Nassau County Interim Finance Authority

NIFA

REVIEW OF NASSAU COUNTY'S PROPOSED MULTI-YEAR FINANCIAL PLAN FISCAL 2024 - 2027

October 24, 2023

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I. OVERVIEW

On September 15, 2023, the Administration released its Proposed Multi-Year Financial Plan, Fiscal 2024-2027 (the "Proposed Plan"), the first year of which is the Proposed Budget for FY 2024 (the "Proposed Budget"). The following discussion reflects the analysis of NIFA staff regarding the Administration's submission.

We acknowledge that as of this writing the County's finances are in a better position than they have been in recent years. We further acknowledge that the progress was accomplished with the cooperation and hard work of the County's employees, elected officials and NIFA.

We are still unable to determine, however, if the County's good fortunes are a result of careful planning that will continue into the future or are more the product of a happy confluence of exogenous forces and activities that may not last. To assist us in making that determination, we have submitted a series of questions but have been met with total silence from the Administration. This leaves us with no other alternative than to maintain the status quo, including the Control Period.

Despite inflation and the threat of an economic recession, the County's near-term fiscal outlook in the Major Funds continues to improve, and we predict an improved fiscal outlook for FY 2023 and FY 2024.[1] This improvement can be attributed to several major factors, including the substantial completion of pattern-conforming labor agreements, a large infusion of budget relief brought about by a NIFA debt refunding transaction in 2021, which spread the majority of debt service savings over the near term, and a large influx of pandemic-related Federal aid.

Regrettably, notwithstanding the foregoing and despite the County's prudent accumulation of reserves to mitigate near-term risks, the projected Out-Year risks in the Proposed Plan are significant and would exceed the one percent threshold that requires NIFA to impose a Control Period if they are not resolved and become deficits.

Near term, we are projecting a potential surplus of between $72.5 million and $76.4 million in FY 2023, but are simultaneously projecting potential deficits of between $68.7 million and $71.8 million in FY 2024.[2] These risks increase each year until reaching

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 which do not include certain major expenditures, such as the funding of sewer and storm water resources services and support payments to Nassau Community College.

2 This projection does not include the $54.0 million non-refundable advance rent payment already received from Las Vegas Sands. Regarding this amount, the County's Annual Comprehensive Financial Report ("ACFR") for

potential deficits of between $198.1 million and $257.0 million in FY 2027, as shown in the following table. The projections in FY 2026 and FY 2027 do not account for the additional labor costs likely to result from the next round of collective bargaining for unions whose contracts expire on June 30, 2026.

Operating Results on a GAAP Basis Control Period Calculation ($ in millions)									
FY 2018	FY 2019	FY 2020 *	FY 2021*	FY 2022	FY 2023p	FY 2024p	FY 2025p	FY 2026p	FY 2027p
($61.2)	$76.8	$90.6	$27.2	$79.7	$72.5	($68.7)	($88.9)	($150.7)	($198.1)
					$76.4	($71.8)	($126.2)	($192.5)	($257.0)

Top shaded row reflects projected baseline operating results. Bottom shaded row reflects projections including other Opportunities and Risks.
* Operating results include CARES Act funding and/or unbudgeted debt restructuring savings.

Absent a recession or sudden catastrophic expenses (such as a large judgment, revenue lost from adverse litigation, or additional costs related to the Nassau Health Care Corporation), the Proposed Budget contains risks that should be manageable. However, there are other risks discussed in this Report, which raise doubt about whether they can be managed in the long term should they break unfavorably against the County.

The Proposed Plan averages approximately $3.5 billion per year, but includes contingency reserves of $39.5 million in FY 2024, $21.0 million in FY 2025, $17.0 million in FY 2026, and nothing in FY 2027. The County's near-term financial outlook has been bolstered by the transfer of $300.7 million in surplus resources (generated in FY 2022) into various other reserves which, as of September 30, 2023, total $578.8 million.

These resources could support limited expenditures in future years for, among other purposes, tax certiorari refunds, judgments and settlements, and retirement system costs. 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.

In accordance with Federal regulations governing the American Rescue Plan Act ("ARPA"), the County also plans to apply $269.5 million of the $385.0 million in Federal aid it received from ARPA to offset revenue losses it experienced due to the COVID-19 pandemic. How these resources will be used has not been disclosed; however, the resources may significantly augment the County's $578.8 million in other reserves. Decisions to expend the ARPA resources, which by regulation must be obligated by December 31, 2024, and spent by December 31, 2026, require approval of the County Legislature.

Despite the availability of the aforementioned reserves, we believe they are insufficient to cover the County's known risks and long-term liabilities, which include the County's large long-term liabilities for tax certiorari refunds, non-certiorari litigation,

FY 2022 states: "While the cash is available, the revenue will be recognized over the life of the lease in accordance with GASB Statement No. 87."

Workers' Compensation claims and the County's contingent risk stemming from deteriorating finances of the Nassau Health Care Corporation.[3] These risks are substantial and could interrupt the fiscal progress that has been made by the County.

Status of the Current Control Period

Notwithstanding the foregoing, we continually reevaluate the need for a Control Period. As noted earlier, to assist us in this evaluation, a letter requesting answers to a series of questions was sent to the County Executive in July of 2022 (see Appendix C). Although the letter was acknowledged, none of our questions have been answered.

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 2027. Naturally, our opinion might change if we receive satisfactory answers to our questions, the economy improves significantly, concerns about the Nassau Health Care Corporation are addressed or settled, or if there is a large and unanticipated infusion of recurring revenue or a significant realignment of expenditures.

Even after the termination of the Control Period, NIFA would still not be statutorily dissolved until its other responsibilities and its liabilities (including its bonds) have been met or otherwise discharged. NIFA would still maintain oversight of the County and could 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://www.nysenate.gov/legislation/laws/PBA/A10-DT1.

* * *

Additional analysis of the Proposed Budget and Proposed Plan follows: Section II discusses FY 2024 and Section III discusses the Out-Years. To fully understand NIFA's opinions regarding the County's financial position, this Report should be read in tandem with NIFA's October 20, 2022 report on the Proposed Multi-Year Financial Plan, Fiscal 2023-2026, and NIFA's August 1, 2023 report on the Multi-Year Financial Plan Update, Fiscal 2023-2026, which can be found on the NIFA website at https://nifa.ny.gov/financial-plan-reports.

3 The FY 2022 ACFR estimates four of the County's several long-term liabilities to be approximately $1.2 billion for Workers' Compensation claims, tax certiorari refunds and non-certiorari litigation, combined, and $6.8 billion for Other Post-Employment Benefits ("OPEB"). The FY 2022 ACFR also estimates that the County's potential liability for the CSEA COVID-19 compensatory time grievance could be as high as $28.0 million to $34.0 million.

II. DISCUSSION OF FY 2024

Our analysis of the Proposed Budget indicates that the County could end FY 2024 with an operating deficit of between $68.7 million and $71.8 million in the Major Funds if all the risks we have identified are not resolved or break unfavorably against the County. Even if all the risks we have identified for FY 2024 are eliminated, we conclude that the Proposed Plan contains additional risks that could result in significant deficits in FY 2025, FY 2026, and FY 2027 (the "Out-Years"), which we discuss in Section III.

Discussion of Major Risks

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

Fines and Forfeitures – The Proposed Budget includes $101.7 million in anticipated revenue from fines and forfeitures. We have identified risks of approximately $13.4 million in the following areas:

- *Fines and Administrative Fees*: $6.8 million shortfall based on current trends primarily related to tickets issued by the Police Department and collected by the Traffic and Parking Violations Agency, and related administrative fees and violations in connection with various Consumer Affairs laws;

- *Red-Light Camera and Administrative Fee*: $5.7 million shortfall based on current trends in FY 2023;

- *Boot & Tow Initiative*: $0.5 million shortfall based on uncertainty that the County will reinstate the suspended program that targeted certain scofflaws;

- *School Bus Stop Arm Camera:* $2.4 million shortfall. The initiative has been implemented in the Town of Hempstead since December 2022. The County is supposed to collect $18.00 per issued ticket and $18.00 for each challenged ticket; however, no corresponding revenue has been recorded by the County to date; and

- *All Other Fines: $1.9 million surplus composed of* $2.8 million in favorable Public Safety Fee revenue based on current trends; offset by $0.5 million shortfall in alarm permit fines and $0.4 million shortfall in forfeited bail and property forfeited through seizure.

Investment Income – our projections indicate that investment income will result in a surplus of $5.9 million compared to the Proposed Budget. The projected variance is based on current trends and attributed to high cash balances and higher-than-assumed interest rates.

Table 1

Analysis of Proposed FY 2024 Budget (Prior to Legislative Actions)			
($ in millions)	FY 2024 Proposed	FY 2024 Projections	Surplus / (Risk)
Revenues:			
Fines and Forfeitures	**$101.7**	**$88.3**	**($13.4)**
Fines & Administrative Fee	*24.7*	*17.9*	*(6.8)*
Red Light Camera & Administrative Fee	*48.1*	*42.4*	*(5.7)*
Boot & Tow and School Bus Stop Arm Camera	*3.5*	*0.6*	*(2.9)*
Other Fines	*25.5*	*27.3*	*1.9*
Investment Income	***38.9***	***44.8***	***5.9***
Rents and Recoveries	**31.2**	**13.6**	**(17.6)**
Reversal of Prior Year Encumbrances	*10.4*	*0.0*	*(10.4)*
Sale of County Land	*4.2*	*0.0*	*(4.2)*
Other Recoveries	*16.6*	*13.6*	*(3.0)*
Departmental Revenues	**194.8**	**185.0**	**(9.8)**
Revenue from Income and Expense Law	*5.0*	*0.0*	*(5.0)*
GIS Tax Map	*25.0*	*20.1*	*(4.9)*
Ambulance Fees	*24.0*	*19.3*	*(4.7)*
Other Departmental Revenues	*140.8*	*145.6*	*4.8*
Capital Resources for Debt	**19.9**	**4.9**	**(15.0)**
Federal & State Aid	**476.2**	**483.8**	**7.6**
Sales Tax	**1,605.3**	**1,601.7**	**(3.6)**
Other Revenue	**1,013.2**	**1,011.9**	**(1.3)**
Total Revenues	**$3,481.2**	**$3,433.9**	**($47.2)**
Expenditures:			
Salaries and Wages	**$1,020.5**	**$1,040.1**	**($19.6)**
Full-Time, Part Time and Seasonal Savings	*748.4*	*746.2*	*2.2*
Overtime	*80.5*	*100.5*	*(19.9)*
Other	*191.5*	*193.3*	*(1.8)*
Fringe Benefits	**645.7**	**634.8**	**10.9**
Health Insurance (Active & Retirees)	*351.5*	*348.3*	*3.2*
Other	*294.2*	*286.5*	*7.7*
Local Government Assistance	**94.1**	**93.9**	**0.2**
Early Intervention/Pre-School	**162.9**	**175.7**	**(12.9)**
Social Services Programs	**461.6**	**462.4**	**(0.8)**
Other Expenditures	**1,096.5**	**1,095.8**	**0.7**
Total Expenditures	**$3,481.2**	**$3,502.6**	**($21.5)**
Total Projected Operating Results (Baseline)			**($68.7)**

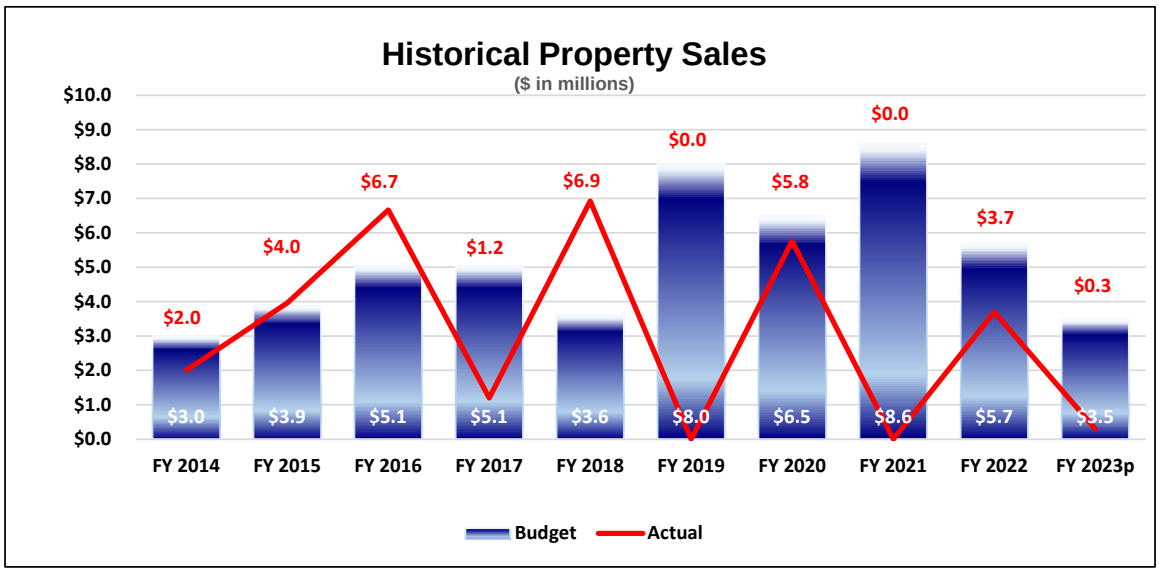
Totals may not add due to rounding.

Other Opportunities and Risks Surplus / (Risk) ($ in millions)	
Total Projected Operating Results (Baseline)	**($68.7)**
Contingency Reserve	$39.5
Vacancy Savings at 1/2 Value	$14.0
Retroactive Costs for Labor Pattern (assuming COBA and IPBA are settled/approved in 2023)	$13.0
Debt Service Savings (no additional debt issuance in 2023)	$10.6
Sales Tax (additional impact due to possible weakening in remaining receipts in 2023)	($27.2)
Potential NHCC Debt Service	($20.5)
GIS Tax Map Verification Fee (due to future adverse court action)	($10.0)
Subtotal Projected Operating Results including Other Potential Opportunities / (Risks)	**($49.3)**
GAAP Basis Adjustments*	**($22.5)**
Total Projected Operating Results	**($71.8)**

***Comptroller's estimated accounting adjustments for Major Funds defined in the NIFA Act. We were advised that this calculation is subject to change since it does inclue adjustments for GASB No. 87, GASB No. 96, and the effect of open encumbrances at year end.**

Rents and Recoveries – The Proposed Budget includes $31.2 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 $31.2 million is a $4.2 million "one shot" that the Administration expects to realize from the sale of County property in FY 2024. The fact that this revenue is budgeted each year does not guaranty it a source of recurring revenue. 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 $10.4 million in encumbrances from prior years; however, since the Comptroller will subtract this amount when reporting the County's GAAP operating results, we have repeatedly advised the County to not include this type of resource when budgeting.

Finally, other rents and recoveries are budgeted at $16.6 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; and rents collected for use of County property.

Departmental Revenues – The Proposed Budget includes $194.8 million in departmental revenue, of which we project approximately $9.8 million to be at risk. We have identified the following risks:

- *Income and Expense Law:* The Administration is still litigating the County's Income and Expense Law in Federal court and assorted State court actions and is hoping for favorable results that would allow it collect fines on commercial property owners who fail to provide income statements for properties that charge commercial rent as required by the law. While the Administration estimates this could produce up to $15.0 million annually by FY 2027, it has budgeted a more conservative $5.0 million for FY 2024. Revenue from this initiative has been pushed back several times and success in all the Federal and State lawsuits is highly speculative; hence, we believe any budgeted funds based on this decision are premature;

- *GIS Tax Map Verification Fee*: There is a substantial risk to collecting this budgeted revenue. Our baseline projection is based on current trends, which will result in a shortfall of $4.9 million. The County lowered the document fee from $355 to $270 in April after it lost its appeal of a court decision that found the amount of the fee to be unconstitutional, but this fee has also been challenged and is being litigated. In a similar case, Suffolk County was mandated to eliminate the fee. We are risking half of the projected amount ($10.0 million below-the-line) in our table of "Other Opportunities and Risks" above to reflect the possibility of a potential adverse court determination on the latest challenge;

- *Ambulance Fees:* Our baseline projections indicate a shortfall in the amount of $4.7 million from fees the County expected to be collected from individuals for ambulance transportation services based on current trends; and

- *Other Departmental Revenue*: Under this category we include a projected surplus of $4.8 million due to potential revenue that may be realized by the County from hosting a one-time sporting event by the Department of Parks, Recreation and Museums and due to historical trending in the Department of Health. The Administration anticipates generating up to $2.8 million in revenue as one of three U.S. locations hosting the International Cricket Council's 2024 World Cup, which was an agreement recently announced after the Proposed Budget was released. We also project $2.1 million in revenue to be collected by the Health Department for reimbursement for services provided to children in the Preschool Program enrolled in Medicaid at the time of service. These two positive variances are offset by projected net shortfalls of $0.1 million in various County Departments.

Capital Resources from Debt – The Proposed Budget includes $19.9 million in capital resources from debt, which is a category of resources that includes unused cash in closed capital projects ($15.0 million) and bond premiums received on County borrowings ($4.9 million). The $15.0 million of surplus resources from capital projects is uncertain, but 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). The $4.9 million raised from bond premiums can be used to fund debt issuance costs; however, to the extent bond premiums exceed the County's debt issuance costs, the variance would not be recognized as revenue under GAAP.

Federal and State Aid – Our analysis of Federal Aid indicate that the County's assumptions are reasonable. However, we project State aid to exceed the Proposed Budget by $7.6 million due to higher projected spending on Early Intervention programs for which the County is reimbursed approximately 59.5% of the costs. The additional costs for these programs are reflected in our projection of expenditure risks.

Sales Tax Revenue – Sales tax is the largest revenue source for the County and, at approximately $1.605.3 billion, comprises 46.1% of all revenues in the Major Funds. The proportion of the budget supported by sales tax revenue has been growing each year, which is only beneficial to the budget during a period of economic expansion. The Administration is assuming that sales tax revenue will grow by 1.5% in FY 2024 over its FY 2023 projection, 2.0% in FY 2025, 2.5% in FY 2026 and 2.5% in FY 2027.

Although our sales tax revenue projection for FY 2024 is substantially consistent with the Administration's, which we arrive at by assuming sales tax revenue in the remaining checks of FY 2023 will be down 1.0% (compared to the same period in FY 2022), we assume a slightly more modest growth rate of 1.0% in FY 2024. Further, our analysis assumes sales tax growth rates of 1.5% annually in the Out-Years.

As shown in the accompanying table, sales tax revenue has exhibited modest or strong year-over-year growth in each quarter compared to the same quarter in 2022; however, it is unclear how long this strength can be sustained if the County is confronted by protracted recession. Moreover, the most recent sales tax check, which is a quarterly reconciliation, is down 3.9% from the same check last year.

Sales Tax Growth 2023 versus 2022	
1st Quarter	5.6%
2nd Quarter	1.5%
3rd Quarter (partial)	1.9%
YTD	**3.0%**

The ongoing period of high inflation is causing significant economic uncertainty. 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 a possible recession and less revenue).

The County's growth rate assumptions for FY 2024 and the Out-Years are not unreasonable; however, we advise using a more conservative outlook out of concern that the pronounced growth in sales tax revenue experienced over the past 32 months is not sustainable and could be followed by a recession-driven contraction.

We have included a potential risk of $27.2 million in the list of "Other Opportunities and Risks" (see table above) to reflect the net incremental loss of sales tax revenue in FY 2024 that would occur if sales tax receipts were to contract in the remaining months of FY 2023 by 3.9% (compared to the same period in FY 2022) and exhibit no growth in FY 2023.[4]

Each percentage point of growth (contraction) in the remaining checks of FY 2023 will add (subtract) approximately $4.6 million in net revenue to (from) the projected $27.2 million incremental variance.

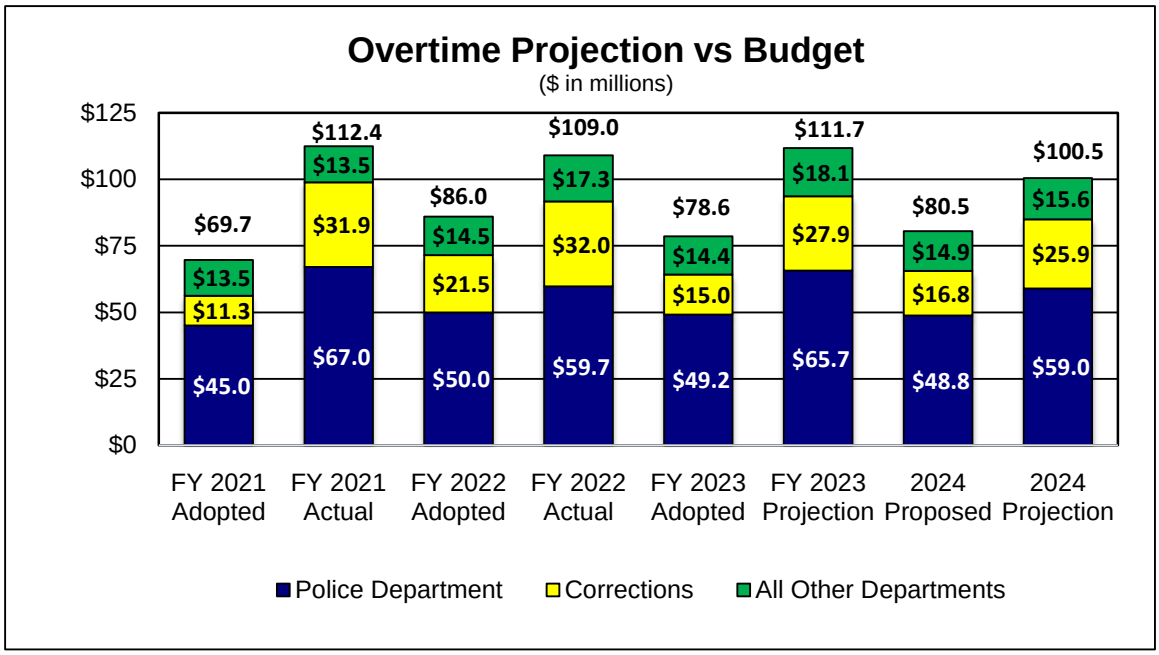
4 Sales tax revenue contracted by an average of 3.9% in the comparable year-end period in 2008 (fiscal crisis) and 2014 (post-Superstorm Sandy).

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"), the Superior Officers Association ("SOA"), and the Police Benevolent Association ("PBA") covering the period January 1, 2018 through June 30, 2026. The County also entered into a new contract with the Civil Service Employees Association ("CSEA") covering the period January 1, 2018 through December 31, 2030. The Administration recently reached an agreement with the Sheriff's Correction Officers Benevolent Association ("COBA") covering the period January 1, 2018 through June 30, 2026. which has been ratified by its members but needs to be approved by the Legislature and NIFA.

The only remaining union without a contract is the Investigators Police Benevolent Association ("I-PBA"). The Administration included in the Proposed Budget the value of the retroactive pay for COBA and I-PBA under the assumption that these agreements might not be settled until FY 2024. Since this is not the case with COBA, and the Administration is now hopeful that it will reach an agreement with I-PBA before year-end, we have included a favorable offset of $13.0 million in our table "Other Opportunities and Risks."

The Administration projects that salaries and wages will total $1,020.5 million in FY 2024. Our analysis indicates that the projection is not unreasonable since it conforms to the established bargaining pattern. However, after we assess the various categories within salaries and wages, we conclude that overtime continues to be underfunded by $19.9 million, but savings in full-time vacancies may offset the projected overtime variance to the extent that they remain unfilled or there are hiring delays. Our projections of additional opportunities and risks also include a credit of $14.0 million for vacancy savings under the assumption that hiring new personnel will be staggered throughout the year.

The Police Department has the largest proposed overtime budget in FY 2024, at $48.8 million, which is $10.2 million lower than our projection, as shown in the chart below. The Administration expects to schedule two classes of police officers during FY 2024 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 $16.8 million in FY 2023, which is $9.1 million below our projection, as set forth in the chart above. Overtime spending at the Correctional Center has increased each year since FY 2016, even though the average census of inmates has declined. However, we are seeing some improvement in FY 2023 compared to the total Overtime spending in FY 2022. We are not questioning whether this downward trend will continue especially since the Administration expects to hire two new classes of officers in FY 2024.

The terminal leave category for the Police District is underfunded. We have not risked the potential shortfall since the Administration has indicated that it plans to use up to $10.0 million in the Employee Benefit Accrued Liability Reserve Fund ("EBF") to cover this potential risk.

Headcount – The Proposed Budget contains 7,463 full-time positions, which is 50 positions higher than the FY 2023 Adopted Budget, and 255 positions higher than the County's September 7, 2023 on-board headcount of 7,158 after accounting for the unallocated attrition factor of 305 positions (valued at $10.0 million). We consider the practice of centralizing the attrition factor, rather than allocating it to the departments, to result in an inaccurate picture of each department's authorization to hire.

Because the County already has 255 vacancies as of September 7, 2023 (compared to the FY 2023 Adopted Budget), our salary projections for FY 2024 discount by half the cost of filling the 305 budgeted vacancies in FY 2024 since savings may be realized from hiring delays and/or leaving these positions unfilled, as has been done in prior years. As mentioned before, the half value of the vacancies is listed as an opportunity. 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 2024 are the Police Department, Social Services, the Sheriff/Correctional Center, the Assessment Department, the Department of Public Works and the Office of the District Attorney, as shown in the table below.

Department	FY 2023 Adopted Budget	On Board 9/7/2023	2023 Vacancies (to 9/7/2023)	FY 2024 Proposed Budget	2024 Vacancies (to 9/7/2023)	Budget to Budget Increase / (Decrease)
Police Department	3,357	3,255	102	3,378	123	21
Social Services	559	463	96	566	103	7
NC Sheriff/Correctional Center	940	847	93	940	93	0
Assessment Department	164	128	36	164	36	0
Public Works Department	417	383	34	415	32	(2)
District Attorney	468	427	41	458	31	(10)
Heath Department	274	254	20	281	27	7
Probation	209	196	13	221	25	12
County Comptroller	91	74	17	95	21	4
Board of Elections	160	141	19	160	19	0
Fire Commission	113	102	11	115	13	2
County Clerk	90	78	12	90	12	0
Parks, Recreation and Museums	148	140	8	151	11	3
Information Technology	118	111	7	121	10	3
Other Agencies	619	559	60	613	54	(6)
Attrition factor budgeted centrally	(314)	0	(314)	(305)	(305)	9
	7,413	**7,158**	**255**	**7,463**	**305**	**50**

Fringe Benefits – Our analysis indicates that fringe benefits may be overfunded by approximately $10.9 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 $3.2 million. Additionally, there is potentially a $7.7 million surplus related to FICA expenses. These projected variances will be smaller if the Administration increases headcount to budgeted levels at or near the beginning of the year.

According to the new agreement with CSEA, all CSEA members (actives and retirees) will be insured under the New York State Health Insurance Program ("NYSHIP") "Excelsior Plan" as of January 1, 2024. The Proposed Budget includes funding to cover a 20% rate increase in the Excelsior Plan (compared to the 2023 published rates) and a 6% rate in all other County insurance plans (e.g., Empire Plan). However, the State Department of Civil Service has not finalized the rates to be charged by NYSHIP in 2024. These costs will be closely monitored throughout the year and adjusted accordingly as the year progresses. Incremental savings (costs) will be realized (incurred) if the rate increase is lower (higher) than assumed.

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 understated by approximately $12.9 million based on current trends. Further, there is a proposed bill (Senate Bill S6902) that seeks to increase provider rates on or after July 1, 2024 which, if approved, would increase the rates for approved services rendered by 11%.

Social Services Programs – Our analysis based on trending, historical data and caseloads indicate that these programs may be underfunded by $0.8 million. The Social Services programs are comprised of the following categories:

- *Recipient Grant:* The Department of Social Services makes payments directly to its clients for programs such as Temporary Assistance for Needy Families ("TANF"), Safety Net Assistance ("SNA"), Adoption Subsidy, Foster Care, and the Home Energy Assistance Program. Due to an increase in caseloads for SNA and TANF, our analysis projects a shortfall of $4.4 million;

- *Purchased Services:* This program provides payments to agencies that operate independently of the County for Social Services programs such as Day Care, Preventive Services, Child Protective Services and Adult Protective Services. Our analysis indicates that there is a potential surplus in the amount of $1.6 million according to trending data; and

- *Emergency Vendor Payments*: The Department of Social Services makes emergency vendor payments directly to vendors servicing clients eligible for the TANF, SNA, and Persons in Need of Supervision programs. Our analysis indicates that the Administration's assumptions are generally reasonable; however, we are projecting a small surplus of $2.0 million based on current trends.

Other Expenditures – As per our analysis Other Expenditures projects a potential surplus of $0.7 million in Contractual Services. The expenditure variance is inversely related to the projected revenue shortfall in the Red-Light Camera Program, as the vendor that manages the RLC program receives a percentage of the revenue generated. We will continue to monitor this category and adjust accordingly depending on the revenue that results from the RLC program.

CSEA Grievance for COVID-19 Compensatory Time – As disclosed in the County's 2022 Annual Comprehensive Financial Report, 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. Further noted is that the County is working on a possible settlement with the union with a monetary payout that could be as high as $28.0 to $34.0 million.

Debt Service – County and NIFA debt service is reasonably budgeted at $331.2 million, which is approximately $30.6 million higher than projected to be spent in FY 2023. The year-over-year increase in debt service is related, in part, to the phaseout of savings previously generated by the large restructuring transaction undertaken by NIFA in 2021. However, even though they project paying more in debt service in FY 2024 than in FY 2023, the projections reflect savings from a County initiative to utilize part of its reserves to defease approximately $100.0 million in outstanding County debt to generate approximately $16.0 million in recurring debt service savings for approximately six years. The Administration plans to execute this transaction next month.

NIFA is also currently exploring a tender of certain of its taxable bonds, which would be paid for by issuing tax exempt bonds. The transaction could generate present value saving of up to $6 million. The transaction is expected to close by the end of 2023 or beginning of 2024, but its viability is subject to the dynamic relationship between taxable and tax-exempt interest rates. Consequently, the transaction will only proceed if it will result in savings for NIFA, and thus the County.

Other Concerns Partially Addressed

As noted below, the Administration has taken steps to address two concerns previously raised by NIFA, as briefly described below.

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 $39.5 million in FY 2024, $21.0 million in FY 2025, $17.0 million in FY 2026, and no reserve in FY 2027. The Administration's decision to not maintain budgeted reserves for contingencies in FY 2027 remains concerning.

Supplemental Reserves – The County has $578.8 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 9/30/2023 ($ in millions)
Litigation	Non-Certiorari Judgments	$138.0
	Workers' Compensation	14.0
	Longevity Payments - non-Police District	37.6
	Non-Certiorari Judgments - Police District	26.8
	Longevity Payments - Police District	29.2
	Tax Certiorari	66.8
	Health Insurance Reserve	25.0
	Labor Reserve	20.0
	Insurance Reserve	10.0
Total Litigation Fund		**$367.5**
Other Reserves:		
	Employee Benefit Accrued Liability Reserve Fund	$14.5
	Bonded Indebtedness Reserve Fund	125.0
	Retirement Contribution Reserve (General Fund)	71.8
Total Other Reserves:		**$211.3**
Total All Reserves:		**$578.8**

The following discussion provides a brief synopsis of the Litigation Fund and the Other Reserves listed in the above table.

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: 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. A portion of the FY 2022 surplus added funds into the Litigation Fund for purposes such as health insurance, labor and insurance.

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 and other similar payments. The $14.1 million currently in the Employee Benefit Accrued Liability Reserve Fund can be used solely to mitigate any shortages related to terminal leave pay in the Police District Fund. The Proposed Budget assumes that up to $10.0 million of this amount may be used in this fashion. Terminal leave pay associated with Police Headquarters or any other operating fund cannot be paid out of this amount.

The Bonded Indebtedness Reserve Fund was established in 2005. Its purpose is to set aside resources for future partial payments of debt service. In FY 2022, the County transferred an additional $105.0 million of the budgetary surplus to supplement 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 portions of future retirement systems payments. The Administration allocated an additional $40.0 million from its FY 2022 budgetary surplus to supplement this Fund to cover retirement system payments incurred in the General Fund only.

As a consequence of the settlements of certain legal action(s) initiated against manufacturers, distributors and pharmacies that were involved in the marketing, selling and/or distribution of opioids in the County, the County received $55.9 million in FY 2021, $20.5 million in FY 2022[5] and an additional $5.8 million in FY 2023. As directed by the County Legislature, these funds are earmarked for the treatment and prevention of opioid addiction and family support. As of June 30, 2023, the County has appropriated $15.0 million to fund opioid prevention programs. The FY 2024 Proposed budget includes an additional $15.0 million in appropriations to enhance the opioid prevention program.

The Administration's projections for FY 2023 assume the transfer of $100.0 million of unused resources into one or more reserves at the end of this year. However, such transfers depend on the County's final operating results and the Comptroller's accounting treatment of the $54.0 million non-refundable advance rent payment, which was already received from Las Vegas Sands. On this point, as noted previously, the FY 2022 ACFR states: "While the cash is available, the revenue will be recognized over the life of the lease in accordance with GASB Statement No. 87." However, the Comptroller is consulting with the County's independent auditor before making a final determination.

At this time, the Administration still needs to provide information regarding into which specific reserve(s) the $100.0 million will be transferred. As recommended earlier, the County should continue funding reserves that would help mitigate potential liabilities.

On June 6, 2023, the Administration presented to the Legislature a request for approval to transfer $269.5 million of resources from the American Rescue Plan Fund to the General Fund ($250.0 million) and to the Sewer and Storm Water Resources District Fund ($19.5 million). The County plans to apply these resources to offset revenues losses due to the COVID-19 pandemic. As of today, the Administration has not disclosed the distribution of the funding within the General Fund. However, as mentioned earlier in this report, the resources may significantly augment the County's other existing reserves. The County has received a total of $385.0 million from ARPA. The table below details the movements of resources within the fund.

5 Reported in the Comptroller's ACFR for FY 2022.

AMERICAN RESCUE PLAN FUND ($ in millions)					
Categories	**ARPA Resources**	**Obligated**	**Available as of 9/30/2023**	**Proposed Transfer***	**Remaining Balance**
Salaries & Wages	$1.6	$0.9	**$0.6**	$0.0	**$0.6**
Fringe Benefits	$0.5	$0.1	**0.4**	0.0	**0.4**
Equipment**	$0.1	$0.0	**0.1**	0.0	**0.1**
General Expenses	$0.2	$0.0	**0.1**	0.0	**0.1**
Contractual Services**	$99.2	$54.2	**45.0**	20.0	**25.0**
General Reserve	$198.4	$0.0	**198.4**	198.4	**0.0**
ARP Direct Payments	$85.1	$29.1	**56.0**	51.1	**4.9**
Total	**$385.0**	**$84.4**	**$300.6**	**$269.5**	**$31.1**

*Proposed transfer of $250.0 million to the General Fund and $19.5 million to the Sewer and Storm Water Resources District Fund.

** Approximately $11.6 million has been encumbered but not spent.

III. THE OUT-YEAR GAPS: FY 2025 – FY 2027

This section discusses the projected Out-Year gaps (FY 2025 – FY 2027) and the Administration's plan for ensuring balance in these years.

The County's Current Out-Year Projections

The Administration projects Out-Year surpluses of approximately $2.5 million in FY 2025, $2.7 million in FY 2026, and $2.1 million in FY 2027. Using their assumptions, the Administration contends, "the County's Fiscal 2024-2027 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 in FY 2025, FY 2026, and FY 2027 in both our baseline and conservative assumption scenarios. In those years, the projected deficits far exceed the one percent deficit threshold that would require imposition of a Control Period even in our baseline assumption scenario. Further, the projections in FY 2026 and FY 2027 do not account for the additional labor costs likely to result from the next round of collective bargaining with unions whose contracts expire on June 30, 2026 (DAI, SOA, PBA, COBA).[6]

PROJECTED OUT-YEAR EXPENDITURES EXCEED REVENUES

($ in millions)	FY 2025	FY 2026	FY 2027
Proposed Multi-Year Plan	$2.5	$2.7	$2.1
NIFA Estimate (baseline scenario)	**($88.9)**	**($150.7)**	**($198.1)**
NIFA Estimate (conservative scenario)*	**($126.2)**	**($192.5)**	**($257.0)**

*Projected deficits have been reduced by the budgeted contingency reserves of $21.0 million in FY 2025 and $17.0 million in FY 2026.

Major Differences in Out-Year Projections

The major components contributing to the unrecognized gaps by the County consist of:

- Overestimated revenues from fines and forfeitures, mainly due to revenues related to fines from tickets issued by the Police Department, red-light

6 The labor agreement between the Administration and COBA, covering the period January 1, 2018 through June 30, 2026, has been ratified by its members but needs to be approved by the Legislature and NIFA.

camera tickets and the associated administrative fees, public safety, and the inclusion of the school bus camera initiative;

- Overestimated departmental revenues, including from the GIS Tax Map Verification fee, which is being litigated. The courts have determined that the existing fees were unconstitutional, but instead of eliminating the fees, the County reduced the fee from $355 to $270 per document. The revised fee schedule is being challenged; consequently, our projection reflects a 50% discount for a potential adverse court ruling. In a similar case, Suffolk County was mandated to eliminate the fee. Other fees in this category are also overestimated, such as those from the Income and Expense Law and mortgage recording fees and ambulance fees; and

- Uncertain revenue from the annual sale of County property and recoveries. In addition, our analysis excludes budgeted amounts from prior-year recoveries since these proceeds do not constitute revenue under the GAAP. We also exclude proceeds from cash recoveries from capital project closeouts since these resources would be used to pay debt service (an operating expense) and therefore excluded under the Control Period calculation.

Other Concerns

Sales Tax Revenue **–** The Administration is being cautiously optimistic in its projection of sales tax revenue and is using projected sales tax growth rates in 2024, 2025, 2026 and 2027 (1.5%, 2.0%, 2.5% and 2.5%, respectively) that are below the County's most recent ten-year average of 3.9%. However, the current uncertain economic conditions concern us because the pronounced growth in sales tax revenue experienced over the past two and one-half years may not be sustainable and, if the local economy enters a recession, such revenue could contract from current levels before resuming growth in the future.

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 2027. However, the State Comptroller has advised that future employer contribution rates are likely to increase in response to the weak investment performance in State FY 2023 by the Common Retirement Fund, which invests the assets of the ERS and PFRS.[7]

We acknowledge that the County has $70.0 million available in its retirement contribution reserve and can use these resources to pay for a portion of its retirement system obligation in future years and reflect this offset in our "conservative scenario." Once the

7 The investments held by the Common Retirement Fund fell 4.1% for the State's fiscal year ending March 31, 2023, which is a 10.0% shortfall from the Fund's 5.9% assumed rate of return.

reserve is exhausted the County may experience the full brunt of higher pension contribution rates in future years absent the Fund's investments outperforming the 5.9% assumed rate of return.

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

Nassau Health Care Corporation – The financial health of the Nassau Health Care Corporation ("NHCC") and its potential impact on Nassau County, including but not limited to Correctional Center healthcare services, continues to be a major source of concern for NIFA. NHCC's audited financial statements continue to state that substantial doubt exists about NHCC's ability to continue as a going concern.

NHCC has experienced recurring operating losses, a working capital deficit and has a total negative net position of approximately $1.1 billion at December 31, 2022. It is also dependent on the continuation of Federal, State and local subsidies, certain of which have ended or are scheduled to end or be reduced. The $1.1 billion includes a liability of approximately $294.0 million in delinquent payments to NYSHIP. The liability, which temporarily dropped to approximately $277.0 million as of August 31, 2023 (after a direct payment of $60.0 million was made by New York State to NYSHIP on NHCC's behalf), continues to grow each month and has now reached almost $300.0 million.

Most worrisome is that NHCC has reported a cash balance of approximately $30.0 million on October 10, 2023, compared to $83.2 million on December 31, 2022. Absent a quick turnaround in its current cash burn rate, it is expected that NHCC will deplete its available cash balances by February of 2024 (when its payment to the retirement system is due), if not sooner.

The circumstances are troubling for the obvious reason that the County has a direct-pay guarantee on NHCC's outstanding debt, which currently totals $100.0 million, or approximately $117.9 million including interest payments. Our projections reflect the potential risk that the County will be required to fund this liability over the remaining six-year amortization schedule.

The County may incur additional costs in the event it provides additional funding to NHCC as a moral obligation to the County's underserved residents.

The County also contracts with NHCC to provide medical, mental health, dental, and ancillary services to inmates incarcerated at the Correctional Center and services for individuals needing inpatient and outpatient treatment for chemical dependency. Consequently, the County may need to secure alternatives to NHCC for the provision of these services, at possibly a greater cost, should NHCC reach a point that it is unable to deliver them.

Judgments and Settlements - The Administration is funding its annual, non-certiorari judgments and settlements with $45.0 million in operating revenue in FY 2024, $40.0 million in FY 2025, $35.0 million in FY 2026 and $30.0 million in FY 2027. 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 2024 and the Out-Years.

The County currently has $178.8 million in its Litigation Reserve Fund to mitigate potentially large non-certiorari judgments or settlements, including Workers' Compensation claims, but has made no definitive provision to increase this amount in the future even though the County is a defendant in several major lawsuits.[8] The County Comptroller has reported that as of December 31, 2022, the County has potential liabilities of $568.8 million for non-certiorari litigation and $322.7 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 current reserves. The County should consider increasing its reserves to avoid finding itself in a position of seeking to bond these costs.

Property Tax Certiorari - Significant property tax certiorari liability continues to confound County efforts to improve its balance sheet. The total tax certiorari liability was reported by the Comptroller to be $383.4 million as of December 31, 2022. This included $272.1 million of non-current liabilities, including $10.5 million in estimated liability payable from the Disputed Assessment Fund ("DAF"), and $111.2 million in current liabilities.

The Administration previously stated that it intended to reduce its property tax certiorari liabilities – using a combination of operating revenue and resources held in its DAF and Litigation Reserve – to $160.0 million by the end of FY 2025.[9] It is unclear if the County can reach its target. The County has not resolved the underlying problem brought about by the County using an assessment roll (which has been frozen again for the last few years) 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.

8 The Administration currently assumes that it will transfer $100.0 million of surplus resources into various reserves at year-end FY 2023; however, it has not specified how it will allocate the transfer(s).

9 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 $39.5 million in FY 2024, $21.0 million in FY 2025, and $17.0 million in FY 2026, it does not contain any budgeted contingency reserves in FY 2027. 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 Administration plans to transfer available FY 2023 surplus resources at year-end into one or more reserves that can be used in future years to fund liabilities that may become payable. The Administration has not detailed its plans, but it is likely to supplement its Litigation Reserve to be more fiscally prepared to pay the large, estimated non-certiorari litigation liabilities reported in its financial statements.

Potential Gap-Closing Plan Initiatives

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, which have not been presented as part of a formal gap-closing, are discussed below.

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 are unaware of any support in the State Legislature for changes to the reimbursement rate.

Building Consolidation

The Administration, without any specifics or supporting documentation, expects to reduce expenses through centralization and reduction of office space, thereby 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 305 full-time vacancies in the Proposed Budget.

Economic Development

The Administration has stated that there are opportunities for economic development of downtown areas; however, it has not identified any specific projects or explained how this would generate new revenue.

Sands Casino

The County entered into a lease agreement with Las Vegas Sands ("LVS") for development of approximately 70-acres of land at the Nassau Coliseum site. The LVS plans include a casino, hotel and entertainment center.

Although all of the County's costs have not been calculated, the lease agreement calls for the County to receive a non-refundable, advance rent payment of $54.0 million (already received), a minimum annual rent of $5.0 million, and $900,000 towards public safety while LVS awaits a potential State gaming license. If the NYS Gaming Commission awards a casino license to LVS, the annual rent and public safety payment will double to $10.0 million and $1.8 million, respectively. LVS will also pay the County a minimum of $25.0 million annually for the Gaming Tax Revenue Guarantee (upon the commencement of the casino operation or three-year anniversary of the license award) and annually fund a Community Benefits Program, which grows from $2.0 million to $4.0 million over the term of the lease agreement. The Administration expects the licensing decision in late 2024, or early 2025.

The County Comptroller has not determined if the $54.0 million non-refundable advance rent payment already received from LVS, will be recognized in FY 2023 or will be treated as deferred revenue (under GAAP) and amortized over the term of the lease agreement. As described previously, the FY 2022 ACFR states: "While the cash is available, the revenue will be recognized over the life of the lease in accordance with GASB Statement No. 87." However, the Comptroller is consulting with the County's independent auditor before making a final determination.

IV. CONCLUSION

Our assessment of the County's fiscal outlook, during the term of the Proposed Plan, has improved in recent months. However, the favorable change does not necessarily demonstrate lasting improvement in the County's fiscal strength. We currently project growing deficits in FY 2025, FY 2026, and FY 2027 for which the County has not supplied us with their proposed solutions. The projected Out-Year deficits, which could reach more than seven times the one percent threshold requiring a Control Period, could worsen if sales tax revenue contracts because of future weakness in the local economy.

We hope, but do not know, if the County will use the significant resources held in its reserves to reduce large burdensome liabilities, such as tax certiorari refunds and non-certiorari judgments and settlements. In addition, despite our request, the County has still not clarified its role in stabilizing NHCC's fiscal standing or explained to us how it will handle health care for its inmates if NHCC is forced to curtail its operations.

The County points to its improved finances (referencing year-end operating results) as a reason to exit the Control Period but has not been forthcoming about many of the challenges that lie ahead. Once we can evaluate all sides of the County's fiscal situation, we will be better able to predict when, or if, the Control Period will end. To reiterate, a letter requesting answers to a series of questions was sent to the County Executive in July of 2022 to assist us in this evaluation. Again, although the letter was acknowledged, none of our questions have been answered.

We will help the County to continue its fiscal recovery and will continue to update our evaluation of its sustainability. 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 2024-2027

MAJOR FUNDS				
EXPENDITURES				
Object	**2024 Proposed**	**2025 Proposed**	**2026 Proposed**	**2027 Proposed**
AA - SALARIES, WAGES & FEES	1,020,456,508	1,044,668,814	1,082,216,898	1,111,066,301
AB - FRINGE BENEFITS	645,660,414	696,909,161	719,761,668	748,049,444
AC - WORKERS COMPENSATION	38,069,500	38,767,890	39,480,248	40,206,853
BB - EQUIPMENT	8,637,099	8,637,099	8,637,099	8,637,099
DD - GENERAL EXPENSES	54,918,720	52,313,274	52,252,944	52,219,158
DE - CONTRACTUAL SERVICES	354,318,344	355,972,966	360,024,281	362,843,621
DF - UTILITY COSTS	42,548,692	37,308,376	36,662,974	36,185,923
DG - VAR DIRECT EXPENSES	5,300,000	5,300,000	5,300,000	5,300,000
FF - INTEREST	95,544,686	94,516,937	101,987,687	109,506,563
GA - LOCAL GOVT ASST PROGRAM	94,069,100	95,925,482	98,292,369	100,718,428
GG - PRINCIPAL	127,360,000	85,818,000	93,993,001	107,175,000
HH - INTERFUND CHARGES	20,695,000	20,352,750	19,993,750	19,642,750
MM - MASS TRANSPORTATION	51,790,222	52,692,668	53,616,773	54,563,057
NA - NCIFA EXPENDITURES	2,750,000	2,250,000	2,835,000	2,480,000
OO - OTHER EXPENSE	294,580,880	282,505,092	261,423,564	244,967,974
PP - EARLY INTERVENTION/SPECIAL EDUCATION	162,847,000	156,847,000	152,847,000	150,597,000
SS - RECIPIENT GRANTS	55,102,000	53,852,000	52,602,000	51,102,000
TT - PURCHASED SERVICES	98,518,186	96,518,186	94,018,186	91,518,186
WW - EMERGENCY VENDOR PAYMENTS	62,840,000	62,840,000	62,840,000	62,840,000
XX - MEDICAID	245,158,133	254,314,436	256,683,602	256,683,602
Total Expenditures	**3,481,164,484**	**3,498,310,132**	**3,555,469,045**	**3,616,302,958**
REVENUES				
Object	**2024 Proposed**	**2025 Proposed**	**2026 Proposed**	**2027 Proposed**
BA - INT PENALTY ON TAX	32,512,500	32,512,500	32,512,500	32,512,500
BC - PERMITS & LICENSES	18,756,591	19,156,591	23,756,591	24,156,591
BD - FINES & FORFEITS	101,709,500	101,709,500	101,709,500	101,709,500
BE - INVEST INCOME	38,935,000	38,935,000	38,935,000	38,935,000
BF - RENTS & RECOVERIES	31,191,454	31,191,454	31,691,454	31,691,454
BG - REVENUE OFFSET TO EXPENSE	23,377,913	23,372,991	23,084,447	22,265,447
BH - DEPT REVENUES	194,781,082	205,282,653	220,481,872	231,459,567
BO - PAYMENT IN LIEU OF TAXES	52,994,776	53,806,843	55,239,218	56,748,924
BQ - CAPITAL RESOURCES FROM DEBT	19,880,000	10,200,000	10,200,000	10,200,000
BS - OTB PROFITS	20,000,000	20,000,000	20,000,000	20,000,000
BW - INTERFUND CHARGES REVENUE	78,388,725	84,583,176	86,870,846	92,538,246
FA - FEDERAL AID REIMBURSEMENT OF EXPENSES	188,115,332	189,448,019	189,979,160	189,408,819
SA - STATE AID REIMBURSEMENT OF EXPENSES	288,088,397	285,549,448	286,812,068	288,649,322
TA - SALES TAX COUNTYWIDE	1,452,057,153	1,481,098,296	1,518,125,753	1,556,078,897
TB - PART COUNTY SALES TAX	153,222,304	136,813,320	131,594,514	134,884,376
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	30,251,120	30,251,120	30,251,120	30,251,120
Total Revenues	**3,481,164,484**	**3,500,813,548**	**3,558,146,680**	**3,618,392,400**
Surplus / (Deficit)	**-**	**2,503,417**	**2,677,635**	**2,089,442**

Appendix B
Multi-Year Plan Baseline Inflators

Category	2025, 2026, 2027	Inflator Explanation
Expenditures		
Employee Benefits:		
Non-Police Pension	8.7%, 3.1%, 2.0%	Assumptions based on available bills and recent historical increases
Police Pension	20.0%, 2.6%, 3.3%	Assumptions based on available bills and recent historical increases
Health Insurance - Active	4.0%, 4.0%, 4.0%	Highest average increase over last 3, 5 or 9 years
Health Insurance - Retirees	4.0%, 4.0%, 4.0%	Highest average increase over last 3, 5 or 9 years
Other Than Personal Services	0.0%, 0.0%, 0.0%	
Utilities:	-12.32%, -1.73%, -1.30%	EIA (US DOE) 2023 Annual Energy Outlook Price Projection for Commercial Customers (Reference Case) and 10 year avg growth in the CPI - All Urban Consumers (New York-Northern New Jersey-Long Island, NY-NJ-CT-PA)
Average Debt Service	6.00%, 6.00%, 6.00%	
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:		
Investment Income	0.0%, 0.0%, 0.0%	Assumptions based on recent historical increases
State Aid	Variable	Variable based upon reimbursement formula
Federal Aid	Variable	Variable based upon reimbursement formula
Sales Tax	2.0%, 2.5%, 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?

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