Nassau County Interim Finance Authority

NIFA

REVIEW OF NASSAU COUNTY'S PROPOSED MULTI-YEAR FINANCIAL PLAN FISCAL 2013 - 2016

October 25, 2012

NASSAU COUNTY INTERIM FINANCE AUTHORITY

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I. OVERVIEW

On September 17, 2012, the County submitted the Proposed Multi-Year Financial Plan, Fiscal 2013-2016 (the "Proposed Plan"), the first year of which is the Proposed Budget for FY 2013 (the "Proposed Budget"). The following discussion reflects our views of their submission.

The Proposed Plan recognizes that the County continues to be in a fiscal crisis although we acknowledge certain achievements. However, there is still a long way to go before the conditions are met which will allow NIFA to terminate the Control Period. Indeed, the County's Proposed Plan also tacitly acknowledges that the Control Period will continue throughout its term.

Stated differently, the County has survived for another year, but is not on an upward trajectory. Poor fiscal practices like amortization of pension contribution payments, failure to timely pay certiorari claims, and use of fund balance are short-sighted ways to lower near term expenditures while failing to add new revenues. There is also a lack of specificity and continued uncertainty as to the success of key initiatives.

Because of the uncertainty contained in the Proposed Plan, NIFA will continue to carefully monitor the County and be on the lookout for backsliding. While the projected cash deficit may be manageable, the GAAP deficit (the statutory standard by which NIFA is required to measure balance) continues to be well in excess of the trigger point for the continuation of a control period. Nevertheless, we conclude that the Proposed Plan and its FY 2013 Budget meet the standards of prudence necessary for us to recommend approval.

However, this recommendation is predicated on:

- The County identifying and incorporating acceptable alternatives to two Out-Year initiatives: (1) the proposed sewer financing transaction and (2) elimination of the MTA station maintenance payment.
- The County identifying and incorporating acceptable alternatives to bonding for judgments and settlements in FY 2015 and FY 2016.
- No other significant actions by the County Legislature to alter the Proposed Plan.
- A detailed explanation of the County's plan for tax certiorari settlements, including how they arrived at the projected $18 million expenditure for FY 2013 as well as an estimate of the backlog during each year of the Proposed Plan.

II. DISCUSSION OF FY 2012

Before examining the Proposed Plan we need to discuss the projected operating results for FY 2012 because they form the baseline for future years and, therefore, are the foundation of our analysis of the County's revenue and expenditure assumptions for FY 2013 and FY 2014 – FY 2016 (the "Out-Years").

FY 2012 RISKS

Our analysis of revenues and expenditures indicates that the County could end FY 2012 with a cash basis operating deficit of approximately $25 million if no other actions are taken to realize additional revenue or reduce spending during the remainder of the fiscal year. The County will end the fiscal year with an even more substantial GAAP deficit, which NIFA currently calculates at approximately $139 million. Consequently, the GAAP deficit for 2012 would exceed by five times the control period trigger of a 1% deficit in the County's major funds. See "Projected FY 2012 Operating Results" table on the following page.

These disappointing results have occurred despite the County's efforts to reduce spending and the continuation of the NIFA imposed wage freeze, which will have saved cumulatively approximately $40 million in 2012, its first full year of effectiveness.

The projected deficit is driven by $85 million in overspending on personal service costs, ($127 million for salaries and wages that was partially offset by savings of $42 million in fringe benefits). The deficit would have been smaller had the County realized the entire $150 million in budgeted labor savings for FY 201l. In fact, we estimate that the County achieved only $98 million of the labor savings target in 2012 and $120 million on an annualized basis to benefit future years.

The labor savings that were achieved came from not filling vacancies, layoffs, voluntary separation incentive programs, attrition, and fringe benefit savings. These actions brought down full-time headcount to 7,415 positions at the end of August. The County estimates that its year-end headcount level will fall below the 7,395 full-time positions included in the Adopted Budget. This headcount number reflects continued attrition and the anticipated separation of 37 correction officers who are scheduled to leave in December through an incentive program.

A significant variance in sources of funds (characterized by the County as "revenue", but not revenue for GAAP) derived from the County not proceeding with a $75 million borrowing that it had planned for tax certiorari refunds. Instead, the County revised downward its projection of certiorari refund payments from $75 million to $16.5 million. The drastic reduction in cert refunds arises from a decision to only pay tax cert claims not requiring approval of the County Legislature. All other proposed settlements will be delayed until after December 31, 2012, although a portion thereof may be accrued in the County's GAAP results for 2012. This decision potentially helps the County to temporarily defer a liability; however, the tax certiorari backlog will continue to grow.

Other *negative variances* of note that will impact FY 2012 results include the following:

- The County will not reach its departmental revenue target, partly as a result of overestimated revenues from housing Suffolk County inmates at the Correctional Center.
- The County will realize less revenue from investing available cash than it budgeted. Interest rates have remained lower than assumed and we have no reason to believe rates will be rising in the near term.

Other *positive variances* of note that will impact FY 2012 results include the following:

- The County is projected to realize $25 million in additional sales tax revenue based on existing strength in sales tax collections. To-date, sales tax collections are up 4.9% over the same period last year.
- The County is projected to recover $22 million from actions including closing out prior year encumbrances and the sale of County property.
- Debt service is projected to be lower by $34 million due to lower interest rates and less borrowing than projected. (It should be noted that lower borrowing is partly due to the fact that NIFA has not approved certain borrowings requested by the County since declaring a Control Period).
- The County realized $1.3 million in savings from the recent NIFA refunding of NIFA debt. The County will realize an additional $33.5 million in savings from this transaction through FY 2025.
- The County is also projected to realize savings in Early Intervention/Special Education, Recipient Grants, and Emergency Vendor payments. These savings are expected to result from lower service rates and falling caseloads for its Temporary Assistance for Needy Families (TANF) and Safety Net programs.
- The County can reallocate $23.5 million in unused resources budgeted for contingencies to cover negative variances throughout the budget.

Projected FY 2012 Operating Results on a Cash ("Budgetary") Basis			
($ in millions)	Adopted Budget	Current Projection	Surplus/(Risk)
Revenues:			
Fines and Forfeitures	**$51.2**	**$49.9**	**($1.3)**
Investment Income	**3.6**	**1.8**	**(1.8)**
Rents and Recoveries	**16.9**	**38.9**	**22.0**
Department Revenues	**171.9**	**158.9**	**(13.0)**
Capital Backcharges	**9.9**	**2.0**	**(7.9)**
Debt Service from Capital	**103.1**	**28.7**	**(74.4)**
Bonding Tax Certiorari Refunds (not revenue for GAAP)	*75.0*	*0.0*	*(75.0)*
Federal and State Aid	**399.9**	**395.7**	**(4.2)**
Sales Tax	**1,056.2**	**1,081.3**	**25.1**
Other Revenue	**980.6**	**977.3**	**(3.3)**
Total Revenues	**2,793.3**	**2,734.5**	**(58.8)**
Expenditures:			
Salaries and Wages	**686.7**	**813.4**	**(126.7)**
Overtime(Police and Corrections)	*38.2*	*66.1*	*(27.9)*
Terminal Leave	*0.0*	*27.4*	*(27.4)*
Fringe Benefits	**481.4**	**439.5**	**41.9**
Contractual Services	**213.6**	**223.3**	**(9.7)**
Debt Service	**162.9**	**128.9**	**34.0**
Tax Certiorari Payments	**75.0**	**16.5**	**58.5**
Contingency Reserve	**25.0**	**1.5**	**23.5**
Early Intervention/Special Education	**173.0**	**168.0**	**5.0**
Recipient Grants	**74.6**	**65.1**	**9.5**
Purchased Services	**57.9**	**65.5**	**(7.6)**
Emergency Vendor Payments	**64.4**	**61.0**	**3.4**
Other Expenditures	**778.8**	**776.6**	**2.2**
Total Expenditures	**2,793.3**	**2,759.3**	**34.0**
Total Risk			**($24.8)**

III. DISCUSSION OF FY 2013

As required by law, the County has presented what purports to be a balanced Budget; however, our analysis indicates that the County could end FY 2013 with a budgetary deficit of approximately $56.4 million, which is disturbing, but manageable. This risk (as shown in the chart that follows) is approximately $131 million on a GAAP basis (as mandated by the NIFA Act) and exceeds by multiple times the $28 million deficit which would trigger a control period. Consequently, we do not expect the control period to be terminated.

Analysis of Proposed FY 2013 Budget					
($ in millions)	**FY 2012 Projection**		**FY 2013 Proposed**	**FY 2013 Projection**	**Estimated Surplus/(Risk)**
Revenues:					
Use of Fund Balance	**$0.0**		**$10.0**	**$10.0**	**$0.0**
Rents and Recoveries	**38.9**		**27.4**	**21.3**	**(6.1)**
Sale of County Land	*11.6*		*6.1*	*0.0*	*(6.1)*
Department Revenues	**158.9**		**176.8**	**160.4**	**(16.4)**
GIS Tax Map Fee			*3.0*	*0.0*	*(3.0)*
Clerk Initiative			*6.0*	*0.0*	*(6.0)*
Federal Inmates			*5.0*	*0.0*	*(5.0)*
Other			*162.8*	*160.4*	*(2.4)*
Sales Tax	**1,081.3**		**1,121.3**	**1,116.0**	**(5.3)**
Other Revenue	**1,455.4**		**1,455.9**	**1,453.1**	**(2.8)**
Total Revenues	**2,734.5**		**2,791.4**	**2,760.8**	**(30.6)**
Expenditures:					
Salaries and Wages	**813.4**		**788.0**	**810.0**	**(22.0)**
Layoffs/other actions			*(3.9)*	*0.0*	*(3.9)*
Overtime	*66.1*		*60.2*	*66.8*	*(6.6)*
Deferral Payback			*7.3*	*1.9*	*5.4*
Terminal leave bonding			*(16.9)*	*0.0*	*(16.9)*
Fringe Benefits	**439.5**		**469.7**	**476.1**	**(6.4)**
Workers' Compensation	**27.4**		**25.5**	**28.2**	**(2.7)**
Tax Certiorari Payments	**16.5**		**18.0**	**18.0**	**0.0**
Other Expenditures	**1,462.5**		**1,490.2**	**1,494.4**	**(4.7)**
Total Expenditures	**2,759.3**		**2,791.4**	**2,827.2**	**(35.8)**
Subtotal of Risks					**(66.4)**
Contingency					**10.0**
Total Risk	**($24.8)**				**($56.4)**

FY 2013 RISKS

The risks in FY 2013 fall into three main categories:

A. Category One Risks – **Implementation Risks** ($35.5 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 plans to commence layoffs upon the adoption of the 2013 Budget, but these savings are contingent upon the County's ability to limit backfilling of these positions. (The positions have been reviewed by the Civil Service Commission, but also require Legislative approval.) Another example is the sale of certain properties for which no contracts currently exist. Finally, although the County has realized sales tax growth of 4.9% to-date in 2012, it has only grown at a 3.2% rate since June. Consequently, we feel the County's projected growth rate of 4% in 2013 is high.

B. Category Two Risks – **Requires NIFA or County Legislative Action** ($25.9 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 bond all terminal leave payments (unused vacation and sick leave) for police officers in 2013. Another example is the approval of various fee increases proposed by the Administration.

C. Category Three Risks – **Requires Approval from Other Levels of Government** ($5 million).

An example of these kinds of risks is the County's new initiative to house Federal Immigration and Customs deportees at the County Correctional Center. Any agreement will need Federal approval as well a sufficient census of inmates.

Other Major Concerns

In addition to these risks, there are three issues that are not quantifiable, but important to achieving budget balance.

First, the Proposed Budget includes as revenue a draw of $10 million against its unreserved fund balance. The County has informed us that it would take this action only if, and to the extent, that the $10 million is needed to mitigate budgetary variances. If these resources are used during FY 2013, the County's unreserved fund balance would decline from approximately $41 million to $31 million, assuming no other additions or subtractions are made in FY 2012.

The unreserved fund balance is already well below the County's official fund balance policy and industry standards. Not only is it a dangerous balance to carry in case of unforeseen budgetary emergencies, but any reduction could also lead to a downgrade in the County's credit rating.

The Sewer and Storm Water Resources District is not one of the five Major Funds defined in the NIFA Act. However, the Proposed Budget includes the use of at least $23 million of its fund balance reserves to maintain sewer operations. This is not a sustainable business model.

Second, the County has budgeted only $18 million to cover its tax certiorari refund liability in FY 2013. Based upon historical data and the growing backlog, the $18 million will be insufficient to cover ongoing claims or prevent the tax certiorari backlog from growing. While the County attorney says that he has found a way to leverage the $18 million, we have no details, cannot comment, and remain skeptical. Such leverage would only improve budgetary basis results, as leveraging (borrowing to pay claims, either by remaining indebted to property owners or becoming indebted to third parties to whom their claims are factored) merely delays the cash flow impact, but does not eliminate the long term liability.

Third, the County has included in its out-year gap closing program $80 million in proceeds from a proposed sewer financing transaction, of which it has allocated $40 million in FY 2014 and $40 million in FY 2015. The County has also included $20 million in debt service savings in FY 2016 that appear to be the result of debt defeasance related to the proposed sewer financing. NIFA has clearly and repeatedly stated that it considers this sewer transaction to be an unacceptable form of borrowing.

The Administration is directed to remove any savings from this transaction from any portion of the Proposed Plan.

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

Department Revenues – The County has budgeted $176.8 million in departmental revenue, of which we project $15.9 million to be at risk. Most of this risk stems from three initiatives: a GIS tax map verification fee; Clerk fees; and additional Federal revenue from housing immigration deportees at the Correctional Center. All of the fees require County legislative approval and are subject to execution risk, such as maintaining the projected census at the Correctional Center.

Rents and Recoveries – The County has budgeted $27.4 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. Of this amount, the County expects to realize $6.1 million from the sale of County property in FY 2013. We consider the additional revenue to be at risk until potential purchasers are identified, contractual agreements are reached, and the legislative approvals are secured.

Sales Tax – Sales tax is the largest revenue source for the County, comprising approximately 40% of all revenues in the major funds, and is budgeted at $1.1 billion for 2013, including $4.4 million earned in 2011, but for technical reasons not accounted for until 2013. ("Deferred Sales Tax").

The County projects that sales tax revenues will grow by 4.0% in FY 2013 after growing by a projected 4.5% in FY 2012. While our analysis indicates that the County may reach its sales tax target in 2012, we feel the County's projected growth rate of 4% in 2013 is high. As discussed earlier, year-to-date growth in FY 2012 is 4.9%, but has weakened in recent months. Consequently, we believe that projected sales tax revenues may be overstated throughout the Proposed Plan.

Other Revenue – We are holding at risk $2.8 million in other items, including a portion of revenue projected from permits and licenses and investment income. Past trends do not justify the amounts projected by the County.

Salaries and Wages – The County projects that salaries and wages will total $788.0 million, assuming that a wage freeze continues for all of 2013; even so, our analysis indicates that expenditures for salaries and wages may exceed budget by approximately $22 million.

Just over $20 million of the potential shortfall is related to implementation risks for unbudgeted police termination costs and projected savings from additional reductions in headcount. The County plans to finance the entire cost of police termination pay, which are payments to employees upon termination or retirement for unused vacation time and sick leave accruals, through the issuance of debt. This requires County legislative and NIFA approval. Such borrowing only improves budgetary results, as the GAAP results will likely reflect the full amount of any termination pay as an expenditure in the year in which the termination occurs.

We have also estimated a risk for overtime at $6.6 million, which is considerably lower than in past years. Even though the County has restored sorely needed funding in the overtime accounts for Public Safety, based on historical trends we believe it is still underfunded in spite of the County's assertion that strict overtime management will allow them to meet budget.

These risks in salaries and wages are partially offset by a small favorable variance projected for deferred salary payments, which are contractual obligations that had been deferred in prior years. These expenditures have been overstated by approximately $5.4

million. The Administration indicated that this error will be corrected in the Adopted Budget.

Fringe Benefits – We project expenditures on fringe benefits to be approximately $8 million above County estimates. This projection includes savings of approximately $57 million in FY 2013 through the amortization of certain increases in pension costs. The County plans to take advantage of this State authorized provision for the second time in 2013. We note that while the use of this provision will yield considerable budget relief in FY 2013, the effect of the amortization is to extend current liabilities into the future.

The $8 million projected variance also includes differences that NIFA projects in estimates for baseline health insurance costs and pension payments.[1]

Workers Compensation – The County has reduced funding for this category because it believes that it can institute measures to "manage workers' compensation obligations better." Until we find evidence within current year expenditures that these measures are translating into savings, we must risk this as a shortfall of $2.7 million in accordance with current spending projections.

Other Expenditures – We project that the County will exceed its $1.5 billion budget for various items within Other Than Personal Services (OTPS) by approximately $5.4 million. This is based on a collection of nominal variations within such categories as utilities and social service related expenditures. We have based our risk projection on historical spending and year-to-year increases.

Headcount (HC) – The County's Proposed Budget HC is the same as the FY 2012 Adopted Budget of 7,395 full-time positions. See Appendix A. While the HC may dip below this number at the end of FY 2012 due to layoffs and separations through its incentive programs (HC is currently only 20 above the Proposed Budget target), the County will have to backfill positions that are of critical need. Consequently, absent additional measures to achieve the Proposed Budget target of 7,395, the County may have difficulty maintaining its target.

Tax Certiorari Payments – The County has budgeted $18 million for property tax refund payments in 2013. It is likely that the $18 million will be insufficient to prevent the tax certiorari backlog from growing. This matter is discussed in more detail elsewhere in this report.

Contingency Reserve –The Proposed Budget provides funding for $10 million in contingencies. Although the Proposed Budget contains fewer risks than in recent years,

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[1] Health insurance costs could be lower than we project to the extent that headcount is reduced (as long as it does not involve retirements, which merely shifts expenses from "actives" to "retirees"). Likewise, the County maintains that unemployment benefit costs are likely to be lower than projected, thereby providing a potential offset to the projected pension exposure.

the amount appropriated for contingencies may be insufficient to mitigate additional or unanticipated shortfalls that could emerge in FY 2013. The County did not provide funding for any contingencies in the Out-Years.

Other Concerns

County Guarantee – We note that the County has passed legislation ("cert legislation"), currently being litigated, that ends the County's obligation to indemnify towns and villages for errors in the assessment process. It is important for the County to recognize that if the cert legislation is not upheld in the courts, the County will have a massive and unbudgeted liability, beginning in 2013. The County should be considering how they will address this problem if the plaintiffs' positions are affirmed.

IV. The Out-Year Gaps: FY 2014 – FY 2016

This section of our 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 2013 gap-closing plan, the County projects (on a non-GAAP basis) that baseline gaps of $66.8 million in FY 2014, $74.1 million in FY 2015, and $91.9 million in FY 2016 will remain in the Out-Years. These gaps were calculated by the County using growth rate assumptions listed in Appendix B. See "County Gap Closing Plan" table below.

However, based upon our review of the Proposed Budget and its inherent risks, our analysis indicates that the County's projections of Out-Year gaps may be understated by approximately $56 million in FY 2014, $90 million in FY 2015, and $112 million in FY 2016, if the risks we identified in FY 2013 are not satisfactorily addressed with recurring solutions. The additional risks stem primarily from an extrapolation of risks identified in FY 2013 and discussed earlier in this report. Furthermore, the risks would be considerably greater if calculated, as required by the NIFA Act, using GAAP.

Closing the Out-Year Gaps – We are concerned that the County's gap closing plan repeats many of the same initiatives already proposed in earlier financial plan submissions, almost all of which contain considerable risk or require outside approval.

County Gap Closing Plan			
($ in millions)	FY 2014	FY 2015	FY 2016
Baseline Gap:	**($66.8)**	**($74.1)**	**($91.9)**
Gap Closing Options			
Financing Options/Asset Sales			
Public Private Partnership (Sewer System)	40.0	40.0	0.0
Public Private Partnership (Savings from Debt Defeasance)			20.0
Sale of Surplus County Property	5.0	5.0	5.0
Expense/Revenue Actions			
Labor Concessions			40.0
Strategic Sourcing & ERP Implementation	12.0	12.0	12.0
Increase in Ticket Fines			8.0
Elimination of MTA Payroll Tax	3.0	3.0	3.0
Value of New Construction	2.0	4.0	6.0
NYS Actions			
Elimination of MTA Station Maintenance	30.0	31.0	32.0
Speed Cameras at Schools and Red Light Camera Locations	8.0	12.0	12.0
Efficiencies in Early Intervention/Special Education	10.0	10.0	10.0
Total Gap Closing Options	**$110.0**	**$117.0**	**$148.0**
Surplus/(Deficit)	**$43.2**	**$42.9**	**$56.1**

Financing Options/Asset Sales

Sewer System Loan **–** NIFA has repeatedly stated its opposition to the County's purported public-private partnership ("P3") sewer borrowing transaction. Because this project would require NIFA approval, which is unlikely, it should never have been included in the Proposed Plan and must be removed.

The County has repeatedly mischaracterized this initiative as a partnership. In reality, it is a loan from a concessionaire/leasee who assumes certain annual rates of return from ratepayers for operating that concession. NIFA views these rates of return as usurious and believes that the County's sole reason for entering into this transaction is to get a quick one shot infusion of cash.

Nevertheless, the County has, once again included proceeds it expects to realize from the proposed partnership in the amount of $40 million for each of the first two Out-Years of the Plan, and $20 million in FY 2016. These amounts should be removed from the Multi-Year Plan and replaced by acceptable alternatives.

Sale of Surplus County Property – Commencing in FY 2014, the County is counting on the receipt of revenue from sales of unidentified County property. While there may be immediate value from the sale of land as a gap-closing initiative, it is a one-shot cash infusion that bridges the deficit between recurring revenues and expenditures but does nothing to address the persistent structural imbalance.

Expense/Revenue Actions – The County has outlined several initiatives that it is pursuing and that it projects could generate additional revenue or reduce expenditures in the Out-Years.

Labor Concessions – This initiative is devoid of realistic and/or measurable outcomes. For example, the County cites "employee contributions to health insurance" when the current labor contracts expire in FY 2016 to achieve savings of $40 million. We are given no reason to believe that this employee concession is any more attainable in 2016 than it has been in prior years.

Strategic Sourcing and ERP Implementation – The County has hired a consultant to help implement some of the savings initiatives identified in a report issued by Grant Thornton in September of 2011. While we agree with the inclusion of this initiative, it is difficult to know what the achievable results will be on an annualized basis.

Increase in Parking Ticket Fines – The County projects an additional $8 million in parking ticket revenue that would be generated by an increase in the per ticket fine amount. This fee increase only requires local legislative approval.

Elimination of the MTA Payroll Tax – The County presented its case to the Nassau County Supreme Court arguing that the MTA Payroll Tax is unconstitutional and the Court ruled in its favor, thus, the County has calculated its savings to be $3 million per year for each of the Out-Years of the Plan.

Even though the County has won this case, the Judge did not order the State to stop collecting the tax. Moreover, the MTA has expressed its will to continue to appeal the verdict. Because the tax is being levied in spite of the verdict and the likelihood of the length of the appeals process, we are unable to know with any certainty whether the County will eventually be able to realize these savings.

Value of New Construction – As in the past, the County anticipates receiving additional annual revenue of $2 million. The County maintains that this revenue represents the additional taxable value of properties being added to the roll or improved through new construction each year beginning in FY 2014. This would add $6 million to the tax levy by FY 2016.

New York State Actions

Among the initiatives are three proposals that would require State approval before they could be advanced: (1) elimination of the MTA station maintenance payment; (2) installation of speed cameras at school crossings and red light camera locations; and (3) cost containment strategies within the Early Intervention/Special Education programs.

The County has proposed the first initiative in the past without success and NIFA believes that it has no chance of passing in Albany. Therefore, NIFA is requiring that it be removed from the Proposed Plan and replaced with an acceptable alternative.

V. CONCLUSION

The County's Charter requires adoption of its Proposed Budget and Plan by October 30. NIFA is willing to work with the County, but only if there is, first, a realistic appraisal of its current fiscal dilemma that is matched by realistic solutions. Hence, the Legislature's actions should be informed by the knowledge that even if it passes the Proposed Plan as currently drafted, there are real dangers that the County's projections will fall short. We strongly urge the Legislature not to add new expenditures or subtract revenues from the Proposed Plan. In fact, we recommend that the Legislature direct its efforts at finding additional sources of recurring revenue or providing further cutbacks.

We recommend that the Directors consider passing a resolution that adopts this staff report and indicates to the County that although the Proposed Plan may be acceptable if certain changes specified earlier in this report are made, it has numerous risks and much work needs to be done.

VI. APPENDICES

Appendix A

FY 2013 PROPOSED BUDGET FULL-TIME HEADCOUNT (HC) COMPARISON TABLE

Department	Sum of 2012 Adopted HC	Sum of 2013 Proposed HC	Inc/Dec	On-Board Sep 1, 2012	Inc/Dec
AR - ASSESSMENT REVIEW COMMISSION	29	28	(1)	29	1
AS - ASSESSMENT DEPARTMENT	169	155	(14)	160	5
AT - COUNTY ATTORNEY	112	106	(6)	106	0
BH - DEPT OF MH, CHEM DEPEND & DISABLE	0	0	0	0	0
BU - OFFICE OF MANAGEMENT AND BUDGET	24	25	1	24	(1)
CA - OFFICE OF CONSUMER AFFAIRS	32	27	(5)	27	0
CC - NC SHERIFF/CORRECTIONAL CENTER	1,227	1,160	(67)	1,152	(8)
CE - COUNTY EXECUTIVE	21	20	(1)	20	0
CF - OFFICE OF CONSTITUENT AFFAIRS	43	37	(6)	39	2
CL - COUNTY CLERK	103	89	(14)	81	(8)
CO - COUNTY COMPTROLLER	87	78	(9)	74	(4)
CS - CIVIL SERVICE	53	51	(2)	54	3
DA - DISTRICT ATTORNEY	361	375	14	357	(18)
EL - BOARD OF ELECTIONS	143	139	(4)	139	0
EM - EMERGENCY MANAGEMENT	7	10	3	8	(2)
FC - FIRE COMMISSION	101	97	(4)	97	0
HE - HEALTH DEPARTMENT	203	166	(37)	167	1
HI - HOUSING & INTERGOVERNMENTAL AFFA	2	12	10	12	0
HP - PHYSICALLY CHALLENGED	0	0	0	0	0
HR - COMMISSION ON HUMAN RIGHTS	8	7	(1)	8	1
HS - DEPARTMENT OF HUMAN SERVICES	96	80	(16)	79	(1)
IT - INFORMATION TECHNOLOGY	81	85	4	71	(14)
LE - COUNTY LEGISLATURE	94	97	3	91	(6)
LR - OFFICE OF LABOR RELATIONS	5	3	(2)	4	1
MA - OFFICE OF MINORITY AFFAIRS	7	5	(2)	5	0
ME - MEDICAL EXAMINER	58	71	13	62	(9)
PA - PUBLIC ADMINISTRATOR	7	5	(2)	6	1
PB - PROBATION	236	193	(43)	198	5
PD - POLICE DEPARTMENT	3,216	3,025	(191)	3,030	5
PE - DEPARTMENT OF HUMAN RESOURCES	9	8	(1)	8	0
PK - PARKS, RECREATION AND MUSEUMS	172	151	(21)	151	0
PL - PLANNING	0	0	0	0	0
PR - PURCHASING DEPARTMENT	16	8	(8)	11	3
PW - PUBLIC WORKS DEPARTMENT	471	409	(62)	421	12
RE - OFFICE OF REAL ESTATE SERVICES	10	0	(10)	0	0
RM - RECORDS MANAGEMENT	12	9	(3)	9	0
SA - COORD AGENCY FOR SPANISH AMERICA	5	4	(1)	5	1
SC - SENIOR CITIZENS AFFAIRS	0	0	0	0	0
SS - SOCIAL SERVICES	816	634	(182)	633	(1)
TR - COUNTY TREASURER	35	33	(2)	29	(4)
TV - TRAFFIC & PARKING VIOLATIONS AGEN	46	43	(3)	43	0
VS - VETERANS SERVICES AGENCY	3	6	3	5	(1)
YB - NASSAU COUNTY YOUTH BOARD	0	0	0	0	0
SubTotal	**8,120**	**7,451**	**(669)**	**7,415**	**(36)**
Unallocated HC Reduction	**(725)**	**(56)**			
Grand Total	**7,395**	**7,395**	**0**	**7,415**	**20**

Appendix B

Expense/Revenue Category	FY 2014-16 Plan	FY 2014- FY 2016 Plan Explanations
Expenditures		
Wages		
Non-Police Pension	22.56%, 7.23%, 11.28%	Reflects State Comptroller's effective rate, and preliminary 2013 estimates
Police Pension	9.33%, 4.83%, 4.65%	Reflects State Comptroller's effective rate, and preliminary 2013 estimates
Health Ins. – Active	4.54%, 4.54%, 4.54%	Reflects NYSHIP'S estimated increase for 2013 adjusted for Headcount assumptions
Health Ins. – Retirees	7.82%, 7.82%,7.82%	Reflects NYSHIP'S estimated increase for 2013 adjusted for Headcount assumptions
Other Than Personal Services	2.9%, 2.9%, 2.9%	
Utilities Light and Power Brokered Gas Trigen Fuel Water Telephone	 0.42%, -0.44%, -1.32% -2.63%, 0.67%, -1.45% -0.79%, 1.41%, 0% 6.33%, 3.68%, 1.65% 3.18%, 3.18%, 3.18% 1.00%, 1.00%, 1.00%	 For 2014-2016 respectively, U.S. Dept. of Energy Estimates For 2014-2016 respectively, U.S. Dept. of Energy Estimates For 2014-2016 respectively, U.S. Dept. of Energy Estimates For 2014-2016 respectively, U.S. Dept. of Energy Estimates Average from NYS Public Service Commission Historical Trend
Medicaid	1%, Flat, Flat	Reflects most current caseload information
Social Services Entitlements	Variable	Reflects most current caseload information
Special Education	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	4.00%, 4.00%, 4.00%	
Property Tax	None	No property tax increase in the baseline