

*Nassau County Interim  
Finance Authority*

**NIFA**

*REVIEW OF THE PROPOSED  
MULTI-YEAR FINANCIAL PLAN  
FISCAL 2008 - 2011*

*October 10, 2007*



# ***NASSAU COUNTY INTERIM FINANCE AUTHORITY***

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## I. Overview: NIFA

In response to persistent fiscal distress in Nassau County, a five-point recovery plan was prepared for the County in early 2000. The plan included:

- Creation of the Nassau County Interim Finance Authority (“NIFA” or the “Authority”) as an oversight agency and highly rated borrowing mechanism to reduce the County’s borrowing costs.
- Oversight of the required County four year financial plan to ensure that recurring actions are taken by the County each year to reach structural budget balance.
- Special State Transitional Aid totaling \$100 million over five years, plus debt restructuring through NIFA, if the County took satisfactory action to close its structural deficit.
- Assistance of \$5 million to support reforms to reduce the County’s estimated \$400 million backlog of property tax claims.
- Imposition of hard control mechanisms if the County failed to meet financial management standards.

The plan formed the basis of State legislation creating NIFA (the “Act”). The NIFA legislation was supported by a home rule message recommended by the Nassau County Executive and approved by a vote of the County Legislature. It was enacted with broad bipartisan support in the New York State Senate and Assembly.

The Act has been amended several times since its original enactment. The principal changes have had to do with the amounts and timing of borrowings as well as the extension of the “Interim Finance Period,” as defined in the Act, through and including Fiscal Year 2008.

NIFA came into existence on June 23, 2000 and the first meeting of its Directors took place on June 28, 2000. NIFA’s oversight responsibility will continue until the end of the Interim Finance Period in 2008 and, to a lesser degree, until NIFA no longer has bonds outstanding.

When fully constituted, the Authority is governed by seven Directors; however, there is currently one vacancy. All Directors are appointed by the Governor, including one each upon the recommendation of the Majority Leader of the State Senate, the Speaker of the State Assembly and the State Comptroller. The Governor designates the chair and vice-chair of the Authority. The staff of NIFA currently consists of six individuals.

This Report is made pursuant to Section 3667 of the Act, which requires the County, during the Interim Finance Period, to submit a four year financial plan to NIFA and for NIFA to determine the completeness and adequacy of said plan.





## II. SUMMARY OF FINDINGS AND CONCLUSIONS

The County Executive and his team have submitted a professional Budget and Multi-Year Plan. The proposed Budget, which is the first year of the proposed Plan, can be balanced and reflects the difficulties inherent in maintaining or improving services without significant new revenues or tax increases.

Because it is such a tightly crafted budget, it leaves little room for miscalculations by the County or new initiatives by either the Administration or the County Legislature. In addition, it delays some of the longer range planning decisions that will have to be addressed and involves significant challenges, including reliance upon skill in managing to a crisis and obtaining bipartisan support for the State and County Legislative initiatives.

The lack of long term planning and fiscal discipline led to the County's initial fiscal crisis. Consequently, NIFA has continually urged the County to institutionalize conservative budgeting practices and not rely on short term solutions to systemic problems. Especially at the beginning of what some predict may be a downward cycle in the economy, the proposed Plan relies heavily on the use of: (1) non-recurring revenues and reserves; (2) optimistic projections of cost saving measures; (3) temporary shifting of resources; and (4) revenue initiatives that remain to be adopted by the State and County Legislatures. These practices have, in the past, exacerbated the structural imbalance between current revenues and expenses.

The County's budgeting and planning process have greatly improved during the seven years since the creation of NIFA, but this progress was achieved by hard work and courageous introspection into past problems and mistakes. These same qualities are needed now, as much as ever.

### **MAJOR FINDINGS**

The County has:

1. Reduced sales tax estimates.
2. Increased property taxes in the major funds by approximately \$15 million in FY 2008 in addition to the increase of \$20 million in FY 2007.
3. Eroded its General Reserves, which are projected to decline by approximately \$216 million from the start of FY 2005 to the end of the FY 2010.
4. Continued large Out-Year gaps, which increase from \$124.7 million in FY 2009 to \$197.5 million in FY 2011.

5. Recycled unsuccessful initiatives of prior years as proposed solutions to projected Out-Year deficits.
6. Increased its authorized headcount by 24 full-time positions even though it already has approximately 400 funded, but unfilled positions.
7. Utilized aggressive assumptions regarding certain revenues and savings in such areas as union concessions, health costs, and State reimbursements.
8. Delayed by \$10 million, funding its \$50 million certiorari liability with operating revenues, which is required for transitioning to pay-as-you-go budgeting.
9. Not completed a revised successor agreement for the Nassau Health Care Corporation (“NHCC”), which is still running at a deficit, or utilize the vast majority of the money that was raised through the April 2006 tobacco securitization for NHCC.
10. Reduced the number and potential impact of Smart Government Initiatives (“SGIs”) in the gap closing program.
11. Proposed annual increases of 4.3% in the property tax levy in the Out-Years.

Based upon the foregoing and NIFA’s detailed analysis contained herein, NIFA is making the following general findings about the proposed Plan.

### ***First Year: FY 2008***

The first year of the proposed Plan, also known as the proposed FY 2008 budget (the “proposed Budget” or “FY 2008 Budget”) can be balanced with aggressive management and close monitoring, but contains significant risks. Therefore, we urge the County to remain focused and not become complacent.

### ***Out-Years: FY 2009 – FY 2011***

The County continues to have a significant mismatch of recurring revenues and expenses thereby creating Out-Year gaps of \$124.7 million in FY 2009, \$174.6 million in FY 2010, and \$197.5 million in FY 2011. The use of less conservative assumptions and the decline of available reserves indicate that the County may have to raise taxes beyond its current projections unless it finds alternative ways to increase revenues or decrease expenses.

### ***Conclusion***

NIFA concludes that the proposed Plan is in compliance with the NIFA Act. However, while the proposed Plan has more conservative growth projections for important revenue collections, such as sales tax, it continues to rely on: (1) non-recurring

revenues and the depletion/drawdown of reserves; (2) optimistic projections of cost saving measures; (3) temporary shifting of resources; and (4) revenue initiatives that remain to be adopted by the State and County Legislatures. Consequently, the proposed Plan needs to be closely monitored.

If the County Legislature makes any changes to the proposed Plan to address the items outlined in this report or to address other needs or changing priorities, offsetting changes of equal value must be made to ensure that budgetary balance is maintained. NIFA staff will study their impact on the adopted Plan before making its final recommendation to the Directors.

The discussion that follows and the related transmittal letter constitute the NIFA staff's review and recommended findings regarding the County Executive's proposed Budget and proposed Plan. It is recommended that this document be adopted by NIFA as the Report of the Directors and that copies of this document be transmitted to the Nassau County Executive, the Presiding Officer of the Nassau County Legislature, the Minority Leader of the Nassau County Legislature, the Nassau County Comptroller and the Clerk of the Nassau County Legislature for distribution to members of the County Legislature.



### III. RISK ASSESSMENT

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This section presents NIFA's analysis and conclusions regarding the proposed FY 2008 Budget and the major underlying initiatives designed to ensure year-end budgetary balance. The County's ability to achieve its fiscal objectives for FY 2008 is directly dependent on the actions that the County takes in the remainder of FY 2007 and its ability to fully implement its FY 2008 gap-closing actions.

Since any budget or financial plan is a set of estimates, the actual results will differ from initial expenditure and revenue projections. Risk assessment attempts to identify what these differences will be and whether they will ease or worsen budget pressures. Normally, the emergence of offsets can cover routine risks, but rigorous and timely monitoring can reduce the possibility that risks may break disproportionately and unexpectedly against the County and require significant gap-closing actions near the end of a fiscal year.

The County will be confronted with a wide range of fiscal problems to solve during the next several years and there is always the possibility that baseline estimates may prove incorrect or that even reasonable gap-closing initiatives will not be achieved. Risk assessment identifies those areas where corrections need to be made, or those areas where monitoring can allow for earlier identification of potential problems so that corrective action can be taken as soon as possible. For the purpose of NIFA's analysis, risks have been classified into two major categories.

The *first* category is the quantifiable risks that affect the proposed FY 2008 Budget and include items that may be:

- difficult to execute and/or may result in fewer savings or less revenue than assumed;
- require uncertain third party action to be taken; and
- errors or omissions that occurred during preparation of the Budget.

The *second* category of risks are those that cannot be quantified but have the potential to negatively impact all years of the proposed Plan. These risks are highlighted during our discussion of the specific action or initiative.

#### **FY 2008 Budget Risks**

Listed below is NIFA's evaluation of major risks related to the proposed FY 2008 Budget.

The County Legislature must weigh these FY 2008 risks and have substitute or remedial initiatives ready for enactment. Moreover, the County Legislature should be prepared to identify and enact sufficient revenue generating and/or expenditure reducing

initiatives to offset any changes that it may make to the proposed Budget that adds new programs, services or costs to ensure that the proposed Budget and proposed Plan remain balanced.

	<b>Estimated Risk</b> (\$ in millions)	<b>Page</b>
<b>Proposed FY 2008 Budget Risks and Offsets</b>		
Labor concessions	\$18.8	42
State actions	15.0	19
Tax certiorari – use of surplus	10.0	30
Smart government initiatives (SGIs)	8.5	14
Police termination costs	6.0	23
Public safety overtime	6.0	23
Jail subsidy	4.5	29
FIT reimbursement	4.1	19
Departmental revenue (other than SGIs)	4.0	19
<b>Subtotal</b>	<b>\$ 76.9</b>	
Less:		
Contingency Reserve	(10.0)	11
Potential vacancy savings	(10.0)	22
<b>Total</b>	<b>\$56.9</b>	

### **FY 2008 – FY 2011 Financial Plan Risks**

Listed below are those risks that cannot be easily quantified and primarily affect the County’s ability to achieve the results projected in the Out-Years of the proposed Plan.

<b>FY 2008 – 2011 Financial Plan Risks</b>	<b>Page</b>
Sales Tax	15
Workers’ Compensation	25
Tax Certiorari	30
Sewer and Storm Water Services	35
Nassau Health Care Corporation	36
Smart Government Initiatives	40
Options to Close Remaining Gap	45
Declining Reserves	47

## IV. PROPOSED FY 2008 - FY 2011 FINANCIAL PLAN

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### *FY 2007 RECAP*

Before examining the proposed Plan we need to discuss the projected operating results for FY 2007 because this forms the baseline for future years and affects items expected to roll over into the FY 2008 Budget.

The June 30, 2007 Quarterly County Budget Report described a projected \$375,000 operating surplus. The proposed Plan now assumes a positive variance of \$10 million, which the County's September 30, 2007 Monthly Status Report stated is, "based on utilizing the \$10.1 million FY 2007 General Fund Contingency Reserve for the sales tax deficit." This was necessary because the County has revised its sales tax growth rate to 2.1%, after previously reducing it from 3.9% to 3.5%.

The June 30, 2007 Quarterly County Budget had identified a number of positive and negative variances to both expenditures and revenues.

As of June 30, 2007 some of the larger positive variances were in the areas of:

- fringe benefits (\$11.4 million);
- day care (\$4.2 million).
- property tax restorations (\$3.4 million);
- debt service (\$2.5 million); and
- Temporary Assistance for Needy Families (\$2 million).

As of June 30, 2007 some of the larger negative variances were in the areas of:

- salaries (\$12 million);
- contractual services (\$ 3.6 million);
- early intervention and special education (\$5.5 million); and
- sales tax revenue (\$5.1 million).

Since June 30, 2007 some of the County's estimates and projections have, once again, changed. For example, the County now estimates that sales tax revenue will fall

short of budgeted levels by \$15.8 million. However, the October 12, 2007 adjustment check and the holiday shopping season may have a major effect upon the final sales tax results. In addition, although we believe that the County's revised sales tax growth rate assumption of 2.1% is reasonable, we question the method that the County used to arrive at this rate.

It is noteworthy that in order to get to a substantially balanced Budget in FY 2007, the County also used at least \$97.8 million of non-recurring resources, including:

- \$25.0 million to fund PAYGO certiorari settlements;
- \$26.5 million to offset pension costs;
- \$23.6 million from the tobacco settlement fund;
- \$14.8 million to offset debt service costs; and
- \$ 8.6 million to offset employee benefits.

Based upon the foregoing and our more detailed analysis of the FY 2007 Budget, we believe that if the County continues to aggressively manage its budget, it can end the year with a modest surplus (which is necessary to provide the resources to pay for certiorari refunds in FY 2008). However, the final results will be driven by a series of factors. Primary among those factors is the amount of sales tax collected in the fourth quarter.

### ***CLOSING THE FY 2008 GAP***

In the April Update, the County projected a \$142.0 million baseline gap for FY 2008. At that time, the County outlined \$104.3 million in gap-closing actions it would use to mitigate the variance between its recurring baseline revenues and expenditures. To close the remaining \$37.7 million deficit, the County proposed a separate array of options worth \$62.9 million; \$55.4 million of these would require State Legislative approval.

Since April, the County has also: decreased its sales tax revenue forecast by \$19.9 million; delayed a \$29.6 million proposed increase in its property tax levy until FY 2009; and failed to secure any of the desired relief from the State.

Table 1 summarizes the major changes since the April Update that enabled the County to present a balanced budget. As shown, the proposed Budget demonstrates that the County has increased its reliance on non-recurring revenues and draw down of reserves, folded into its baseline overly optimistic projections of cost savings and revenue initiatives, and delayed its timetable for transitioning to pay-as-you-go financing of certiorari refunds and other judgments and settlements. It also reflects budgetary relief generated by less conservative growth rate assumptions and fortuitous events, such as pension relief resulting from favorable investment performance by the State common



retirement system. Finally, the County implemented the second consecutive increase in its Major Funds property tax levy.

We conclude that the County’s approach has resulted in a reasonably, although not structurally, balanced budget, notwithstanding a number of significant risks that we outline in the risk tables on page 8. Unfortunately, the County utilized a number of actions that while leading to short-term budgetary balance, did not mitigate the structural imbalance between its recurring revenues and expenditures. Moreover, the continued depletion of County reserves to support recurring expenditures diminishes the size of its “safety net” that should be prudently reserved for unanticipated revenue shortfalls and/or sudden spikes in expenditure outlays. As indicated in “Reserves” on page 47, the County will have drawn down approximately \$200 million of General Reserves between FY 2005 and FY 2008.

**(Table 1)**  
**FY 2008 GAP-CLOSING ACTIONS**

(\$ in millions)	FY 2008
<b>Draw Down Reserves in Major Funds:</b>	
Deplete Pension Reserve	\$24.5
Use Tobacco Fund Resources	23.0
Use General Fund Balance to Create Contingency Reserve	10.0
<b>Unsecured Initiatives:</b>	
Labor Concessions	25.5
State Relief	15.5
Overtime Savings	10.1
Departmental Revenues	8.5
<b>Defer Payments From Operating Revenues:</b>	
Delay Transition to PAYGO Certiorari by Using Projected FY 2007 Surplus	10.0
Delay Transition to PAYGO Judgments & Settlements	5.0
<b>Major Changes in Assumptions:</b>	
Pension Contribution Reduction	8.4
Health Insurance Costs	4.0
Sales Tax Revenue	(19.9)
All Other	2.4
<b>Property Tax Increase:</b>	
Increase Major Funds Property Tax Levy	15.0
<b>Total</b>	<b>\$142.0</b>

## ***THE OUT-YEAR GAPS – FY 2008 – FY 2011***

This section discusses the growth rates used by the County to project baseline revenues and expenditures in the proposed Plan as well as the actions proposed by the County to close the projected Out-Year gaps. The County had previously pointed to rising mandates such as Medicaid, health insurance, and pension contributions as the cause of its Out-Year gaps. The baseline has also increased because of headcount increases and salary costs that have grown faster than inflation. There are other uncertainties, such as NHCC and the amount of projected certiorari settlements that may significantly affect future gaps.

With implementation of the Medicaid cap and the decline in pension contribution rates, these costs are more predictable leaving salary and health insurance costs as the major expense items of concern. On the revenue side, sales tax revenues continue to be subject to volatility. In fact, as sales tax continues to become a larger portion of the County's revenues, fluctuations become more significant. Consequently, the County needs to be even more conservative in its projections.

### **Sizing the Out-Year Gaps**

The County projects gaps of \$124.7 million in FY 2009, \$174.6 million in FY 2010, and \$197.5 million in FY 2011. These gaps were calculated based upon the growth rates set forth in Table 2. Based upon our review of the growth rates used by the County and their underlying assumptions, we believe that the projections of Out-Year gaps are reasonable, except for salaries and wages, and health insurance. As discussed in "Labor Concessions" on page 42, we believe that wages may be understated due to ambitious labor savings targets built into the County's baseline projections. Likewise, as discussed in the section on health insurance, we believe that the Out-Year growth rates may be understated.

When compared with the April Update, the growth rates for several significant items have been changed. For illustrative purposes, the following are some of the more significant changes and their impact on FY 2008 of the proposed Plan:

- Sales tax growth rates have decreased to 2.5%, increasing the gap by \$19.9 million.
- Pension contribution rates have decreased, reducing the gap by \$8.4 million.
- Health insurance growth rates for employees have decreased from 8% to 7%, decreasing the gap by \$1.1 million.
- Health insurance growth rates for retirees decreased from 8% to 5.25%, decreasing the gap by \$2.7 million.

**(Table 2)**  
**MULTI-YEAR PLAN GROWTH RATE ASSUMPTIONS**

<b>Expense/Revenue Category</b>	<b>FY 2007-10 Plan</b>	<b>FY 2007-10 Update</b>	<b>FY 2008-11 Plan</b>	<b>FY 2008- FY 2011 Plan Explanations</b>
<b>Expenditures</b>				
Wages	Variable	Variable	Variable	Terms of existing contracts
Non-Police Pension	9.5%	9.5%	8.6%	State Comptroller's effective rate
Police Pension	16.5%	16.5%	14.6%	State Comptroller's effective rate
Health Ins. – Active	9.5%	8.0%	7.0%	Higher than State optimistic estimate
Health Ins. – Retirees	10.0%	8.0%	5.25%	Higher than State optimistic estimate
OTPS	1.25%	1.25%	1.25%	Commitment to contain admin expenses
Utilities	9.7%, 3.6%, 1.5%	9.5%, 3.5%, 1.5%	3.5%, 3.5%, 3.5%	For 2009-2011, based on U.S. Department of Energy estimates
Medicaid	Capped	Capped	Capped	Based on approved State Medicaid cap
Social Services Entitlements	4.0%	4.0%	3.5%, 4.0%	Most current information
Early Intervention	2.0%	2.0%	2.0%	Most current information
Special Education	5.0%	5.0%	5.0%	Most current information
<b>Revenues</b>				
State Aid	Variable	Variable	Variable	Based upon reimbursement formula
Federal Aid	Variable	Variable	Variable	Based upon reimbursement formula
Sales Tax	3.50%	3.5%	2.5%-3.5%	2.5% in '08, 3% in '09, 3.5% in '10-'11
Property Tax	2.5% in 2007	2.5% in 2007	2.0% in 2008	2.0% only in 2008

### ***CLOSING THE OUT-YEAR GAPS***

The County includes many of the same gap-closing measures proposed in earlier financial plan submissions, including savings from Smart Government Initiatives and workforce management, property tax increases, use of tobacco reserve resources, and a commitment to increasing its level of pay-as-you go expenditures for judgments and settlements. The County has also introduced a new initiative to reduce health insurance costs by \$15 million in FY 2009 and \$20 million in FY 2010 and FY 2011. We discuss our concerns regarding this ambitious healthcare savings initiative in more detail on page 45.

It is noteworthy that the County has chosen to modify its gap-closing program by reducing the projected value of certain recurring gap-closing actions. The following are some of the more significant revisions from the April Update:

- The workforce management savings have been reduced by \$5.5 million in FY 2009 and \$9.6 million in FY 2010. This is the result of the County's decision to maintain the size of its workforce rather than reduce it through attrition.
- Elimination of Smart Government Initiatives valued at approximately \$13.2 million in FY 2009 and \$14.9 million in FY 2010.

- Elimination of a category of savings entitled “Functional Consolidation,” which was projected to reduce the Out-Year gaps by \$10 million in FY 2008, \$15 million in FY 2009, and \$20 million in FY 2010.

After taking these major actions, projected gaps remain of \$38.1 million in FY 2009, \$64.7 million in FY 2010, and \$59.7 million in FY 2011. The proposed Plan assumes that these gaps will be closed from among a number of recycled options – options that had been proposed in prior plans, but were not realized – including certain taxes and other revenue sources. For FY 2009 these options include \$20 million from video lottery terminals being installed at Belmont Park, \$28.4 million from a proposed increase in the cigarette tax, \$7.0 million from the installation of red light cameras, \$21.0 million from a new residential energy tax, and \$7.5 million from discretionary programming reductions. The County has yet to demonstrate requisite State support for any revenues derived from any of these sources, and the implementation for FY 2009 is doubtful.

The projected value of certain gap-closing measures has been reduced and the County is proposing to use various reserves to help balance the proposed FY 2008 Budget. The need to balance the proposed FY 2008 Budget and proposed Plan with recurring actions that provide continuing budgetary relief is essential.

Instead of aggressively pursuing new existing Smart Government Initiatives, the County has included in the proposed FY 2008 Budget baseline SGIs that have been in development, with limited financial impact for several years. Consequently, NIFA continues to place at risk the following SGIs, which had been previously proposed and are currently valued by the County at \$8.5 million.

<b>Initiative</b>	<b>April Update Projected 2008</b>	<b>2008 Budget Value</b>
Advertising	\$ 500,000	\$ 3,500,000
Automated Time & Leave	1,700,000	1,700,000
HHS Consolidation	800,000	850,000
PINS	50,344	50,343
Contractual Services	1,000,000	1,000,000
Grant Funds Reimbursement	500,000	500,000
Revenue Options	1,840,254	683,000
Risk Management	1,625,373	220,000
	<b>\$ 8,015,971</b>	<b>\$ 8,503,343</b>

Section V discusses the major elements of the County’s gap-closing program and discusses our concerns about the County’s ability to achieve a number of the gap closing actions.

## **REVENUES**

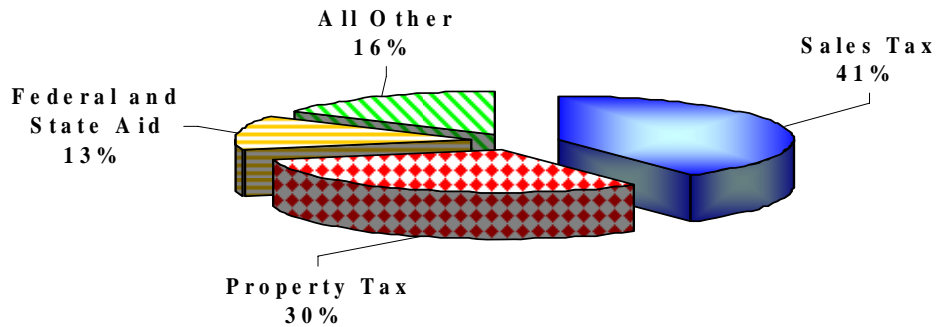
The County has four major revenue sources: sales tax, property tax, Federal and State aid, and other revenues (primarily departmental revenues). The proposed Budget estimates \$2.6 billion of revenues, excluding interdepartmental transfers. The County also projects that baseline revenues will be \$2.6 billion in FY 2009, \$2.6 billion in FY 2010, and \$2.7 billion in FY 2011, as shown in the table below. The following section discusses the major revenue sources.

### **BASELINE REVENUES FY 2008-2011**

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011
Sales Tax	\$1,042.6	\$1,073.8	\$1,111.3	\$1,150.1
Property Tax	773.4	773.4	773.4	773.4
Federal and State Aid	340.3	348.7	357.9	367.5
All Other	410.8*	355.2	362.5	364.1
<b>Total</b>	<b>\$2,567.1</b>	<b>\$2,551.1</b>	<b>\$2,605.1</b>	<b>\$2,655.1</b>

\* Includes \$10 million of projected FY 2007 surplus to be used to fund tax certiorari payments in FY 2008.

### **F Y 2 0 0 8 C o m p o s i t i o n o f R e v e n u e s**



### **★ Sales Tax ★**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$1,042.6	\$1,073.8	\$1,111.3	\$1,150.1

The current sales tax rate in Nassau County is 8.625%, of which 4% is the State’s share, 4% is the County’s share, 0.375% is allocated to the Metropolitan Transportation Authority, and the remaining 0.25% is distributed to the towns and cities in the County.

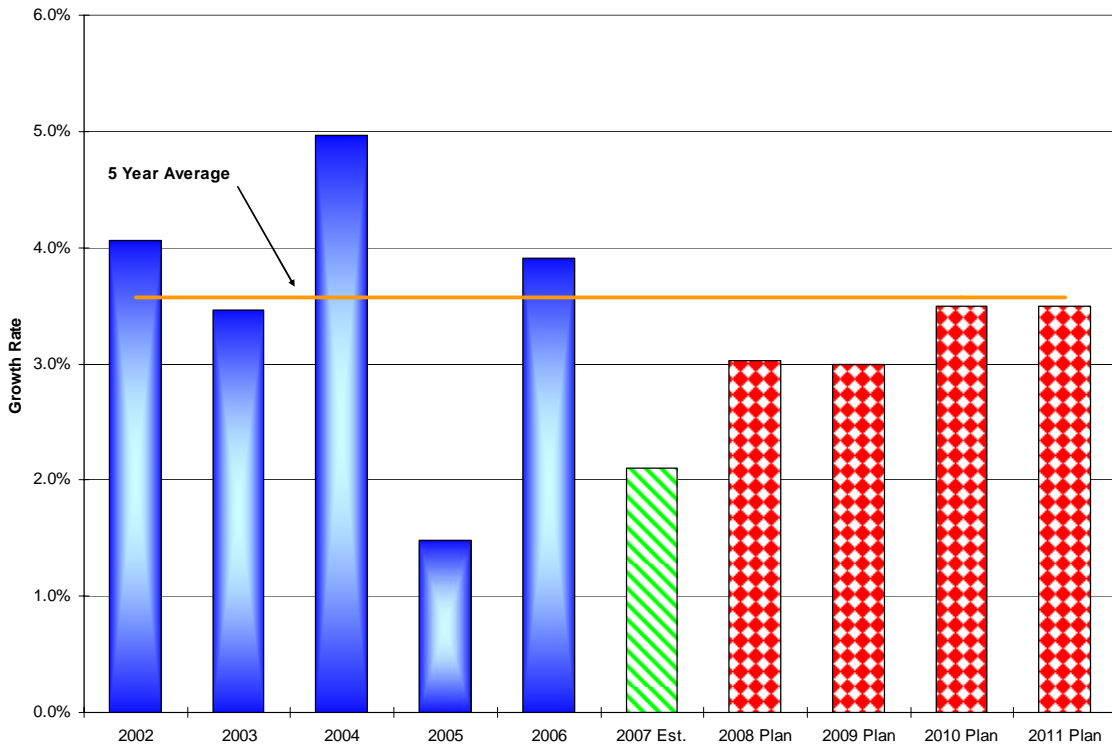
Sales tax is the largest revenue source for the County, comprising 41% of all revenues covered in this analysis, and is budgeted at \$1,042.6 million for FY 2008.

Consistent with the concerns expressed in our October 2006 and May 2007 staff reports, the County has reduced its FY 2007 sales tax forecast by \$15.8 million, to \$1,015.1 million (“Revised Target”). We estimate that the County needs 2.4% grow over actual collections to reach its Revised Target. The County estimates that sales tax revenue needs to grow by 2.1% in FY 2007 in order to reach its Revised Target; however, the County’s FY 2006 baseline includes \$3.1 million in year-end deferral and closing adjustments.

Since year-to-date collections through the October 4, 2007 periodic check are 2.05% ahead of last year’s pace, we believe that County sales tax collections may be several million dollars short of projections. The October 12<sup>th</sup> adjustment check will provide better clarity, but receipts from holiday shopping will be determinative.

The proposed Plan projects that baseline sales tax revenues will grow by 2.5% in 2008, 3.0% in FY 2009, and 3.5% in each of FY 2010 and FY 2011. These Out-Year growth rates, which are more conservative than previous County assumptions, are modestly lower than growth rates experienced over the past five years. As shown in Chart 1, sales tax revenues have grown by an annual average of 3.6% over the last 5 years.

**(Chart 1)  
ANNUAL SALES TAX GROWTH HAS  
AVERAGED 3.6 PERCENT DURING THE LAST FIVE YEARS**



In recent years the County has benefited from a number of positive economic events such as strong jobs growth and rising housing prices. However, 2007 has been a turbulent year and many economists fear that the economy will continue to slow. Sales tax growth in FY 2007 has already lagged prior years. Consequently, because sales tax revenue is so economically sensitive, it should be closely monitored and contingency plans should be readied in case shortfalls develop.

★ Property Tax ★

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$1773.4	\$1773.4	\$1773.4	\$1773.4

Property taxes are the second largest revenue source for the County. They comprise approximately 30% of revenues for the major operating funds and are budgeted at \$773.4 million in FY 2008, which is \$15.0 million, or 2% above FY 2007. As shown in Table 3, this change brings the cumulative two year property tax increase in the major operating funds to \$34.8 million.

**(Table 3)**  
**CHANGE IN PROPERTY TAX LEVY**

(\$ in millions)	Adopted FY 2006	Adopted FY 2007	Proposed FY 2008	Two Year Change
Parks, Fire Commission and General Fund	\$147.0	\$139.7	\$164.3	\$17.3
Police District	333.6	331.6	332.5	(1.1)
Police Headquarters	258.0	287.1	276.6	18.6
<b>Major Operating Funds Total</b>	<b>\$738.6</b>	<b>\$758.4</b>	<b>\$773.4</b>	<b>\$34.8</b>
Sewer assessments	138.9	118.9	103.9	(35.0)
<b>Total</b>	<b>\$877.5</b>	<b>\$877.3</b>	<b>\$877.3</b>	<b>(\$0.2)</b>

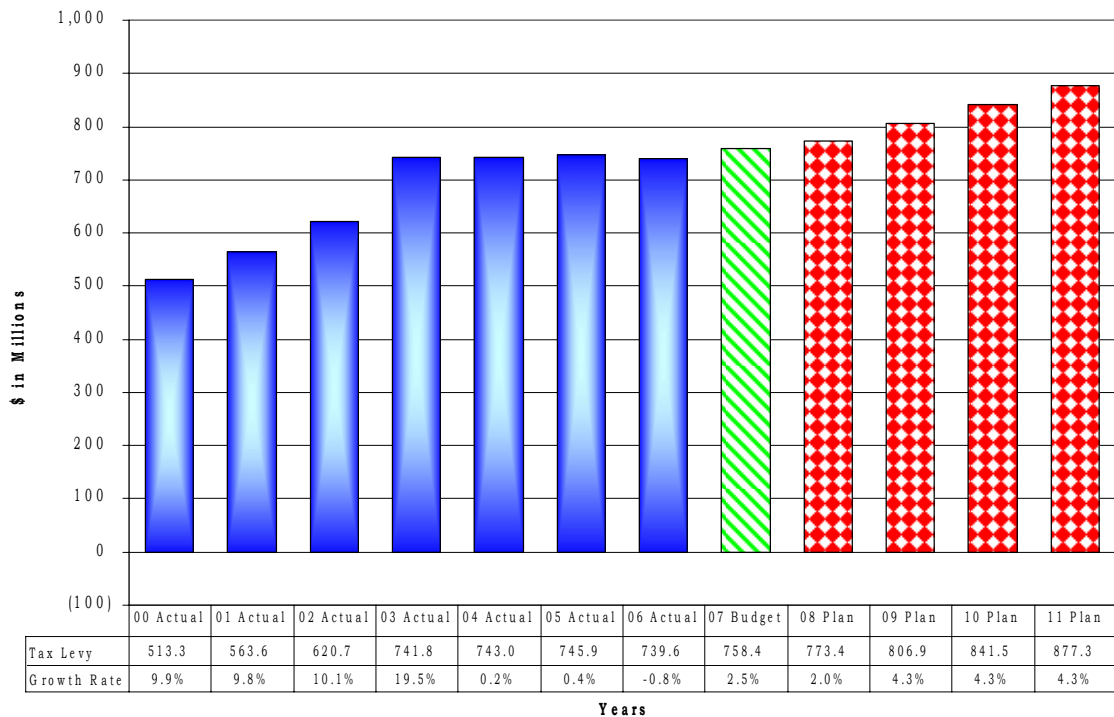
Ever since the County used fund balance to lower its sewer assessments by \$20 million in FY 2007 and \$15 million in FY 2008, it has included the assessments as part of its discussion of the “property tax levy.” When combined with the tax increases in the major operating funds, these reductions provided the rationale for stating that the “combined property tax levy has remained flat.” Even if you agree with this rationale, it clearly does not apply to residents that live outside a County managed sewer district.

Most importantly, the loss of sewer assessment revenue has been compensated for by significant reductions in sewer fund balance, as discussed in “Sewer and Storm Water Services” on page 35. We note that non-recurring revenue and reserve draw-downs

should not be used to support recurring expenditures. The use of “one shot” revenues and the depletion of reserves exacerbates the budgetary structural imbalance that has plagued the County and is a conscious decision to avoid paying for current services with current revenues.

Chart 2 depicts the property tax collections of the major operating funds from FY 2000 - FY 2006 and the property tax levy from FY 2007 - FY 2011, which includes the County Executive’s proposal to implement annual property tax levy increases totaling 4.3% beginning in FY 2009, including capturing the value of new construction. These increases will raise property tax revenues by \$33.5 million in FY 2009, by \$68.1 million in FY 2010, and by \$103.9 million in FY 2011. If these tax increases were approved, they would result in an increase in the annual tax levy by \$363.9 million (70.9%) since FY 2000 in the major operating funds, and \$256.6 million (41.3%) since FY 2002.

**(Chart 2)**  
**PROPERTY TAXES**  
**FY 2000 – FY 2011**





★ **Federal and State Aid** ★

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$340.3	\$348.7	\$357.9	\$367.5

Federal and State Aid (“Aid”) totals \$340.3 million in the proposed FY 2008 Budget or 13.3% of total revenues. Aid projections are developed on a program basis in conjunction with the County’s operating departments. Most of the Aid is reimbursement for health and human services programs.

Aid projections in the proposed FY 2008 Budget are approximately \$33 million higher than in the FY 2007 Budget. Increases include: \$4.1 million for housing additional Federal inmates and detainees in the Correctional Center; \$4 million in additional reimbursements for Social Service costs; and \$15 million from the proposed imposition of a mortgage recording filing fee, the passage of which is uncertain. The Out-Years contain average increases of 2.6% for Aid, with these revenues growing to \$348.7 million in FY 2009, \$357.9 million in FY 2010, and \$367.5 million in FY 2011.

The proposed Plan also assumes that starting in FY 2008 the State will begin reimbursing the County approximately \$4.1 million for tuition charges of Nassau County residents that attend the Fashion Institute of Technology (“FIT”). The County assumes that the State will begin appropriating these funds in its budget for FY 2008-09 even though it has not done so in the past and there is no indication that this year will be any different. Consequently, we are putting this \$4.1 million at risk.

★ **Other Revenue** ★

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$410.8	\$355.2	\$362.5	\$364.1

The remaining revenues in the proposed FY 2008 Budget are budgeted at \$410.8 million, including \$10 million of projected FY 2007 surplus to be used to fund certiorari payments during FY 2008. The other revenues included in this category are: departmental revenues; special taxes; rents and recoveries; fines and forfeits; interest and penalty on taxes; permits and forfeits; investment income, and fund balance use.

Departmental revenues are budgeted at \$95.5 million in FY 2008 and are expected to remain flat through the life of the proposed Plan. However, we are not convinced that a number of revenue initiatives will be fully achievable. For example, sponsorship, marketing programs, and proposed fee increases in the Parks Department as

well as affirmative litigation efforts in the Office of the County Attorney may result in less revenue than assumed in the proposed Budget.

Rents and recoveries, which are budgeted at \$52.2 million in FY 2008, decrease by \$23 million in FY 2009 and remain at that level during the remainder of the proposed Plan. The reason for this precipitous drop in FY 2009 is that \$23 million of tobacco reserves, a one shot, are used in FY 2008, but not in FY 2009.<sup>1</sup> Fund balance of \$10 million is also used in FY 2008 as revenue, but the proposed Plan assumes that no additional fund balance will be used beyond FY 2008.

The proposed FY 2008 Budget also includes \$8.5 million of Smart Government Initiatives (“SGIs”). These SGIs have been in development, with limited progress, for some time. Nevertheless, they are being included in the baseline calculations for FY 2008 where the expectation is that they will generate additional revenue or reduced expenses.

## ***EXPENDITURES***

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011
<b>Personal Services</b>	<b>\$1,259.0</b>	<b>\$1,319.1</b>	<b>\$1,383.1</b>	<b>\$1,427.4</b>
<b>Other Than Personal Services</b>	<b>430.7</b>	<b>446.6</b>	<b>462.0</b>	<b>464.0</b>
<b>Direct Assistance</b>	<b>562.6</b>	<b>580.9</b>	<b>599.5</b>	<b>620.1</b>
<b>Debt Service</b>	<b>314.7</b>	<b>329.3</b>	<b>335.0</b>	<b>341.1</b>
<b>Total</b>	<b>\$2,567.0</b>	<b>\$2,675.9</b>	<b>\$2,779.6</b>	<b>\$2,852.6</b>

\*Includes \$10 million for proposed off-budget payment of tax certiorari settlements in FY 2008.

The proposed Plan consists of approximately \$2.6 billion of expenditures for FY 2008, excluding interdepartmental transfers.<sup>2</sup> The categories identified in the above table are discussed in more detail in the sections that follow.

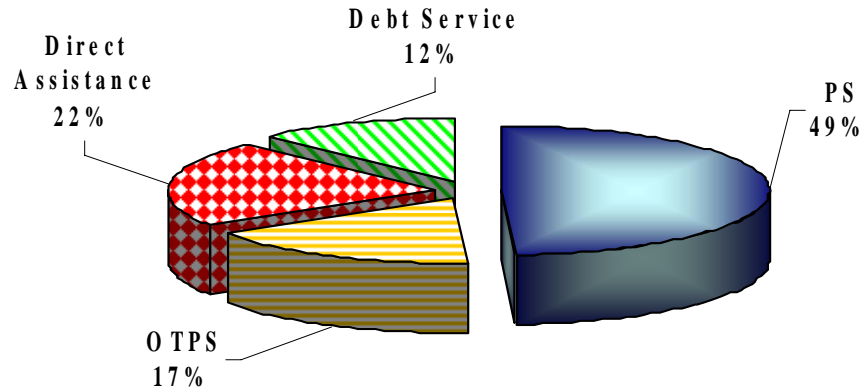
### ★ **Personal Services (PS)** ★

- Refers to all expenses related to payroll including fringe benefit costs for both current and retired employees.

<sup>1</sup>The County plans to draw down tobacco reserves in the amount of \$23 million in FY 2009 and \$5 million in FY 2010 as part of its gap closing program. This reserve will be fully depleted in FY 2010 by these actions.

<sup>2</sup> The analysis contained in this report is limited to the four major operating funds within the Nassau County budget. These funds consist of the General Fund, Police District Fund, Police Headquarters Fund and the Fire Commission Fund. In FY 2003 the County created a Debt Service Fund to clarify the presentation of debt service expenses.

## F Y 2008 C o m p o s i t i o n o f E x p e n d i t u r e s



Personal Services in the proposed Plan are approximately \$30 million to \$35 million below those that had been projected in the April update. This is due, primarily, to the County's projected savings from labor concessions and overtime being folded into its baseline estimates. The following table breaks out the key components within Personal Services for each year of the proposed Plan. The narrative that follows is our analysis of the risks inherent in reaching the County's projected funding.

### BREAKOUT OF PERSONAL SERVICES EXPENDITURES

FY 2008 -2011

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011
Salaries and Wages:				
Headcount (HC)	\$ 678.8	\$ 705.6	\$ 732.2	\$ 759.2
Overtime (OT)	60.0	62.4	65.0	67.5
Terminal Leave	30.4	31.6	32.9	34.3
All Other Payouts	84.4	91.7	94.6	94.2
Subtotal Salaries & Wages	\$ 853.6	\$ 891.3	\$ 924.7	\$ 955.2
Fringe Benefits:				
Health Insurance	220.6	238.3	257.4	278.0
Pension Contributions	101.0	98.2	102.5	107.4
Social Security	58.0	60.4	63.0	65.6
All Other	8.8	13.8	18.5	5.2
Subtotal Fringe Benefits	\$ 388.4	\$ 410.7	\$ 441.4	\$ 456.2
Workers' Compensation	17.0	17.1	17.0	16.0
<b>Total</b>	<b>\$1,259.0</b>	<b>\$1,319.1</b>	<b>\$1,383.1</b>	<b>\$1,427.4</b>

## Salaries and Wages

Salaries and Wages is the largest category within Personal Services and, when compared to the April Update, projections are approximately \$9 million less in FY 2008, \$4 million less in FY 2009, and almost \$10 million less in FY 2010. The following sections highlight those components of Salaries and Wages that we believe contain degrees of risk.

### Headcount (HC)

(\$ in millions)			
<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$678.8	\$705.6	\$732.2	\$759.2

Headcount is the dollar amount budgeted only for positions (excluding other payouts) and the proposed Plan projections reflect a year-to-year growth rate of approximately 4%. The projected increases mirror similar historical patterns of contract settlements for County unions. The exception is for positions tied to the PBA union which has already reached an Arbitration Award; therefore, funding is based on the settlement agreement. We feel the County has reasonably projected headcount funding to reflect historical settlement patterns and the PBA Award. Our concern, however, is with the County's assumption of savings based on anticipated labor concessions. This savings assumption has been applied, separately, as a reduction in another payout line. This greatly reduces the overall level of funding provided for positions. We feel the County's labor concession assumptions are significantly overstated causing the real funding level to be well below what is needed. This is discussed in detail in the section, "Labor Concessions."

In January 2002, the County's full-time headcount was 9,442. The current Administration's first multi-year plan submission (FY 2002 – 2005) included a workforce reduction goal of 1,200 positions and revised the target in the following multi-year plan to 1,400. If targets were achieved, headcount would be between 8,042 and 8,242. The Proposed FY 2008 Budget includes headcount funding of 9,240, therefore, the original targets have not been met and the headcount trend seems to be on the upswing. Should the County choose not to fill all of its funded positions, however, it could bring the funded headcount somewhat closer to past targets and help the County realize potential savings from these unfilled vacancies of about \$10 million. Additional relief may be realized by delaying, reducing, and/or cancelling scheduled police and correction officer classes.

A headcount comparison table and a table identifying budgeted positions and their funding are included in separate appendices at the conclusion of this report.

**Overtime (OT)**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$60.0	\$62.4	\$65.0	\$67.5

The County’s overtime expenditures are primarily in the Police Department and Correctional Center, which comprise approximately 58% and 30% of the overtime spending, respectively. While the County deserves credit for striving to control overtime costs through increased staffing and management oversight, spending is still significant. Moreover, contractual raises and employee step increases will push overtime costs up in future years. Consequently, we feel that the County’s estimated savings of \$8 million (\$5 million in Police and \$3 million in the Correctional Center) is overly optimistic and partially at risk.

**Police Termination (Terminal Leave)**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
30.4	31.6	32.9	34.3

Terminal Leave provides a monetary sum to employees upon termination for unused vacation time and sick leave. Our analysis focuses on Police Termination because it comprises approximately 72% of the entire Terminal Leave payout per year (current and Out-Years). In FY 2007, the County based its projections on an assumption of 84 separations (per annum), down from the 100 separations that represented the recent historical average.

The County now projects actual separations for FY 2007 will be 125. In the proposed Plan, the County has restored its termination funding to the historical average of 100 separations. Still, we are concerned because the most recent contract settlement for the PBA “caps” termination pay (beginning January 2009).

This new concession gives employees an incentive to retire before the cap takes effect and will likely drive the average annual separation rate to a higher than historic level and higher payout for FY 2008 and presents a \$6 million risk. If this happens, the County will need additional resources to cover this expense from its Employee Accrued Liability Reserve Fund which is available to cover shortfalls. This additional expense (in the short term) may be offset by savings in future years when these costs had been anticipated.

**All Other (Salaries & Wages Payouts)**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$84.4	\$91.7	\$94.6	\$94.2

The remaining payouts include but are not limited to such items as health insurance buyback, auto mileage, police department special assignment pay and, most importantly, projected savings for expected labor concessions. The Longevity payout is also part of this subcategory and may have been under-budgeted since it has not increased from the April Update projection in spite of the recent PBA Award that has increased the payout schedule. We also question the likelihood that the County will realize its estimated savings from labor concessions, especially in light of the recent PBA arbitration award. Our concerns are discussed in detail in the section “Labor Concession” on page 42.

**Fringe Benefits**

The projections for fringes in the proposed Plan are 13% lower than the projection for FY 2008 that had been provided in the April Update because the County has included expected savings from labor concessions. In the April Update, fringe savings were projected at a little over \$6 million for all four years. The proposed Plan raises projected savings to levels of approximately \$20 million per year. Even though the County has funded reserves to cover unanticipated shortfalls, we are concerned that funding is not sufficient to cover many known risks highlighted in our analysis.

**Health Insurance**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$220.6	\$238.3	\$257.4	\$278.0

Health Insurance funding is for both active employees and retirees. The County assumes that health insurance costs will grow annually by 7% for active employees and 5.25% for retirees. The New York State Department of Civil Service provides “advance” guidance of health insurance rates and these are distributed as a range of possibilities of “pessimistic,” “best estimate,” and “optimistic.” The County has based its own projections using rates that fall somewhere between best estimate and optimistic for both active employees and retirees.

Based on trends in recent years, it appears that the County’s FY 2008 projections are not unreasonable. Our concern is primarily with the projections provided for the Out-Years of the proposed Plan. Health Insurance rates, historically, have grown faster than 7% and would strain the budget should growth return to these levels, thereby placing further reliance on reserves. We caution the County, therefore, to monitor rates closely to provide adequate funding should the final rate increases be higher than those projected.

**Pension Contributions**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$101.0	\$98.2	\$102.5	\$107.4

Pension Contributions are payments to both the Employees’ Retirement System (“ERS”) and the Police and Fire Retirement System (“PFRS”) of New York State.<sup>3</sup> The proposed Plan reflects savings in FY 2008 and FY 2009 from lowered contribution rates that resulted from strong investment performance by the New York State Retirement System. Projected pension costs rise in FY 2010 and FY 2011 because they are calculated as a percentage of salaries and wages, which are projected to rise according to anticipated contract settlements and step increases.

In FY 2004, the County established a Pension Reserve Fund to mitigate a significant rise in the County’s payments that began in FY 2002. The rapid rise in contribution rates resulted from poor investment performance of the New York State Retirement System between FY 2001 and FY 2003. Despite recent declines in the County’s contribution rate, the County is proposing to use \$24.5 million in FY 2008 and \$0.4 million in FY 2009 of the Pension Reserve to fund payments to the State for these years. This will completely deplete the Pension Reserve.

We are concerned by the continual draw-down of pension reserves even as the contribution rates have fallen in recent years. As stated, the reserve was established to set aside funding for unforeseen shortfalls. The County’s contribution rates to the retirement system will continue to be influenced by the investment performance of the Common Retirement Fund. Should future investment performance falter, as it did between FY 2001 and FY 2003, the requisite pension contribution rates will rise. Without the availability of the pension reserve to smooth the ensuing volatility, the County will not be prepared to respond without negatively impacting other areas of the plan.

**Workers’ Compensation**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$17.0	\$17.1	\$17.0	\$16.0

This is the first year that the County has separated Workers’ Compensation from Fringes, creating its own category within Personal Services. The projections for Workers’ Compensation in the proposed Plan are lower than in the April Update, when they were projected at approximately \$21 million.

As part of its consolidation effort, the County has created the Risk Management Unit which is part of the Office of Management & Budget (“OMB”). In doing this, the County has moved the funding for Workers’ Compensation from the County Attorney to OMB. Direct budgets for Workers’ Compensation still remain in the Police District,

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<sup>3</sup> The County participates in the New York State and Local Employees’ Retirement System, the New York State and Local Police and Fire Retirement System, and the Public Employees’ Group Life Insurance Plan. The local participating employer contribution rates for each retirement system are set by the State Comptroller and are now payable by the County each February 1st.

Police Headquarters, Public Works and the Correctional Center as these departments generate most of the Workers' Compensation claims and expenses.

The County maintains that the Risk Management Unit will improve forecasting and that claims management can help reduce the financial impacts of claims and lawsuits. Most of the County's projected savings, however, are based on an initiative to sell off the current permanent and partial disability claims to an insurance company to settle claims as lump sum payments. Although the County has projected savings of \$5 million in FY 2008, it has not included in the proposed Plan the future debt service costs that would result from financing these payments.

NIFA is concerned with the funding levels for Workers' Compensation on two fronts. First, should the expected savings not be realized, the County will have to turn to the depleted reserves and contingencies. Second, there is a chance that claimants who settle for lump sum payments could become a recurring cost to the County once again, only this time as public assistance recipients should they exhaust their settlements and become eligible.

★ **Other Than Personal Services (OTPS)** ★

- The day-to day cost of doing business such as the purchase of office supplies and equipment, contractual services, payments for tax certiorari settlements, etc.

County OTPS expenditures are composed of several large categories of spending, not related to headcount costs and payouts. The following table breaks out the key components within OTPS for each year of the proposed Plan. The narrative that follows is our analysis of the risks inherent in reaching the County's projected funding.

**BREAK OUT OF OTHER THAN PERSONAL SERVICES EXPENDITURES  
FY 2008 -2011**

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011
Local Government Assistance	\$62.6	\$64.5	\$66.7	\$69.0
Mass Transportation	47.4	48.1	49.0	49.7
Utility Costs	42.4	43.9	45.4	47.0
Payments to NHCC	13.0	13.0	13.0	13.0
Suits and Damages*	52.0	54.0	56.1	58.3
Contractual Services	135.0	135.2	136.6	138.6
All Other	78.3	87.9	95.2	88.4
<b>Total</b>	<b>\$ 430.7</b>	<b>\$ 446.6</b>	<b>\$ 462.0</b>	<b>\$ 464.0</b>

\* Includes \$10 million for proposed off-budget payment of tax certiorari settlements in FY 2008



**Local Government Assistance**

(\$ in millions)			
<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$62.6	\$64.5	\$66.7	\$69.0

The County remits sales tax revenue to towns and cities resulting from the 0.25% portion of the sales tax charged on purchases made within Nassau County and are an offset to the aggregate overall 8.625% sales tax rate the County receives. The projections for the proposed Plan are very similar to those projected in the April Update.

**Mass Transportation**

(\$ in millions)			
<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$47.4	\$48.1	\$49.0	\$49.7

The \$47.4 million projection for FY 2008 breaks out as follows:

<b>(\$ in millions)</b>	<b>FY 2008</b>
MTA LI Bus Subsidy	\$ 7.5
MTA Able Ride*	3.0
LIRR (station maintenance)	25.3
LIRR (operations support)	11.6
<b>Total</b>	<b>\$47.4</b>

\*Transportation Service for the handicapped.

While the funding for the MTA subsidies and LIRR operational support remain constant for the out-years, the proposed Plan inflates the Long Island Railroad station maintenance by 2.1% annually in the Out-Years. The MTA Long Island Bus is expected to incur a deficit of approximately \$14 million for FY 2008. It is unclear if the County will be expected to increase its subsidy in order to help mitigate this shortfall.

**Utilities**

(\$ in millions)			
<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$42.4	\$43.9	\$45.4	\$47.0

The County's proposed Budget for utility costs in FY 2008 is nearly identical to the funding provided in the FY 2007 Budget. The year-to-year increase for the Out-

Years is approximately 3.5%. The County indicates that it is pursuing energy alternatives and includes an “Energy Efficiency Improvements Program” as a Smart Government Initiative. As such, the County intends to procure services from an Energy Services Company to explore energy efficiency programs. The projected date for this initiative is not until FY 2009 with savings estimated at approximately \$1 million the first year and a \$0.5 million in FY 2010 and FY 2011.

The likelihood of this SGIs implementation and resultant savings remains to be seen. Even so, NIFA believes the utility allocation is not unreasonable, but will also need to be monitored closely since they are subject to the volatility of world energy prices.

**Payment to NHCC**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$13.0	\$13.0	\$13.0	\$13.00

The County continues its historic mission payments of \$13 million per year to the Nassau Health Care Corporation (“NHCC”). The cost of retiree health insurance and termination pay for certain employees of the NHCC is accounted for separately in the Fringes and Salaries and Wages categories and is estimated at approximately \$24.7 million for FY 2008 with approximate annual growth levels of 7% in the Out-Years. Overall, the County projects that these costs will grow to \$43.8 million by FY 2011.

**Suits and Damages**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$52.0	\$54.0	\$56.1	\$58.3

Suits and Damages includes payments for certiorari refunds and other non-certiorari judgments and settlements. The County projects that in FY 2008 it will make certiorari payments of \$50 million. In the Out-Years these figures have been adjusted for inflation.

The County has also discussed a transition to paying for non-certiorari judgments and settlements in its operating budget. These have been funded in the capital budget, a practice which the Administration understands is not optimal.

Every municipality encounters judgments and settlements in the normal course of business. Within a limited range, these costs are predictable. Consequently, they should be budgeted as part of the normal operating budget. Only in the case of extraordinary

judgments or settlements should they be funded through borrowing or from an appropriate reserve.

As part of our analysis of this initiative, we have asked the County to provide us with their rationale for estimating the County’s liability for judgments and settlements. The information that has been provided seems to bear little or no relationship to the amount of proposed borrowing and budgeted spending. In addition, as best we can determine, this initiative continues to be pushed further out in each successive plan.

The tax certiorari reform process is discussed in more detail in the section entitled “Certiorari” on page 30.

**Contractual Services**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$135.0	\$135.2	\$136.6	\$138.6

The County uses outside contractors for many different services. The bulk of these are in the Health and Human Services vertical and are for payments to program agencies at a cost of approximately \$37 million per year. Another large expense is related to medical and psychiatric services in the Correctional Center, with costs averaging \$24 million per year in the proposed Plan.

The proposed Budget does fund approximately \$4.5 million in resources that may be required to pay NHCC for health care services provided to inmates at the Correctional Center. This issue may be resolved in a new Successor Agreement being negotiated with NHCC. However, the County has been paying these fees while the Successor Agreement remains unresolved, as discussed in “Nassau Health Care Corporation” on page 36. A table that identifies Contractual Services funding by Vertical and Department is included as an Appendix.

**All Other OTPS**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$78.3	\$87.9	\$95.2	\$88.4

The County has applied an annual inflator of only 1.9% on certain administrative expenditures, which is well below the Consumer Price Index. The County believes it can constrain spending because it will or has:

- consolidated departments;
- streamlined service delivery;
- applied zero-based budgeting in FY 2008;
- adjusted the workforce;
- improved inventory tracking; and
- implemented performance measures.

The County has not yet identified real savings from either the consolidation of departments or streamlining government. Zero-based budgeting is a viable budget practice intended to re-examine historical spending so that funding is not viewed as an entitlement but has to be justified. Despite this budgetary exercise, no real savings or elimination of unnecessary programs or services is evident. Workforce reduction has been implemented in previous years, but staffing levels seem to be increasing as evidenced in the proposed FY 2008 Budget. Furthermore, it is unclear how much potential savings can be realized from either “improved inventory tracking” or “performance measures”.

Therefore, it is unclear whether or not the County will be able to live within its self-imposed expenditure limitations. The County must closely monitor spending to ensure that resources are not being rapidly depleted or that operations are being impaired by a failure to procure necessary goods and services.

### **Certiorari**

Annual Payments for Certiorari Claims (\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
\$50.0	\$52.0	\$54.0	\$56.1

Resolution of the certiorari problem has been seen as essential to Nassau County’s return to fiscal stability. The State Legislature recognized the severity of the problem and under the legislation that created NIFA in June of 2000, Nassau County was given the authority to borrow up to \$800 million for cert settlements and judgments. The County was also given \$5 million of State aid to assist it in streamlining the tax cert claims process.

The County made funding certiorari refunds out of its operating budget a cornerstone of its recovery. Unfortunately, the proposed Plan further delays the County’s transition to pay-as you go funding for certiorari. The County now proposes to fulfill its promise of paying \$50 million per year for certiorari refunds by using \$10 million in projected FY 2007 surplus operating resources to augment \$40 million in budgeted resources. This is the third year that the full implementation of this initiative has been postponed.

In addition to a certiorari backlog of approximately \$130 million, the County has the following payments budgeted in FY 2008:

- \$50 million per year on cert claims;
- \$150 million on debt service costs related to past certiorari borrowing;
- \$5.6 million per year plus fringes to support ARC;
- \$16.3 million per year plus fringes to support the Department of Assessment; and
- significant unspecified funds to support the County Attorney’s defense of claims, the Treasury Department’s payment of claims, and the new computers and other equipment utilized by the foregoing.

★ **Direct Assistance** ★

- Government support that includes programs such as pre-school special education and early intervention, public assistance, Medicaid, day care programs, and institutional expenses.

The year-to-year growth rate for Direct Assistance is approximately 3%. These Social service costs encompass entitlement benefits for clients enrolled in a variety of support programs within the County. The five major sub-categories are presented in the table below and are discussed in subsequent sections. Overall, our analysis indicates that the County has reasonably estimated these costs, but that each program should be monitored closely in the event that an economic downturn results in a greater demand for social service programs and direct assistance than projected.

**DIRECT ASSISTANCE EXPENDITURES  
2008-2011**

<b>(\$ in millions)</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Medicaid: Local Share	\$225.7	\$231.7	\$237.4	\$244.6
Title XX	46.6	48.5	50.4	52.4
TANF	31.3	32.3	33.4	34.4
Safety Net Assistance	25.5	26.3	27.2	28.1
Early Intervention	53.4	53.7	54.1	54.4
Pre-School/Special Education	135.4	142.0	149.0	156.2
All Other	44.7	46.4	48.0	50.0
<b>Total</b>	<b>\$ 562.6</b>	<b>\$ 580.9</b>	<b>\$ 599.5</b>	<b>\$ 620.1</b>

**Early Intervention & Pre-School Special Education**

(\$ in millions)			
<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Early Intervention			
\$ 53.4	\$ 53.7	\$ 54.1	\$ 54.4
Pre-School/Special Education			
\$135.4	\$142.0	\$149.0	\$156.2

The Early Intervention Program provides specialized services to families with children under age three with developmental delays and disabilities. As children get older, they become eligible for partner components of the Program such as the Pre-School Program for ages 3-5 and the School-Age Program for ages six and older.

Compared to the April Update, the County lowered its growth rate assumption for Early Intervention expenditures from 2.25% to less than 1.0%, but maintained it at 4.75% for Pre-School/Special Education. The County’s lower year-to-year growth rate projection for Early Intervention is based on a declining number of children served in that Program. NIFA believes that the County’s estimates for both Early Intervention and Pre-School/Special Education are not unreasonable, but should be carefully monitored by screening evaluators to make sure that deserving children are receiving the services they need.

**Medicaid**

(\$ in millions)			
<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$225.7	\$231.7	\$237.4	\$244.6

Expenditures for Medicaid recipients cover a wide range of services, including payments for nursing homes, hospitals, home health care, and pharmaceuticals. The growth in these expenditures is limited by a State-enacted cap on the local share of Medicaid spending. The cap formula will ensure that the County’s share of Medicaid costs grow in FY 2008 by no more than 3.25% over FY 2007 levels and by no more than 3% annually thereafter.

**Public Assistance**

(\$ in millions)			
FY 2008	FY 2009	FY 2010	FY 2011
TANF			
\$31.3	\$32.3	\$33.4	\$34.4
SNA			
\$25.5	\$26.3	\$27.2	\$28.1

The County is projecting that its expenditures for Temporary Assistance for Needy Families (“TANF”) and Safety Net Assistance (“SNA”) will annually grow by approximately 3.1% and 3.2%, respectively, in the proposed Plan. Combined, these costs are expected to increase from almost \$57 million in FY 2008 to \$62.5 million in FY 2011. The projections have been increased by about 10% from the April Update based on more accurate trending information collected by the Department of Social Services.

Changes in public assistance caseload and expenditures can be difficult to predict. Demand for public assistance is closely related to the economic climate because recipient grant demand usually increases when there is an economic downturn. The problem is there is a lag time between 12 and 36 months before demand becomes apparent. Additionally, the Federal government imposed a five-year limit on TANF benefits so many recipients switch to the SNA program at twice the cost when they reach their lifetime limit. This factor also makes forecasting difficult. Therefore, the County must closely monitor public assistance caseloads and costs and continually revise the forecasting model.

★ **Debt Service** ★

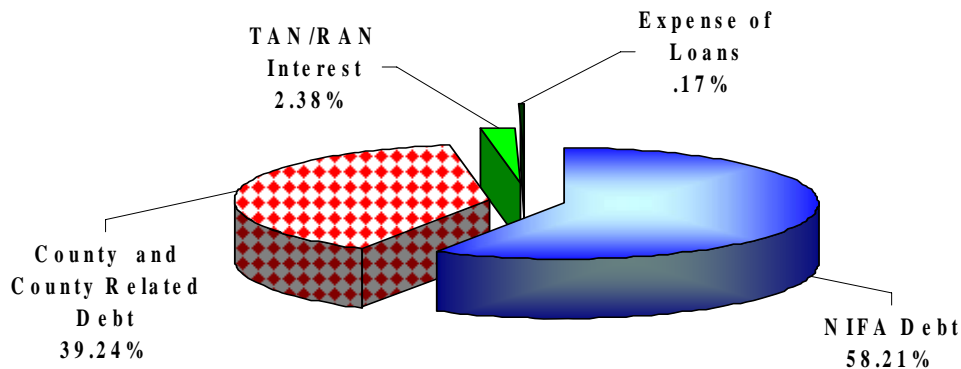
- This is the cost of paying both principal and interest on money that has been borrowed. – or is anticipated to be borrowed – by or on behalf of the County.

The County’s Debt Service includes, but is not limited to principal repayment and interest costs for NIFA-issued debt, County-issued debt, County Tax Anticipation Notes (“TANs”) and Revenue Anticipation Notes (“RANs”).

## COMPOSITION OF DEBT SERVICE

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011
NIFA Debt	\$ 183.2	\$ 186.2	\$ 186.6	\$ 199.6
County and County Related Debt	123.5	131.4	135.9	128.5
TAN/RAN Interest	7.5	11.2	11.9	12.4
Expense of Loans	.5	.5	.6	.6
<b>Total</b>	<b>\$ 314.7</b>	<b>\$ 329.3</b>	<b>\$ 335.0</b>	<b>\$ 341.1</b>

FY 2008 Composition  
of Debt Service



In general, we are seeing some strengthening of the County's borrowing and cash management practices, although NIFA believes that this area is understaffed. We are also gratified that the County has finally drawn down all of the proceeds that were raised by NIFA.

The County projects that debt service will increase by more than \$26 million from \$314.7 million in FY 2008 to \$341 million in FY 2011. These numbers have been taken from what has been budgeted in the proposed Plan, but based upon discussions with the County it does not take into consideration the costs arising from the sale of workers' compensation liability or other potential legal liabilities that may require bonding. We also question the rising number of County employees whose salaries are paid from borrowings because they perform work on capital projects. Furthermore, should capital activities by these personnel subsidize without a corresponding reduction in headcount, the structural imbalance between cost and expense will widen.

We consider it a positive sign that the County is considering entering the long term bond market, since this has not occurred since 2000. We have heard many explanations for this, including an inability to accurately predict capital needs.



Regardless of past reasoning, there are numerous projects that have been completed, which should be financed with long term debt. A financing would also fulfill a goal of the NIFA Act to return the County to the capital markets, and more equitably distribute long term costs to taxpayers that are receiving the benefit of long lived assets.

We are concerned that substantially all of the proceeds from the April 2006 tobacco securitization have not been used. While we opposed this borrowing for several reasons, including our belief that it was premature, we never expected that it would take this long to distribute the proceeds. In a lowering interest rate environment, we question whether the County can earn a sufficient yield on these bonds to offset its interest costs. Unless the County can earn the arbitrage yield on the funds that resulted from the sale of these bonds, this transaction is costing Nassau County residents and has shown no tangible results.

The County has reduced its assumption for potential arbitrage rebate liability to the Federal government by \$2.5 million, although we have no documentation that can confirm the rationale for this reduction. This liability arose during the prior Administration and the County has had consultants working for years to assist in its resolution; however, after six years it should have been solved.

The County was justifiably proud of not having any cash flow borrowings in FY 2004 even though this was due to tax increases in prior years and the unplanned benefit derived from the State deferring required pension contributions from December 2004 to February of 2005. In FY 2005, cash flow borrowings re-commenced and have increased steadily such that they are budgeted for approximately \$210 million in FY 2008 and \$225 million in FY 2009.

These cash flow borrowings are not uncommon for entities that lack sufficient operating funds to finance on-going operations. In the case of Nassau County, they reflect the County's weakened cash position brought about by its accelerating use of reserves and its uneven timing of receipts and expenditures. Additionally, they are not without a cost since interest must be paid on the borrowed money.

### ***SEWER AND STORM WATER SERVICES***

In 2003, at the request of Nassau County, the New York State Legislature created the Nassau County Sewer and Storm Water Finance Authority ("SSWFA") and a consolidated County-wide Sewer and Storm Water Resource District ("District"). Among the provisions of the Act, fund balance from each of the combined sewer districts was consolidated into the District and is now considered District fund balance.

On September 25, the County announced that it was taking control of additional sewage treatment plants in four localities. It is unclear what additional costs, if any, will be incurred by the District or County.

The proposed Plan calls for the use of \$53.2 million of District fund balance in FY 2008. \$35 million of the District fund balance will be used in the FY 2008 Budget as a non-recurring infusion of cash to replace recurring revenue that was “lost” when sewer assessments were reduced by \$20 million in FY 2007 and \$15 million in FY 2008. The FY 2007 and FY 2008 tax assessment reductions are what allowed the County to claim that it did not increase taxes in FY 2007 and would not in FY 2008. In fact, the \$20 million decrease in FY 2007 and the \$15 million decrease in FY 2008 were offset by corresponding tax increases in the County’s Major Funds.

The remaining \$18.2 million of the \$53.2 million of District fund balance is earmarked for emergency operations or repairs in the District. The County asserts that any part of the earmarked funds that are not needed will be returned to District fund balance.

Based upon the County’s current projections, District fund balance will soon be exhausted and assessments will rise dramatically unless other monies can be found or efficiencies implemented. However, in the near term the reduction in assessments enables the County to claim a major tax reduction in one fund (the District) while raising it by a similar amount in other funds (Major Funds).

We have continually urged the County to make the relationship between the SSWFA, the District, and the County more transparent. As such, we are pleased that they have changed accountants and dedicated staff to certain areas. Unfortunately, absent a single person or entity to oversee the SSWFA and District, there will continue to be a general lack of accountability and unforeseen disconnects among certain departments including, but not limited to legal, debt issuance, treasury, public works, planning, and personnel.

### ***NASSAU HEALTH CARE CORPORATION***

The financial health of the Nassau Health Care Corporation (“NHCC” or “Corporation”) has the potential to negatively impact Nassau County. FY 2007 has resulted in continued progress towards the NHCC goal of achieving a balanced budget and providing enhanced services.

NHCC is projecting a consolidated net operating loss of between \$3 million and \$4 million for FY 2007. This is due to an inability to realize \$2.5 million from a 2001 disproportionate share appeal, and lower than projected patient service revenue. NHCC’s financial recovery continues despite this projected loss.

In FY 2001, NHCC reported a loss of \$41.5 million which decreased to \$13.9 million in FY 2004, \$9 million in FY 2006 and a projected loss of \$4 million in FY 2007. The projected FY 2007 baseline gap of \$6.5 million was mitigated by the addition of several new behavioral health programs and a successful revenue cycle initiative. NHCC is hopeful that this 8 year trend will continue and lead to a break even result in FY 2008.

The FY 2008 contractual union COLA/step increases, inflationary increases and reduced funding measures, offset by various reimbursement rate increases will start FY 2008 off with a \$12 million baseline budget gap. Actions embedded in the FY 2008 budget to reduce the gap have varying levels of risk and attainability as described below. The ability to reach a break even result in FY 2008 will largely depend on implementing and achieving these initiatives, barring any unanticipated events or legislative funding/reimbursement changes. As discussed below, there is also a \$4 million unresolved County prison health service funding item that needs to be risked, bringing the total potential risk for NHCC to \$16 million, depending on various outcomes.

The NHCC budget includes a mixture of gap-closing initiatives which are projected to enhance revenues and reduce expenditures (see Appendices). While many of these items appear to be achievable and a cohesive plan exists, there is a narrow margin for error due to the tight construction of this FY 2008 Budget. This will pose a significant challenge to NHCC management over the next 12 months.

We are concerned that the budget includes a \$5 million unspecified reimbursement item as a gap closing placeholder, as opposed to developing a structurally balanced budget. The budget also does not contain any formal contingency provisions. However, successful recovery of certain appeals, which are valued at twice the size of the gap, could create a reserve.

NHCC has identified sites for resettlement of the Hempstead and Freeport clinics. The new Freeport building will require a build out of space. It is anticipated that funding from the Medicaid capital component and HEAL money can be used in equal parts to fund this site construction. The clinics are budgeted to lose \$2.2 million; however, they also act as a feeder to NHCC for inpatient services.

Labor costs are a major part of the NHCC annual expense budget and are in excess of recent union agreements reached at other similar institutions. Consequently, NHCC management requested, and been granted, permission by CSEA to begin meeting with employee groups to discuss the hospital's need to realize mid-contract labor concessions. The Out-Years of the NHCC gap-closing plan assumes labor concession savings of \$9.2 million in FY 2009, \$9.6 million in FY 2010, and \$10.1 million in FY 2011. Utility costs have been budgeted using an inflator of 2.3% over FY 2007 for the hospital and 6% for A. Holly Patterson ("AHP"). In contrast, the County has used a 4% increase as part of its utility assumptions.

The FY 2008 budget baseline has not increased census and utilization over the FY 2007 actual results, with the exception of planned and approved new or expanded services. This is a conservative methodology. However, it should be noted that the gap closing plan includes \$2.1 million in additional revenue anticipated for expanded service in the physical medicine and orthopedic departments.

A. Holly Patterson construction remains an issue and an RFP for underwriters was issued and responses were returnable on September 25, 2007. We have concerns whether the total cost of the new project can be funded in an expedient manner.

NIFA continues to have concerns about the successful resolution of the Successor Agreement with Nassau County. Many issues remain unresolved including the distribution of tobacco proceeds from an April 2006 financing earmarked for the hospital and a Minority Healthcare Disparities Initiative. Another issue is the County's payment of \$4 million for healthcare services rendered to inmates of the County Correctional Center. Nassau County has not included this payment in its FY2008 budget. We are hopeful that an intermediary can facilitate an agreement.

### ***NASSAU COMMUNITY COLLEGE***

The proposed Plan for Nassau Community College ("NCC") contains annual budget growth rates in excess of 5% to address salary costs, related fringe benefits, and other projected cost increases. Annual increases in tuition and property taxes are contemplated in order to support this projected growth.

Salary and fringe benefit costs account for approximately 87% of total expenses. The two faculty unions, the Nassau Community College Federation of Teachers ("NCCFT") and the Adjunct Faculty Association ("AFA") both have long term contracts that were settled in 2006. The NCCFT contract, originally set to expire on August 31, 2008, was extended for a three year period on September 11 by the NCC board and ratified by union members. If approved by the County, the NCCFT agreement will now expire on August 31, 2011. The AFA agreement expires on September 30, 2010. The impacts of these two agreements have been incorporated into the financial plan projections. Fringe benefit inflators for major items such as health insurance and pension contributions are in line with what the County has budgeted, and the estimates are reasonable.

Revenue for NCC comes from three major sources: tuition, State aid, and property taxes. Property taxes are projected to increase for NCC in each year of the proposed Plan by 3.9%. While property tax increases are subject to County approval, recent history indicates a commitment by the County to cooperate.

The College projected State aid at \$2,675 per full-time equivalent student (FTE) for FY 2008, an increase of \$150 per student. The proposed Plan assumes that State aid will increase \$100 per year in the Out-Years.

Tuition in each year of the proposed Plan is scheduled to increase from the base FY 2008 rate of \$3,434, by not more than 5% depending on actual enrollment levels and State aid provided in future years. There was much debate in the Nassau County Legislature regarding the appropriate tuition rate increase that should be passed on to students. Budgets for the Out-Years of the proposed Plan include a baseline gap of \$3.1 in FY 2009 million, \$6.7 million in FY 2010 and \$10.3 million in FY 2011 and as a result, the College has prepared a gap closing plan. The plan for closing the Out-Year gaps include a number of new revenue generating initiatives, such as the creation of a distance learning program and increasing the enrollment of international students, which may or may not be achievable or bring in projected incremental revenue amounts. These initial

savings are also offset by several potential expense creating initiatives, such as the addition of an internal audit function and new peace officers, and development costs for new curriculums. The final amount approved by the County Legislature was less than the College originally requested. As a result, the expense budget required modification to create a balanced 2008 budget. Future restrictions by the County legislature on tuition increases could inhibit the College's ability to raise adequate funding, and could require adjustments to the proposed Plan.

In order to be conservative, the proposed Plan assumes that student enrollment will be flat. While enrollment in the plan is flat, actual FY 2007 summer enrollment was down and Fall 2007 enrollment was up 1.6% from Fall 2006, a positive development. If future enrollment is less than projected, or if restrictions are placed on tuition increases, the College will have to identify actions that will maintain budgetary balance throughout the period of the proposed Plan.

## V. GAP-CLOSING PROGRAM

This section of our report discusses the major elements of the County's gap-closing program including: Smart Government Initiatives; Labor Concessions; and Options to Close Remaining Gap. In addition, annual property tax growth, another gap-closing initiative is discussed earlier in our report.

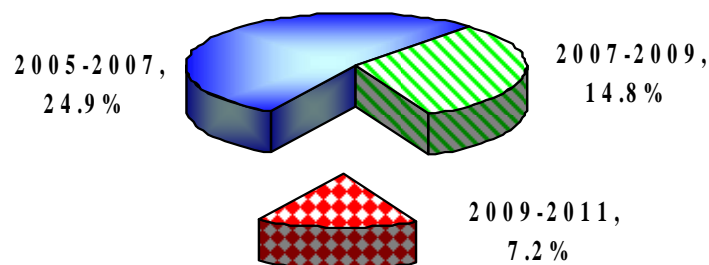
### *SMART GOVERNMENT INITIATIVES*

The Administration says that it created Smart Government Initiatives, ("SGIs") to help identify government waste and develop new and improved ways of doing business – ways that enhance efficiency, reduce spending or generate non-tax revenue.

SGIs were originally introduced in FY 2002 by the Administration as a gap-closing measure, which they hoped would generate \$102.75 million in savings. SGIs, some new and some old have continued to be introduced by the Administration. NIFA has evaluated the SGIs when submitted for reasonableness, valuation, and achievability.

When first introduced in the FY 2002 Plan, SGIs represented 25% of the proposed gap closing measures. In the proposed Plan, the SGIs represent only 7.2% of the gap-closing measures.

### Smart Government Initiatives Values



Since the April Update the County has eliminated \$13.2 million (57.3%) in FY 2009 and \$14.9 million (55.8%) in FY 2010. These decreases have left an increasingly larger budget gap in the Out-Years.

NIFA has always opined about those SGIs whose viability was questionable and whose achievement was risky due to circumstances not under the County's control. Even though SGIs have been largely removed from the County's proposed Plan, NIFA is still concerned with those that remain.

Regarding the specific SGIs that still remain in the proposed Plan, we find as follows:

**Energy Efficiency**

<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$1,064,130	\$546,128	\$546,128

NIFA questions these savings; however, with the rising price of energy, even minor efficiencies may shed large rewards.

**Revenue Options/Fee Increases**

The proposed Plan also includes an initiative that will allow for the automatic increase of fees for Consumer Affairs, the County Attorney, Fire Commission, Police, Public Works and Treasurer. These increases would be pegged to the consumer price index. Even assuming that the County's estimates are correct, these increases require County Legislative approval, which based upon past resistance, we doubt will be forthcoming.

<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$1,972,795	\$2,334,099	\$2,398,614

**Initiatives Requiring State Legislative Approval**

The County has moved initiatives requiring State legislative approval out of FY 2008 and into the Out-Years. Although this means that we are less concerned with their ability in the near term to close budget gaps, we have no reason to believe that moving them to the Out-Years makes their enactment more likely.

- **Commercial Tax Grievance Filing Fee**

This initiative was initially introduced by the Administration in FY 2003. The County sought a \$225 per parcel grievance filing fee, which required the approval of the State Legislature. The initiative recognizes that based upon the volume of 15,000 tax grievances filed in the County each year there was an opportunity to increase income.

<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$3,400,000	\$3,400,000	\$3,400,000

- **NYS Empire Zones**

The Empire Zone program is an economic development program that focuses on business investment and job creation. This initiative anticipates that the designation of certain parts of Nassau County as Empire Zones will generate 500 new jobs, thereby increasing tax revenue by \$2 million in FY 2009 and greater amount thereafter. While this initiative may be helpful to businesses in Nassau County, its passage is uncertain and its potential impact is highly speculative.

<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
\$2,000,000	\$4,000,000	\$6,000,000

### ***LABOR CONCESSIONS***

Because the County is basing its future expectations regarding labor concessions upon the recent PBA Arbitration Award (the “Award”), we are briefly summarizing its terms prior to the discussion of labor concessions in the proposed Plan.

### ***PBA SETTLEMENT***

In July, the County announced that the Police Benevolent Association (“PBA”) interest arbitration award (the “Award”) had been issued for the period beginning January 1, 2007 and continuing through December 31, 2012. The County did receive certain union concessions in the Award; however, the County has acknowledged that it fell short of its original targets.

The County estimates that the Award resulted in a net increase in costs of 16.5% over six years. While this increase is notably modest, the Award generates only 50% of the County’s first year concession target and, when viewed over the first four years of the contract, the County projects it will realize only \$50.3 million in savings, or 63% of its original target. Moreover, we note that actual savings could diminish significantly if certain assumptions are not realized.

Savings are generated in a number of ways including:

- Starting pay (Step 1) is frozen at \$34,000 (no increase during term of Award).



- Creating and then freezing a new second year step (Step 2) at \$45,000.
- Limiting annual increases in Steps 3 through 8 to one percent and in Step 9 to 4%. (Therefore, an officer on Step 3 whose base salary was \$65,560 at the start of 2007 will earn \$116,955 in 2012.)
- Delaying the start of the new increases to April 1st of each year, beginning in 2007.
- Eliminating dual County health insurance coverage and replacing it with a mandatory buyback provision.
- Reducing termination pay by 5% and capping the amount at twice an officer's final salary (beginning in 2009).
- Relaxing certain minimum staffing requirements.

Possible savings in the Award derive from the right to civilianize 30.6 police officer positions during the life of the Award. Past attempts to civilianize have been slow and often occurred as a result of attrition rather than redeployment. We do not consider savings from attrition to be a contractual concession, but rather part of the County's normal turnover cycle.

The Award also grants the County additional short term relief by deferring a portion of the increases due police officers in FY 2007 (6 months) and FY 2008 (5 months) to FY 2009 and FY 2010, respectively. The wage deferral, which results in budgetary savings of \$4.7 million in FY 2007 and \$4.0 million in FY 2008, exacerbates the County's fiscal challenges in the Out-Years by like amounts. Consequently, it merely postpones near-term fiscal planning.

The Award also contains provisions that will add costs. Primary among these are:

- Phasing out the additional 48 hours of scheduled work at straight time that had been added to a police officer's required annual workload in the prior contract.
- Increasing the longevity schedule from \$300 to \$425 by the end of the Award. Payments are calculated by multiplying the longevity amount by the number of years of service. (E.g. \$425 x 20 years of service = \$8,500 longevity payment.)

The Award also contains a re-opener clause, which allows the PBA to re-open negotiations in the event any law enforcement bargaining unit secures a more favorable settlement or award. This clause could result in additional costs not currently contemplated by the arbitration panel or the County.

## ***NON PBA LABOR ISSUES***

Solving the County’s long-term fiscal outlook will require a multi-faceted approach that includes reducing the growth rate of labor costs. The County can constrain the growth in these costs in two ways: headcount management and slowing the increases in salary and fringe benefits.

It is more difficult to successfully constrain the growth of salary and fringe benefits through a collective bargaining process. Notwithstanding the complexity of contract negotiations, the County has established a series of ambitious labor savings targets for each of its unions. The County projects total savings of \$224.1 million during the proposed Plan, of which \$169.1 million is built into the baseline and \$55 million of health insurance cost reductions is accounted for in the gap-closing program.

The County projects in the proposed Plan that it will secure total labor concessions worth \$37.7 million in FY 2008, \$40.0 million in FY 2009, \$41.1 million in FY 2010, and \$42.3 million in FY 2011 from the DAI, ShOA, SOA, and CSEA, as shown in Table 4. These savings targets have already been reflected in the County’s baseline estimates, which are projected to result in budgetary gaps of almost \$200 million by FY 2011. Therefore, should the County be unable to secure these savings, its FY 2008 budget balance will be compromised and the Out-Year gaps will widen.

**(Table 4)**  
**PROJECTED LABOR CONCESSIONS**  
**FY 2008-2011**

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	Total
<b>Baseline Estimates</b>					
DAI	\$7.3	\$7.6	\$7.9	\$8.2	\$31.0
ShOA	7.0	8.0	8.0	8.0	39.0
CSEA	14.0	14.4	14.8	15.3	58.5
SOA	9.4	10.0	10.4	10.8	40.6
<b>Total Baseline Estimates</b>	<b>\$37.7</b>	<b>\$40.0</b>	<b>\$41.1</b>	<b>\$42.3</b>	<b>\$169.1</b>
<b>Gap Closing Plan</b>					
Health Insurance Cost Reductions	\$0.0	\$15.0	\$20.0	\$20.0	\$55.0
<b>Total Labor Concessions</b>	<b>\$37.7</b>	<b>\$55.0</b>	<b>\$61.1</b>	<b>\$62.3</b>	<b>\$224.1</b>

Despite the County’s recent success in extracting several favorable terms from the PBA arbitration, we remain guarded in our assessment of the County’s ability to successfully negotiate concessions from the other unions, which equal or exceed those of the PBA. Even if we view the PBA award in its best light, such that the County was able to secure 74% of the targeted labor concessions over the six year life of the contract and 63% over the first four years, the County would fall short of its requisite goal by

somewhere between \$44 million and \$63 million, respectively. Moreover, should the County succeed in realizing only 50% of its first year concession target, as it did under the PBA Award, the County would miss its requisite goal by \$18.9 million in FY 2008.

We also remain concerned that these unions may not have sufficient flexibility to bargain away similar levels of wages or benefits. For example, minimum staffing relief and civilianization savings would not be applicable to the DAI and SOA contracts. Similarly, it is unlikely that changes to termination payment methodologies could yield significant savings with CSEA.

We are mindful that salary savings can be realized, relative to the baseline assumptions, by negotiating contracts that keep annual salary increases below historical levels. The County has demonstrated modest success with this approach in recent years, but it has had little success with extracting long-term savings from modifications to its employee fringe benefits package. Nevertheless, as also shown on Table 4, the County is seeking an additional savings of \$15 million in FY 2009 and annual savings of \$20 million beginning in FY 2010 from reductions in the County's cost of health insurance.

The easiest way to accomplish these financial goals in the healthcare area would have been to require employees to contribute to their insurance premiums. Instead, the County hopes to explore alternative health insurance options, a path that proved disastrous for the prior Administration. We also note that the current CSEA Memorandum of Agreement, FY 2003-2007, provided for the establishment of a committee to study alternative health insurance concepts. Even though the County agreed that one-quarter of any cost savings resulting from implementation of the committee's recommendations would be shared with the CSEA, no savings have been identified to-date.

### ***OPTIONS TO CLOSE REMAINING GAP***

Page 5 of the proposed Multi-Year Plan includes both "Gap Closing Measures" and "Options to Close Remaining Gap." We have already discussed the above-referenced Gap Closing Measures in a prior section. It remains for this section to discuss the "Options to Close the Remaining Gaps."

The "Remaining Gaps" are estimated at \$38.1 million in FY 2009, \$64.7 million in FY 2010, and \$59.7 million in FY 2011. The proposed Plan assumes that these gaps will be closed from among a number of options which have been suggested in prior multi-year plans, but have not received the support necessary for legislative enactment. There is no reason to believe that they will be any more successful this time than they were when originally introduced.

For FY 2009, the more significant of these options include \$20 million from a proposal to install video lottery terminals at Belmont Park, \$28.4 million from a proposed increase in the cigarette tax, \$7 million from red light cameras, and \$21.0 million in a new residential energy tax. The proposed Plan assumes that these revenues would remain

flat through the Plan period, except for the residential energy tax which would grow to \$22.3 million in FY 2011. It appears that there is little State Legislative support for these initiatives. Moreover, Governor Spitzer's recommendations for the State's horse racing industry, as announced on September 4, do not include the installation of video lottery terminals at Belmont Park.

To a lesser degree, the "Remaining Gaps" are also to be closed by discretionary program reductions and debt restructuring. Neither of these have any substantiation nor can we begin to predict how they would be achieved.

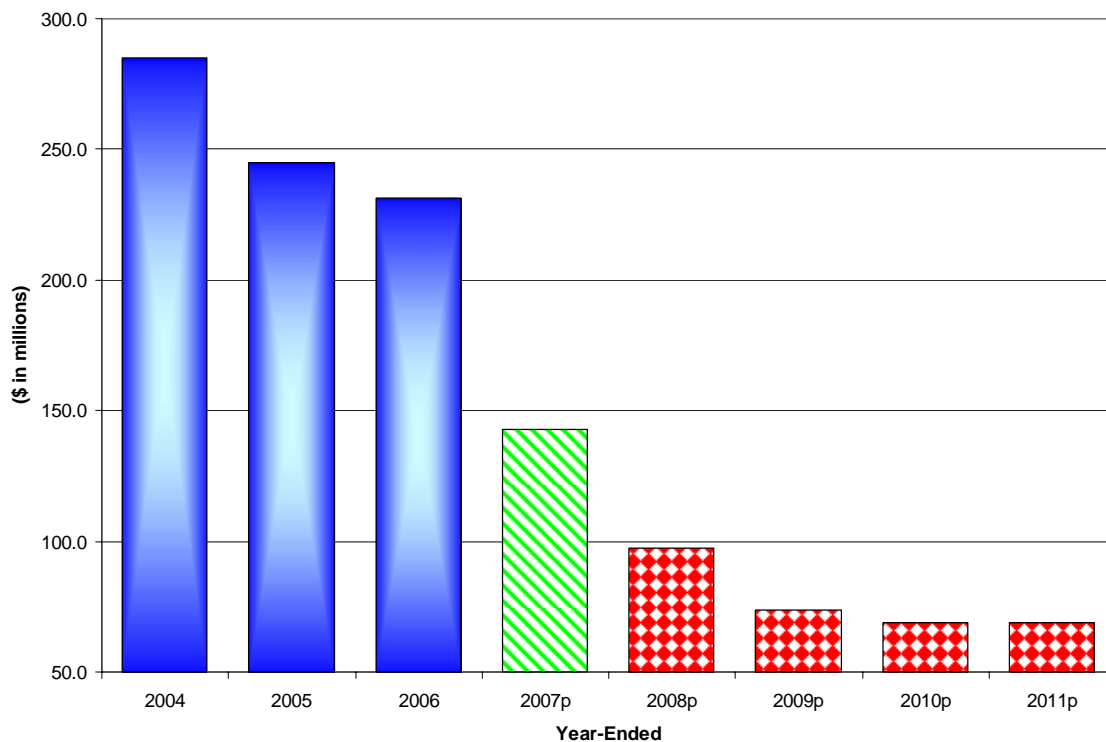
## VI. RESERVES

Section 3667 (4) (c) of the NIFA Act requires that the financial plan include “adequate reserves ...to maintain essential programs in the event that revenues have been overstated or expenditures underestimated for any period.” The legislative intent was that monies be available for unplanned or extraordinary events which might arise and were not planned for in the County’s budgets or multi-year plans.

The County understands and has accepted the wisdom of maintaining reserves. For purposes of this discussion we have divided the County’s reserves into “General Reserves” and “Restricted Reserves.” (See Appendices for a detailed breakdown of the amount in each of the reserve funds which we have combined into General and Restricted Reserves).

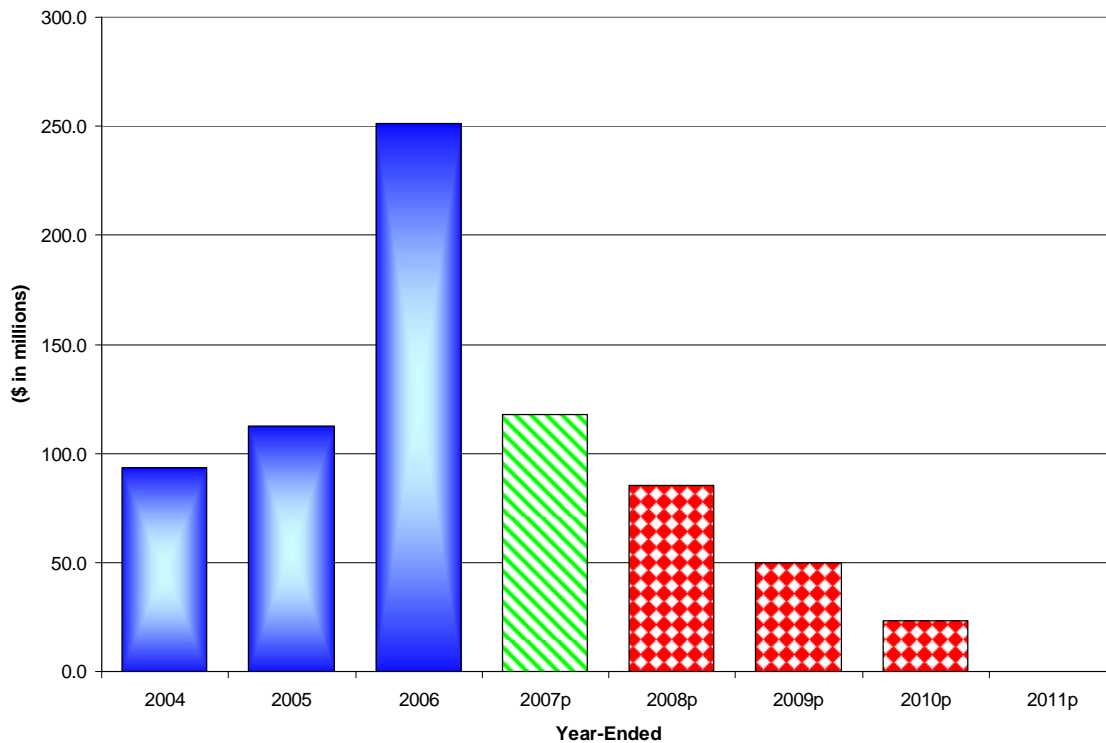
Looking at the concept of General Reserves from the most inclusive perspective, they consist of any monies that are held in reserve by the County and could be used to fill unanticipated gaps anywhere in the budget. For presentation purposes we have taken those resources which most closely follow this definition and combined them into what we have labeled, General Reserves. Those reserve funds are as follows: Retirement, Bonded Indebtedness, Employee Accrued, Unreserved Fund Balance, and Tobacco Settlement.

### COUNTY GENERAL RESERVES



In addition to its General Reserves, the County also has “Restricted Reserves.” Unlike General Reserves, these monies are in separate accounts and usually restricted by law or other compelling designation as to their use. Once again, for presentation purposes we have taken those funds which most closely follow this definition and combined them into what we have labeled, Restricted Reserves. The County’s Restricted Reserves are in three places: the Sewer and Storm Water Resource District, the Sewer and Storm Water Authority and the Tobacco Borrowing Fund.

### COUNTY RESTRICTED RESERVES



Reviewing both graphs in conjunction with the proposed Plan, we have concluded the following:

1. General Reserves will have been reduced from a high of \$284.8 million in December of 2004 to \$68 million at the end of the proposed Plan.
2. Restricted Reserves, after being built up to a high of \$251.2 million in December of 2006, will have been reduced to zero at the end of the proposed Plan.
3. The County has become highly dependent on reserves to close gaps in its budgets.

4. The County has not added to its reserves in FY 2007 even though the economy has been relatively strong and now appears to be heading into a period of less robust growth. It is noteworthy that the County attributes its past success at securing a series of bond ratings upgrades, in part, to “the accumulation of a growing unreserved undesignated fund balance.”

We encourage the County to reevaluate the size of its projected reserves as well as their dependence upon them to close operating fund gaps. We fear that they may not have sufficient reserves to buffer against the impact of an economic downturn – an event which the County has largely escaped in recent years.





## VII. APPENDICES

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### *GLOSSARY*

**April Update** – Multi-Year Financial Plan Update submitted April 2, 2007

**Fund Balance** – The excess of the assets of the fund over its liabilities, reserves and carryover.

**General Reserves** – any monies that are held in reserve by the County and could be used to fill unanticipated budget gaps.

**Major Fund** – is the term the County uses to refer to the departments that comprise its General Fund, Fire Commission Fund, Police District Fund, Police Head Quarters Fund.

**Multi-Year Financial Plan (the Plan)** – The County’s four-year projection of baseline operating revenues and expenses and its plan for closing any projected gaps.

**Out-Years** – FY 2009-2011

**Pay-as-you-go** – A term used describe a financial policy where capital outlays are financed from current revenues to avoid incurring costly debt financing or issuing new debt.

**proposed Budget** – Fiscal Year 2008 proposed Budget submitted September 15, 2007

**proposed Plan** – Multi-Year Financial Plan submitted September 15, 2007

**Restricted Reserves** – **monies** held in separate accounts and usually restricted by law as to their use.

**Tax Certiorari (certs)** – **Grievances** filed by Nassau County property owners contesting the assessment of their properties.

## ***ACRONYMS***

**AFA** – Adjunct Faculty Association

**AHP** -A. Holly Patterson

**ARC** -Assessment Review Commission

**Authority** - Nassau County Interim Finance Authority

**CON** -Certificate of Need

**CSEA** -Civil Service Employees Association

**COLA** -Cost-of-Living Adjustment

**CPI** - Consumer Price Index

**DAI**- Detectives’ Association Inc.

**District** -Sewer and Storm Water Resource District

**DOH** -Department of Health

**FY** -Fiscal Year

**FTE** -Full-time Equivalent

**HEAL** - Healthcare Efficiency and Affordability Law

**ICR** - Institutional Cost Report

**LIRR** – Long Island Railroad

**MTA** – Metropolitan Transit Authority

**NHCC** - Nassau Health Care Corporation

**NUMC** - Nassau University Medical Center

**NCC** - Nassau Community College

**NCCFT** - Nassau Community College Federation of Teachers

**NIFA** - Nassau County Interim Finance Authority

**OMB** - Office of Management & Budget

**OTPS** - Other than Personal Services

**PAYGO** – Pay-as-you-go

**PBA** - Police Benevolent Association

**PINS** – Persons in Need of Supervision

**SGIs** - Smart Government Initiatives

**ShOA** - Sheriff Officers Association

**SOA** - Superior Officers Association

**SNA** - Safety Net Assistance

**SSWFA** - Sewer and Storm Water Finance Authority

**TANF** -Temporary Assistance for Needy Families

**TANS** -Tax Anticipation Notes

## 2008 NHCC GAP CLOSING PLAN

Initiative	Value	Risk Issues/Status
<b>Projected Baseline GAP 2008</b>	<b>(\$12.1 million)</b>	
Reimbursement Appeals and Other Rate Enhancements in Process	5.0	This item consists of one \$5million group price appeal and 5 different retrospective revenue action items which should more correctly be categorized as “rebilling” or ICR resubmission calculation outcome results totaling \$5 million for a total of \$10 million in 2008 revenue actions. Although a degree of uncertainty exists, only 50% of the total amount has been included as part of 2008 gap plan.
Reimbursement Appeal (DSH)	2.0	The 2001 appeal included as a 2007 initiative was not approved due to a methodology change. Management believes that the successive years will not be similarly impacted; however, the possibility of delay and/or disapproval of any appeal always exists.
AHP Vent Beds/Hemodialysis	0.4	A CON has been submitted to DOH requesting 4 additional dialysis beds and DOH responded with a 30 day letter in August 2007. Approval is expected by 12/07 with a 7/1/08 start. Two additional vent beds are also budgeted for ½ year in 2008.
Revenue Cycle	1.8	Management believes that billing improvements remain in the areas of APC capture (\$500,000), electronic MD billing (\$250,000), physician bill corrections (\$250,000) PMR UDS coding improvements (\$700,000) and A/R sales of \$50,000.
Expanded Services	2.1	This is an expansion of currently existing physical medicine and orthopedic surgery services.
Reduction of 1:1’s	1.0	Psychiatric assignment of staff for 1:1 supervision will be reduced from 16 to 10 patients with the addition of a psychiatrist acting in a consultative liaison capacity
<b>Projected 2008 Budget Surplus</b>	<b>\$0.142</b>	

## FY 2008 PROPOSED BUDGET HEADCOUNT AND HC FUNDING ALLOCATION

MAJOR FUNDS								
VERTICAL/DEPARTMENT	FT (HC)	FT DOLLARS	PT (HC)	PT DOLLARS	SE (HC)	SE DOLLARS	Grand Total	Grand Total DOLLARS
<b>Law Enforcement &amp; Public Safety</b>								
CA Consumer Affairs	43	2,360,669	3	24,175	8	60,000	54	2,444,844
EM Office of Emergency Management	7	539,692	0	0	0	0	7	539,692
FC Fire Commission	113	7,673,061	27	297,990	0	0	140	7,971,051
ME Office of the Medical Examiner	51	4,787,613	6	128,762	0	0	57	4,916,375
PA Public Administrator	7	456,751	0	0	0	0	7	456,751
PB Probation	240	16,987,808	11	447,855	6	7,500	257	17,443,163
PD Police District	1,827	149,827,826	451	10,356,690	0	0	2,278	160,184,516
PD Police Headquarters	1,757	146,790,465	50	954,477	5	15,000	1,812	147,759,942
CC Sheriff/Correctional Center	1,329	84,643,371	11	192,000	0	0	1,340	84,835,371
TS Traffic Safety Board	0	0	0	0	0	0	0	0
TV Traffic & Parking Violations	41	2,035,857	35	636,903	0	0	76	2,672,760
Subtotal	5,415	416,103,113	594	13,038,852	19	82,500	6,028	429,224,465
<b>Health &amp; Human Services</b>								
BH Behavioral Health Services	88	6,186,368	4	72,193	0	0	92	6,258,561
DR Drug & Alcohol	0	0	0	0	0	0	0	0
HE Health	231	15,556,048	17	173,164	14	79,380	262	15,808,592
HP Office for the Physically Challenged	7	369,226	1	18,000	0	0	8	387,226
MH Mental Health	0	0	0	0	0	0	0	0
SC Senior Citizen Affairs	39	2,447,356	8	73,093	0	0	47	2,520,449
SS Social Services	884	47,946,557	145	2,192,722	0	0	1,029	50,139,279
VS Office of Veterans Services	9	610,740	0	0	0	0	9	610,740
YB Youth Board	7	505,253	0	0	0	0	7	505,253
Subtotal	1,265	73,621,548	175	2,529,172	14	79,380	1,454	76,230,100
<b>Parks, Public Works &amp; Partnerships</b>								
PK Parks, Recreation & Museums	265	13,875,497	240	2,131,000	551	3,577,000	1,056	19,583,497
PW Public Works	556	32,574,693	35	487,000	140	670,000	731	33,731,693
Subtotal	821	46,450,190	275	2,618,000	691	4,247,000	1,787	53,315,190
<b>Shared Services</b>								
AC Investigations	3	274,685	0	0	0	0	3	274,685
AT County Attorney	155	11,729,952	1	18,000	5	245,000	161	11,992,952
CF Constituent Affairs	57	2,962,067	3	68,172	2	19,760	62	3,049,999
CS Civil Service Commission	62	4,128,104	44	672,596	0	0	106	4,800,700
HR Human Rights Commission	10	622,042	2	71,198	0	125,000	12	818,240
LR Labor Relations	6	519,012	0	0	0	0	6	519,012
PE Human Resources	15	900,881	1	24,000	1	28,600	17	953,481
RE Real Estate Services	9	753,530	0	0	0	0	9	753,530
RM Records Management	13	620,280	13	101,666	8	63,314	34	785,260
Subtotal	330	22,510,553	64	955,632	16	481,674	410	23,947,859
<b>Management, Budget &amp; Finance</b>								
AR Assessment Review Commission	42	3,087,751	13	181,250	0	0	55	3,269,001
BU Management & Budget	44	3,613,502	3	60,000	0	0	47	3,673,502
IT Information Technology	112	9,175,561	0	0	0	0	112	9,175,561
PR Purchasing	25	1,590,652	0	0	0	0	25	1,590,652
TR Office of the Treasurer	41	2,401,338	0	0	0	0	41	2,401,338
Subtotal	264	19,868,804	16	241,250	0	0	280	20,110,054
<b>Economic Development</b>								
HI Housing & Intergovernmental Affairs	10	989,954	0	0	0	0	10	989,954
PL Planning	24	1,785,853	10	78,650	0	0	34	1,864,503
Subtotal	34	2,775,807	10	78,650	0	0	44	2,854,457
<b>Elected Officials</b>								
AS Department of Assessment	261	13,555,358	4	40,000	0	0	265	13,595,358
CE Office of the County Executive	38	3,566,627	2	59,280	0	0	40	3,625,907
CL Office of the County Clerk	106	4,961,882	60	407,542	40	192,543	206	5,561,967
CO Office of the County Comptroller	97	6,831,229	4	47,440	10	40,000	111	6,918,669
DA Office of the District Attorney	385	26,325,778	0	0	0	0	385	26,325,778
EL Board of Elections	110	7,405,851	50	430,000	20	1,885,351	180	9,721,202
LE Office of the County Legislature	97	6,037,855	2	41,367	32	154,130	131	6,233,352
Subtotal	1,094	68,684,580	122	1,025,629	102	2,272,024	1,318	71,982,233
<b>Other Departments</b>								
MA	9	653,838	0	0	0	0	9	653,838
SA	8	414,355	1	34,530	0	0	9	448,884
Subtotal	17	1,068,192	1	34,530	0	0	18	1,102,722
<b>GRAND TOTAL</b>	<b>9,240</b>	<b>651,082,787</b>	<b>1,257</b>	<b>20,521,715</b>	<b>842</b>	<b>7,162,578</b>	<b>11,339</b>	<b>678,767,080</b>

## NASSAU COUNTY FY 2008 HEADCOUNT COMPARSION TABLE

MAJOR FUNDS	2005 ADOPTED	2006 ADOPTED	2007 ADOPTED	2008 PROPOSED	(08 Prop to 07 Adop) INC/DEC	% INC/DEC	2007* ON-BOARD	(08 Prop to 07 on Board) INC/DEC	% INC/DEC
<b>LAW ENFORCEMENT &amp; PUBLIC</b>									
CA Consumer Affairs	44	49	48	43	(5)	-11.63%	40	3	6.98%
EM Office of Emergency Management	7	6	5	7	2	28.57%	7	0	0.00%
FC Fire Commission	113	112	115	113	(2)	-1.77%	107	6	5.31%
ME Office of the Medical Examiner	50	55	55	51	(4)	-7.84%	55	(4)	-7.84%
PA Public Administrator	7	7	7	7	0	0.00%	7	0	0.00%
PB Probation	244	261	247	240	(7)	-2.92%	234	6	2.50%
PD Police District	1,697	1,863	1,838	1,827	(11)	-0.60%	1,704	123	6.73%
PD Police Headquarters	1,780	1,744	1,769	1,757	(12)	-0.68%	1,718	39	2.22%
CC Sheriff/Correctional Center	1,240	1,252	1,246	1,329	83	6.25%	1,230	99	7.45%
TS Traffic Safety Board	3	2	2	0	(2)	0.00%	2	(2)	0.00%
TV Traffic & Parking Violations Agency	35	45	40	41	1	2.44%	39	2	4.88%
	5,220	5,396	5,372	5,415	43	0.79%	5,143	272	5.02%
<b>HEALTH &amp; HUMAN SERVICES</b>									
BH Behavioral Health Services	0	0	92	88	(4)	-4.55%	86	2	2.27%
DR Drug & Alcohol	90	79	0	0	0	0.00%	0	0	0.00%
HE Health	241	250	249	231	(18)	-7.79%	227	4	1.73%
HP Office for the Physically Challenged	6	7	7	7	0	0.00%	7	0	0.00%
MH Mental Health	20	10	0	0	0	0.00%	0	0	0.00%
SC Senior Citizen Affairs	35	38	40	39	(1)	-2.56%	34	5	12.82%
SS Social Services	852	873	915	884	(31)	-3.51%	860	24	2.71%
VS Office of Veterans Services	9	9	10	9	(1)	-11.11%	9	0	0.00%
YB Youth Board	7	7	10	7	(3)	-42.86%	5	2	28.57%
	1,260	1,273	1,323	1,265	(58)	-4.58%	1,228	37	2.92%
<b>PARKS, PUBLIC WORKS &amp;</b>									
PK Parks, Recreation & Museums	263	269	280	265	(15)	-5.66%	265	0	0.00%
PW Public Works	567	540	533	556	23	4.14%	510	46	8.27%
	830	809	813	821	8	0.97%	775	46	5.60%
<b>SHARED SERVICES</b>									
AC Investigations	4	6	5	3	(2)	-66.67%	2	1	33.33%
AT County Attorney	150	158	148	155	7	4.52%	153	2	1.29%
CF Constituent Affairs	58	57	57	57	0	0.00%	55	2	3.51%
CS Civil Service Commission	61	62	62	62	0	0.00%	60	2	3.23%
HR Human Rights Commission	10	10	10	10	0	0.00%	10	0	0.00%
LR Labor Relations	4	6	6	6	0	0.00%	6	0	0.00%
PE Human Resources	11	12	14	15	1	6.67%	15	0	0.00%
RE Real Estate Services	12	11	11	9	(2)	-22.22%	8	1	11.11%
RM Records Management	10	10	13	13	0	0.00%	8	5	38.46%
	320	332	326	330	4	1.21%	317	13	3.94%
<b>MANAGEMENT, BUDGET &amp; FINANCE</b>									
AR Assessment Review Commission	37	43	43	42	(1)	-2.38%	42	0	0.00%
BU Management & Budget	35	33	38	44	6	13.64%	41	3	6.82%
IT Information Technology	104	118	104	112	8	7.14%	97	15	13.39%
PR Purchasing	23	24	24	25	1	4.00%	23	2	8.00%
TR Office of the Treasurer	45	47	45	41	(4)	-9.76%	41	0	0.00%
	244	265	254	264	10	3.79%	244	20	7.58%
<b>ECONOMIC DEVELOPMENT</b>									
HI Housing & Intergovernmental Affairs	11	13	11	10	(1)	-10.00%	10	0	0.00%
PL Planning	21	21	24	24	0	0.00%	22	2	8.33%
	32	34	35	34	(1)	-2.94%	32	2	5.88%
<b>ELECTED OFFICIALS</b>									
AS Department of Assessment	228	247	251	261	10	3.83%	253	8	3.07%
CE Office of the County Executive	34	43	44	38	(6)	-15.79%	37	1	2.63%
CL Office of the County Clerk	102	102	102	106	4	3.77%	98	8	7.55%
CO Office of the County Comptroller	90	93	98	97	(1)	-1.03%	92	5	5.15%
DA Office of the District Attorney	352	357	377	385	8	2.08%	389	(4)	-1.04%
EL Board of Elections	106	106	109	110	1	0.91%	107	3	2.73%
LE Office of the County Legislature	97	93	94	97	3	3.09%	90	#REF!	7.22%
	1,009	1,041	1,075	1,094	19	1.74%	1,066	28	2.56%
<b>OTHER DEPARTMENTS</b>									
MA Minority Affairs	11	11	10	9	(1)	-11.11%	9	0	0.00%
SA Coordinating Agency for Spanish American	6	8	8	8	0	0.00%	6	2	25.00%
	17	19	18	17	(1)	-5.88%	15	2	11.76%
<b>TOTAL HC MAJOR FUNDS</b>	<b>8,932</b>	<b>9,169</b>	<b>9,216</b>	<b>9,240</b>	<b>24</b>	<b>0.26%</b>	<b>8,820</b>	<b>420</b>	<b>4.55%</b>

\* On-board as of 8-30-2007

**CONTRACTUAL SERVICES BY VERTICAL AND DEPARTMENT  
FY 2008-2011**

VERTICAL/DEPARTMENT	FY 2008	FY 2009	FY 2010	FY 2011
<b>LAW ENFORCEMENT &amp; PUBLIC SAFETY</b>				
CC NC SHERIFF/CORRECTIONAL CENTER	25,659,458	26,267,826	26,890,990	27,529,313
FC FIRE COMMISSION	4,238,375	4,291,355	4,344,997	4,399,309
ME MEDICAL EXAMINER	78,305	79,284	80,275	81,278
PA PUBLIC ADMINISTRATOR	13,234	13,399	13,567	13,737
PB PROBATION	262,550	265,832	269,155	272,519
PD POLICE DEPARTMENT	7,936,563	8,035,770	8,136,217	8,237,920
TV TRAFFIC & PARKING VIOLATIONS	858,000	868,725	879,584	890,579
Subtotal	39,046,485	39,822,191	40,614,784	41,424,655
<b>HEALTH &amp; HUMAN SERVICES</b>				
BH MH, CHEM DEPEND & DISABLE SVCS	13,297,960	13,464,185	13,632,487	13,802,893
HE HEALTH DEPARTMENT	7,386,580	7,468,539	6,732,062	6,816,213
HP PHYSICALLY CHALLENGED	25,500	25,819	26,141	26,468
MH MENTAL HEALTH	0	0	0	0
SC SENIOR CITIZENS AFFAIRS	14,159,649	14,336,645	14,515,853	14,697,301
SS SOCIAL SERVICES	15,393,792	15,586,214	15,781,042	15,978,305
VS VS-VETERANS SERVICES AGENCY	700	709	718	727
YP NASSAU COUNTY YOUTH BOARD	8,233,196	8,336,111	8,440,312	8,545,816
Subtotal	58,497,377	59,218,221	59,128,615	59,867,723
<b>PARKS, PUBLIC WORKS &amp; PARTNERSHIPS</b>				
PK PARKS, RECREATION AND MUSEUMS	4,311,007	4,364,895	4,419,456	4,474,699
PW PUBLIC WORKS DEPARTMENT	7,977,728	8,077,450	8,178,418	8,280,648
Subtotal	12,288,735	12,442,344	12,597,873	12,755,347
<b>SHARED SERVICES</b>				
AC DEPARTMENT OF INVESTIGATIONS	40,000	40,500	41,006	41,519
AT COUNTY ATTORNEY	3,236,350	3,276,804	3,317,764	3,359,236
CF OFFICE OF CONSTITUENT AFFAIRS	12,000	12,150	12,302	12,456
HR COMMISSION ON HUMAN RIGHTS	25,313	25,629	25,950	26,274
LR OFFICE OF LABOR RELATIONS	922,475	630,256	638,134	646,111
PE DEPARTMENT OF HUMAN RESOURCES	65,000	65,813	66,635	67,468
RE OFFICE OF REAL ESTATE SERVICES	103,500	104,794	106,104	107,430
RM RECORDS MANAGEMENT (GEN FUND)	135,000	136,688	138,396	140,126
Subtotal	4,539,638	4,292,633	4,346,291	4,400,620
<b>MANAGEMENT, BUDGET &amp; FINANCE</b>				
AR ASSESSMENT REVIEW COMMISSION	1,701,000	1,331,438	1,348,080	1,364,931
BU OFFICE OF MANAGEMENT AND BUDGET	1,153,220	965,135	977,199	989,414
IT INFORMATION TECHNOLOGY	9,163,438	9,323,543	9,703,960	9,825,260
PR PURCHASING DEPARTMENT	153,200	155,115	157,054	159,017
TR COUNTY TREASURER	110,239	111,617	113,012	114,425
Subtotal	12,281,097	11,886,848	12,299,307	12,453,048
<b>ECONOMIC DEVELOPMENT</b>				
HI HOUSING & INTERGOVERNMENTAL AFFAIRS	2,500,000	2,328,750	2,357,859	2,387,333
PL PLANNING	1,090,800	395,685	400,631	405,639
Subtotal	3,590,800	2,724,435	2,758,490	2,792,972
<b>ELECTED OFFICIALS</b>				
AS ASSESSMENT DEPARTMENT	792,579	802,486	812,517	822,674
CE COUNTY EXECUTIVE	102,361	103,641	104,936	106,248
CL COUNTY CLERK	355,000	359,438	363,930	368,480
CO CO-COUNTY COMPTROLLER	647,800	655,898	664,096	672,397
DA DISTRICT ATTORNEY	987,000	999,338	1,011,829	1,024,477
EL BOARD OF ELECTIONS	549,000	555,863	562,811	569,846
LE COUNTY LEGISLATURE	1,180,000	1,194,750	1,209,684	1,224,805
Subtotal	4,613,740	4,671,412	4,729,804	4,788,927
<b>OTHER DEPARTMENTS</b>				
MA OFFICE OF MINORITY AFFAIRS	109,266	110,632	112,015	113,415
SA COORD AGENCY FOR SPANISH AMERICANS	57 50,000	50,625	51,258	51,899
Subtotal	159,266	161,257	163,273	165,313
<b>GRAND TOTAL</b>	<b>135,017,138</b>	<b>135,219,342</b>	<b>136,638,438</b>	<b>138,648,604</b>

## SUMMARY OF COUNTY RESERVES

Year	General Reserves						Restricted Reserves			Total
	Retirement Contribution	Bonded Indebtedness	Employee Accrued	Unreserved Fund Balance	Tobacco Settlement	Sub-Total	Tobacco Borrowing	SSWRD	SSWFA	
<b>YE 2004</b>	\$79.8	\$25.0	\$28.9	\$90.5	\$60.6	\$284.8		\$32.4	\$60.9	\$378.1
<b>2005 Uses</b>	(\$35.0)	\$0.0	(\$7.5)	\$0.0	(\$23.0)	(\$65.5)		\$0.0	(\$11.5)	(\$77.0)
<b>2005 Contributions</b>	\$24.8	\$0.7	\$0.0	\$0.0	\$0.0	\$25.5		\$30.5	\$0.0	\$56.0
<b>YE 2005</b>	\$69.6	\$25.7	\$21.4	\$90.5	\$37.6	\$244.8	\$0.0	\$62.9	\$49.4	\$357.1
<b>2006 Uses</b>	(\$34.2)	(\$10.9)	(\$1.3)	(\$13.4)	(\$23.0)	(\$82.8)	(\$10.3)	\$0.0	(\$53.3)	(\$146.4)
<b>2006 Contributions</b>	\$16.0	\$0.0	\$1.3	\$27.0	\$25.0	\$69.3	\$120.0	\$58.8	\$23.7	\$271.8
<b>YE 2006</b>	\$51.4	\$14.8	\$21.4	\$104.1	\$39.6	\$231.3	\$109.7	\$121.7	\$19.8	\$482.5
<b>2007 Uses</b>	(\$26.5)	(\$14.8)	(\$8.6)	(\$38.1)	(\$4.4)	(\$92.4)	(\$109.7)	(\$4.0)	(\$19.8)	(\$225.9)
<b>2007 Contributions</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$3.8	\$3.8		\$0.0	\$0.0	\$3.8
<b>YE 2007</b>	\$24.9	(\$0.0)	\$12.8	\$66.0	\$39.0	\$142.7	\$0.0	\$117.7	\$0.0	\$260.4
<b>2008 Uses</b>	(\$24.5)	\$0.0	\$0.0	(\$10.0)	(\$23.0)	(\$57.5)		(\$32.5)	\$0.0	(\$90.0)
<b>2008 Contributions</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$12.0	\$12.0		\$0.0	\$0.0	\$12.0
<b>YE 2008</b>	\$0.4	(\$0.0)	\$12.8	\$56.0	\$28.0	\$97.2	\$0.0	\$85.2	\$0.0	\$182.4
<b>2009 Uses</b>	(\$0.4)	\$0.0	\$0.0	\$0.0	(\$23.0)	(\$23.4)		(\$35.1)	\$0.0	(\$58.5)
<b>2009 Contributions</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0	\$0.0
<b>YE 2009</b>	(\$0.0)	(\$0.0)	\$12.8	\$56.0	\$5.0	\$73.8	\$0.0	\$50.1	\$0.0	\$123.9
<b>2010 Uses</b>	\$0.0	\$0.0	\$0.0	\$0.0	(\$5.0)	(\$5.0)		(\$27.1)	\$0.0	(\$32.1)
<b>2010 Contributions</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0	\$0.0
<b>YE 2010</b>	(\$0.0)	(\$0.0)	\$12.8	\$56.0	\$0.0	\$68.8	\$0.0	\$23.0	\$0.0	\$91.8
<b>2011 Uses</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		(\$23.0)	\$0.0	(\$23.0)
<b>2011 Contributions</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0	\$0.0
<b>YE 2011</b>	(\$0.0)	(\$0.0)	\$12.8	\$56.0	\$0.0	\$68.8	\$0.0	(\$0.0)	\$0.0	\$68.8