENGES

Four-Year Financial Plan

The four-year financial plan indicates that the County plans to take recurring actions of $52.5 million in FY 2002, $158.1 million in FY 2003, and $292 million in FY 2004. Now that the financial plan has been adopted, it is important that the County continue refining its plan as circumstances change. In addition, out-year actions should be implemented as soon as possible to help achieve structural balance as early as possible.

Develop Initiative Monitoring System

The County is undertaking a number of significant initiatives to reduce costs or increase revenues. The achievement of a balanced budget for FY 2001 is contingent upon these initiatives meeting their goals. The County needs to develop a process to ensure that these initiatives are implemented and are achieving their desired results. At present these initiatives are only being reported quarterly. We believe that a more frequent, perhaps monthly, reporting cycle is necessary to monitor the status of the initiatives. Should any of these initiatives not be meeting their goals, prompt action must be taken to ensure budgetary balance.

Fill Key Vacancies

Effective management is required to ensure that the necessary services are delivered to County taxpayers in an efficient and effective manner. Currently the County has a number of key management positions vacant. In addition, the Office of Management and Budgets has a number of vacant positions that are necessary to help monitor County finances. The County should begin the process of filling these vacancies immediately.

Property Assessments

The level of tax certiorari claims is a significant financial burden on the County. This burden is exacerbated because these claims are paid through the proceeds of borrowed funds, rather than being paid through operating revenues. In order to reduce this burden the County must ensure that the planned reassessment is completed timely, and that the effort to reduce the backlog of tax certiorari claims is implemented as soon as possible.

Commit Resources to Increase Revenue

The County should identify areas where additional revenue would be produced if additional resources were provided. For example, it has been reported that the Traffic and Parking Violations Agency does not process receipts timely. The County should perform an analysis to determine if providing additional resources to improve this process would be cost effective. If additional revenues can be generated they could be used by the County to fund other needs.

Explore Opportunities to Share Services

The County should work with other local governments to identify opportunities to share necessary services and eliminate redundant or unnecessary services. This should be done in a way that is mutually beneficial to all parties.

For example, there may be opportunities for the County to assume the responsibility for certain services, while the towns or villages could assume responsibility for other services. In this manner, both the County and the other local government could reduce costs through elimination of duplicate services.

Another opportunity would be to share certain services. For example, the County might be able to assist the towns and villages in the procurement process. In exchange for this service the towns and villages might be willing to take responsibility for plowing certain County roads.

Improve Grants and Revenue Management

The County should have staff that actively seek new Federal and State funding. In addition, due to their familiarity with such programs, the staff should help review existing services provided by the County to ensure that the County is maximizing its Federal and State reimbursement opportunities.

Prepare and Maintain Debt Service Schedule

The County should prepare and maintain a current debt service schedule showing the amount of outstanding debt and debt service payments that are due. This information is an important element of an effective financial management system. At present the County does not maintain such a schedule.

Implement Cash Flow Reporting System

The County's accounting system does not generate adequate cash flow reporting information. While some information is available for the general fund, no information is available for the other funds of the County. Such information is of critical importance for both investing and borrowing purposes. Accurate cash flow information would allow the County to invest available cash for longer periods, which will typically generate higher yields. In addition, the County borrows approximately $450 million per year for cash flow purposes. Effective cash flow information will help ensure that the County does not borrow funds in excess of its needs, and unnecessarily pay interest costs.

LONG-TERM CHALLENGES

Develop a Capital Planning Process

At present the County does not have a formal capital planning process. Development of a capital planning process would help to identify and prioritize the County's long-term capital needs. This information should be integrated into the multi-year financial plan.

Focus Debt Issuance on Long-Term Capital Needs

The County's borrowing, on its own and now through NIFA, has tended to include large amounts for payment of tax certiorari judgments, other settlements and judgments, and relatively short-lived capital needs. The County needs to move towards financing these types of expenses out of its annual operating budget rather than through the issuance of long term bonds.

Benchmark Services

The County should benchmark how it operates against other similar entities. In certain cases this benchmarking might be done against other similar local governments, while in other cases the benchmarking might be performed against private entities. It might be appropriate to see how other counties deliver similar services. In other cases the benchmarking might be done against private firms. For example, the County may wish to see how private firms process various applications or payments. Benchmarking can be a valuable tool to help identify potential opportunities to improve service delivery and/or reduce costs.

Expand Use of Technology

At present many County employees do not have adequate technological resources. For example, the County Attorney has a Wang word processing system that was implemented over ten years ago. In a labor intensive operation such as government, appropriate technological resources can help improve productivity. Other examples are voice mail and e-mail, which many County employees do not have. Because the Budget contains a $1 million technology initiative, the County should provide the necessary training to employees to ensure that they can effectively utilize the new technology.

Implement Process Improvement Techniques

The County should be reviewing the manner in which work is performed to ensure that it is being performed in the most efficient way possible. For example, the County has a routing sheet for purchase orders. Each purchase order must go through a number of steps, with many underlying sub-steps. The current process requires that the same document go through the County Executive's Office several times. While at one time there may have been a valid reason for each step, it is important to determine whether each step is presently necessary or if a more efficient process can be implemented. While this example deals with the processing of purchase orders, the concept is much broader in its application to many work processes within the County.

Consolidate Space and Lease Excess Capacity

The County has a number of various work locations throughout the County, some of which may be leased, while others are County owned. The County should undertake a comprehensive study of its current and future space needs. Furthermore, the County has an opportunity to work with the private sector to explore the option of consolidating most County operations into a modern government center. In this process, the County could downsize space by renting or selling space no longer needed.

Labor Policy

The County must determine ways to achieve permanent labor savings in a way that promotes both cost savings and long-term efficiencies. Issues such as employee contributions to health insurance, merit pay, and reduced terminal leave payments should be explored.

Glossary of Terms

"**Act**"	The Nassau County Interim Finance Authority Act
"**Authority**" or "**NIFA**"	Nassau County Interim Finance Authority
"**Budget**"	The Fiscal Year 2001 budget adopted by the Nassau County Legislature
"**County**"	Nassau County
"**CSEA**"	Civil Service Employees' Association
"**DAI**"	Detectives' Association Incorporated
"**Fiscal Year 2000 Budget**"	The budget adopted by the Legislature and in effect for the County for Fiscal Year 2000
"**HCFA**"	Federal Health Care Financing Administration
"**IGT**"	Intergovernmental Transfer
"**Legislature**"	The Nassau County Legislature
"**LIE**"	Long Island Expressway
"**MTA**"	The Metropolitan Transportation Authority of New York State
"**NHCC**"	Nassau Health Care Corporation
"**OTPS**"	Other-than-personal-services
"**OTB**"	Off-track betting
"**PBA**"	Police Benevolent Association
"**PCA**"	Personal Care Attendant program
"**Plan**"	The Four Year Financial Plan adopted by the Nassau County Legislature on November 29, 2000
"**TPVA**"	Traffic and Parking Violations Agency
"**ShOA**"	Sheriff's Officers' Association
"**State**"	New York State