Nassau County Interim Finance Authority

NIFA

REVIEW OF NASSAU COUNTY'S PROPOSED MULTI-YEAR FINANCIAL PLAN FISCAL 2025 - 2028

October 22, 2024

NASSAU COUNTY
INTERIM FINANCE AUTHORITY

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I. OVERVIEW

On September 16, 2024, the Administration released its Proposed Multi-Year Financial Plan, Fiscal 2025-2028 (the "Proposed Plan"), the first year of which is the Proposed Budget for FY 2025 (the "Proposed Budget").

Following NIFA staff's analysis of the Proposed Plan, we have concluded that the County's fiscal outlook in the Major Funds[1] has improved somewhat compared to our previous analysis of the Multi-Year Plan Update; however, FY 2024 will end in surplus, and not in deficit, only because of the one-shot infusion of unused funds the County received under the American Rescue Plan Act ("ARPA").[2] Further, the structural imbalance masked in FY 2024 by the ARPA funds continues in each year of the Proposed Plan.

We acknowledge that the County has significant resources held in various dedicated reserve funds (currently totaling $522.1 million) that it can draw from to cover potential shortfalls in the Major Funds, if necessary.[3,4] These reserves would have to be utilized in such case because the Proposed Plan does not include a budgeted contingency reserve with a specifically appropriated sum available to cover projected deficits in FY 2025 and the Out-Years.

The Administration's proposed use of $30.0 million of fund balance in each year of the Proposed Plan to bridge the difference between its projections of operating revenues and expenditures is extremely troubling and a sign that the County remains fiscally challenged. Fund balance is not a revenue source under generally accepted accounting principles ("GAAP")[5]**.** Consequently, the Proposed Plan contains a GAAP deficit in each year on its face even if all the Administration's other financial assumptions are correct. The inclusion of fund balance as a funding source in the General Fund and the Police

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

2 We project that the $222.3 million in ARPA monies transferred into the operating funds this year will result in a surplus of approximately $162.9 million in FY 2024, which will be added to existing reserves as discussed herein. The FY 2024 surplus could be higher before year-end if the Administration repeats its recent practice of shifting litigation expenditures from the operating budget to the Litigation Fund – which would inflate the size of the Major Funds surplus – before re-transferring the temporarily-inflated surplus back into the Litigation Fund at year-end.

3 The Proposed Budget includes appropriations in the amount of $285.0 million in various reserves to provide flexibility in the event there is a downturn in the economy necessitating mid-year operating budget relief.

4 The reserves are insufficient to cover the entirety of the County's known risks and long-term liabilities. The FY 2023 ACFR estimates three of the County's several long-term liabilities to be approximately $1.0 billion for tax certiorari refunds, non-certiorari litigation, Workers' Compensation claims and lists the County's $117.9 million ($97.4 million as of August 1, 2024) of contingent liability for County-guaranteed debt issued on behalf of NHCC.

5 This point was also flagged by the County Comptroller and the Office of Legislative Budget Review.

District Fund would violate the legal requirements of the Nassau County Charter and the NIFA Act that such (and certain other) funds must be balanced in the financial plan in accordance with GAAP. Accordingly, we urge the County Legislature to address these statutory deficiencies and, at a minimum, bring the Proposed Plan into compliance with the aforementioned laws. NIFA will closely monitor the Legislature's actions.

Overall, we identify several significant risks that, if not mitigated, would exacerbate the GAAP deficits causing them to increase multiple times above the one percent threshold for a control period. As shown in the following table, NIFA staff projects a potential deficit of between $189.8 million and $207.4 million in FY 2025 and greater amounts in the Out-Years until reaching a high of between $333.8 million and $345.2 million in FY 2028. It is noteworthy that NIFA and the Administration's projections in FY 2026, FY 2027 and FY 2028 do not account for any additional labor costs likely to result from new collective bargaining agreements for union contracts expiring June 30, 2026. These additional labor costs will further widen the projected imbalance between recurring revenues and recurring expenditures.

Operating Results on a GAAP Basis
Control Period Calculation
($ in millions)

FY 2018	FY 2019	FY 2020 *	FY 2021*	FY 2022	FY 2023	FY 2024p	FY 2025p	FY 2026p	FY 2027p	FY 2028p
($61.2)	$76.8	$90.6	$27.2	$79.7	$19.3	$162.9	($207.4)	($267.4)	($307.2)	($345.2)
							($189.8)	($248.3)	($296.9)	($333.8)

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.

In short, the Proposed Budget contains risks that we believe are manageable due to the accumulated reserves dedicated for particular purposes, although other risks discussed in this Report raise doubt whether the County can navigate the long-term headwinds if the economy significantly declines.

Status of the Current Control Period

Because of the financial risks discussed in this Report, we project that the County will be unable to achieve balance on a GAAP basis through FY 2028. Our opinion might change in the unlikely event that the economy improves significantly, concerns about NHCC are addressed or resolved, or if there is a large and unanticipated infusion of recurring revenue or a significant realignment of expenditures.

* * *

Additional analysis of the Proposed Budget and Proposed Plan follows: Section II discusses FY 2025 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 24, 2023 report on the Proposed Multi-Year Financial Plan, Fiscal 2024-2027, and NIFA's August 2, 2024 report on the Multi-Year Financial Plan Update, Fiscal 2024-2027, which can be found on the NIFA website at https://nifa.ny.gov/financial-plan-reports.

II. DISCUSSION OF FY 2025

Our analysis of the Proposed Budget indicates that the County will end FY 2025 with an operating GAAP deficit of between $189.8 million and $207.4 million in the Major Funds. Even if all the identified risks for FY 2025 are mitigated, the Proposed Plan contains additional risks that could result in significant deficits for FY 2026, FY 2027, and FY 2028 (the "Out-Years"), which we discuss in Section III.

Discussion of Major Risks

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

Fund Balance – The Proposed Budget includes $30.0 million of fund balance as an appropriation to bridge the difference between its projections of operating revenues and expenditures. As recognized by the County Comptroller's Office and the Office of Legislative Budget Review, fund balance is not a revenue source under GAAP. Accordingly, we subtract the $30.0 million from the projected operating results in the "GAAP Basis Adjustments" entry at the bottom of Table 1.

It is noteworthy that the inclusion of fund balance as a funding source in the General Fund and the Police District Fund would violate the legal requirements of the Nassau County Charter and the NIFA Act that such (and certain other) funds must be balanced in the financial plan in accordance with GAAP.

Fines and Forfeitures – The Proposed Budget includes $106.3 million in anticipated revenue from fines and forfeitures. We have identified risks of approximately $10.6 million in the following areas:

- *Ticket Reconciliation Program ("TRP") initiative:* The Proposed Budget includes $5.0 million for the TRP initiative, which requires County legislative approval, and is designed to collect unpaid tickets and notices of liability. We are holding this initiative at risk until it is implemented, and there is evidence of collections;
- *Fines and Administrative Fees*: Our projections indicate a $3.7 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*: $1.3 million shortfall based on current trends in FY 2024; and

- *All Other Fines:* $0.6 million shortfall in the value of property forfeited through seizure.

Table 1

Analysis of Proposed FY 2025 Budget (Prior to Legislative Actions)			
($ in millions)	FY 2025 Proposed	FY 2025 Projections	Surplus / (Risk)
Revenues:			
Fund Balance	**30.0**	**30.0**	**0.0**
Fines and Forfeitures	**106.3**	**95.7**	**(10.6)**
Ticket Reconciliation Program (TRP)	*5.0*	*0.0*	*(5.0)*
Fines & Administrative Fee	*24.6*	*20.9*	*(3.7)*
Red Light Camera & Administrative Fee	*46.1*	*44.8*	*(1.3)*
Other Fines	*30.6*	*30.0*	*(0.6)*
Investment Income	***54.4***	***33.4***	***(21.0)***
Rents and Recoveries	**37.5**	**20.6**	**(16.9)**
Las Vegas Sands Revenue	*10.0*	*0.0*	*(10.0)*
Sale of County Property	*4.2*	*0.0*	*(4.2)*
Reversal of Prior Year Encumbrances	*13.8*	*13.8*	*0.0*
Other Recoveries	*9.5*	*6.8*	*(2.7)*
Departmental Revenues	**201.4**	**187.5**	**(13.9)**
GIS Tax Map	*29.0*	*21.1*	*(7.9)*
Revenue from Income and Expense Law	*5.0*	*0.0*	*(5.0)*
Other Departmental Revenues	*167.4*	*166.4*	*(1.0)*
Capital Resources for Debt	**10.2**	**5.2**	**(5.0)**
Federal & State Aid	**526.9**	**557.6**	**30.7**
Sales Tax	**1,599.8**	**1,599.2**	**(0.6)**
Other Revenue	**1,020.4**	**1,020.9**	**0.5**
Total Revenues	**3,586.9**	**3,550.1**	**(36.8)**
Expenditures:			
Salaries and Wages	**1,073.9**	**1,110.8**	**(36.9)**
Overtime	*86.3*	*117.4*	*(31.1)*
Other	*987.6*	*993.4*	*(5.8)*
Fringe Benefits	**701.2**	**751.2**	**(50.0)**
Health Insurance (Active & Retirees)	*352.0*	*420.6*	*(68.6)*
Social Security	*89.0*	*77.2*	*11.8*
Employees' Retirement System	*80.3*	*76.2*	*4.1*
Police and Fire Retirement System	*140.6*	*138.1*	*2.5*
Other	*39.3*	*39.1*	*0.2*
Debt Service	**176.7**	**165.6**	**11.1**
Local Government Assistance	**94.7**	**94.7**	**0.0**
Early Intervention/Pre-School	**185.0**	**205.1**	**(20.1)**
Other Expenditures	**1,355.4**	**1,355.3**	**0.1**
Total Expenditures	**3,586.9**	**3,682.7**	**(95.8)**
Total Projected Operating Results (Baseline)			**($132.6)**
GAAP Basis Adjustments (including fund balance)*			**(74.8)**
Total Projected Operating Results on a GAAP Basis (Baseline)			**($207.4)**

***Comptroller's estimated accounting adjustments for the Major Funds defined in the NIFA Act. We were advised that this calculation is subject to change since it does not include adjustments for GASB No. 87, GASB No. 94 and GASB No. 96.**

Table 2

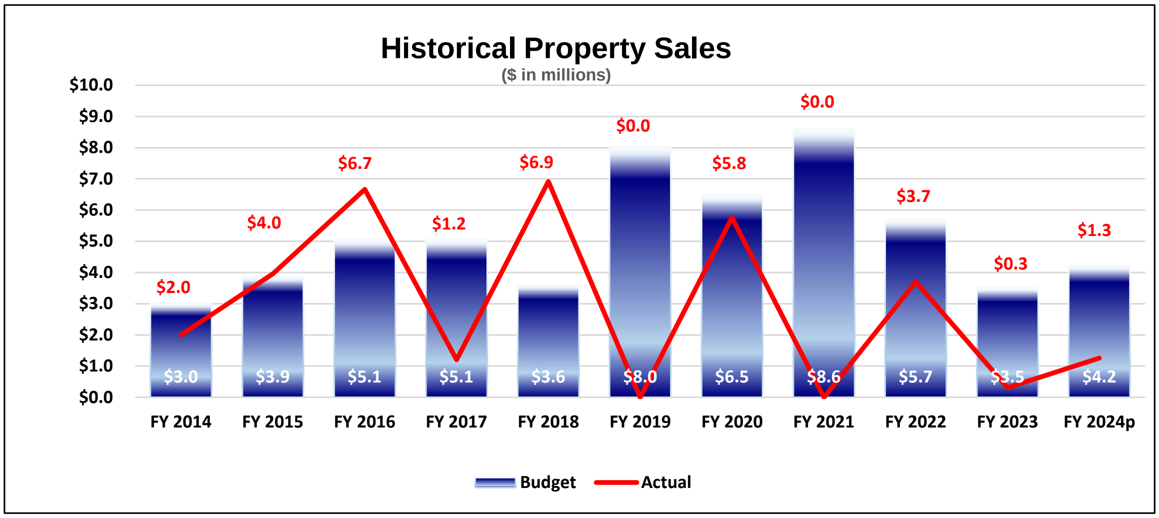
Other Opportunities and Risks Surplus / (Risk) ($ in millions)	
Total Projected Operating Results on a GAAP Basis (Baseline)	**($207.4)**
Funded Unfilled Positions (half value)	27.8
Las Vegas Sands Payment	10.0
NHCC Debt Service	(20.2)
Projected Operating Results including Other Potential Opportunities / (Risks)	**($189.8)**

Investment Income – On September 18, 2024, the Federal Open Market Committee ("FOMC") lowered its key overnight borrowing rate by a half percentage point, or fifty basis points, amid signs that inflation was moderating and the labor market was weakening. This was the Federal Reserve's first interest rate cut since the early days of the Covid-19 pandemic. As per the FOMC Summary of Economic Projections, it is expected that the Federal Reserve will announce another round of cuts in interest rates in 2024 (fifty basis points), and one hundred basis points in 2025. Taking into consideration these reductions, our analysis indicates that the Proposed Budget has a $21.0 million risk in investment income.

Rents and Recoveries – The Proposed Budget includes $37.5 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.

The Administration renegotiated the lease with Las Vegas Sands, since the original agreement dated May 26, 2023 was annulled on November 9, 2023 by order of the New York Supreme Court. The new lease agreement was approved by the Nassau County Legislature on August 5, 2024. The new agreement calls for a non-refundable annual payment in the amount of $10.0 million for each of the first three years. The Comptrollers' Office has not yet made a determination on the accounting treatment for these payments as per GASB 87; therefore, we are holding the $10.0 million at risk until it is determined if the entire amount can be recognized in FY 2025, but at the same time recognize it as an opportunity in Table 2.

Included in the $37.5 million is a $4.2 million "one shot" that the Administration expects to realize from the sale of County property in FY 2025. 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 reversal of $13.8 million in encumbrances from prior years to provide budget relief; however, the Comptroller will subtract this amount when reporting the County's GAAP operating results. Accordingly, we have advised the County on many occasions not to incorporate this item in the budget and have included it in the $74.8 million GAAP Basis Adjustments at the bottom of Table 1.

Finally, other rents and recoveries are budgeted at $9.5 million, of which we are holding $2.7 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 $201.4 million in departmental revenues, of which we project approximately $13.9 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 based on current trends, and estimate it will fall short by $7.9 million[6];

- *Income and Expense Law:* The Administration is still litigating the County's Income and Expense Law in Federal court and assorted State court actions. It is

6 It is noteworthy that the plaintiff's motions in the tax map verification fee litigation – to have the court hold the County in contempt of the judgment in connection with the lowering of the fee from $355 to $270 (including the imposition of fines and penalties and a direction to stop the County from collecting the fee until approved by the court) and for attorney's fees - were denied in a decision dated September 20, 2024 unlikely that this litigation will be resolved in time for the County to implement the fee for FY 2025. Revenue from this initiative has been pushed back several times. Accordingly, we are placing at risk the entire $5.0 million this year; and

- *Other Departmental Revenue*: Under this category we include a projected shortfall of $1.0 million in various County departments offset by a surplus in the Health Department for reimbursement for services provided to children in the Preschool Program enrolled in Medicaid at the time of service.

Capital Resources from Debt – The Proposed Budget includes $10.2 million in capital resources from debt, which is a category of resources that includes unused cash in closed capital projects ($5.0 million). The $5.0 million of surplus resources from capital projects is uncertain, but even if achieved, would be 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).

Federal and State Aid – Our analysis of Federal aid indicates that the County assumptions are slightly understated by $2.7 million primarily in the Department of Social Services. We also project State aid to exceed the Proposed Budget by $28.0 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 $1.6 billion, comprises 44.6% of all revenues in the Major Funds. The proportion of the budget supported by sales tax revenue has been growing each year, which could present a challenge during a period of economic stagnation or contraction. The Administration is assuming that sales tax revenue will not grow in FY 2025 before resuming growth of 2.5% in FY 2026, 2.75% in FY 2027 and 2.75% in FY 2028.

Although our sales tax revenue projection for FY 2025 is substantially consistent with the Administration's, which we arrive at by assuming sales tax revenue in the remaining checks of FY 2024 will be flat (compared to the same period in FY 2023), we assume a slightly higher growth rate of 1.3% in FY 2025, which is consistent with an analysis of Nassau County's economy prepared by Moody's Analytics. However, our analysis of the Out-Years assumes more modest assumptions of sales tax growth than the Administration of 1.8% in FY 2026, 2.5% in FY 2027 and 2.5% in FY 2028.

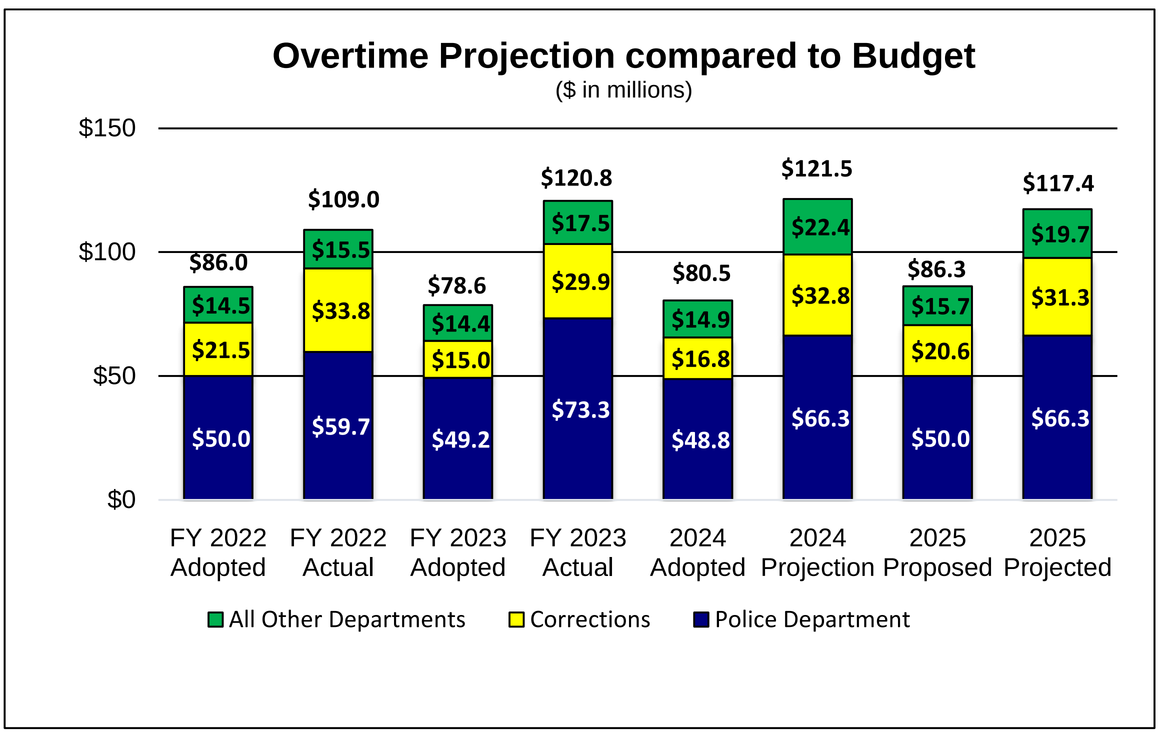
Sales Tax Growth 2024 compared to 2023	
1st Quarter	(1.1%)
2nd Quarter	1.1%
3rd Quarter (partial)	1.8%
YTD	**0.5%**

As shown in the accompanying table, year-to-date sales tax revenue is basically flat compared to the same period last year, rising by only 0.5%. However, available data shows modest growth in the third quarter. It is unclear if growth in the most recent period is indicative of trending strength or if it will slow in 2025 as inflation cools; consequently, we are assuming in our projections the more modest Moody's Analytics forecast of 1.3%. A sensitivity analysis shows that each percentage point of growth (contraction) that varies from our 1.3% assumption in FY 2025 will add (subtract) approximately $14.8 million in net revenue to (from) our projections.

Salaries and Wages – The Administration projects that salaries and wages will total $1,073.9 million in FY 2025. This amount includes funding for steps and COLAs for all positions, as per the County's labor agreements. The Administration also includes funding for 325 currently vacant positions, which includes scheduling two classes of Correction Officers and two classes of Police Officers.

Our analysis indicates that the projection is not unreasonable; however, after we assess the various categories within salaries and wages, we conclude that overtime continues to be underfunded by $31.1 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 include a credit of $27.8 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 2025, at $50.0 million, which is $16.3 million lower than our projection, as shown in the chart below. The Administration contends that overtime costs should be mitigated by the two projected classes of Police Officers included in the Proposed Budget.



The Correctional Center has the second-largest proposed overtime budget at $20.6 million in FY 2025, which is $10.7 million below our projection, as set forth in the chart above. Overtime spending at the Correctional Center has exceeded the adopted budget each year since FY 2016, even though the average census of inmates has declined.

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 $24.5 million in the Employee Benefit Accrued Liability Reserve Fund to cover this potential risk.

Headcount – The Proposed Budget contains 7,517 full-time positions, which is 38 positions higher than the FY 2024 Adopted Budget, and 325 positions higher than the County's September 5, 2024 on-board headcount of 7,192 after accounting for the unallocated attrition factor of 312 positions (valued at $10.0 million). We consider the practice of centralizing the attrition factor (312 positions) misleading since it results in an inaccurate picture of each department's authorization to hire.

Because the County already has 287 vacancies as of September 5, 2024 (compared to the FY 2024 Adopted Budget), our salary projections for FY 2025 discount by half the cost of filling the 325 budgeted vacancies in FY 2025 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 five departments with the highest number of budgeted vacancies in FY 2025 are Social Services, the Sheriff/Correctional Center, the Police Department, the Assessment Department and the Department of Public Works, as shown in the table below.

Department	FY 2024 Adopted Budget	On Board 9/5/2024	2024 Vacancies (to 9/5/2024)	FY 2025 Proposed Budget	2025 Vacancies (to 9/5/2024)	Budget to Budget Increase / (Decrease)
Social Service	566	453	113	578	125	12
NC Sheriff/Correctional Center	940	839	101	943	104	3
Police Department	3,392	3,325	67	3,406	81	14
Assessment Department	164	114	50	160	46	(4)
Public Works Department	415	370	45	415	45	0
Health Department	281	261	20	288	27	7
Board of Elections	160	135	25	160	25	0
Fire Commission	115	98	17	122	24	7
County Comptroller	95	80	15	102	22	7
Probation	221	201	20	217	16	(4)
Parks, Recreation and Museums	151	135	16	150	15	(1)
County Clerk	90	77	13	90	13	0
District Attorney	460	439	21	450	11	(10)
Office of Management and Budget	25	22	3	32	10	7
All Other Departments	709	643	66	716	73	7
Attrition factor budgeted centrally	(305)	0	(305)	(312)	(312)	(7)
	7,479	**7,192**	**287**	**7,517**	**325**	**38**

Fringe Benefits – Our analysis indicates that fringe benefits are underfunded by $50.0 million.

Consistent with concessions made by the Civil Service Employees Association ("CSEA") in its labor agreement with the County, health insurance coverage for all CSEA members (actives and retirees) were to be transferred from the New York State Health Insurance Program ("NYSHIP") "Empire Plan" to the "Excelsior Plan" as of January 1, 2024. Although the employees were transferred to the less costly Excelsior Plan, the health insurance premiums were raised significantly above what had been estimated, which erased a majority of the negotiated concession savings.

A group of CSEA retirees filed a class action lawsuit to prevent such transfer. In December 2023, the New York State Supreme Court issued a temporary order preventing the County from switching CSEA retirees' health insurance coverage and directed the County to continue their membership in the Empire Plan until a determination is made on a preliminary injunction motion. The temporary order had the immediate effect of eliminating the associated concession savings.

Further, the New York State Department of Civil Service Employee Benefit Division informed the County that effective January 1, 2025 the Excelsior Plan would no longer be available. The County was notified that if no decision of a new plan was made by October 1, 2024, that all CSEA members would automatically be enrolled in the Empire Plan. It is our understanding that the CSEA contract has been reopened to address/renegotiate the health insurance issue and that discussions between the union and the County are ongoing.

Until an alternative and less costly health insurance plan other than the Empire Plan is negotiated, our analysis shows that health insurance costs for both active employees and retirees is underbudgeted by approximately $68.6 million. The State Department of Civil Service has not finalized the rates to be charged by NYSHIP for 2025. 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.

NIFA estimates that the County's pension expense will be $6.6 million lower than the Proposed Budget. Our projection is based on the estimated bills sent to the County from the New York State Retirement System. NIFA also projects lower-than-budgeted costs for social security in the amount of $11.8 million. These savings are directly linked to the high number of budgeted vacancies and will be realized to the extent hiring is delayed or the positions remain unfilled.

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. Based on current trends, our analysis indicates that the Administration's assumptions are understated by approximately $20.1 million.

Other Expenditures – We project a potential surplus of $0.1 million for Other Expenditures. The variance is comprised of a surplus of $1.2 million in Recipient Grants, where 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 Home Energy. The surplus is offset by a projected shortfall of $1.1 million in Emergency Vendor Payments, where the department makes emergency payments directly to vendors servicing clients eligible for the TANF, SNA, and Person in Need of Supervision programs.

Debt Service – County debt service is budgeted at $176.7 million, which is approximately $11.1 million higher than will be needed to pay principal and interest on outstanding debt in the likely event that the County delays its capital borrowing schedule from December 2024 to 2025.

Other Concerns

Nassau Health Care Corporation – The financial health of the Nassau Health Care Corporation ("NHCC") and its potential impact on the County, including but not limited to Correctional Center health care services, continues to be a major source of concern for NIFA. The report of the independent certified public accountants for NHCC's 2023 audited financial statements continues 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 $1.2 billion at December 31, 2023. It is also dependent on the continuation of Federal, State and local subsidies, certain of which have or are scheduled to end or be reduced. Further, NHCC's collective bargaining agreement with the CSEA expired at the end of 2022. Consequently, any future agreement will likely result in increased labor costs.

NHCC adopted a budget for 2024 that anticipated an operating loss of $66.6 million. Based on current trends, we are concerned that the loss may significantly exceed NHCC's assumptions as its August 2024 operating results show a year-to-date loss of $82.9 million.

An additional cause for concern is NHCC's precariously low cash balance. Although cashflow fluctuates on any given day due to, among many factors, the timing of revenue collections, payroll runs, and payments to vendors, its cash balance on October 7, 2024, was $57.4 million with a daily operating expense burn rate of approximately $1.9 million.

Further, the low levels of available cash are buoyed by NHCC not paying its monthly health insurance premiums, which is causing its outstanding liability owed to the New York State Health Insurance Plan for coverage of its employees and retirees to grow by approximately $7.0 million each month. The outstanding liability has reached approximately $382.3 million at the beginning of October. Additionally, the liability would have been $60.0 million higher if not for a grant from the New York State Department of Health applied against the outstanding balance in the beginning of 2023. NHCC data also shows that it is not paying its other vendors as promptly as it had in prior years.

The circumstances are troubling for the obvious reason that the County has a direct-pay guarantee on NHCC's outstanding debt, which totals $84.5 million in principal, or approximately $97.4 million including interest. Our projections reflect the potential risk that the County will be required to fund this liability over the next five years.

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.

Budgeted Contingency Reserves – The Administration's decision to not maintain budgeted reserves for contingencies in the Proposed Plan is concerning. Despite the existence of off-budget reserves, 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.

Supplemental Reserves – The County has $522.1 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. The Proposed Budget includes appropriations in the amount of $285.0 million in various reserves to provide flexibility in the event there is a downturn in the economy necessitating mid-year operating budget relief, but does not currently rely on the appropriations for balance in the Major Funds.

Fund	Balance Available as of 10/09/2024 ($ in millions)	FY 2025 Proposed Budget ($ in millions)
Litigation		
Non-Certiorari Judgments	$78.7	$0.0
Workers' Compensation	14.0	0.0
Longevity Payments - non-Police District	28.9	0.0
Non-Certiorari Judgments - Police District	25.0	0.0
Longevity Payments - Police District	25.9	0.0
Tax Certiorari	62.3	0.0
Total Litigation Fund	**$234.8**	**$0.0**
Operating Reserve Fund		
Health Insurance Reserve	$52.6	$55.0
Labor Reserve	33.9	30.0
Insurance Reserve	10.0	10.0
Total Operating Reserve Fund	**$96.5**	**$95.0**
Employee Benefit Accrued Liability Reserve Fund	$46.1	$44.5
Bonded Indebtedness Reserve Fund	69.5	69.0
Retirement Contribution Reserve (General Fund)	75.2	74.5
Capital Reserve Fund	0.0	2.0
Total Reserves	**$522.1**	**$285.0**

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. The Administration transferred $110.0 million of unused FY 2023 resources to the different categories within the Litigation Fund.

The Operating Reserve Fund was established in 2023 with the sole purpose to cover extraordinary expenses under the following categories (segregated specifically): (1) healthcare – to cover unbudgeted or extraordinary expenditures related to healthcare insurance for existing and retired employees; (2) labor – to provide for payment of unbudgeted or extraordinary personnel costs, and expenditures related to negotiated labor agreements, awards or settlements; and (3) insurance – to provide for the retention of risk to strengthen the County's risk management strategy through high deductible, excess loss property and casualty, public entity liability and other polices. The Administration transferred $50.0 million of unused FY 2023 resources into the Operating Reserve Fund.

The Proposed Budget assumes up to $95.0 million of this Fund is available for budget relief in the event there is a downturn in the economy necessitating mid-year corrective actions: $55.0 million for health insurance; $30.0 million for labor costs; and, $10.0 million to cover insurance shortfalls.

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 Administration transferred $30.0 million of unused FY 2023 resources into this fund. The available balance as of October 9, 2024, is broken downs as follows:

Allocation	Balance Available as of 10/09/2024 ($ in millions)	FY 2025 Proposed Budget ($ in millions)
Police District	$24.9	24.5
General Fund	20.0	20.0
Reserve for Majority Caucus	0.6	0.0
Reserve for Minority Caucus	0.6	0.0
Total Reserve	**$46.1**	**$44.5**

The Proposed Budget assumes that up to $24.5 million of this Fund may be used for costs related to the Police District and $20.0 million for the General Fund.

The Bonded Indebtedness Reserve Fund ("BIF") was established in 2005. Its purpose is to set aside resources for future partial payments of debt service. In FY 2023 the County used proceeds from the Bonded Indebtedness Reserve Fund in the amount of $91.3 million to defease outstanding bonds and the payment of other long-term obligations. An additional $35.0 million of the FY 2023 budgetary surplus was transferred into this Fund.

The Proposed Budget assumes up to $69.0 million of the BIF is available should the Administration identify opportunities to generate debt service savings, including flexibility to defease additional outstanding debt.

The Retirement Contribution Reserve Fund was formed in 2004. It was created to allocate resources to cover portions of future retirement systems payments. The funds currently held in this Fund could be used to offset pension payments related to the Employees' Retirement System ("ERS"), but not the Police and Fire Retirement System ("PFRS"). The Proposed Budget includes appropriations in the amount of $74.5 million.

The Capital Reserve Fund was established in 2024, pursuant to Section 6-c of the General Municipal Law, to accumulate funds to finance the cost of the acquisitions of vehicles with a period of probable usefulness of less than five years. The Proposed Budget appropriates $2.0 million for the purchase of non-public safety vehicles.

Opioid Litigation Settlement Fund – 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, $11.4 million in FY 2023[7], and an additional $7.7 million in FY 2024 as of October 10, 2024. As directed by the County Legislature, these funds are earmarked for the treatment and prevention of opioid addiction and family support. The Proposed Budget includes an additional $15.0 million in appropriations to enhance the opioid treatment and prevention programs.

As recommended earlier, the County should continue funding reserves that would help mitigate extraordinary liabilities.

On January 22, 2024, the County Legislature approved the transfer of appropriations from ARPA, to replace revenue losses due to the COVID-19 pandemic, into different categories. The approved transfer allocated funds as follows:

Fund/Purpose	$ Amount (in millions)
General Fund	$222.3
Sewer and Stormwater Resources Fund	25.0
Legislative Initiaves	15.0
Total Transfer:	**$262.3**

The Administration has not yet 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.

7 Reported in the Comptroller's ACFRs for FY 2023 and FY 2022.

III. THE OUT-YEAR GAPS: FY 2026 – FY 2028

This section discusses the projected Out-Year gaps (FY 2026 – FY 2028) 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 $4.2 million in FY 2026, $1.8 million in FY 2027, and $3.7 million in FY 2028. Using its assumptions, the Administration contends, "[t]he County's Fiscal 2025-2028 Multi-Year Financial Plan is structurally balanced with no gaps; therefore, no discussion of a gap-closing plan is required."

We disagree with the Administration's conclusion regarding structural balance. Specifically, 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 2026, FY 2027, and FY 2028 in both our 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 that includes other risks and opportunities.

PROJECTED OUT-YEAR EXPENDITURES EXCEED REVENUES

($ in millions)	FY 2026	FY 2027	FY 2028
County Estimate of Surplus	**$4.2**	**$1.8**	**$3.7**
NIFA Estimate of Deficit (baseline)	**($267.4)**	**($307.2)**	**($345.2)**
NIFA Estimate of Deficit (including other risks and opportunities)	**($248.3)**	**($296.9)**	**($333.8)**

Further, the projections in FY 2026, FY 2027 and FY 2028 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[8].

We acknowledge that the County has $33.9 million available in the Operating Reserve Fund for labor and can use these resources to pay for unbudgeted labor costs in

8 County contracts with the Detectives Association, Inc., the Superior Officers Association, the Police Benevolent Association, Inc., the Sheriff's Correction Officers Benevolent Association, Inc., and the District Attorney Investigators Police Benevolent Association expire June 30, 2026. The County's contract with the Civil Service Employees Association, Inc. expires December 31, 2030.

future years, but only to the extent the Administration does not utilize the monies it appropriated in the Proposed Budget.

Major Differences in Out-Year Projections

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

- Overestimated revenues from investment income, mainly due to the recent cuts in interest rates. As per the Summary of Economic Projections, it is expected that the Federal Reserve will announce another round of cuts in interest rates in 2024 (fifty basis points), and one hundred basis points in 2025;

- Overestimated revenues from fines and forfeitures, mainly due to revenues related to the ticket reconciliation program, an initiative that requires legislative approval; tickets issued by the Police Department, red-light camera tickets and the associated administrative fees;

- Overestimated departmental revenues, including from the GIS Tax Map Verification fee. Other fees in this category are also overestimated, such as those from the Income and Expense Law and mortgage recording fees;

- 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 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; and

- Underestimated costs related to the Early Intervention and Pre-school programs. NIFA's projections calculate higher costs which go in hand with the increased trend in caseloads. The current State reimbursement rate related to cost associated with these programs is 59.6%. The County's assumptions reflect an increase in the reimbursement rate. However, the rate increase requires State Legislature approval. We are unaware of any support in the State Legislature for changes to the reimbursement rate.

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 2025, 2026, 2027 and 2028 (0.0%, 2.5%, 2.75% and 2.75%, respectively) that are below the County's most recent ten-year average of 3.5%. However, the current uncertain economic conditions concern us because the pronounced growth in sales tax revenue experienced over the past three 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 ERS and the PFRS are expected to decline slightly each year through FY 2028. Although the State Comptroller has advised that long-term employer contribution rates may come down from 2025 levels if investment performance in State's Common Retirement Fund, which invests the assets of the ERS and PFRS, matches its actuarial assumptions, our analysis assumes that the contribution rates remain unchanged through the end of the Proposed Plan.[9]

We acknowledge that the County has $75.2 million available in its Retirement Contribution Reserve Fund and can use these resources to pay for a portion of its retirement system obligation in future years, but only to the extent the Administration does not utilize the monies it appropriated in the Proposed Budget.

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 – in either direction – 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 **–** NHCC projects operating losses of $24.9 million in FY 2025, $17.6 million in FY 2026, $18.3 million in FY 2027, and $19.2 million in FY 2028. The projected losses are $43.1 million higher each year when accounting for certain non-operating items, such as the estimated cost of Other Post-Employment Benefits ("OPEB"). Unfortunately, there is no discussion of gap-closing measures NHCC plans to implement to ensure recurring financial balance.

Our analysis indicates that NHCC's revenue targets, which show annual increases of between $5.0 million and $22.0 million are achievable if they continue their upward trend over 2023. Total revenue for the eight months ended August 2024 is $26.8 million greater than August 2023.

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9 Employer contribution rates to ERS and PFRS have trended higher in recent years. In addition, changes adopted in April 2024 that increase benefits to members of Tier 6 will place upward pressure on employer contribution rates absent higher-than-assumed investment returns (5.9%) on assets held in the Common Retirement Fund.

In contrast, our analysis shows that NHCC's expenditure assumptions – which will lead to annual deficits even if achieved – are ambitious, particularly in the areas of operating expense reductions since NHCC has not provided an explanation of how it will achieve these savings. Our skepticism is based on trends identified in NHCC's August 2024 financial results. Specifically, we question the soundness of NHCC's projections of salaries, fringe benefits and other expenses in FY 2025. These spending categories would require large reductions of $19.7 million, or 6.4%, for salaries, $34.6 million, or 20.1%, for fringe benefits and $22.6 million, or 18.3%, for other expenses compared to FY 2024 to reach the budgeted targets.

Our understanding is that NHCC modified its policy regarding eligibility for lifetime health insurance benefits in 2018 by increasing the eligibility threshold from five years of service to 20 for non-union employees (to be consistent with changes enacted in 2013 for CSEA employees), but those savings would only be realized in the future after employees who were hired under the new policy leave. Further, reducing fringe benefits by 20.1% in FY 2025 would require a radical change in insurance providers and/or coverages. NHCC has not provided any information that would substantiate these reductions. Other components of fringe benefits such as employment taxes, pension, disability, and workers compensation expenses are compulsory and not eligible for modifications.

We also note that their other expenses for the eight-month period ended August 2024 had increased by $5.5 million or 7.2% over the same period in 2023. NHCC does not lay out a realistic path to reduce those expenses by more than twice that amount in FY 2025.

We also find it unrealistic to show no annual increases for OPEB expense in a period of rising health insurance premiums. The population of OPEB-eligible participants would have to drastically decrease, which also is unrealistic in a period of increasing longevity.

Judgments and Settlements - The Administration is funding its annual non-certiorari judgments and settlements with $28.0 million in operating revenue in each of FY 2025, FY 2026 and FY 2027. Our analysis indicates this to be reasonable based on average historical liability; however, it makes no provision for potentially large judgments or settlements, which would have to be paid out of the Litigation Fund.

The County currently has $135.6 million in its Litigation 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. The County Comptroller has reported that as of December 31, 2023, the County has estimated liabilities of $475.5 million for non-certiorari claims and litigation and $308.7 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 – Although improved from past years, significant property tax certiorari liability continues to impair the County's balance sheet. The total tax certiorari liability was reported by the Comptroller to be $269.6 million as of December 31, 2023. This included $161.1 million of non-current liabilities, including $6.7 million in estimated liability payable from the Disputed Assessment Fund ("DAF"), and $108.5 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 Fund – to $160.0 million by the end of FY 2025.[10] 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.

Budgeted Contingency Reserves – The Proposed Plan does not contain budgeted contingency reserves which had been previously funded at $30.0 million in FY 2024 and FY 2026, and $5.0 million in FY 2027. Despite the existence of off-budget reserves, 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 – The Administration has not described what it will do with the surplus resources it will likely have at the end of FY 2024. We are assuming that it will transfer the surplus resources into one or more reserves that can be used in future years to fund liabilities that may become payable rather than allow them to become part of fund balance. The County is well aware that GAAP does not treat fund balance as revenue. Consequently, fund balance cannot be used to match expenditures or offset shortfalls in the operating budget.

Nassau Community College **–** Nassau Community College ("NCC") is a "Covered Organization" under the NIFA Act. However, it should be noted that the County's financial support is primarily limited to supporting a portion of NCC's operating expenses (through the levy of a property tax) and to sharing NCC's capital costs with the State.

The Proposed Plan for NCC contains projected GAAP deficits in each year, which in FY 2025 and FY 2026 are the result of appropriating fund balance in the amount of $4.3

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

million and $7.2 million, respectively, to bridge the difference between its projections of operating revenues and expenditures, as reflected in the chart below.[11] FY 2026 is projected to be unbalanced even after the appropriation of fund balance. NCC's projections for FY 2027 and FY 2028 also show increasing deficits, which occur after its fund balance is completely depleted in FY 2026.

	FY 2025	FY 2026
Beginning Fund Balance	$11,427.0	$7,155.0
Funds needed for Operations	(4,272.0)	(7,155.0)
Ending Fund Balance	**$7,155.0**	**$0.0**

The three major revenue sources that support NCC's budget are: tuition and fees, which is projected to grow at a constant 3% year to year; and State aid and property taxes, which remain flat throughout the Proposed Plan.

Salaries and benefits constitute approximately 88% of total expenditures in each year of the plan and are projected to grow by 3% annually. Other than personal services costs, which include equipment, general expenses, contractual services, and utilities, are also projected to grow by 3% annually. Debt service-related costs remain substantially unchanged in the Proposed Plan.

Unfortunately, the Proposed Plan does not describe any gap-closing measures NCC plans to implement to ensure recurring financial balance. It lists the following gap-closing initiatives without assigning any numerical value: 1) Tuition Increases; 2) Public-Private-Partnerships; 3) Leasing Property; 4) Rental Income; 5) Internal Efficiencies; 6) Cost Containment; and 7) State Support. The County should insist that NCC craft a detailed gap-closing plan containing comprehensive descriptions of the requisite tasks and milestones.

Potential Gap-Closing Plan Initiatives

The Administration has identified several initiatives it is 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

11 As we stated earlier in this Report, as recognized by the County Comptroller's Office and the Office of Legislative Budget Review, fund balance is not a revenue source under GAAP.

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 325 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 Legislature approved a substitute lease with the Las Vegas Sands ("LVS") for the operation of approximately 72-acres of land at the Nassau Coliseum site and separately a term sheet for a proposed lease for the redevelopment of the property, with certain terms modified from the prior proposed lease that is the subject of litigation. The LVS plans include a casino, hotel and entertainment center.

Although the restructured leases also provide significant additional benefits should LVS be successful in its application for a casino license, the County is no longer receiving a non-refundable, advance rent payment of $54.0 million. This payment had been touted in the original deal.

It is now slated to receive non-refundable annual payments of $10.0 million for the first three years which are to be deducted from the $54.0 million held by the County under the prior proposed lease, with the balance returned to LVS, resulting in a net negative to the County of $24.0 million. LVS is now to pay rent in the amount of $1.00 per year for the first three years followed by annual payments of $5.0 million which inflate each year by two percent beginning in the fifth year of the lease. (Under the prior proposed lease, the $5.0 million in annual rental payments would have started in the first year of the lease and would have begun escalating in the second year.) The County will also receive $900,000 additional rent annually (which will inflate each year of the lease by two percent beginning in the second year) towards public safety while LVS awaits a potential State gaming license. Upon the commencement of the casino operation, the annual rent and public safety rental payments would double to $10.0 million and $1.8 million, respectively, subject to two percent annual escalation. LVS will also pay a non-refundable, one-time fixed payment for its use and occupancy of the premises in the amount of $1.0 million upon the effective date of the operational lease.

According to the Administration's staff summary submitted with the term sheet for the proposed development lease, LVS would 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 commencing upon the opening of the casino, which would grow from $2.0 million to $4.0 million over the term of the lease. The Gaming Tax Revenue Guarantee would double to $50.0 million under certain circumstances, such as the issuance of a certificate of occupancy for the full gaming space. According to the term sheet, the Gaming Tax Revenue Guarantee payments would be subject to two percent annual escalation. The Administration expects the licensing decision before the end of 2025.

The County Comptroller has not determined if the three $10.0 million payments received from LVS will be recognized fully in the years they are made or will be treated as deferred revenue (under GAAP) and amortized over the term of the lease agreement.

IV. CONCLUSION

Our assessment of the County's fiscal outlook, during the term of the Proposed Plan, has improved in recent months; however, we have identified risks that may threaten the County's long-term fiscal stability. We currently project growing deficits in the Out-Years for which the County has not supplied us with its proposed solutions. The projected Out-Year deficits, which could reach more than nine times the one percent threshold requiring a control period, could worsen if, among many reasons, future weakness in the local economy causes sales tax revenue to grow more slowly.

V. APPENDICES

Appendix A
Proposed Multi-Year Financial Plan, Fiscal 2025-2028

MAJOR FUNDS				
EXPENDITURES				
Object	**2025 Proposed**	**2026 Proposed**	**2027 Proposed**	**2028 Proposed**
AA - SALARIES, WAGES & FEES	1,073,856,276	1,101,238,383	1,121,357,240	1,140,176,876
AB - FRINGE BENEFITS	701,172,761	734,789,883	761,844,547	787,697,811
AC - WORKERS COMPENSATION	37,872,000	38,606,280	39,355,246	40,119,191
BB - EQUIPMENT	5,802,379	5,802,379	5,802,379	5,802,379
DD - GENERAL EXPENSES	51,871,017	51,760,461	51,729,740	51,711,519
DE - CONTRACTUAL SERVICES	343,019,489	343,285,211	344,296,680	346,655,254
DF - UTILITY COSTS	43,597,604	42,765,166	42,256,945	41,993,471
DG - VAR DIRECT EXPENSES	5,300,000	5,300,000	5,300,000	5,300,000
FF - INTEREST	99,038,398	103,061,288	110,717,688	117,310,488
GA - LOCAL GOVT ASST PROGRAM	94,744,779	97,082,159	99,717,544	102,425,401
GG - PRINCIPAL	77,630,000	91,910,000	104,730,000	75,070,000
HH - INTERFUND CHARGES	20,452,750	19,993,750	19,642,750	19,248,250
MM - MASS TRANSPORTATION	51,990,222	53,378,687	54,319,256	55,282,400
NA - NCIFA EXPENDITURES	2,250,000	2,835,000	2,480,000	3,150,000
OO - OTHER EXPENSE	260,441,707	243,362,524	245,906,596	261,586,832
PP - EARLY INTERVENTION/SPECIAL EDUCATION	185,000,000	179,250,000	168,500,000	168,500,000
SS - RECIPIENT GRANTS	82,774,000	72,774,000	68,774,000	68,774,000
TT - PURCHASED SERVICES	127,988,881	127,988,881	127,988,881	127,988,881
WW - EMERGENCY VENDOR PAYMENTS	67,790,000	66,790,000	65,790,000	65,790,000
XX - MEDICAID	254,314,444	256,683,616	256,683,616	256,683,616
	3,586,906,707	**3,638,657,668**	**3,697,193,106**	**3,741,266,368**
REVENUES				
	2025 Proposed	**2026 Proposed**	**2027 Proposed**	**2028 Proposed**
AA - FUND BALANCE	30,000,000	30,000,000	30,000,000	30,000,000
BA - INT PENALTY ON TAX	35,512,500	35,512,500	35,512,500	35,512,500
BC - PERMITS & LICENSES	17,997,672	22,597,672	22,997,672	22,597,672
BD - FINES & FORFEITS	106,325,163	106,325,163	108,325,163	111,325,163
BE - INVEST INCOME	54,360,000	53,360,000	52,360,000	51,360,000
BF - RENTS & RECOVERIES	37,528,209	47,278,209	47,278,209	37,278,209
BG - REVENUE OFFSET TO EXPENSE	23,394,340	23,105,796	22,286,796	22,286,796
BH - DEPT REVENUES	201,392,470	217,640,480	228,668,430	239,727,218
BO - PAYMENT IN LIEU OF TAXES	51,712,824	52,208,610	53,618,563	53,892,947
BQ - CAPITAL RESOURCES FROM DEBT	10,200,000	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	82,442,965	84,570,313	90,301,486	87,674,510
BZ - OTH NON TAX SOURCE REVENUES	302,853	308,911	315,089	321,391
FA - FEDERAL AID REIMBURSEMENT OF EXPENSES	217,564,779	217,896,451	218,420,432	217,560,132
SA - STATE AID REIMBURSEMENT OF EXPENSES	309,328,003	303,647,316	295,645,350	296,155,642
TA - SALES TAX COUNTYWIDE	1,461,582,757	1,498,122,326	1,539,320,690	1,581,652,009
TB - PART COUNTY SALES TAX	138,189,235	131,024,381	134,627,552	138,329,809
TL - PROPERTY TAX	755,263,137	755,263,137	755,263,137	755,263,137
TO - OTB 5% TAX	1,229,800	1,229,800	1,229,800	1,229,800
TX - SPECIAL TAXES	32,580,000	32,580,000	32,580,000	32,580,000
	3,586,906,707	**3,642,871,064**	**3,698,950,868**	**3,744,946,935**
Surplus / (Deficit)	**0**	**4,213,396**	**1,757,762**	**3,680,567**

Appendix B
Multi-Year Plan Baseline Inflators

Category	2026, 2027, 2028	Inflator Explanation
Expenditures		
Employee Benefits:		
Non-Police Pension	19.0%, 18.6%, 18.2%	Assumptions based on available bills and recent historical increases
Police Pension	33.7%, 31.9%, 29.7%	Assumptions based on available bills and recent historical increases
Health Insurance - Active	6.0%, 5.0%, 4.0%	Assumptions based on recent historical increases
Health Insurance - Retirees	6.0%, 5.0%, 4.0%	Assumptions based on recent historical increases
Other Than Personal Services	0.0%, 0.0%, 0.0%	
Utilities:	-2.39%, -1.43%, -1.04%	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	2.5%, 2.75%, 2.75%	