Nassau County Interim Finance Authority

NIFA

REVIEW AND ANALYSIS OF THE MULTI-YEAR FINANCIAL PLAN UPDATE FISCAL 2025 – 2028

August 7, 2025

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I. SUMMARY OF FINDINGS

On June 30, 2025, the County Executive released his Updated Multi-Year Financial Plan, Fiscal 2025-2028 (the "Update"). The Update contains the Administration's revised projections for FY 2025 and an updated outlook for FYs 2026-2028 (the "Out-Years").

After reviewing the Update and independently developing projections of year-end results, we have concluded that the County's fiscal outlook in the Major Funds remains concerning in the Out-Years, with its near-term fiscal outlook propped up by a one-shot infusion of resources from reserves held outside of the Major Funds.[1] Although the County has large reserves, the shrinking balances are not fully available to mitigate all near-term unforeseen risks due to specific restrictions on their use. In addition to near-term economic uncertainties, there are also significant long-term liabilities.

Our analysis indicates that the operating results for FY 2025 could show a potential GAAP deficit of $204.7 million[2], or $96.5 million after the County's planned use of $108.2 million of its reserves to pay operating costs. Likewise, we are projecting increasingly large deficits in the Out-Years that could reach $273.9 million in FY 2028, or $231.9 million after the County's planned use of $42.0 million of its reserves to pay operating costs. The projected risk of $231.9 million in FY 2028 is more than six times the one percent deficit threshold requiring a Control Period.[3] Further clouding the County's fiscal outlook is the undetermined impact of federal policy changes on Federal Aid assumptions budgeted by the County. We will expect the County to incorporate into its 2026-2029 Multi-Year Financial Plan the effect of any such changes.

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

FY 2019	FY 2020 *	FY 2021*	FY 2022	FY 2023	FY 2024**	FY 2025p	FY 2026p	FY 2027p	FY 2028p
$76.8	$90.6	$27.2	$79.7	$19.3	$46.8	($204.7)	($231.5)	($255.7)	($273.9)
						($96.5)	($200.5)	($216.7)	($231.9)

Top shaded row reflects projected baseline operating results. Bottom shaded row reflects the County's planned use of reserves to pay operating costs.

* Includes CARES Act funding and/or unbudgeted debt restructuring savings.

** 2024 draft results.

[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] Year-end projections are based on revenues and expenditures reported on a generally accepted accounting principles ("GAAP") basis.

[3] The one percent deficit threshold is $35.9 million in FY 2025 (1% of $3.59 billion) and $37.7 million in FY 2028 (1% of $3.77 billion).

Although they remain concerning, the projected deficits are slightly smaller than we estimated in December 2024 for each year of the Multi-Year Financial Plan due to a combination of favorable and unfavorable changes in our projections.

Favorable changes:

- transfer of budgeted operating costs to reserves;
- higher-than-assumed Federal and State aid; and
- higher-than-assumed salary savings from vacancies.

Unfavorable changes:

- higher-than-assumed costs for overtime;
- lower-than-assumed sales tax revenues;
- lower-than-assumed revenue from fines;
- higher-than-assumed spending on Early Intervention/ Preschool Special Education; and
- higher-than-assumed spending on social services programs.

The County's near-term financial outlook has been bolstered by the transfer of $293.1 million in surplus into various reserves, ***including $247.4 million of American Rescue Plan Act ("ARPA") resources*** that had previously been moved into the General Fund[4]. As of June 30, 2025, the County's reserves total $824.2 million, including $79.0 million in the Opioid Litigation Settlement Fund.[5] Most of these monies can only support limited expenditures in future years for, among other purposes, tax certiorari refunds, judgments and settlements, and retirement system costs due to specific restrictions on their use.

Despite the size of the County's reserves, we have ongoing concerns regarding significant liabilities that could impair the County's ability to sustain its fiscal progress. These concerns include the County's approximately $909.4 million in long-term liabilities for tax certiorari refunds, non-certiorari litigation, and Workers' Compensation claims and the County's $77.2 million of contingent liability stemming from the deteriorating finances of the Nassau Health Care Corporation.[6] Each of these liabilities could dramatically disrupt the fiscal progress that has been made by the County since 2018.

* * *

What follows is additional analysis of the Update: Section II discusses FY 2025 and Section III discusses the Out-Year Gaps. To fully understand NIFA's opinions regarding the County's financial position, this report should be read in tandem with NIFA's October 22, 2024 report on the Proposed Multi-Year Financial Plan, Fiscal 2025-2028, which can be found on the NIFA website at https://nifa.ny.gov/financial-plan-reports.

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[4] The County also transferred $25.0 million from the ARPA Fund into the Sewer and Storm Water Resources District Fund and allocated $15.0 million in the ARPA Fund for legislative initiatives.

[5] The $824.3 million includes $18.0 million that has already been set aside to pay 2024 tax certiorari refund liabilities.

[6] Assumes NHCC reimburses the County for the debt service payment due on August 1, 2025.

II. DISCUSSION OF FY 2025

The following discussion contains our detailed fiscal assessment of the County's Major Funds based on available data as of June 30, 2025.

Projected Variances in FY 2025

We conclude, after adding all our favorable and unfavorable projected variances, that FY 2025 could end with a deficit of $204.7 million on a GAAP basis, or $96.5 million after using reserves to pay operating costs, which is an improvement from our last assessment of the NIFA-approved budget (the "Budget"). The still potentially large deficit is composed of many favorable and unfavorable variances.

The following table lists our baseline projections.

FY 2025 Projected Results Surplus / (Risk)			
($ in millions)	FY 2025 Adopted Budget	FY 2025 NIFA Projections	Surplus / (Risk)
Revenues:			
Fines and Forfeitures	**$76.1**	**$48.5**	**($27.6)**
Ticket Amnesty Program (TAP)	*13.5*	*0.0*	*(13.5)*
Fines & Administrative Fee	*24.6*	*14.7*	*(9.9)*
Ticket Reconciliation Program (TRP)	*5.0*	*0.0*	*(5.0)*
Red Light Camera	*25.7*	*26.6*	*0.9*
Other Fines	*7.3*	*7.2*	*(0.1)*
Investment Income	***54.4***	***39.6***	***(14.8)***
Rents and Recoveries	**37.5**	**28.6**	**(8.9)**
Reversal of Prior Year Encumbrances	*13.8*	*3.2*	*(10.6)*
Sale of County Land	*4.2*	*0.3*	*(3.9)*
Las Vegas Sands Revenue	*10.0*	*10.9*	*0.9*
Other Recoveries	*9.50*	*14.2*	*4.7*
Departmental Revenues	**201.4**	**186.7**	**(14.7)**
GIS Tax Map	*29.0*	*20.6*	*(8.4)*
Revenue from Income and Expense Law	*5.0*	*0.0*	*(5.0)*
Other Departmental Revenues	*167.4*	*166.1*	*(1.3)*
Capital Resources for Debt	**10.2**	**5.2**	**(5.0)**
Federal & State Aid	**526.9**	**582.4**	**55.5**
Sales Tax	**1,628.3**	**1,585.3**	**(43.0)**
Other Revenue	**1,053.2**	**1,028.2**	**(25.0)**
Total Revenues	**$3,588.0**	**$3,504.5**	**($83.5)**
Expenditures:			
Salaries and Wages	**$1,073.9**	**$1,074.0**	**($0.1)**
Overtime	*86.3*	*128.7*	*(42.4)*
Other (e.g., vacancy and contractual savings)	*987.6*	*945.3*	*42.3*
Fringe Benefits	**701.2**	**716.6**	**(15.4)**
Health Insurance (Active & Retirees)	*351.9*	*390.0*	*(38.1)*
Social Security	*89.0*	*71.3*	*17.7*
Employees' Retirement System	*80.3*	*81.2*	*(0.9)*
Police and Fire Retirement System	*140.6*	*138.0*	*2.6*
Other	*39.4*	*36.1*	*3.3*
Debt Service	**176.7**	**168.3**	**8.4**
Local Government Assistance	**96.4**	**93.9**	**2.5**
Early Intervention/Preschool	**185.0**	**217.7**	**(32.7)**
Social Services	**532.9**	**566.5**	**(33.6)**
Other Expenditures	**821.9**	**816.0**	**5.9**
Total Expenditures	**$3,588.0**	**$3,653.0**	**($65.0)**
Total Projected Operating Results (Baseline)			**($148.5)**
GAAP Basis Adjustments (including fund balance)*			**($56.2)**
Total Projected Operating Results on a GAAP Basis (Baseline)			**($204.7)**

*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.

Other Opportunities, Risks and Use of Reserves Surplus / (Risk) ($ in millions)	
Total Projected Operating Results on a GAAP Basis (Baseline)	**($204.7)**
Operating costs transferred to various reserves	$108.2
Projected Operating Results including Other Potential Opportunities / (Risks)	**($96.5)**

Major Revenue Variances

Fines and Forfeitures

Our analysis of prior-year results and current trending indicates that revenues from fines and forfeitures are likely to be $27.6 million lower-than-assumed in the Budget.

Of this amount, we project revenues from the County's ticket reconciliation and ticket amnesty initiatives to fall short by $18.5 million, combined. To our knowledge, the ticket reconciliation and ticket amnesty initiatives were never advanced beyond press releases. We also project revenues from fines and general administrative fees to be down $9.9 million. These shortfalls are offset by a projected $0.9 million favorable variance in Red Light Camera ticket collection.

Investment Income

Our projections indicate that investment income will result in a shortfall of $14.8 million compared to the Budget. The decrease is attributable to lower-than-assumed cash balances and interest rates.

Rents and Recoveries

Our analysis indicates that revenues from rents and recoveries could be lower-than-assumed in the Budget by approximately $8.9 million. The largest component of this variance results from lower-than-budgeted recoveries of prior-year encumbrances ($10.6 million). We note that this category of recoveries is one of the entries included in the year-end GAAP adjustments made by the Comptroller's office and is factored into the estimated $56.2 million negative adjustments labeled "GAAP Basis Adjustments," in the table above.

The projected $8.9 million variance also includes a $3.9 million shortfall in revenue anticipated from the sale of County property. Although the County has had past success in selling some of its properties, it is still being determined if the County can reach agreements to sell designated properties, get requisite legislative approvals, and close the transactions before the end of the year.

The County Comptroller has determined that the three $10.0 million payments received from Las Vegas Sands ("LVS") in FY 2024 and FY 2025, and the future payment in FY 2026, will be treated as deferred revenue (under GAAP) and amortized over the term of the lease agreement. Consequently, although we have recognized the $10.0 million on a budgetary basis in FY 2025, our projections assume there will be a negative GAAP

adjustment in FY 2025 reflecting the portion of deferred revenue as was done by the Comptroller in FY 2024. As per the new lease agreement, we have also recognized $0.9 million of additional rent paid towards public safety.

In FY 2024, the Mitchel Field units underwent a lead remediation project. During that time, the County did not receive rent revenues, which were being held by the property management company. Upon completion of the project, the County received approximately $2.8 million, which is the true up between the project cost and rent revenues.

Departmental Revenues

Our analysis indicates a potential shortfall of $14.7 million in departmental revenues. We project weak real estate-related revenues, such as GIS tax map verification fees ($8.4 million). These revenues softened as interest rates rose, which drove down the volume of home sales and mortgage refinancing transactions.

Other major components of departmental revenue variances include: (1) no revenue from the County's Income and Expense Law ($5.0 million), which was proposed several years ago but suspended due to ongoing litigation and (2) $1.3 million in net shortfalls in different areas such as welfare receipts, miscellaneous fees collected by the County Clerk's office and Fare Box revenue. Included in the $1.3 million net shortfall is a favorable variance from higher-than-anticipated preschool Medicaid fees ($3.5 million).

Capital Resources for Debt

Our analysis indicates a projected shortfall of $5.0 million. The shortfall is comprised of resources derived from capital project closeouts in which unused bond proceeds are used to pay debt service (an operating expense) and are therefore not recognized under the Control Period calculation.

Federal and State Aid

Federal and State Aid, combined, is projected to be $55.5 million higher than the Budget. Of this amount, State Aid is projected to be $43.0 million higher than the Budget. The surplus is attributable to additional aid related to higher-than assumed costs for Early Intervention and Pre-school services and also includes an $8.4 million increase in Statewide Mass Transportation Operating Assistance grant funding. Federal Aid is projected to be higher than the Budget by $12.5 million due to an increase in caseloads in partially reimbursable social services programs and a passthrough payment of additional monies from the Federal Emergency Management Agency.

The possible impact of federal policy changes on Federal Aid has not yet been determined. We continue to monitor this closely and will adjust projections accordingly.

Sales Tax Revenue

Our analysis indicates that net sales tax revenue could fall below the Budget by $40.5 million.[7] This projection is composed of $43.0 million in unfavorable sales tax revenue offset by $2.5 million in lower related payments for local government assistance.

As shown in the following table, year-to-date sales tax revenue is down 0.5% compared to the same period last year. This varies significantly from the Budget, which required growth of 2.5% from 2024 actuals. Sales tax revenue has been volatile over the first five months, as year-over-year comparisons have been down in three of the months and up in two of the months. It is unclear if the growth we see in the preliminary data related to June is indicative of a new period of trending strength or merely an anomaly in an otherwise weak year. Preliminary June data, which is incomplete due to normal reporting lags, underscores the overall uncertainty because it indicates a year-over-year rebound of 2.5% following very weak performance in May, which was down 5.5% compared to the same month last year.

Sales Tax Growth 2025 compared to 2024	
January	(1.9%)
February	(4.0%)
March	4.8%
April	4.5%
May	(5.5%)
YTD through May	**(0.8%)**
June (partial)	2.5%
YTD through June	**(0.5%)**

Our projections assume sales tax revenue will be flat in the remaining months of the year compared to the same period last year. However, the shortfall could be greater if inflationary pressures lead to an economic recession. For example, while rising prices due to inflation can initially increase sales tax revenue (as consumers spend more on each purchase), this effect can be offset by a shift in consumer spending habits and lower demand. Each percentage point of growth (contraction) in the remaining checks of FY 2025 will add (subtract) approximately $8.2 million in net revenue to (from) the projected $40.5 million net negative variance.

Other Revenues

"Other Revenues" include a category called Interfund Transfers, in which the County indicates $32.7 million of reserves it is using to pay operating costs. For clarity, our analysis shows the $32.7 million of transfers as part of the $108.2 million of reserves being used to pay operating costs.

The settlement of outstanding assessment grievances on two LIPA properties has generated a $6.2 million opportunity. The Comptroller's office will calculate an adjustment for uncollected and uncollectible property tax revenues at year-end, which could impact the estimated opportunity.

[7] This projection assumes that the County will receive approximately $6.3 million in lower-than-budgeted sales tax revenue that is generated outside the City of Long Beach.

Our analysis also assumes higher collections from the County's 911 cell phone surcharge and its entertainment tax as well as higher-than assumed revenue from interest penalties on delinquent taxes based on current trends.

Major Expenditure Variances

Salaries and Wages

Our analysis indicates that expenditures on salaries and wages could be only $0.1 million higher-than-assumed in the Budget. However, the overall assessment masks $42.4 million in projected overspending on overtime. The large projected overtime variance is partially mitigated by the projected savings from 261 full-time net vacancies.[8] In addition, on June 5, 2025, NIFA approved the Memorandum of Agreement ("MOA") between the County and the Civil Service Employee Association ("CSEA"), which modified the terms and conditions of the previously approved labor contract between the County and CSEA. The approved MOA delays the budgeted general wage increase of 3% which had been scheduled for July 1, 2025 to January 1, 2026, creating an additional savings of approximately $7.5 million.

The departments with the largest number of full-time vacancies are listed in the table below.

[8] The number of vacancies (and value of savings) in individual departments is partially offset by an attrition factor that was budgeted centrally.

Department	FY 2025 Adopted Budget	On Board 6/30/2025	2025 Vacancies
Police Department	3,406	3,313	93
Social Service	578	487	91
NC Sheriff/Correctional Center	943	865	78
Assessment Department	160	114	46
Public Works Department	415	376	39
Health Department	288	265	23
County Comptroller	102	80	22
Fire Commission	122	100	22
Parks, Recreation and Museums	150	128	22
Board of Elections	160	140	20
Probation	217	201	16
County Clerk	90	77	13
District Attorney	450	439	11
County Attorney	91	81	10
Traffic & Parking Violations Agency	47	37	10
All Other Departments	610	553	57
Total Vacancies before attrition factor	**7,829**	**7,256**	**573**
Attrition factor budgeted centrally	(312)	0	(312)
Total Vacancies including attrition factor	**7,517**	**7,256**	**261**

As stated before, savings from these vacancies could substantially offset the $42.4 million in projected County-wide overspending on overtime even if positions are filled before the end of FY 2025. The County should closely examine these full-time vacancies for opportunities to eliminate unneeded positions, without impacting mandated services that ensures the safety of County constituents, to provide recurring savings.

Our analysis indicates that overtime continues to be underfunded, particularly in the Police Department and the Correctional Center. NIFA is currently projecting overtime in the Police Department to be $23.3 million higher than the Budget. Overtime costs in the Correctional Center may be $14.1 million higher than the Budget. Other departments that contribute to the unfavorable variances are the Fire Commission, Public Works, and the Department of Social Services, which are the departments with a high number of vacancies.

Fringe Benefits

Our analysis projects Fringe Benefits to be $15.4 million higher when compared to the Budget. The shortfall in health insurance stems from the County's original assumptions for health insurance provided to active employees and retirees, which were mainly predicated on the lower base rate from the Excelsior plan offered by the New York State Health Insurance Plan ("NYSHIP"), which ceased to exist as of December 31, 2024. The total shortfall in health insurance for actives and retirees is $38.1 million, which does not include the transfer out of $9.0 million to the Operating Reserves Fund. We recognize this transfer as part of the overall $108.2 million of operating costs being transferred to the County's reserves.

Another contributing factor to the shortfall is the class action litigation filed by certain retirees who had been members of CSEA to prevent the change in insurance plans. In December 2023, the New York State Supreme Court issued a temporary order preventing the County from switching CSEA retirees' health insurance coverage. It directed the County to continue its membership in the NYSHIP Empire Plan until a determination was made on a preliminary injunction motion. The County negotiated and subsequently modified its labor agreement with CSEA, wherein current employees and retirees remain enrolled in the NYSHIP Empire Plan. NIFA approved the agreement in June of 2025.

The negative variance in health insurance is partially offset by projected savings on costs associated with Social Security, lower-than-expected payments to the Police and Fire Retirement System and savings on Medicare reimbursement.

Debt Service

Our analysis indicates that there are savings of $8.4 million in principal and interest expenditures since the County did not undertake $185.0 million in capital borrowing in December 2024, which would have required debt service payments to commence in FY 2025.

Local Government Assistance

Pursuant to Section 1262-e of New York State Tax Law, the County must establish a Local Government Assistance Program to distribute sales tax collections to the towns and cities within the County in an amount equal to a 0.25% component of the 4.25% local sales tax.[9] Consequently, since we are projecting sales tax revenues to fall short of the Budget, we are likewise projecting payments for the Local Government Assistance Program to decrease by $2.5 million.

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 ages three to five providing educational and supportive services.

Based on historical caseload trends, our analysis indicates that the cost for these services can be as high as $217.7 million, which is $32.7 million higher than the Budget. Our projections account for the rate increase for related services in preschools instituted by the County that went into effect on July 2024 but do not account for future rate increases during FY 2025. We will monitor these programs closely and will adjust our projections, as necessary, once the new school year starts and caseloads can be assessed.

[9] There is also a program to distribute a portion of sales tax collections to the villages within the County, which has typically amounted to $1.25 million annually.

Social Services

"Social Services" includes the following categories: Recipient Grants, Purchased Services, Emergency Vendor Payments and Medicaid. Our analysis projects a net shortfall of $33.6 million.

Overspending on Recipient Grants ($14.0 million) and Purchased Services ($21.1 million) is driven, in part, by higher caseloads than assumed in the Budget. Our analysis indicates that the County may realize a modest surplus in Emergency Vendor Payments ($1.5 million). The areas where expenditures have decreased are shelter care and educational expenses offset by an increase in motel bills. We currently project the County's expenditures for Medicaid to be on budget.

We remain concerned that the projected overspending on Recipient Grants may continue if the increases in the number of eligible families and individuals receiving Temporary Assistance for Needy Families and Safety Net Assistance do not decline in the Out-Years.

Similarly, our analysis indicates that expenditures for Purchased Services will continue unabated if the higher-than-assumed caseloads for group and family day care services do not revert to lower levels.

It is uncertain what impact the changes in federal policy might have on services or federal aid. We will continue to monitor these services and the related federal aid.

Other Expenditures

"Other expenditures" include the following categories: Equipment; Contractual Services; Utility Costs; General Expenses; Workers' Compensation; Mass Transportation; and Other Expenses.

Contractual Services, General Expenses and Equipment are projected to have favorable variances when compared to the Budget. Our analysis takes into consideration prior-year results and current trends. Departments with positive variances are Police Department, Traffic & Parking Violations Agency, and Information Technology. The positive variances are offset by negative variances in the Department of Human Services, the Parks Department and the Department of Public Works. The Administration recently appropriated $6.0 million in funding for legal contractual expenses (in the Litigation Fund) to cover potential overspending in the County Attorney's Office.

Utility Costs are projected to be lower than the Budget. The favorable variance is driven by lower fuel costs and savings in telephone expenses. In contrast, Workers' Compensation costs and expenditures for LIRR Station Maintenance are projected to be higher than the Budget.

County Reserves

As of December 31, 2024, the County has $824.2 million held in several reserves (outside of the Major Funds) earmarked for specific purposes, including $79.0 million set aside for opioid-related programs, as shown in the following table. These reserves are available to fund future County obligations, subject to the reserves' specific restrictions, without negatively impacting the Control Period calculation.

As we discussed in previous reports, these reserves have been augmented by the County transferring resources from the ARPA Fund during FY 2024 of $247.4 million to the General Fund and $25.0 million to the Sewer and Storm Water Resources District Fund[10], which created a concomitant increase in the County's favorable operating result, primarily due to the recognition of the federal ARPA monies.

We estimate that the County will use $108.2 million of reserves in the FY 2025 and, as delineated in the Update, $112.0 million in the Out-Years to provide budgetary balance.

10 The County also allocated $15.0 million in the ARPA Fund for legislative initiatives.

Fund	Balance Available as of 6/30/2025 ($ in millions)
Litigation	
Non-Certiorari Judgments	123.9
Workers' Compensation	13.7
Longevity Payments - non-Police District	32.7
Non-Certiorari Judgments - Police District	21.6
Longevity Payments - Police District	23.9
Tax Certiorari	133.6
Total Litigation Fund	**$349.4**
Operating Reserve Fund	
Health Insurance Reserve	86.3
Labor Reserve	33.5
Insurance Reserve	10.0
Total Operating Reserve Fund	**$129.8**
Employee Benefit Accrued Liability Reserve Fund	87.1
Bonded Indebtedness Reserve Fund	81.8
Retirement Contribution Reserve (General Fund)	87.4
Capital Reserve Fund	9.7
Total Reserves	**$745.2**
Opioid Litigation Settlement	$79.0
Total Reserves and Opioid Litigation Settlement	**$824.2**

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 County used approximately $103.9 million of these resources during FY 2024 to pay said purposes (of which $89.2 million paid for tax certiorari refunds and non-certiorari claims) creating a concomitant favorable variance in the FY 2024 budget. It then transferred a portion of unused FY 2024 resources back into the Litigation Fund at year-end, raising overall Litigation Fund balances by $166.0 million from FY 2023 levels. We are assuming that the County will use $68.4 million in FY 2025 and $3.0 million in the Out-Years to provide budgetary balance.

The Operating Reserves 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.

At the end of FY 2024, the County transferred $40.0 million of unused resources to the health insurance line within the Operating Reserves Fund. The Administration has used $9.0 million of these monies in FY 2025 to mitigate the projected shortfall in health insurance costs in the operating funds. Likewise, the County has indicated its intention to use $16.0 million in the Out-Years to provide budgetary balance.

The Employee Benefit Accrued Liability Reserve Fund ("EBF") 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 $87.1 million in the Employee Benefit Accrued Liability Reserve Fund is used to mitigate any shortages related to terminal leave pay in the Police District Fund ($31.1 million) and the General Fund ($55.0 million).[11] Terminal leave pay associated with the General Fund, or any other operating fund, cannot be paid out of the Police District Fund and conversely. The Administration transferred $40.1 million from the General Fund and $9.0 million from the Police District Fund of unused resources in FY 2024 into this Reserve Fund.

The County has indicated its intention to use $7.4 million in FY 2025 and $12.0 million in the Out-Years to cover shortfalls in the Police District. The General Fund will use $15.0 million in FY 2025 and $27.0 million of EBF resources in the Out-Years.

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 2023, the County transferred $35.0 million of the budgetary surplus to supplement this reserve after drawing down approximately $97.0 million to defease outstanding long-term debt. The County increased this fund by an additional $10.0 million in FY 2024. The reserve cannot be used unless included in the Budget, which for FY 2025 included, but did not use, $69.0 million in resources.

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 are currently allocated to the General Fund. The balance at the end of June 30, 2025 of $87.4 million includes a transfer in of $10.0 million of unused resources from FY 2024.

[11] There is also $1.0 million in investment income in the Fund.

The County has indicated its intention to use $8.4 million in FY 2025 and $54.0 million from the fund in the Out-Years to cover potential increases in pension costs

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 balance at the end of June 30, 2025 was $9.7 million which includes a transfer in of $10.0 million of unused resources from FY 2024.

The Opioid Litigation Settlement Fund was created in 2021 to contain the proceeds of settlements or verdicts of 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 such fund in FY 2021, $20.5 million in FY 2022, $11.4 million in FY 2023, and $7.7 million in 2024.[12] As directed by State and County legislation, these funds are earmarked for the treatment and prevention of opioid addiction and family support.

[12] Reported in the Comptroller's draft Annual Comprehensive Financial Report for FY 2024.

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

The County is required to submit its FY 2026-2029 Multi-Year Financial Plan to NIFA on September 15, 2025. Although the proposed Plan will not be effective until January 1, 2026, the County should take steps to ensure that its progress toward GAAP balance can be sustained.

THE COUNTY'S CURRENT OUT-YEAR PROJECTIONS

The Administration projects Out-Year surpluses of approximately $3.7 million in FY 2026, $1.9 million in FY 2027, and $2.3 million in FY 2028. Our analysis demonstrates that the County's projections are too optimistic and do not account for any new labor costs after the expiration of current collective bargaining agreements on June 30, 2026.

As shown in the table below, NIFA is projecting deficits in FY 2026, FY 2027, and FY 2028 in both our baseline projections and after including the County's planned use of reserves to pay operating costs in the amounts of $31.0 million in FY 2026, $39.0 million in FY 2027 and $42.0 million in FY 2028.

PROJECTED OUT-YEAR EXPENDITURES EXCEED REVENUES

($ in millions)	FY 2026	FY 2027	FY 2028
County Estimate of Surplus	**$3.7**	**$1.9**	**$2.3**
NIFA Estimate (baseline scenario)	**($231.5)**	**($255.7)**	**($273.9)**
NIFA Estimate (including use of reserves)	**($200.5)**	**($216.7)**	**($231.9)**

Major Differences in Out-Year Projections

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

- Overestimated sales tax revenue. The Administration is too optimistic in its projection of sales tax revenue and a projected sales tax growth rate of 2.5% in 2025 and 2026, and 2.75% in each of 2027 and 2028. We find the current uncertain economic conditions to be concerning. Consequently, our assumptions are more cautious and are based on growth rates of negative 0.2% in 2025 (no growth in the remaining months of 2025) followed by 1.8% in 2026, 2.5% in 2027 and 2.5% in 2028. Our assumptions for growth rates would result in net sales tax shortfalls (reflecting lower offsetting related payments for Local Government Assistance) of approximately $52.3 million in FY 2026, $57.6 million in FY 2027, and $63.0 million in FY 2027. The shortfalls could be greater if the economy enters a recession;

- Overestimated investment income, mainly due to our assumptions for lower interest rates and declining cash balances resulting in projected shortfalls of approximately $20.0 million in FY 2026, $25.4 million in FY 2027 and $24.4 million in FY 2028;

- 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. In sum, the projected shortfalls total approximately $22.9 million in FY 2026, $30.1 million in FY 2027, and $35.9 million in FY 2028.

  On June 9, 2025, a Nassau Supreme Court judge declared that the County's block fee (for the processing of certain real estate documents) is "excessive, inappropriate, and serves as an unconstitutional tax." The court's order also: (i) keeps the fee at $300 but provides that anyone paying it after June 10, 2025 will be entitled to a refund on the difference between $300 and the eventual new fee, pending further order of the court, an appeal or a settlement; (ii) provides that the plaintiff may maintain an action for money had and received; and (iii) gave the County 60 days to reset the fee to align with the cost of providing the service. The issue of whether any other persons who paid the fee are entitled to a refund was left to a trial and the determination of whether class status is approved. The County has appealed the decision, which may stay the portion of the decision ordering the County to reset the fee. At this time, we cannot quantify the impact of this court decision and order. We will continue to monitor the situation and adjust our projections accordingly;

- Overestimated revenues from Fines and Forfeitures, mainly due to revenues related to fines from tickets issued by the Police Department and proposed initiatives that have not commenced: (1) ticket reconciliation program and (2) ticket amnesty program. The projected shortfalls total approximately $26.9 million in FY 2026, $23.9 million in FY 2027 and $24.9 million in FY 2028. Furthermore, there is pending litigation whether the putative class plaintiff should be reimbursed for fees collected from 2010 through the termination of fees. The dispute value is approximately $400 million but at this time the total claim risk cannot be quantified;

- 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;[13]

- Underestimated costs for fringe benefits, including annual projected funding shortfalls for health insurance for both current employees and retirees of approximately $18.3 million in FY 2026, $23.4 million in FY 2027, and $33.4 million in FY 2028. The County has $86.3 million available in the Operating Reserve Fund to cover potential shortfalls;

- Underestimated costs for Early Intervention and Preschool Special Education programs, which our analysis indicates may be underfunded by approximately $28.4 million in FY 2026, $39.2 million in FY 2027, and $39.2 million in FY 2028. The County receives reimbursement for 59.5% of these costs through additional State Aid. The projected shortfalls could be larger if hourly rates for services are increased; and

- Underestimated costs for social services programs, which our analysis indicates may be underfunded by approximately $28.1 million in FY 2026, $36.0 million in FY 2027, and $41.0 million in FY 2028.

OTHER CONCERNS

Nassau Health Care Corporation

On May 9, 2025, Governor Hochul signed Chapter 57 of Laws of 2025 ("Chapter 57") which reformed the governance and administration of the Nassau Health Care Corporation ("NHCC") and amended the NIFA act and NHCC's governing legislation to strengthen NIFA's oversight over NHCC.

NHCC is now governed by eleven, not fifteen, voting directors. Six of the directors are appointed by the Governor, two directors are appointed by the Majority Leader of the County Legislature, one director is appointed by the Minority Leader of the County Legislature, and two directors are appointed by the County Executive. Of the six directors appointed by the Governor, four are direct appointments, one appointment is upon the recommendation of the Senate Majority Leader and one appointment is upon the recommendation of the Speaker of the Assembly. The Governor, not the County Executive, now designates one of the voting directors as the chairperson of the board of directors. The board of directors selects the chief executive officer ("CEO") and, subject to NIFA approval, determines the salary and benefits of the CEO. The selection previously

[13] Resources realized from capital project closeouts are used by the County to pay debt service, which is an operating expense. Since these unused resources were originally raised through the issuance of bonds, they do not contribute to the County's operating results for Control Period calculation purposes.

required approval by the County Executive and the salary and benefits were not subject to NIFA approval.

Among other things, the NIFA act now requires NIFA to determine whether to impose a control period upon NHCC independently of determining whether to impose a control period over the County. NIFA shall impose a control period over NHCC upon its determination at any time that any of certain specified events has occurred or that there is a substantial likelihood and imminence of such occurrence, including that NHCC shall have incurred a major operating funds deficit of one percent or more in the aggregate results of operations of such funds during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of the NIFA act. On June 5, 2025, NIFA separately imposed a control period over NHCC.

On July 16, 2025, NIFA approved new Contract Approval Guidelines for Nassau Health Care Corporation and a Contract Approval Request Form for NHCC with respect to contracts NHCC enters into during the control period, replacing the previous guidelines. In addition, NHCC's governing legislation now subjects all contracts or obligations entered into by NHCC for over $1 million to NIFA's approval, regardless of a control period.

Notwithstanding these constructive changes, the financial health of 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 draft report of the independent certified public accountants for NHCC's 2024 audited financial statements continues to state that substantial doubt exists about NHCC's ability to continue as a going concern.

The draft report further states that NHCC has experienced recurring operating losses, a working capital deficit and has a total negative net position of approximately $1.4 billion at December 31, 2024. 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 2025 that anticipated an operating surplus of $499,000. The surplus was premised on a recklessly implausible assumption, contrary to the relevant laws, that the State would fund the non-federal share of the 2025 Medicaid disproportionate share hospital ("DSH") payment program. NHCC assumed that the DSH program would total $128.0 million, of which the State would be responsible for $64.0 million.

The budget's inclusion of the State's purported obligation to fund $64.0 million was absurd on its face since this funding is legally a county responsibility (as required by State law). NHCC, however, has been contributing the County's share through a contractual arrangement included in the Successor Agreement between the parties. Further, we have been informed by the State that the 2025 DSH program for NHCC is expected to total only $84.0 million, of which the federal share would amount to $42.0 million (*i.e.*,

net to NHCC, assuming the arrangement between the County and NHCC continues for the non-federal share), prior to any offsetting reconciliations of prior-year activities.

Consequently, we are concerned that NHCC will incur another significant deficit in 2025. Based on current trends, NHCC could incur a deficit of more than $100.0 million, which stands in stark contrast to the mythical projections and rosy statements recently proffered by NHCC's former senior executives and Chairman. Most worrisome is that NHCC has reported a cash balance of approximately $22.5 million as of August 1st, which is down from the $76.1 million balance reported at year-end 2024. Although cashflow fluctuates on any given day due to, among many factors, the timing of revenue collections, payroll runs, and payments to its vendors, NHCC's daily operating expense burn rate is approximately $1.9 million. Stated directly, NHCC's cash balance is perilously low.

The downward trend is particularly noteworthy because, among other payables, NHCC's outstanding liability owed to NYSHIP for coverage of its employees and retirees totals approximately $443.2 million (at the end of July) and continues to grow by approximately $7.0 million each month as NHCC conserves desperately needed cash. The liability would have been $60.0 million higher if not for a grant from New York State Department of Health applied against the outstanding balance in 2023. In addition, as of August 1st, NHCC still owed approximately $28.6 million to the New York State & Local Retirement System for employer contribution balances it owed on February 1, 2025, but which are being amortized under a backloaded payment agreement reached with the Office of the State Comptroller.

The circumstances are troubling for the obvious reason that the County has a direct-pay guarantee on NHCC's outstanding debt, which totaled $97.4 million at December 31, 2024 (including remaining principal and interest), or approximately $77.2 million after making the debt service payment that was due August 1st.

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.

Labor Costs

Contracts with most of the County's labor unions expire on June 30, 2026. The County's contract with the CSEA expires on December 31, 2030. It is concerning that the Update does not make any accommodation for additional labor costs that would be incurred after successor labor agreements are reached (which are unlikely to be cost-neutral), beginning in 2026.

Tax Certiorari Backlog

The total tax certiorari liability was reported by the Comptroller in the County's draft Annual Comprehensive Financial Report (the "draft ACFR") to be $247.2 million at December 31, 2024. This included $150.4 million of non-current liabilities, including $6.9 million in estimated non-current liabilities payable from the Disputed Assessment Fund ("DAF"), and $96.9 million in current liabilities, including $4.4 million in estimated current liabilities payable for DAF. The long-term liability decreased by approximately $22.4 million during 2024.

The County has included only $23.1 million in each of FY 2026, FY 2027, and FY 2028 for tax certiorari refunds. We acknowledge that the County has $133.6 million in its Litigation Fund to supplement these allocations.

We remain concerned that the Administration's decision to continue its freeze of the assessment roll will result in an inequitable shift in the property tax burden to those properties whose owners do not challenge their assessments and a tax certiorari refund liability that will grow in future years from increasingly less accurate assessments.

Non-Certiorari Litigation

The County has estimated its liabilities for non-certiorari judgments and settlements that may result from the multitude of lawsuits the County is currently litigating, including proceedings referred to as the "Utilities Litigations," which refund it estimates could be as high as $137.5 million alone. These liabilities were reported by the Comptroller in the draft ACFR to be $375.7 million at December 31, 2024.

The payment of this liability is not factored into our Out-Year risk assessment but could require significant expenditures to the extent that the costs exceed the amounts appropriated in the operating budget and/or held in the Litigation Fund. The County has included only $25.0 million in each of FY 2026, FY 2027, and FY 2028 for non-certiorari judgments and settlements. We acknowledge that the County has $145.5 million in its Litigation Fund to supplement these allocations.

Workers' Compensation Claims

The County's liabilities for Workers' Compensation claims were reported by the Comptroller in the draft ACFR to be $316.3 million at December 31, 2024. With respect to its similar prior-year estimate, the County noted in its May 14, 2025 bonds official statement that "no assurance can be given that additional claims will not be made or that the ultimate liability on existing and future claims will not be greater." The County has designated a portion of the Litigation Fund for Workers' Compensation claims totaling $13.7 million.

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.

On June 23, 2025, the Nassau County Legislature approved NCC's FY 2026 Budget which runs from September 1, 2025 through August 31, 2026. The Update contains the adopted budget and includes years 2027, 2028 and 2029. Both the approved Budget and the Out-Years from the Update contain projected GAAP deficits in each year, which in FY 2026 and FY 2027 are the result of appropriating fund balance in the amount of $5.4 million and $8.8 million, respectively, to bridge the difference between projections of operating revenues and expenditures, as reflected in the chart below.[14] FY 2027 is projected to be unbalanced even after the appropriation of the remaining fund balance. NCC's projections for FY 2028 and FY 2029 also show increasing deficits, which occur after its fund balance is completely depleted in FY 2028.

	FY 2024 Year End Results	FY 2025 Projection	FY 2026 Adopted	FY 2027	FY 2028	FY 2029
Beginning Fund Balance	28,879	17,643	14,965	9,575	817	(10,696)
Appropriaton to Balance Budget	(11,236)	(2,678)	(5,390)	(8,758)	(11,513)	(15,220)
Enidng Fund Balance	**17,643**	**14,965**	**9,575**	**817**	**(10,696)**	**(25,916)**

NCC's Board of Trustees adopted a policy that "set unreserved, unrestricted fund balance at a minimum level of 4% of the prior year's operating budget." This policy is less than the 5 – 15% recommended by Government/Municipal/SUNY guidelines. FY 2026 is in compliance with such policy. The College will need drastic changes in its recurring revenues and management of its expenditures to maintain the viability of its operations.

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, State aid and property tax, which are projected to remain flat through the Out-Years. Tuition is expected to increase by $190 annually.

Salaries and benefits constitute approximately 86% of total expenditures 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 Update.

Unfortunately, the Update 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-

[14] As recognized by the County Comptroller's Office and the County Office of Legislative Budget Review, fund balance is not a revenue source under GAAP.

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 contends, "[t]he County's Fiscal 2025-2028 Multi-Year Financial Plan Update is structurally balanced with no gaps; therefore, no discussion of a gap closing plan is required." However, the Administration did identify several initiatives it is pursuing to improve the County's finances. These initiatives have been included in previous iterations of the County's Gap-Closing Plan.

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 the costs incurred. The Administration wants the State to increase the reimbursement rate to offset the increasing expenses being incurred by the County, which are not within the County's control. It is unclear if there is any support in the State Legislature to make this change.

Building Consolidation

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

Efficiency Program

The Administration expects to realize savings from permanently consolidating and realigning its workforce levels. We continue to question this initiative since there is a lack of specificity.

Economic Development

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

Las Vegas Sands Development

The Legislature approved a lease with 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. LVS plans include a casino, hotel and entertainment center.

The County is slated to receive non-refundable annual payments of $10.0 million for the first three years (2024-2026). LVS is also required 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. 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.

LVS is no longer pursuing a State gaming license, and although it had indicated that another operator could take over its bid, that possibility now appears remote. Consequently, the annual rent and public safety rental payments that would have doubled to $10.0 million and $1.8 million, respectively, subject to two percent annual escalation upon the commencement of the casino operation will most likely not be realized. We note that the County Legislature unanimously approved the environmental review on the site, which could possibly simplify other development.

In addition, the following revenues described in the term sheet for the proposed development lease will most likely not be realized: LVS would have paid 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 have doubled 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 have been subject to two percent annual escalation.

IV. CONCLUSION

The County's fiscal outlook shows signs of stress in the near and long term.

During FY 2025, the County relies substantially on a significant one-shot transfer of operating expenses into various reserves to provide relief in the Major Funds, as it has done in recent years. Although the purpose of reserves should be to smooth the impact of unanticipated revenue shortfalls and expenditure overruns, their now-routine use demonstrates the absence of lasting improvement in the County's fiscal strength and risk management.

The weak fiscal outlook in the Out-Years of the Update results from many factors, notably overestimated sales tax projections and fees, underestimated social services costs, the continued planned use of reserves to pay operating costs (which are constrained in their permitted uses) and the failure of the County to account for the expected rise in its labor costs. We project growing deficits in FY 2026, FY 2027 and FY 2028, which could reach more than six times the one percent threshold requiring a Control Period, and for which the County has not supplied us with its proposed solutions.[15]

Our concerns regarding the County's structurally imbalanced finances are magnified by the County's long-term liabilities for tax certiorari refunds, non-certiorari litigation and workers' compensation claims which likely will become significant expenditures in the Out-Years. Other considerable budgetary impacts could result from an adverse final court decision in the block fee litigation and an unfavorable outcome in the putative class action for reimbursement of fees on public safety tickets. Further, we continue to monitor the precarious finances of the Nassau Health Care Corporation which could add to the County's financial exposure.

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 requests for information and by improving the transparency of its decision-making.

[15] Calculated to be more than six times the one percent threshold after the County's planned use of reserves to pay operating costs.