

**MEMORANDUM**

**TO:** NIFA Directors  
**FROM:** Richard L. Luke  
**RE:** Review of Year One of the Nassau County Four-Year Financial Plan  
**DATE:** December 7, 2001

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**Overview**

Staff has reviewed the FY 2002 budget (the "Budget") as enacted by the County Legislature on November 27, 2001, and the changes resulting from the County Executive's vetoes on December 6, 2001. We recommend that the Directors approve the Budget as submitted. As with any budget, there will always be some level of risk, however, we believe that the risks contained in the Budget are within an acceptable range. As with any plan, the County must monitor the Budget closely and react timely to any negative changes in revenue or expenditure projections to ensure that the Budget remains in balance throughout the fiscal year.

**Background**

On November 9, 2001 NIFA rejected the budget adopted by the County. On November 12, 2001 the County Executive resubmitted to the County Legislature the same budget that was previously rejected by NIFA. The County Legislature made a number of changes to that budget and adopted a modified budget on November 27, 2001. On December 6, 2001 the County Executive vetoed changes to the budget adopted by the County Legislature. Based upon discussions with Legislative leaders we believe it is unlikely that the Legislature will make any changes that will adversely affect the Budget.

**Budget Review**

Our letter of November 9, 2001 identified \$45.7 million of risks in the budget adopted by the County Legislature on October 30, 2001. The Budget satisfies most of these risks and sets forth actions necessary to maintain budgetary balance. The major actions include:

- Increasing property taxes by 4.1% to raise additional revenues of \$24.5 million. The property tax increase will rise from 5% to 9.1%.
- Increasing total expenditures by \$43.5 million, including \$18 million if it is necessary to repay the payroll lag.
- Increasing other revenues by \$1 million.
- Using \$10 million of FY 1999 fund balance to pay debt service costs.
- Using \$18 million of FY 1999 fund balance to fund the payroll lag.

While the Budget is within a range of acceptability, we also recognize that it contains some risks.

- To achieve the budgeted target of \$856 million for sales tax revenues, the County will need growth of 3% from its estimate of \$831 million of sales tax revenues for FY 2001. The County's economic consultant is projecting that sales tax revenues will grow by 5% in FY 2002, which is consistent with historical levels but could be aggressive in light of recent economic activity.
- Appropriations for overtime in the Police Headquarters may also be understated by \$1 – 2 million.
- The County presumes an attrition rate of 9%, which is above historical levels and will require close monitoring.

The budget also recognizes that layoffs could be necessary if economic conditions change. As a result the Legislature has budgeted \$18 million for payment of the payroll lag. The repayment of the lag, which would be a non-recurring expenditure, is funded with the use of \$18 million of FY 1999 fund balance. Since the use of the fund balance is restricted to repayment of the payroll lag, our approval should be contingent upon the County using these funds only for that purpose.

As with any budget, the County will need to monitor budget performance closely and be prepared to implement corrective actions should economic conditions change and negatively effect revenue or expenditure projections. Our oversight will be intense. In addition to current monitoring activities, NIFA will obtain and review implementation plans for key budget actions, focus on monthly as well as quarterly budget reports, seek timely budget modifications, and require a mid-year update to the County's four-year financial plan, among other steps.