Nassau County Interim Finance Authority

NIFA

REVIEW OF NASSAU COUNTY'S PROPOSED MULTI-YEAR FINANCIAL PLAN FISCAL 2023 - 2026

October 20, 2022

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I. OVERVIEW

On September 15, 2022, the Administration released its Proposed Multi-Year Financial Plan, Fiscal 2023-2026 (the "Proposed Plan"), the first year of which is the Proposed Budget for FY 2023 (the "Proposed Budget"). The following discussion reflects the analysis of NIFA staff regarding the Administration's submission.

We have concluded that despite the ongoing pandemic, inflation and the threat of an economic recession, the County's near-term fiscal outlook in the Major Funds continues to improve.[1] Assuming the County can avoid a deep and protracted recession, and there are no catastrophic expenses such as a large judgment or revenue lost from adverse litigation, the Proposed Budget contains risks that can be managed. However, the outcome of these external factors and the other concerns discussed in this report are unknown and raise doubt about successfully managing these risks should they break unfavorably against the County.

We project potential deficits of $12.9 million in FY 2023, $76.4 million in FY 2024, $100.8 million in FY 2025 and $152.3 million in FY 2026. However, as mentioned above and discussed later in this report, the projected deficit in FY 2023 could reach $39.3 million and then increase to $127.7 million in FY 2024, $188.4 million in FY 2025, and $241.2 million in FY 2026 if several other potential risks materialize. These amounts exceed the one percent deficit threshold for imposing a Control Period. A discussion of the projections appears later in this report.

The County's Near-Term Fiscal Strength Does Not Guarantee Long-Term Stability

We take seriously predictions of worsening economic conditions and their resultant effect on the County's finances, which would require us to ask for an updated Plan and additional gap-closing initiatives. Consequently, contingency plans should be readied to address, among other items, potential downward pressure on sales tax revenue and State and Federal aid, as well as upward pressure on recession-related social services and other spending needs that may emerge during the term of the Proposed Plan.

In addition to the potential negative impact of a recession on the County's finances, we also reiterate NIFA's ongoing concerns regarding several significant liabilities that

1 "Major Funds" are defined as the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Commission Fund, and the Debt Service Fund. The Major Funds are the only Funds that are part of the NIFA Control Period calculation, but do not include certain major expenditures, such as the funding of sewer and storm water treatment services and support payments to Nassau Community College.

could impair the County's efforts to attain and sustain structural balance. These concerns include the County's large long-term liabilities for tax certiorari refunds, non-certiorari litigation, Workers' Compensation claims and the County's contingent risk stemming from deteriorating finances of the Nassau Health Care Corporation. As we discuss below, the County's current reserves are insufficient to cover its long-term liabilities.

Additionally, the County has not secured pattern-conforming labor agreements with most of its unionized workforce, and it has potentially significant long-term financial exposure from a grievance filed by the Civil Service Employees Association ("CSEA") for compensatory time that the union asserts employees were entitled to receive during the early days of the COVID-19 pandemic. The County also has exposure to litigation challenging the fees it charges for GIS tax map verification. Lastly, although not currently required to be funded in advance, the County should be mindful of its significant and growing liability for Other Post-Employment Benefits ("OPEB"). Any one of these issues could interrupt the fiscal progress that has been made by the County in recent years.

Funded Reserves Provide Some Financial Support

The County's near-term financial outlook has been bolstered by the transfer of surplus resources that the prior Administration was able to generate from FY 2021 and place into various reserves. We appreciate and acknowledge that the current Administration has followed our advice to utilize most of these non-recurring surplus resources in fiscally prudent ways that could help mitigate non-recurring obligations in future periods. We caution that the reserves should not be used to fund recurring expenses as that could create a fiscal cliff, in the form of a large gap between operating revenues and expenses, when the reserves are exhausted.

These reserves, which total $440.4 million as of September 30, 2022, can be used to fund, among other uses, tax certiorari refunds, judgments and settlements, and pension costs in future years without negatively impacting the County's GAAP operating results in the Major Funds. We also anticipate that the County will be able to supplement these reserves at year end with surplus FY 2022 resources. The Administration's projections already assume the transfer of $50.0 million into unspecified reserves at year-end. The Proposed Plan also includes budgeted contingency reserves of $25.0 million in FY 2023 and $35.0 million in FY 2024. However, despite the availability of these reserves, they are insufficient to cover the County's known risks and long-term liabilities.[2]

The County also has approximately $198.4 million in uncommitted resources remaining from the $385.0 million in Federal aid it received from the American Rescue

2 The Annual Comprehensive Annual Report ("ACFR"), for year ended December 31, 2021, estimates four of the County's several long-term liabilities to be approximately $1.6 billion for Workers' Compensation claims, tax certiorari refunds and non-certiorari litigation, combined, and $6.6 billion for Other Post-Employment Benefits ("OPEB"). The FY 2021 ACFR also estimates that the County's potential liability for the CSEA COVID-19 compensatory time grievance could be as high as $109.0 million.

Plan Act ("ARPA"); however, the Administration anticipates using these resources to fund expenditures outside of the operating budget, thereby limiting the impact on the County's "bottom line." Decisions to expend the ARPA resources, which by regulation must be obligated by December 31, 2024, and spent by December 31, 2026, require Legislative approval.

Status of the Current Control Period

Because of the issues that have been outlined in this Overview and the additional details provided in the remainder of this report, we believe it may be difficult for the County to achieve recurring balance on a GAAP basis through FY 2026. Naturally, our opinion might change if the economy improves significantly, or if there is a large and unanticipated infusion of recurring revenue or a significant realignment of expenditures.

The Proposed Plan currently contains projected deficits that increase in the Out-Years to more than four times the size of the one percent deficit that requires NIFA to implement a Control Period. These deficits could be significantly larger depending on the severity of the potential recession and final court rulings on pending litigation.

Notwithstanding the foregoing, we continually reevaluate the need for a Control Period. To assist us in this evaluation, a letter requesting answers to a series of questions was sent to the County Executive in July (see Appendix C). Although the letter was acknowledged, none of our questions have been answered.

Even after the termination of the Control Period, NIFA would still not be statutorily dissolved until 2051. NIFA could still reimpose a Control Period if the County's fiscal condition were to deteriorate and there were insufficient revenues or reserves to cover any shortfalls.

A complete enumeration of the criteria for imposing and terminating the Control Period can be found in Section §3669 of the NIFA Act, which can be found at https://nifa.ny.gov/NIFA%20Act.pdf.

II. DISCUSSION OF FY 2023

Our analysis of the Proposed Budget indicates that the County could end FY 2023 with an operating deficit of between $12.9 million and $39.3 million in the Major Funds if all the risks we have identified are not resolved or break unfavorably against the County. See "Analysis of Proposed FY 2023 Budget" in Table 1 on page 6. Even if all the risks we have identified for FY 2023 are eliminated, we conclude that the Proposed Plan contains risks that could result in large deficits in FY 2024, FY 2025, and FY 2026 (the "Out-Years"), which we discuss in Section III.

Discussion of Major Risks

The following discussion explains the major risks listed in Table 1.

Fines and Forfeitures – The Proposed Budget includes $106.1 million in anticipated revenue from fines and forfeitures. We have identified risks of approximately $25.4 million in the following areas:

- *Fines and Administrative Fees*: $11.4 million based on current trends primarily related to tickets issued by the Police Department and collected by the Traffic and Parking Violations Agency ("TPVA") and related administrative fees and violations against various Consumer Affairs laws.

- *Red Light Camera and Administrative Fee*: $7.1 million based on current trends in FY 2022.

- *Boot & Tow Initiative*: $3.0 million based on uncertainty that the County will reinstate the suspended program that currently targets certain scofflaws.

- *School Bus Stop Arm Camera:* $3.0 million from the School Bus Stop Arm Camera Program. Revenues will be dependent on the number of school districts that opt into the program. The Administration is negotiating a memorandum of agreement with the County's three towns and two cities to implement this initiative; however, as of September 30, 2022, no school districts have opted in. An agreement would require approval of the County Legislature.

- *All Other Fines:* $0.4 million shortfall in forfeited bail and forfeited property through seizure and $0.5 million in alarm permit fines.

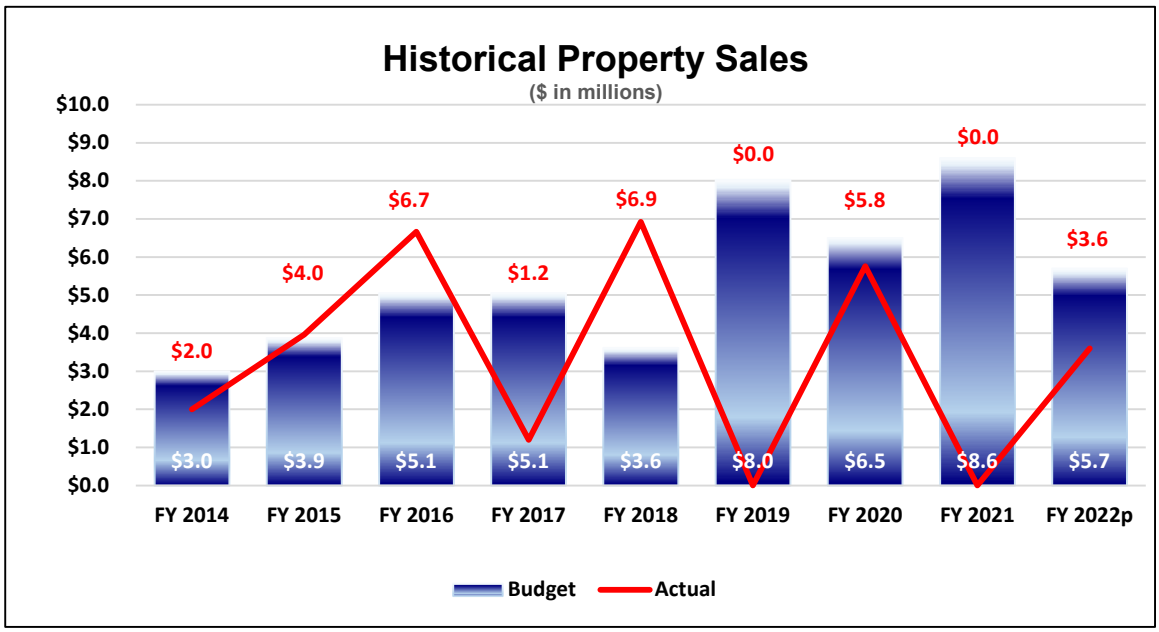
Table 1

Analysis of Proposed FY 2023 Budget (Prior to Legislative Actions)			
($ in millions)	FY 2023 Proposed	FY 2023 Projection	Surplus / (Risk)
Revenues:			
Fines and Forfeitures	**$106.1**	**$80.8**	**($25.4)**
Fines & Administrative Fee	*26.4*	*15.1*	*(11.4)*
Red Light Camera & Administrative Fee	*48.1*	*41.0*	*(7.1)*
Boot & Tow	*3.0*	*0.0*	*(3.0)*
School Bus Stop Arm Camera	*3.0*	*0.0*	*(3.0)*
Other Fines	*25.7*	*24.7*	*(0.9)*
Rents and Recoveries	**33.9**	**13.4**	**(20.4)**
Reversal of Prior Year Encumbrances	*8.2*	*0.0*	*(8.2)*
Cash Recoveries	*5.7*	*0.0*	*(5.7)*
Sale of County Land	*3.5*	*0.0*	*(3.5)*
Other Recoveries	*16.4*	*13.4*	*(3.0)*
Departmental Revenues	**222.1**	**210.0**	**(12.1)**
GIS Tax Map	*45.0*	*40.0*	*(5.0)*
Revenue from Income and Expense Law	*5.0*	*0.0*	*(5.0)*
Park Fees	*22.4*	*20.8*	*(1.6)*
Other Departmental Revenues	*149.7*	*149.2*	*(0.5)*
Sales Tax	**1,527.3**	**1,527.3**	**(0.0)**
Other Revenue	**1,439.5**	**1,440.8**	**1.3**
Total Revenues	**$3,328.9**	**$3,272.3**	**($56.7)**
Expenditures:			
Salaries and Wages	**$989.9**	**$996.3**	**($6.4)**
Full-Time, Part Time and Seasonal Savings	*723.9*	*705.3*	*18.6*
Overtime	*78.6*	*103.4*	*(24.8)*
Other	*187.4*	*187.6*	*(0.2)*
Fringe Benefits	**679.5**	**633.4**	**46.1**
Health Insurance (Active & Retirees)	*368.9*	*341.8*	*27.1*
Medicare Reimbursement	*40.2*	*30.2*	*10.0*
Social Security	*68.7*	*59.8*	*9.0*
Other	*201.7*	*201.7*	*0.0*
Local Government Assistance	**91.1**	**89.8**	**1.3**
Early Intervention/Pre-School	**150.0**	**152.9**	**(2.9)**
Social Services Programs	**421.2**	**416.5**	**4.7**
Medicaid	*240.1*	*233.0*	*7.2*
Emergency Vendor Payments	*62.2*	*64.6*	*(2.5)*
Other Programs	*119.0*	*119.0*	*0.0*
Other Expenditures	**997.3**	**996.3**	**1.0**
Total Expenditures	**$3,328.9**	**$3,285.2**	**$43.8**
Subtotal Operating Risks			**($12.9)**
Other Potential Opportunities/Risks			
Contingency Reserve			$25.0
Retroactive Cost for Labor Pattern (assuming all unions settle in 2022)			$49.2
GIS Tax Map Verification Fee (adverse court action)			($20.0)
Sales Tax (additional impact due to possible recession)			($85.1)
Total Other Potential Opportunities/Risks			**($43.8)**
GAAP Basis Adjustments*			**$4.5**
Total Risks (GAAP Basis, including Other Potential Risks)			**($39.3)**

*Comptroller's estimated accounting adjustments

Rents and Recoveries – The Proposed Budget includes $33.9 million in rents and recoveries, which is a category of revenue that includes the sale of County property, rental income from tenants that occupy County facilities, recoveries generated by the reversal of prior year encumbrances, and recoveries associated with the settlement of claims brought by the County.

Included in the $33.9 million is a $3.5 million "one shot" that the Administration expects to realize from the sale of County property in FY 2023. We have been given little information about progress in this area and note that there have been years when anticipated transactions closed later than expected (or not at all) and budgeted revenues fell short, as illustrated in the chart below. Consequently, we consider the revenue anticipated from property sales to be at risk until specific parcels are identified, potential purchasers are located, contractual agreements are reached, and the Legislative approvals are secured.



The Administration anticipates a future reversal of $8.2 million in encumbrances from prior years; however, since the Comptroller will subtract this amount when reporting the County's GAAP operating results, we advise the County to not include this type of revenue when budgeting. The Proposed Budget also includes $5.7 million in revenue the Administration expects to recognize from cash recoveries, including $5.0 million from closing certain over-funded capital projects that it determines are complete. The amount of surplus resources from capital projects are uncertain and, even if achieved, are bond proceeds and therefore cannot be recognized as revenue to pay an operating expense (debt service) under the NIFA Control Period Calculation (required by the NIFA Act).

Finally, other rents and recoveries are budgeted at $16.4 million, of which we are holding $3.0 million at risk based on current trends. These risks include reimbursement for Workers' Compensation expenses paid by the County to certain employees; cash

recoveries from County claims for damaged properties; reimbursement for Coliseum utilities paid by the County; and proceeds from rents collected for use of County property.

Departmental Revenues – The Proposed Budget includes $222.1 million in departmental revenue, of which we project approximately $12.1 million to be at risk. We have identified the following risks:

- *GIS Tax Map Verification Fee*: There is a substantial risk to collecting this budgeted revenue. The County is currently appealing a lower court decision that found the fee to be unconstitutional. We are optimistically risking only half of what we estimate to be the County's liability if it loses its appeal.

- *Income and Expense Law:* The Administration is optimistic that the New York State Court of Appeals will overturn a lower court ruling and rule in favor of the County's Income and Expense Law, which requires commercial property owners to provide income statements for properties that charge commercial rent. Property owners who do not comply would be subject to a fine, and while the Administration estimates this could produce up to $15.0 million annually by FY 2025, it has budgeted a more conservative $5.0 million for its first year in FY 2023. Revenue from this initiative has been pushed back several times and a reversal by the Court of Appeals is highly speculative; hence, we believe any budgeted funds based on this decision are premature.

- *Parks Revenue:* We are projecting a shortfall of $1.6 million, which includes lower fee collection in certain services such as the Summer Recreation Program, dues from usage of swimming pools, and golf related fees.

- *Other Departmental Revenue*: Under this category we include a shortfall due to historical trending in the following categories: $0.2 million from tow truck franchise fees in the Police Department; $0.2 million from the Public Administrator commission collected when there is no legal executor of an estate; and, $0.1 million from fees withheld by individuals who received payment from an insurance company for ambulance transportation services, but who did not forward the funds to the Police Department.

Sales Tax Revenue – Sales tax is the largest revenue source for the County and, at approximately $1.527 billion, comprises 45.9% of all revenues in the Major Funds. The proportion of the budget supported by sales tax revenue has been growing each year, which is beneficial to the budget during a period of economic expansion, but concerning during a period of economic contraction. The Administration is assuming that sales tax revenue will grow by 1.8% in FY 2023 over its FY 2022 projection, 2.0% in FY 2024, 2.0% in FY 2025 and 2.5% in FY 2026.

Our sales tax revenue projection for FY 2023 is consistent with the Administration's, which we arrive at by assuming sales tax revenue in the remaining

checks of FY 2022 will be flat (compared to the same period in FY 2021) followed by no growth in FY 2023. Our analysis further assumes sales tax growth rates of 1.5% annually in the Out-Years.

As shown in the following table, sales tax revenue has exhibited strong year-over-year growth in each month through September (except for May and August) compared to the same month in 2021; however, it is unclear how long this strength can be sustained if the County is confronted by a deep or protracted recession.

Sales Tax Growth 2022 versus 2021	
January	15.0%
February	7.0%
March	23.9%
April	21.5%
May	(8.4%)
June	11.0%
July	9.2%
August	0.5%
September (partial)	5.6%
YTD	**7.8%**

Forecasting sales tax revenue during an ongoing pandemic, a period of high inflation, and significant economic uncertainty is challenging. The key unanswerable question is when, if ever, will the current inflation-driven price increases (which results in more revenue) negatively impact purchasing decisions (which results in less revenue) and by how much?

It is possible that the County's growth rate assumptions for FY 2023 and the Out-Years are reasonable; however, we advise using a more conservative outlook out of concern that the pronounced growth in sales tax revenue experienced over the past 19 months is not sustainable and could be followed by a recession-driven contraction.

Although attributable to different reasons, there are three examples of the County being confronted by sales tax revenue declines in the past 14 years. These have followed periods of strong multi-year growth. For instance, sales tax revenue fell by approximately 6.0% from 2007 to 2009 (fiscal crisis and stock market declines), 4.2% in 2014 (contraction after post-Superstorm Sandy spending surge in 2013), and 6.4% in 2020 (economic downturn after onset of COVID-19 pandemic).

To illustrate potential sales tax revenue shortfalls in FY 2023 under varying economic scenarios that are more conservative than the Administration's assumptions, the following table shows a range of projected variances resulting from sales tax revenue growth rates in FY 2023 that range from negative 6.0% to positive 1.0%.

Projected Sales Tax Revenue Variance in FY 2023	
Growth Rate Scenario	**Sales Tax Variance**
(6.0%)	($85.1 million)
(5.0%)	($70.9 million)
(4.0%)	($56.7 million)
(3.0%)	($42.5 million)
(2.0%)	($28.4 million)
(1.0%)	($14.2 million)
0.0%	$0.0 million
1.0%	$14.2 million

We have included in our table of projected risks and offsets the potential shortfall of $85.1 million from a decline of 6.0%, which is consistent with the contraction experienced by the County from 2007 to 2009. We encourage the County to commence contingency planning for a significant economic downturn to better position itself to weather an actual decline in sales tax revenue should one occur.

Salaries and Wages – We note that most labor agreements expired at the end of FY 2017. Since that time, the County entered new contracts with the Detectives Association, Inc. ("DAI") and the Superior Officers Association ("SOA") covering the period January 1, 2018 through June 30, 2026.

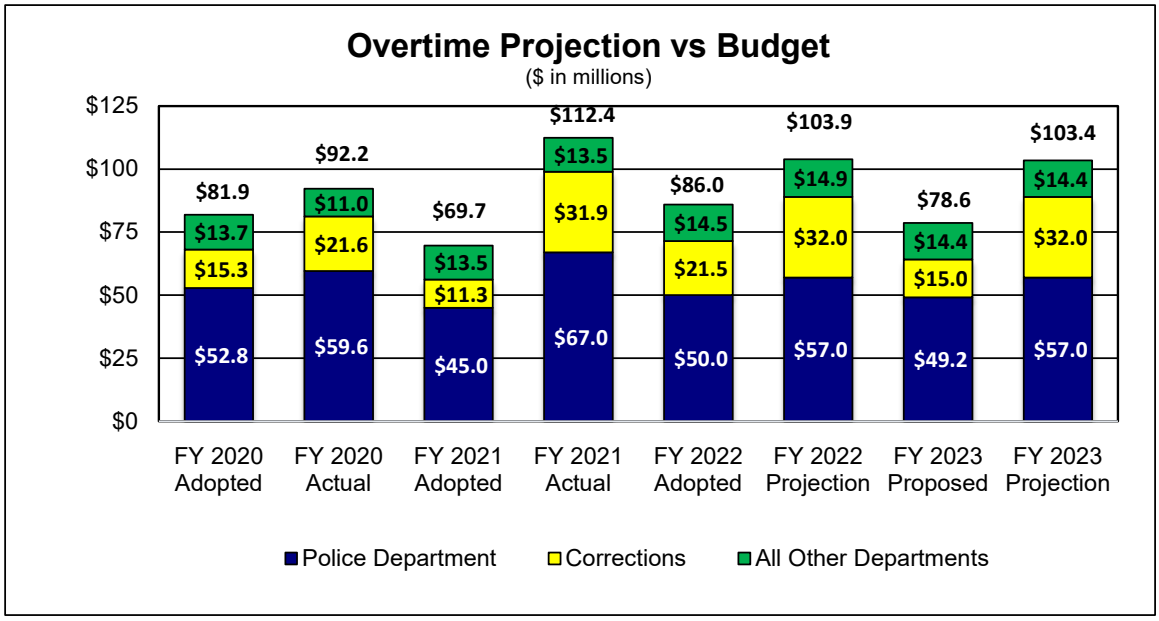
The County continues to collectively bargain with its unsettled unions: the Police Benevolent Association, Inc. ("PBA"), the Sheriff's Correction Officers Benevolent Association, Inc. ("COBA"), the Civil Service Employees Association, Inc. ("CSEA"), and the District Attorney Investigators Police Benevolent Association ("I-PBA"). The Administration is looking to ensure that all contracts with these unions will be consistent with the pattern established by its contracts negotiated with the DAI (and followed by the SOA) and has included funding in the Proposed Plan for mandated step increases and pattern-matching COLAs for all union-represented employees. Consequently, any effort by the remaining unions to deviate from the established pattern would exacerbate the projected deficits, require a reopening of the DAI and SOA contracts, and likely be rejected by NIFA.

The Administration projects that salaries and wages will total $989.9 million in FY 2023. Our analysis indicates that the assumptions are not unreasonable if its policy of pattern bargaining is adhered to. However, if new contracts are reached with the County's unsettled labor unions before the end of 2022 (as assumed in the FY 2022 Budget), the $49.3 million in retroactive costs budgeted in FY 2023 become potential savings.

Overall, we are projecting overspending on salaries and wages by $6.4 million; however, our analysis indicates that spending on overtime may exceed the Administration's assumptions by approximately $24.8 million (mostly in the Police Department and the Correctional Center). The projected overtime variance may be offset

by projected savings in funded full-time, part-time, and seasonal employee vacancies, to the extent they remain unfilled or there are hiring delays.

The Police Department has the largest proposed overtime budget in FY 2023, at $49.2 million, which is $7.9 million lower than our projection. The Administration expects to schedule two classes of police officers (150 new officers, combined) during FY 2023 to address the upward pressure on overtime spending attributed to existing and future vacancies; however, we are hesitant about recognizing the anticipated favorable impact on overtime costs until the new officers have been hired and trained and we see evidence of success.



The Correctional Center has the second largest proposed overtime budget at $15.0 million in FY 2023, which is $17.0 million below our projection. Overtime spending at the Correctional Center has increased each year since FY 2016, even though the average census of inmates has declined. Overtime spending in FY 2022 is trending at an all-time high; however, the Correctional Center expects to hire two additional classes in FY 2023 (60 new officers, combined), which the Administration assumes will help restrain runaway overtime spending moving forward. Our analysis assumes that these additional classes will have a limited impact on overtime spending.

We believe that workforce management and savings from vacancies and attrition could mitigate some of the Police and Correctional Center overtime risk.

Headcount – The Proposed Budget contains 7,413 full-time positions, which is 86 positions higher than the FY 2022 Adopted Budget, and 325 positions higher than the County's September 8, 2022 on-board headcount of 7,088 after accounting for the unallocated attrition factor of 312 heads. We consider the practice of centralizing the

attrition factor, rather than allocating it to the departments, results in an inaccurate picture of each department's authorization to hire.

Because the County already has 239 vacancies as of September 8, 2022, our salary projections for FY 2023 discount by half the cost of filling the 325 budgeted vacancies since savings may be realized from hiring delays and/or leaving these positions unfilled, as has been done in prior years. Historically, budgeted but unfilled vacancies have contributed to the surpluses achieved by the County.

The departments with the highest number of budgeted vacancies in FY 2023 are the Police Department, Social Services, the Sheriff/Correctional Center, the District Attorney's Office, and the Department of Public Works.

Department	FY 2022 Adopted Budget	On Board 9/8/2022	2022 Vacancies (to 9/8/2022)	FY 2023 Proposed Buget	2023 Vacancies (to 9/8/2022)	Budget to Budget Increase / (Decrease)
Police Department	3,313	3,251	62	3,357	106	44
Social Services	555	472	83	559	87	4
NC Sheriff/Correctional Center	930	862	68	940	78	10
District Attorney	459	396	63	468	72	9
Public Works	405	357	48	417	60	12
Assessment Department	162	139	23	164	25	2
Health Department	181	156	25	181	25	0
Probation	201	185	16	209	24	8
Fire Commission	98	91	7	113	22	15
Board of Elections	160	141	19	160	19	0
County Comptroller	84	73	11	91	18	7
Parks Department	149	137	12	148	11	(1)
Department of Human Services	59	50	9	60	10	1
Other agencies	871	778	93	858	80	(13)
Attrition factor budgeted centrally	(300)	0	(300)	(312)	(312)	(12)
	7,327	**7,088**	**239**	**7,413**	**325**	**86**

Fringe Benefits – Our analysis indicates that fringe benefits may be overfunded by approximately $46.1 million. The projected surplus is composed of several variances. Based on current trending, we estimate that health insurance costs for active and retired employees is overbudgeted by $16.9 million and $10.2 million respectively. For a second year in a row our analysis indicates that the Administration's assumptions overstate the County's cost for Medicare reimbursement; consequently, we project that the County may realize savings of $10.0 million. Additionally, there is potentially a $9.0 million surplus related to FICA expenses. These projected variances will be smaller if the Administration's efforts to increase headcount are accelerated to the beginning of the year.

The Administration deserves praise for budgeting the payment of $30.2 million required to satisfy the County's remaining balance of its pension liability that had been deferred each year since 2012. The County already made a payment of $113.9 million as its first installment to the New York State and Local Employees Retirement System and New York State and Local Police and Fire Retirement System for this purpose in FY 2022.

The monies were owed under a State authorized program that allowed the County to amortize certain pension costs over several years, which delayed the liability but increased the costs due to assessed interest charges. The original program, which was

called the "Contribution Stabilization Program," allowed the deferred portion to span ten years. Starting in 2014, the County began to use the "Alternate Contribution Stabilization Program," which allowed the amortization period to be extended by two years to 12 years.

Early Intervention/Preschool Special Education – Early Intervention is a program that provides services to children under the age of three with developmental delays and disabilities. Preschool Special Education serves children between the ages of three and five providing educational and supportive services. Both programs are administered by the County's Department of Health. Our analysis indicates that the Administration's assumptions are generally reasonable; however, we are still projecting a small risk of $2.9 million because of current trends.

Medicaid – On August 18, 2022, the County was notified of a rate adjustment to their weekly required contribution to the Medicaid program for State FY 2022 – 2023. The adjustment impacts the last seventeen weeks in 2022 and the first thirteen weeks in 2023. The rate was recalculated due to the projected enhanced Federal Medical Assistance Percentage ("eFMAP") funding pursuant to the Affordable Care Act and the Families First Coronavirus Response Act. The savings that the adjustment generates in FY 2023 total $7.2 million.

Emergency Vendor Payments – The Department of Social Services makes emergency vendor payments directly to vendors servicing clients eligible for the Temporary Assistance for Needy Families ("TANF"), Safety Net Assistance ("SNA"), and Person in Need of Supervision ("PINS") programs. The Administration increased its assumptions for FY 2023 by $1.0 million compared to the FY 2022 Adopted Budget; however, the level of proposed funding is below our projections of these costs in FY 2022. Consequently, based on caseloads and current trending we estimate that Emergency Vendor Payments could be approximately $2.5 million higher than the proposed amount.

CSEA Grievance for COVID-19 Compensatory Time – As disclosed in the County's 2022 Series A Bonds Official Statement, dated June 23, 2022, the CSEA filed a grievance in July 2020 alleging that the County failed to apply absence pay to certain employees when those employees were asked not to report to work during the early days of the COVID-19 pandemic. Although the CSEA employees were fully compensated when they were not reporting to work, the CSEA alleges that the contract requires the County to provide equivalent compensatory time off at straight time hour for hour. The County disputes the interpretation of the absence pay clause and its application to the COVID-19 pandemic response by the County.

It is unclear at this time when and how these actions and proceedings will impact the County; however, the County estimates in its FY 2021 ACFR that, in the event of a final adverse decision, total damages for which the County may be liable could be as high as of $109.0 million in the form of compensatory time being added to their leave bank to use in the future. It is unclear how the use of this compensatory time will affect terminal leave payments for eligible employees in future years.

Debt Service – County and NIFA debt service is reasonably budgeted at $313.2 million, which is approximately $132.0 million higher than projected to be spent in FY 2022. Although the Administration changed certain borrowing assumptions in the Proposed Budget, the year-to-year increase is primarily attributable to the $199.0 million decrease in FY 2022 debt service resulting from NIFA's debt restructuring transaction in 2021, which also decreased debt service by $10.5 million in FY 2023, rather than higher costs in FY 2023.

It is important to remember that the NIFA transaction was structured to provide maximum near-term budget flexibility – requested by the County – to deal with the anticipated fiscal impact of the COVID-19 pandemic. Most importantly, the transaction yielded present value savings of $117.6 million. Unanticipated budget surpluses in recent years, which were directly fueled by the restructuring savings, have been used to fund reserves that can be used by the County to mitigate operating costs in future years, thereby concomitantly reducing the budgetary burden otherwise placed on future taxpayers.

Other Concerns Partially Addressed

As noted below, the Administration has taken steps to address two concerns previously raised by NIFA. If these actions are repeated in future years, they could help facilitate the County's ability to achieve and maintain balance on a GAAP basis.

Budgeted Contingency Reserve –The Proposed Plan allocates funding for contingencies, such as from potentially lower sales tax revenues and higher expenditures for overtime, in the amounts of $25.0 million in FY 2023 and $35.0 million in FY 2024. The Administration's decision to not maintain budgeted reserves for contingencies in FYs 2025 and 2026 remains concerning.

Supplemental Reserves – The County has $440.4 million held in several reserves earmarked for specific purposes, as shown in the following table. These reserves are available to fund certain future County obligations, without negatively impacting the Control Period calculation.

Fund	Program	Balance Available as of 9/30/2022 ($ in millions)
Litigation	Non-Certiorari Judgments	$109.7
	Workers' Compensation	14.8
	Longevity Payments - non-Police District	41.1
	Non-Certiorari Judgments - Police District	23.2
	Longevity Payments - Police District	24.1
	Tax Certiorari	163.5
Total Litigation Fund		**$376.5**
Other Reserves:		
	Employee Benefit Accrued Liability Reserve Fund	$13.8
	Bonded Indebtedness Reserve Fund	20.0
	Retirement Contribution Reserve (General Fund)	30.1
Total Other Reserves:		**$63.9**
Total All Reserves:		**$440.4**

The following discussion provides a brief synopsis of each fund/reserve described by the County in the Proposed Budget Summary book.

The Litigation Fund was established in 2015 in accordance with the transitional borrowing plan approved by NIFA to ensure that the County no longer borrowed for judgments and settlements. Since its inception the County has allocated year-end surpluses to dedicated purposes within the Litigation Fund, such as for Workers' Compensation claims, longevity payments owed to satisfy labor settlements, judgments and settlements (non-certs related) specific to the Police District Fund, and tax certiorari refunds.

The Employee Benefit Accrued Liability Reserve Fund was created in 2004 with the sole purpose to fund future termination payouts for unused vacation and sick leave accruals. In FY 2019, an account in the Employee Benefit Accrued Liability Reserve Fund was funded to mitigate any shortages related to terminal leave pay in the Police District Fund. Terminal leave pay associated with Police Headquarters or any other operating fund cannot be paid out of this account.

The Bonded Indebtedness Reserve Fund was established in 2005. Its main purpose is to set aside resources for future partial payments of debt service. In FY 2021, the County transferred $20.0 million of the budgetary surplus to this reserve, which amount cannot be used unless included in the adopted budget.

The Retirement Contribution Reserve Fund was formed in 2004. It was created to allocate resources to cover future pension payments. The Administration allocated $30.1 million from its FY 2021 budgetary surplus to this fund to cover pension payments incurred solely in the General Fund.

The Administration has indicated its desire to transfer an additional $50.0 million in projected FY 2022 surplus resources into reserves at the end of FY 2022. At this time the Administration has not provided information regarding which specific reserves the funds will be transferred into. If labor negotiations do not conclude during FY 2022, the County should consider allocating amounts already budgeted to cover the costs for pattern-conforming contracts into a reserve.

III. THE OUT-YEAR GAPS: FY 2024 – FY 2026

This section discusses the projected Out-Year gaps (FY 2024 – FY 2026) and the Administration's plan for ensuring balance in these years.

The County's Projected Out-Year Surpluses are Unsupported

The Administration projects Out-Year surpluses of approximately $3.0 million in FY 2024, $3.8 million in FY 2025, and $2.2 million in FY 2026. Using their assumptions, the Administration contends, "the County's Fiscal 2023-2026 Multi-Year Financial Plan is structurally balanced with no gaps; therefore, no discussion of a gap closing plan is required."

We disagree with their conclusion regarding structural balance. Our analysis indicates that the growth rate of projected expenditures outpaces the growth rate of projected revenues. As shown in the table below, NIFA is projecting deficits of $41.4 million in FY 2024, $100.8 million in FY 2025, and $152.3 million in FY 2026 if the risks we identified in FY 2023 are not satisfactorily addressed with recurring solutions. Moreover, as shown below, under a deep and protracted recession scenario, the projected deficits could be significantly larger.

In the Out-Years, the projected deficits under either NIFA scenario exceed the one percent deficit threshold that would require imposition of a Control Period.

PROJECTED OUT-YEAR EXPENDITURES EXCEED REVENUES

($ in millions)	FY 2024	FY 2025	FY 2026
Proposed Multi-Year Plan	$3.0	$3.8	$2.2
NIFA Estimate (baseline scenario)	**($41.4)***	**($100.8)**	**($152.3)**
NIFA Estimate (recession scenario)	**($127.7)***	**($188.4)**	**($241.2)**

*Projected deficit has been reduced by the budgeted $35.0 million contingency reserve.

The Administration has identified several initiatives they are pursuing to improve the County's finances by generating additional revenue or reducing expenditures in the Out-Years. These initiatives have been included in previous iterations of the County's Gap-Closing Plan.

eFMAP Reconciliation

Under the Affordable Care Act ("ACA"), the Federal government provided an enhanced Federal Medical Assistance Percentage ("eFMAP") share to states that provided Medicaid coverage for the "newly eligible populations" in the ACA. The savings are shared equally by the State and its counties, based on their proportionate share of the non-Federal Medicaid costs.

For the first two years of the ACA, the State provided 80% of estimated savings to the counties in the years the costs were incurred, with the balance paid after the State fiscal year ended and it reconciled actual savings. Although the State has provided the estimated 80% savings in subsequent years, no reconciliation payments have been made since State FY 2016. We have been informed that in response to a FOIL request, the County was notified by the State Department of Health that the outstanding balance owed for all years is approximately $31.0 million.

State Aid Mandated Cap

The County pays third-party vendors to provide preschool education for certain children aged five or younger and receives a 59.5% reimbursement from the State for costs incurred. The Administration wants the State to increase the reimbursement rate to offset these increasing expenses, which are not within the County's control. We have been previously told that the effort is being led by the New York State Association of Counties ("NYSAC") on behalf of all counties in New York, but it is unclear if there is any support in the State Legislature.

Building Consolidation

The Administration, without any specifics or supporting documentation, expects to reduce expenses through centralization and reduction of office space, generating additional savings in utilities and maintenance costs. Although the County workforce has declined over the years, we are holding this initiative at risk until a detailed plan is developed that lays out specific properties the County is vacating.

Efficiency Program

The Administration expects to realize savings from consolidating and realigning its workforce levels to provide essential services to Nassau County residents in an affordable manner. We continue to question this initiative since there is a lack of specificity and the County continues to carry 241 full-time vacancies in the Proposed Budget.

Energy Reduction Initiative

The County states that it is finalizing a Master Cost Recovery Agreement with the New York Power Authority that will allow the County to finance and realize savings from

energy efficiency projects. This program includes other local municipalities with the first phase focusing on street lighting improvements.

Other Major Issues

There are also a few Out-Year concerns that require closer examination, as discussed below.

Pension Contributions - The Proposed Plan reflects the Administration's assumption that the County's contribution rates to both the Employees' Retirement System ("ERS") and the Police and Fire Retirement System ("PFRS") are expected to remain almost constant through FY 2026. We are concerned that future employer contribution rates may rise significantly in response to the weak investment performance this year by the Common Retirement Fund (the "Fund"), which invests the assets of the ERS and PFRS.

Although the Fund's overall investment return was 33.6% for the State's fiscal year ending March 31, 2021, and 9.5% for the State's fiscal year ending March 31, 2022, which far exceeds the Fund's 5.9% assumed rate of return, the current stock market selloff has negatively impacted the Fund's investment performance this year and will assuredly result in higher pension costs in future years.

While the Fund attempts to mitigate employer cost volatility by using, among other actuarial methods, a rolling five-year smoothing algorithm to calculate required contribution rates, the Fund already recognized previous asset gains through an asset valuation "market restart."[3] Consequently, absent a rapid stock market turnaround, pension costs are likely to rise significantly by the end of the Proposed Plan.

We acknowledge that the County has $30.0 million available in its pension reserve and can use these resources to pay for a portion of its pension obligation in future years if the need arises. However, once it is exhausted it is likely that the County will experience the full brunt of higher pension contribution rates in future years.

Social Services Costs - 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 that there is typically a lag time between 12 and 36 months before changes in demand become apparent.

While predicting a turning point in the near-term direction of public assistance caseload may seem speculative, it is reasonable to assume that the County will incur increased social services costs during the period of the Proposed Plan should there be a

3 The State Actuary restarted the asset smoothing methodology with the 4/1/2022 valuation after accelerating the recognition of remaining prior years' investment gains for the 4/1/2021 valuation, which offset the financial impact of reducing the assumed investment rate of return from 6.8% to 5.9% for ERS and PFRS. He recently recommended that the smoothing algorithm be extended to eight years (from five) for use in developing employer contribution rates payable on 2/1/2024. This change will soften, but not eliminate the likely increases in the Out-Years.

prolonged downturn in the local economy. Therefore, the County must closely monitor public assistance caseloads and costs and continually revise its forecasting model.

Judgments and Settlements - The Administration is funding its annual, non-certiorari judgments and settlements with $45.0 million in operating revenue in FY 2023 and in each of the Out-Years. Our analysis indicates that this amount is conservative based on average historical liability; however, it makes no provision for potentially large judgments or settlements, which are pending and likely to reach resolution in FY 2023 and the Out-Years.

The County currently has $147.8 million in its Litigation Reserve Fund to mitigate potentially large judgments or settlements, including Workers' Compensation claims, and has made no definitive provision to increase this amount in the future even though the County is a defendant in several major lawsuits.[4] The County Comptroller has reported that as of December 31, 2021, the County has potential liabilities of $623.1 million for non-certiorari litigation and $344.6 million for Workers' Compensation claims.

It is very likely that resolution of these potential liabilities will result in actual costs far exceeding budgeted amounts and the County will request a debt issuance. If that were to happen, NIFA will, once again, need to decide if future generations should be forced to pay the lion's share for past liabilities even though the County could increase its reserves.

Property Tax Certiorari - Significant property tax certiorari liability continues to confound County efforts to improve its balance sheet. The tax certiorari liability was reported by the Comptroller to be $707.3 million, as of December 31, 2021, including LIPA-related claims, short-term liabilities, and refunds to be paid with resources held in its Disputed Assessment Fund ("DAF").[5] This estimate was approximately $59.6 million higher than it was on December 31, 2020.

The Administration has stated that it intends to reduce its property tax certiorari liabilities by $223.0 million during 2022 – using a combination of operating revenue and resources held in its DAF and Litigation Reserve – and bring it down to $160.0 million by the end of FY 2025.[6] While this reduction is commendable, it does not resolve the underlying problem brought about by the County using an assessment roll that is susceptible to large numbers of successful grievances, which may be exacerbated if property values begin to decline in response to the rapid rise in mortgage rates.

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4 The Administration currently assumes that it will transfer $50.0 million of surplus resources into various reserves at year-end FY 2022; however, it has not specified how it will allocate the transfer(s).

5 The County reached a settlement with LIPA for these claims, with no retroactive liability, in April 2022 (after the FY 2021 ACFR reporting period ended); consequently, the long-term liability is approximately $452.3 million, all else being equal.

6 The Administration's Tax Certiorari Plan was presented in the 2022-2025 Multi-Year Plan Update.

Budgeted Contingency Reserve – Although the Proposed Plan contains budgeted contingency reserves of $25.0 million in FY 2023 and $35.0 million in FY 2024, it does not contain any budgeted contingency reserves in FYs 2025 and 2026. With so much uncertainty in the County's long-term fiscal outlook, we advise the County to take the necessary steps to fund contingency reserves throughout the Proposed Plan. Reasonable contingency reserves are expected by bond rating agencies and are part of any well-constructed budget because of the probability that certain assumptions will break unfavorably in any year. Even a modest contingency reserve could buffer the otherwise disruptive impact on operations caused by unforeseen increases in expenditures or unanticipated shortfalls in revenues.

Other Reserves – As previously noted, the County should consider transferring FY 2022 surplus resources at year-end into one or more reserves that can be used in future years to fund liabilities that may become payable. For example, the County could supplement its Litigation Reserve to be more fiscally prepared to pay the large, estimated non-certiorari litigation liabilities reported in its financial statements. Likewise, the County could establish a reserve to hold resources that it expects to pay to its unsettled unions once new labor agreements are reached. There may be other reserves that, if funded, would also accomplish the same goal of stabilizing future County finances with currently available resources.

Cybersecurity – A cursory review of cyber incidents in recent years could lead to drawing misleading conclusions that this is more a concern for the Federal government since many cyberattacks originate overseas. However, public-sector cybersecurity and cyber resiliency is a concern for state and local governments, as unfortunately evidenced recently by an attack that targeted Suffolk County.

From ransomware to phishing, cyber-related crimes have surged. Consequently, the County should accelerate its efforts to develop plans to increase its resiliency against cyber intrusions, address a cyberattack, and consider maintaining a cyber insurance policy, including coverage for ransomware. Our understanding is that ARPA resources can be used for these types of cybersecurity modernization projects.

IV. CONCLUSION

The severity of the potential recession, inflation, and the outcome of pending litigation will largely shape the fiscal challenges confronting the County. We project deficits in the Out-Years that could increase to more than four times the one percent threshold requiring a Control Period. Out-Year deficits could worsen if sales tax revenue contracts because of future weakness in the local economy.

We will help the County to continue its recovery with the goal of ultimately lifting the current Control Period. The County can help in that process by responding to our prior unanswered request for information and by improving the transparency of its decision-making.

V. APPENDICES

Appendix A
Proposed Multi-Year Financial Plan, Fiscal 2023-2026

MAJOR FUNDS

EXPENDITURES				
Object	**2023 Proposed**	**2024 Proposed**	**2025 Proposed**	**2026 Proposed**
AA - SALARIES, WAGES & FEES	989,881,833	980,172,065	1,015,234,065	1,040,468,999
AB - FRINGE BENEFITS	679,448,558	675,591,705	709,030,129	733,957,221
AC - WORKERS COMPENSATION	37,227,500	37,227,500	37,227,500	36,482,950
BB - EQUIPMENT	6,860,531	6,860,531	6,860,531	6,860,531
DD - GENERAL EXPENSES	49,589,162	49,623,866	49,611,116	49,736,658
DE - CONTRACTUAL SERVICES	321,006,494	324,113,774	327,281,200	330,409,974
DF - UTILITY COSTS	38,464,094	37,907,140	37,878,188	37,898,675
DG - VAR DIRECT EXPENSES	5,350,000	5,350,000	5,350,000	5,350,000
FF - INTEREST	97,249,332	98,363,994	103,696,038	110,483,563
GA - LOCAL GOVT ASST PROGRAM	91,130,190	91,610,345	93,417,552	95,721,741
GG - PRINCIPAL	117,695,000	132,460,000	101,575,000	110,315,000
HH - INTERFUND CHARGES	21,612,152	21,275,902	20,933,652	20,574,652
MM - MASS TRANSPORTATION	50,898,201	51,779,239	52,681,422	53,605,257
NA - NCIFA EXPENDITURES	2,075,000	2,675,000	2,250,000	2,835,000
OO - OTHER EXPENSE	249,243,735	266,237,316	248,325,102	232,150,327
PP - EARLY INTERVENTION/SPECIAL EDUCATION	150,000,000	151,250,000	152,500,000	153,750,000
SS - RECIPIENT GRANTS	47,384,000	47,384,000	47,384,000	47,384,000
TT - PURCHASED SERVICES	71,561,026	71,561,026	71,561,026	71,561,026
WW - EMERGENCY VENDOR PAYMENTS	62,152,642	62,652,642	63,152,642	63,152,642
XX - MEDICAID	240,112,308	244,424,667	240,112,308	240,112,308
Total Expenditures	**3,328,941,758**	**3,358,520,711**	**3,386,061,469**	**3,442,810,523**

REVENUES				
Object	**2023 Proposed**	**2024 Proposed**	**2025 Proposed**	**2026 Proposed**
BA - INT PENALTY ON TAX	34,812,500	34,812,500	34,812,500	34,812,500
BC - PERMITS & LICENSES	18,431,995	18,431,995	18,431,995	23,431,995
BD - FINES & FORFEITS	106,119,500	106,119,500	106,119,500	106,119,500
BE - INVEST INCOME	6,140,000	9,210,000	10,131,000	10,637,550
BF - RENTS & RECOVERIES	33,870,994	36,015,994	36,015,994	43,015,994
BG - REVENUE OFFSET TO EXPENSE	20,513,341	20,516,466	20,511,544	20,223,000
BH - DEPT REVENUES	222,130,278	231,767,939	245,576,289	245,576,289
BO - PAYMENT IN LIEU OF TAXES	53,384,492	54,503,561	55,643,714	56,806,017
BQ - CAPITAL RESOURCES FROM DEBT	1,080,000	1,080,000	1,200,000	1,200,000
BS - OTB PROFITS	20,000,000	20,000,000	20,000,000	20,000,000
BW - INTERFUND CHARGES REVENUE	75,869,427	78,977,614	80,830,497	83,000,904
FA - FEDERAL AID REIMBURSEMENT OF EXPENSES	161,148,011	144,527,671	144,359,582	144,182,535
SA - STATE AID REIMBURSEMENT OF EXPENSES	261,450,869	262,047,532	262,654,514	263,266,771
TA - SALES TAX COUNTYWIDE	1,390,426,754	1,416,195,289	1,444,519,195	1,480,632,175
TB - PART COUNTY SALES TAX	136,865,874	140,609,747	122,329,192	125,387,421
TL - PROPERTY TAX	755,263,137	755,263,137	755,263,137	755,263,137
TO - OTB 5% TAX	1,639,500	1,639,500	1,639,500	1,639,500
TX - SPECIAL TAXES	29,795,085	29,795,085	29,795,085	29,795,085
Total Revenues	**3,328,941,758**	**3,361,513,530**	**3,389,833,238**	**3,444,990,374**
Surplus / (Deficit)	**-**	**2,992,820**	**3,771,769**	**2,179,850**

Appendix B
Multi-Year Plan Baseline Inflators

Category	2024, 2025, 2026	Inflator Explanation
Expenditures		
Employee Benefits:		
Non-Police Pension	5.0%, 5.0%, 3.0%	Assumptions based on available bills and recent historical increases
Police Pension	7.0%, 4.0%, 2.0%	Assumptions based on available bills and recent historical increases
Health Insurance - Active	6.0%, 6.0%, 4.5%	Highest average increase over last 3, 5 or 9 years
Health Insurance - Retirees	6.0%, 6.0%, 4.5%	Highest average increase over last 3, 5 or 9 years
Other Than Personal Services	Flat, Flat, Flat	
Utilities:		
Light and Power	-2.71%, -0.73%, -0.54%	EIA (US DOE) 2022 Annual Energy Outlook Price Projection for Commercial Customers (High Oil Price Case)
Brokered Gas	-3.82%, -0.98%, -0.4%	
Trigen	-1.95%, -0.08%, -0.26%	Blended (2/3 weighting for Natural Gas and 1/3 weighting for the ten-year average CPI
Fuel	1.86%, -0.65%, -0.03%	EIA (US DOE) 2022 Annual Energy Outlook Price Projection for Commercial Customers (High Oil Price Case)
Water	2.78%, 2.78%, 2.78%	NY Department of Public Service - Average Change in Annual Bill per Customer 2014-2018
Telephone	1,67%, 1.67%, 1.67%	Assumes increases consistent with the 10 year average growth in the CPI - All Urban Consumers (New York - Northern New Jersey-Long Island, NY-NJ-CT-PA)
Medicaid	Flat, Flat, Flat	Based on Weekly Medicaid Cap prior to Relief
Social Services Entitlements	Variable	Reflects most current caseload information
Special Education Program	Variable	Reflects most current caseload information
Revenues:		
State Aid	Variable	Variable based upon reimbursement formula
Federal Aid	Variable	Variable based upon reimbursement formula
Sales Tax	2.0%, 2.0%, 2.5%	

Appendix C
Letter to County Executive Blakeman

NIFA Nassau County Interim Finance Authority

July 26, 2022

VIA ELECTRONIC MAIL

Hon. Bruce Blakeman
Nassau County Executive
1550 Franklin Avenue
Mineola, NY 11501

Dear County Executive Blakeman,

We are reviewing the updated financial plan for FY 2022-2025 and awaiting the financial plan for FY 2023-2026 that is due in September. As part of NIFA's review, we will also be evaluating the status of the control period.

I have included a list of questions that we would like answered to assist us in this evaluation. We recognize that some of the questions may have already been answered elsewhere, in whole or in part, but we would like to be able to reference your answers in a single document.

My staff will be glad to answer any related questions, but we would appreciate your delivery of the final answers in writing.

Please contact me if you have any questions.

Sincerely,

Adam Barsky
Chairman

CC: Arthur T. Walsh, Chief Deputy County Executive
Andrew Persich, County Budget Director
NIFA Directors
Evan Cohen, NIFA Executive Director
Jeremy Wise, NIFA General Counsel

1305 Franklin Avenue, Suite 302, Garden City, NY 11530
Tel: (516) 248-2828 Fax: (516) 248-4050

1. If the Nassau Health Care Corporation (NHCC) runs out of cash:

    - Does the County intend to continue making the scheduled direct pay debt payments related to your guarantee or do you intend to pay off the outstanding debt in full?

    - Does the County intend to provide additional subsidies or loans to keep its facilities open or will the County allow the facilities (including NUMC) to close?

    - And if forced to close NUMC because the County won't provide the necessary subsidy to keep it open, how will the County provide correctional health services? What are the existing contingency plans?

2. Please detail the time frame for settling outstanding labor contracts and whether the County intends to maintain the established pattern including the givebacks from the unions.

3. If the CSEA wins their grievance concerning COVID comp time (hazard pay) estimated in the ACFR to be $109 million, how will the County pay for that decision? What is the approximate time frame for a final decision on the grievance? Will the resolution of this matter be extended to other, non-CSEA employees? If so, what is the estimated liability for these employees?

4. Please describe any Administration's plans to cut the property tax levy and/or fines and fees. Assuming the Legislature proposes their fee reduction plan from 2021 again, would you veto the amendments? If the Legislature overrides any veto, how would you balance the resulting budget? What would you cut to offset the revenue loss of approximately $109 million? Additionally, please outline how the County will backfill any revenue loss from an adverse decision on the current fees.

    - What is the approximate time frame for a decision on the County's appeal of the tax map verification fee decision? Would a final adverse decision in this case impact the County's ability to collect any other County fees?

5. When will the Administration present its plan to reform the assessment system to ensure that the tax certiorari liability is minimized moving forward, since this was one of the primary reasons NIFA was created in 2000?

    - Page A-47 of the most recent OS provides that expenditures for claims for assessment reductions and property tax refunds decreased from $90.8 million in 2019 to $33.8 million in 2020. Page 160 of the ACFR discloses that the expenditure for 2021 was $9.1 million (although page 161 lists the due and payable amount for 2021 as $9.5 million). What accounts for the drastic reductions from 2019 through 2021? Did that decreased activity contribute to the backlog?

6. Please explain how the County will pay the estimated $623 million liability associated with current non-certiorari litigation. Does the County believe such amount will

increase or decrease as of December 31, 2022? What is the anticipated trend for 2023-26? Please provide a detailed plan for the use of resources held in the Litigation Reserve intended to pay non-certiorari litigation expenses.

- Regarding the garbage districts litigations:
  a) Are any cases unsettled, for example, the two garbage districts in the Town of Oyster Bay? If so, what is the estimated liability on those cases?

  b) For the structured settlements, have all amounts due in 2022 been appropriated?

- Regarding the non-countywide special districts' litigations:
  a) When does the County anticipate the damages trial(s) to occur for the unsettled Verizon and American Water cases? Does the County believe structured settlements for Verizon and American Water are possible (similar to the one with KeySpan)? If not, what is the County's plan to pay potential adverse decisions or settlements?

- Regarding the Glenwood Landing power plant cases:
  a) For the 2018 litigations, what is the approximately time frame for decisions on the motions for summary judgment?
  b) For the summons and complaint filed June 2, 2022, by National Grid (alleging the failure of the County to remove and exempt LIPA properties and enter into PILOT agreements), would such claim, if successful, impact the County's 2022 settlement with LIPA described on page A-52 of the most recent OS?
  c) Please confirm if the June 2, 2022, summons and complaint allegations are limited to the Glenwood Landing properties described in the preceding paragraph of the OS.
  d) What is the County's plan to pay potential adverse decisions or settlements?

- For the Fair Labor Standards Act (FLSA) actions:
  a) What is the approximate time frame for resolving the remaining claims? What is the County's plan to pay potential adverse decisions or settlements?

7. Please explain how the County will pay the estimated $345 million liability associated with Workers' Compensation claims. Does the County believe such amount will increase or decrease as of December 31, 2022? What is the anticipated trend for 2023-26?

8. Please provide any relevant updates to any new or existing material litigation or tax certs matters not specifically addressed above.

9. How will the County offset any potential increase in pension expense associated with the recent underperformance of the State pension fund? Will the County borrow for this by issuing debt or from the pension fund itself?

10. How does the County plan to address the current lack of police vehicles due to supply chain issues? Will the County be assigning two officers per vehicle? Are there any contractual provisions that may be impacted?

11. Given the potential for increased retirements, how will the County fund terminal leave payments? Does the County plan to borrow for that?

12. What is the impact on the budget if you assume current energy prices and inflation of 9%?

13. What is the current mark-to-market value of the County's investment portfolio? What is total unrealized loss? Has the County incurred any losses associated with liquidating securities in order to meet cash needs?

14. The County's assumptions underlying the financing costs for the four-year financial plan are included in an appendix of the MYP Update; however, assuming interest rates increase 200bps from current rates, what is the increased interest expense and debt service associated for the financings for the four-year capital plan?

15. Does the County currently maintain a cyber security insurance policy? Does it cover ransomware? If so, what is total coverage and premiums? If not, what are the County's plans to address a cyber-attack?

16. In your financial plan submission covering FYs 2023-2026, please prepare a scenario analysis of how the County would balance its budget if there were a recession and sales tax revenue declined by 10% and similar cuts to State and Federal aid occurred.

17. Does the County have any plans to revive its efforts to charge not-for-profits for sewer services?