1. Meeting Minutes

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NASSAU COUNTY LEGISLATURE

COMMITTEES MEETING

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HOWARD KOPEL

PRESIDING OFFICER

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THOMAS MCKEVITT

CHAIRMAN

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BUDGET REVIEW COMMITTEE

County Executive and Legislative Building

1550 Franklin Avenue

Mineola, New York

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Monday, August 5, 2024

10:00 a.m.

TAKEN BY: KAREN LORENZO, OFFICIAL COURT REPORTER

A P P E A R A N C E S

CHAIRMAN THOMAS MCKEVITT

VICE CHAIRMAN MICHAEL GIANGREGORIO

LEGISLATOR HOWARD KOPEL

LEGISLATOR DELIA DERIGGI-WHITTON

LEGISLATOR ARNOLD DRUCKER

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MICHAEL PULITZER Clerk of the Legislature

CHAIRMAN MCKEVITT: Okay, we're ready to begin the hearing or required hearing of the Budget Review Committee. I would ask the clerk to please call the roll.

CLERK PULITZER: Roll call Budget Review Committee.

Legislator Arnold Drucker?

LEGISLATOR DRUCKER: Here.

CLERK PULITZER: Ranking member Delia DeRiggi-Whitton?

LEGISLATOR DERIGGI-WHITTON: Here.

CLERK PULITZER: Legislator Howard Kopel?

PRESIDING OFFICER KOPEL: Here.

CLERK PULITZER: Vice chairman Michael Giangregorio?

LEGISLATOR GIANGREGORIO: Here.

CLERK PULITZER: And Chairman Thomas McKevitt?

CHAIRMAN MCKEVITT: Here.

CLERK PULITZER: We have a quorum, sir.

CHAIRMAN MCKEVITT: Thank you very much. This is a meeting of the Budget Review Committee, where the purpose of this hearing each year is to determine where the County's finances are, how our revenues, our expenses are going, so we know where our forecasts are.

So we continue at this point, Mr. Persich, the director of the budget, I'm just going to leave it to you to give your presentation.

(Whereupon, the following OMB presentation slides are displayed and referred to.)

MR. PERSICH: Thank you. Thank you, everybody, for having me. I want to thank my staff who keeps me going. So, to my right, I have Chris Nolan, Irfan Qureshi, and Irene Sedighi, and the rest of my staff who's back up in the office preparing the budget for this year.

So the County's finances, from where we were and where we're at right now are completely different world. As we're all aware, we have much more money than we had in previous years, which is a good thing, a bad thing because we owe a lot of people money. So, we're staying the course with this Body and everything else. And as a result of our good hard work in this county, on many fronts, which is, labor unions, promoting the County and everything else, we're on a path that I think is pretty positive, and we're pretty resistant to any substantial economic changes that may occur. But let's hope we keep riding this wave, which is a good recovery, and sales tax still keeps coming in.

But as a result of our good work here, we've had six bond upgrades, three within the past year, probably the highest we've been at since I've been here, which is good news for many reasons. It lowers our cost of issuance. But it also tells us the outside world is watching us and that we're doing the right things here financially. We've managed to accomplish that. And I think we're on the pathway for stability for the next 5 to 6 years. I can't go much further than that. But I think as a result of that, the rating agencies have seen it as a positive.

I wish I could end there, but that's not possible.

I'm going to go through what happened in 2023, because that's the pathway to 2024, just so everybody knows.

We finished with a surplus of approximately $240 million, mostly driven by higher sales tax collections. We saved about $66 million in, I would say, in fringe benefits, but it was offset by some higher overtime costs in PD and in Corrections.

Some of the other things too, is our OTPS was reduced mostly for contractual services and our department revenues, which is still being sluggish.

The real estate market is one of the key drivers to the economy. And right now, while the housing market is robust, if you're selling, the inventory levels are low and these prices with the rates are going to be a challenge, I think, for future generations. I think that there'll be a correction at some point, I would hope, with rates. The fed is talking about reducing rates. When that is, I don't know, maybe that will spur a little bit. I just hope it doesn't drive up the prices, because at this point, they think some of these mortgages are getting very suspect at the numbers they're coming in at.

So what do we do? With the money last year we spent approximately $328 million lowering our liabilities. We spent it in the defeasing debt, which we should do. We brought down some debt that was yielding higher interest rates. We paid down a lot of the tax certs. We're on a pathway to get the backlog just about current, which is good. We settled judgments and claims. We've gotten rid of a lot of cases that have been hanging out there that we didn't settle for a while, which is good, which prevents us from the 9% ticking interest rate on that stuff. And we lowered our pension liability. We took care of what we owed the State.

So over the past -- we've paid down about $320 million. I think it's a half a billion in totality over the past few years, which is good. Challenge is still out there because we still owe people money. But as you can see, the biggest hurdle we had was tax certs, which is now, I would say, getting close to the point where it's manageable with the operating funds and some of the things, we keep finishing with these surpluses and everything else.

That's pretty much it for 2023. What we did with the money in 2023 is back in April, we ended up putting money back into some of the suits and damages, the tax certs, the longevity payments that we paid the unions for. We put money in the bond indebtedness funds just in case we need additional funds as a resource for additional borrowings. We put money into the EBF funds, which is the Employee Benefit Funds. As a result of some of the union contracts, what has occurred is, is that we've changed the term pay payouts from the giving the employee the option from 1 to 3 years. So you can choose to take the one, because we created a 401A plan which has been very, very successful. But it defers the FICA taxes on those payouts. So it's almost a tax shelter for some of the things that are coming out, which is a good thing. I think the PBA was very insistent on that. We did a lot of research on this. We knew Suffolk had it and we just got it instituted. Steve Conklin was in charge of that, although we did Deferred Comp Board, so that's a good thing.

Then we put 25 million into the Labor Reserve and 25 million into the Health Insurance Reserve. I'll get to what's happening with the health insurance and the problems we're having with CSEA later on.

But that's pretty much how we finished the year. For the most part, we're staying the course. And these rainy day funds are definitely helping us, giving us some buoyancy in the budget, meaning that we have some flexibility now. If we start to struggle a little bit, I can manipulate where I'm spending some of the money out of, which is much different place. I was here for Restivo and I bring it up every time because it was probably one of the toughest years walking in here and finding out we didn't have money to pay a $54 million settlement -- or $44 million. That was a challenge, I will say that. And NIFA wouldn't give us the borrowing authority. So we were sweating here for a little while, but we ended up getting through that too.

The next slide just shows you where

we are with the cert backlog. As you can see, we're making progress. Why 2024 is so low is we just did the appropriations. We'll start funneling money out -- I'm on slide five just for those if I'm speaking too fast, you can tell me -- in addition to that, we're making a lot of progress. And as you can see, we have resources in the DAF and also in Operating Funds to cover any shortfalls we may have. I don't think we'll be short this year. I think we're going to be fine. The liability is around 270 billion as of last year. So we're making progress. But as I've told you before, the cert liability is always going to be between $70-100 million. It's a functional operation of the assessment.

I'm going to move on to 2024. In 2024, we're still running a slight surplus. We do have some challenges in front of us, mostly in healthcare and some of our fees are lower, which is the real estate fees. We've seen some upticks in direct assistance, which I did a board transfer back in June to cover the shortfall. We had to move some money around. But we're still on the plus side, as far as a surplus. We still have some flexibility as I said, with some of the budgetary things. We have a contingency. We're hoping the economy still stay strong. We're waiting for "Cricket" checks to start coming in to see how it impacted the economy. So we're hopeful. I know hope is not a strategy, but we're hoping to get some good results from there.

In addition, because we're sitting on some healthy reserves, we're benefiting from the high interest rate market. So we got good investment income, which is helping us offset any shortfalls we may have as a result of some of the tax revenue and some of the cert revenue. We're in a good spot as far as that goes. And, look, what we what I do -- and my name is "Dr. No" and I challenge every expense -- so on the expense side we keep our fingers definitely on the pulse. And I watch every expenditure for the most part that goes in and out of the budget.

So we're in a good place this year. I think when we get to the Multi-Year Plan, you'll see that we're in a better place.

The biggest driver of this budget, which is it's an enormous part of it, we can't be in denial about it, is sales tax. But sales tax is still moving in the right direction. We all have different opinions on that, but but I think where we're at right now, I don't think we're in a very bad spot, even if it does take a little bit of a nosedive. I don't see that happening until next year sometime; first quarter of next year. I think the Q4 will be a struggle. I think Christmas may be a little different this year, but I think we're well poised to hit the number or close enough to it.

Sales tax does have a cycle. What

that is, it's hard to pinpoint. Covid was one of the reasons we had a bad year. Hurricane Sandy hit. That was a big bump to us. And then in 2007, when you go back that far, that's when we really had real problems, when the economy took a nasty spiral down.

I think we're in a good place with budgeting conservative. I'm putting the budget together now, which is going to present many challenges because I have to figure out what I'm going to put in there for sales tax based on historical trends and what we usually do. Our growth rate in sales tax issues between one and a half and 2%. So we're being pretty conservative. We're not doing two and a half, 3% like in prior years. So we're staying the course on being conservative when we project that number. And the County in itself, we have to realize we're it's an affluent county with many resources. And the healthcare industry, which is the largest driver here, is still robust and that's still flowing. So that helps the money flow from spending, I would say.

Slide ten. I talked about some of the issues we're having with the budget, which is Direct Assistance, Fringe Benefits. Fringe Benefits we are challenged right now because our Collective Bargaining Agreement with CSEA went a little sideways. We were supposed to have savings from the Excelsior plan. It was not achieved. We have active negotiations going on with the CSEA union to try to resolve that issue. And I don't want to say much more than that, but that's what's going on right now. The rates in Excelsior went up by almost 40-50% from what we originally anticipated. So we'll see what happens. Stay tuned on that one. I can't give too much more. I don't want to make this into -- but we're working with them to try and resolve some of the issues that we have with that.

The other thing that we did do, as a result of that debt defeasement we did in 2023, that was an economic benefit to the budget, which saved us almost $17 million, which is a good thing. That gives us more flexibility. So we're on the plus side with that, and that'll be recurring for the next 5 to 6 years. While it was unpopular a little bit to pay down that debt, some of the local finance rules require us to do that. And that's why we had to do it. And we're still looking for active series that makes sense that we can pay down. But because most of the stuff we borrowed is such a low interest rate, there's not a lot of opportunities out there. So we're looking to do certain things. There's two different strategies with that. One is defeasing it, putting it into an escrow and the other is taking the callable debt, just paying it off as it comes along. So anything with a high interest rate, we're looking, but we've got to get into the economics of how much the cash is yielding versus what we're paying in debt service. So I think holding on to the money a little bit longer is probably a better strategy instead of doing it. Because the return on the investment or the PV that we talk about, the present value, just doesn't make sense. We're actively looking at it. And one thing we always do, we always analyze that looking for refunding. And I think with interest rate environment somewhere in the near future, if it starts to dip again, there'll be opportunities for us to do a refunding which will free up more space. We always actively looked at that. But right now I think we're in a good position to go forward.

On slide 11, which I'm going to talk about the Multi Year Plan. We're currently balanced and we have contingencies for the first two years, '25, '26, '27 we're going to struggle because the margins get a little thinner.

We keep our sales tax between 2%, I think is the growth rates. But that may change as we do the budget, just so you know. But for this exercise, when we looked at it, I thought we were in a good spot. But that may have to be adjusted as I develop the budget. And for the most part, some of the healthcare assumptions are a little tight. I can't lie about that because that's the one unknown factor. But we do have places for money if we need it, if we fall short, which is why we put money in there.

In addition, we have money in the Retirement Fund, which right now the market's doing very well. So I would think that the retirement bill hopefully won't be as big. It goes up, I can't change that. But they did some things that are going to be a challenge in 2026, which relates to Tier 6 being changed to almost like a Tier 5 program. So there is a cost to that. So we have to pay that. We weren't in the room when Albany did that. And look, if it's going to get people to work here, then that's what we try and do.

The other thing too is we put money into Suits and Damages. Certs are all covered here. We're going to the plan that keeps our friends at NIFA away from us a little bit. This is a pretty conservative plan, but it does have some risks because it's a plan.

We don't see a lot of bumps ahead unless the economy -- which we're going to hit a recession. And I keep saying that. But the question is when. But again, I'll focus on the fact that what we've done financially has positioned us not to have sweating or anything else where we can't pay bills or cut staff like we used to have to.

I discussed CSEA, the healthcare premiums and Excelsior. The economy is still stable. But, look, we've been able to hold the line on a lot of expenses, even though inflation has been ridiculously high. I think you're going to go into de-inflation period, which is going to impact sales tax, but then that's going to help free up funds that people have more money in their pocket for other things. But we have to wait and see on that. There's going to be the decline. And I think that's the challenge we will face in the next two years is somewhere in that time frame, we will hit the recession and we'll have to adapt. But like I said, we're in the best position we possibly could be.

The opportunities we have is investment. Income is still going to be strong because the size of the cash balances we have on there. The Treasurer is doing a good job of managing and getting the best rates out there he possibly can. Which is good because that yields significant dollars to me, which is what I need.

We spoke about sales tax. The Sands lease is a big thing, as we all know.

It's on for today, I know that, but for the upcoming, it would be great opportunity for us to get that gaming revenue in here. It'll give us much more flexibility. It'll be an economic driver, which this county needs, to keep this thing moving along. So we'll wait and see on that one. My fingers are crossed we get the gaming license and it all moves forward. But it helps. It's a healthy amount of money that will come in once it comes in. So we have to look to the future.

Then we're doing some consolidation of properties I think. So we have to stay tuned on that.

The Family Court building will be finished soon. So we have to look at that. Finally, I hope. Keep your fingers crossed on that one. That means the property that we have in Westbury will be an asset that we may have to turn over. So we have to look at that. But that's a pretty large asset.

Other than that, I can tell you, as I started out the presentation, which is the good thing, bond upgrades. We have a strong economic base. We have the highest reserves in years. We're structurally balanced and we're in good cash position.

We're not doing short term borrowings anymore, which is another savings because we have cash on hand, which is making it very favorable to us. So I would say that this has gotten a little easier for me, but there's still challenges that I have to wrestle with. But I can tell you it's a different animal that we're dealing with right now. As far as where the budget looks like and what the balance sheet looks like. We've switched the focus to manage the balance sheet with the reserves, lowering the liability for future expenses.

That's as brief as I can be here. I'm here to field any questions. Thank you very much.

CHAIRMAN MCKEVITT: Thank you, Mr.

Persich.

Just to start with the issue of sales tax, which obviously we're very dependent upon it and something we're very concerned how that goes. When the Office of Legislative Budget Review had to look at the sales tax projections, they indicate they're up only 0.17% from last year. I know you're so optimistic we're going to hit this year's budget call. I think Moody's feels the same sort of optimism when they come at this point. So can you just briefly explain to us how the sales tax checks come as a lag as to when we get the checks, when it actually comes in? And why do you feel that through the cycles, we're still going to meet our sales tax projections?

MR. PERSICH: Well, a couple of things. One is, yes, the checks come in. It's a three month lag. And usually it's done on the filing when people have to file the sales tax returns. That's how we get the money in. You have to file quarterly returns with the state comptroller, and then the money gets disseminated down to us.

The housing market being a little sluggish is creating a problem because when you buy a house, usually going to the store, you go in the Home Depot. You renovate in the kitchen, whatever you're doing, you're still seeing some of that economic activity. I hear people are cashing out of the market and putting it back into the home, so I think you're still seeing that part of it. It's not a refi market again. It's more of people taking money out of the market and putting it into their houses. That's what I'm hearing out there, which is good, but it's an economic driver. But the turnover for houses is clearly the problem that we're going to have.

The other challenges is I will say, Covid changed the commercial real estate market and it changed the work pattern, work ethic of people where people are working from home, so they're not going out and spending some of those dollars elsewhere.

I do believe that the car business is starting to stabilize a little bit, so I think that's starting to come back up. I think people are moving cars a little bit faster, which is a big driver here. And the fact that we had inflation, it's a good and a bad thing because the higher the number of inflation unfortunately translates into struggling in your pocketbook. But it also helps me because the number of sales tax, meaning that you're buying a gallon of milk for $2 and you're paying three, I'm getting 8.625 of it, or four of which is mine. So I think that those are the big drivers right now.

I am concerned about the commercial real estate market, but that will find its way to what they're going to do, whether it's renovating, making more residentials. That'll be the challenges, I think, in the upcoming years. And hopefully the residential market will start stabilizing because, again, I do have concerns, but I don't think we're in a 2005 mortgage crisis. The volume of turnover of houses now is much lower. So those big large, high end mortgages are going to be not as big as the last time. And I think the banks are much more well positioned to handle that with all the stuff that we went through in 2005. So I think we're hoping Cricket is going to be a is an economic generator. It was a ton of people. I know that there was a lot of foot traffic. So let's hope for that. Some of the marketing things we've done. The park is filled for some of the concert series. So it's starting to take hold; the marketing of this county, which is what it should be. We've talked about this. I've been here for 20 years. We always said we have assets to market and we should be doing it. And we're trying to do the best we can exploiting those assets. So I think that's going to help us.

We should see an uptick in hotel/motel tax. I mean, this weather is brutal, but it's good for certain things. It brings people to the beaches and people want to get out of the house and they want to go air conditioning. They go into shopping malls and stuff like that, which is a haven for them.

So I think that's one of the things for the most part, I think that summarizes where the sales tax is going to be, but we actively watch it and we will make appropriate steps. I have certain tools in my tool bag that I can use to hold the line of sales tax starts dropping. But I'm optimistic, I think through the end of this year and we'll see what we do in 2025 with the budget. We should be good this year. It's a predictable number but an unpredictable number at some points in the same fashion. So we just got to keep our fingers on it. It's hard to do a market basket analysis of what's being spent because the staples are the foods and everything else the gasoline so many other things. But then there's the ancillary things that are big drivers of sales tax, like luxury cars, boats. The car market's all right. The boating market you will see is starting to soften a little bit.

I think I answered your question.

CHAIRMAN MCKEVITT: In just my own personal observation, as a person who in another life attempts to be a real estate attorney, the residential closings have come down to almost a complete slowdown. You make the point that, yes, there's very little inventory out there and those sellers are doing quite well, but the volume is not anywhere near what it once was. I think we certainly reflect that in the County Clerk's filings as well as our mortgage recording revenue. And the biggest issue going on is people who bought their house a number years ago at

3% interest, if they want to move to a bigger house, at 7% interest, they're not moving, they're staying. So until the interest rates come down a marked amount, I don't see an increase in this housing market. I wish it were, but I still think we're a little while away from that occurring. I think that's part of the issue.

Just one other issue I want to get into. According to the County Comptroller's report, we've had an increase in our investment income of nearly $40 million. And I just want to indicate where does that come from and how do we see that working in the future?

MR. PERSICH: Well, it's a result of having high cash balances is what it is. And the interest rate environment. We're not drawing down on a lot of it. We've been pretty stable with our cash balances. What goes out the door we're replenishing what comes in the door. We're pretty stable right now. We did spend down some of the monies as I spoke about. I still see it being a major opportunity for us for this year. Next year we got to take a look at it, because we will be spending down some of the reserve monies and some of the monies we have on hand, but I don't see it dropping that dramatically. Once rates drop, then we'll have to be at issue there. But I think as far as cash management, the Treasurer is doing a good job and the flow of money is very consistent. That's why we're getting a lot of yield right now.

CHAIRMAN MCKEVITT: I just have one final question. I'm just going to talk about the expenditure side. Unanticipated expenditure is the quite large increase in the Early Intervention expenses that's coming from the County, again, something which I think we are out of control to do. But I think it's really more for your planning for the 2025 budget as whether you see it's going to continue to be an increase, and we have to adjust our budgets for the future to deal with these increase in the Early Intervention expenditures.

MR. PERSICH: We've addressed it. It's going to be a challenge. I will say that much. There's a lot of Covid related early intervention issues that we're still yielding from. A lot of anxiety issues with what I'm hearing and stuff like that. So we have to be cognizant of that. We get 59% reimbursement from the State on some of these things. You know, there's opportunities to make some changes. I work with the Health Department. Dr. Gelman and everybody else have some good ideas on how to do savings, maybe in transportation. The caseload data, we did an increase to give the people more money as a result of that. We went from 45 to 50 a half hour. So I think that's going to help a little bit. And we just got to be cognizant that these kids are having challenges now and we have to give them the resources. But we will modify the budget as needed. But we're taking the appropriate steps to see if there's any way we could save money in that arena, which there are some savings we could do. So with $175 million expense, there's always a little room for some savings, but not at the expense of the child, but some other opportunities that we can do.

CHAIRMAN MCKEVITT: I know the Presiding Officer has some questions for you as well.

MR. PERSICH: Thank you.

PRESIDING OFFICER KOPEL: Thank you, Chairman.

Not much, Andy. One thing if you would explain what you said, please. You said you're putting money into the bond fund as a resource for borrowing. Can you explain what you mean?

MR. PERSICH: It's called the bond indebtedness fund. It's a GML reserve that's set up by the State Comptroller. I put it in there in case there was opportunities for me to do calling that at higher yield. If I wanted to call that in that we have outstanding. It's a resource for me and I can use it if we decide the next few years, if we want to increase the capital borrowing, we have the flexibility to use that outside of the budgetary.

PRESIDING OFFICER KOPEL: You want to call debt in, in other words, without actually borrowing to off set it.

MR. PERSICH: Yeah, I have two options with it. One is called debt in. Or use it to pay new debt service that may be coming up. If we want to increase the size because of where rates are right now, we have to just make sure that we have resources available in case the market -- look, it could have went to 9% and we wouldn't have we would have a budgetary problem. We would downsize the borrowing usually.

PRESIDING OFFICER KOPEL: The way

things are looking today. I just took a quick look. I think that that was down by 1200.

MR. PERSICH: Yeah. That's the cycle. I hate to say that. August always scares me with the stock market, especially in some of those --

PRESIDING OFFICER KOPEL: As much as I know about the stock market, you'd go broke.

Where our investment income is, it's strictly limited to money market type of instruments?

MR. PERSICH: Well, New York State Comptroller has laws that you have to use collateral when you put a deposit. Meaning the bank has to give us whole money aside in treasuries or some other marketable security to offset so there's no risk. In 2005, that became an issue where banks didn't want your money and you didn't know what to do with cash. It was almost like you had to put it into the safe. David Cheng does a good job because he spreads the risk through a bunch of different places. Some of the long term money he is using CDs. He's buying like three, six, nine month CD.

PRESIDING OFFICER KOPEL: There's no stock market exposure.

MR. PERSICH: No, no. No exposure whatsoever. Again the key component of what we're protecting, the asset, which means it has to be collateralized. So if I put a dollar in, the bank's got to give me a $1.02 of collateral to cover that. So that's how it works. So the money is safe. It's very safe. It's not a risk anywhere. Some of the small banks, yes, there was there was some scares. But we've managed through that and we've got fingers on the pulse. The County Executive has his finger on the pulse with this stuff, especially when it comes to any risk to the cash balances that we have out there.

PRESIDING OFFICER KOPEL: Okay. Good.

As far as the real estate market, by the way, it's a strange market. I've seen the movie many times before, as it happens and I know how it ends. It always ends. It always turns, but you just don't know how. And it's not really correlated to the rest of the economy. I've seen crazy real estate markets with high inflation with high interest rates and a bad real estate market with low interest rates. But I am seeing now just in my experience, I am seeing some bottom feeders in the commercial market. So that's a little point of hope.

MR. PERSICH: That's the one thing that scares me. We are unfortunately in a four class property tax system, which is similar to New York City. I think somewhere down the line, if I had a crystal ball --

PRESIDING OFFICER KOPEL: The repricing, I know.

MR. PERSICH: You're going to have repricing.

PRESIDING OFFICER KOPEL: And it's going hit the property tax but it's going to increase the turnover, money we collect, which is not going to compensate, I know.

MR. PERSICH: Exactly.

PRESIDING OFFICER KOPEL: And it's going to happen. It does happen.

MR. PERSICH: It's an economic cycle. I would agree with that. But I just think that that's one of the risks we have to be worried about because that could drive up my liability on the certs. If they're coming in to file a claim --

PRESIDING OFFICER KOPEL: But if we can on the assessment end stay ahead of that. That's the key.

MR. PERSICH: Well, that's part of the challenges we have. That's one of the things that we got to keep our fingers on the pulse with. And it's chugging along right now I will say. But we have to be cognizant that that's one of the things out there.

PRESIDING OFFICER KOPEL: Okay. Thank you.

CHAIRMAN MCKEVITT: Legislator Drucker has some questions.

LEGISLATOR DRUCKER: Andy. Congratulations. Thank you, again. Every year you do this and you do a great job. On behalf of all of us, I want to thank you for this.

MR. PERSICH: Thank you.

LEGISLATOR DRUCKER: I wanted to ask questions as you go along because I forget. I wrote down a couple things.

MR. PERSICH: I do that on purpose, Legislator.

LEGISLATOR DRUCKER: And you speak fast, and I like that.

You paid down $328 million in debt. That was great. Just go over for me, the third slide, where that money came from. Did it all come from Operating?

MR. PERSICH: It came from prior year's surpluses is what we did.

LEGISLATOR DRUCKER: All from the

surpluses?

MR. PERSICH: Yep. From the surpluses from '21, '22, '23. Twenty three, we didn't spend that yet. But the money that we spent out in '23 were from prior year surpluses.

LEGISLATOR DRUCKER: The tax certiorari, that doesn't come from the Litigation Fund?

MR. PERSICH: What we did is we took the surplus money in '21-'22, we put it into the litigation reserve and we paid it out of there.

LEGISLATOR DRUCKER: Okay.

MR. PERSICH: It was resources from previous year's budget.

LEGISLATOR DRUCKER: Okay.

Just to piggyback on Chairman McKevitt's questions on the sales tax. What factors or indicators do you use to project sales tax in the balance of the year?

MR. PERSICH: We use historical data. We try to do market analysis, but we use Moody's as a third party resource to help us see where we're at. We kind of compare our numbers.

(Whereupon, off the record discussion.)

LEGISLATOR DRUCKER: Apparently they didn't hear me. I'll repeat the question, and you can repeat your answer.

What indicators, what factors do you use to determine how you budget for sales tax and then going forward?

MR. PERSICH: We use historical trends. We look at what market data we have that we get from the State, and then we use Moody's.

There's three components. The historical trend tells us kind of where the sales tax numbers have gone. Some years we've been off, which is good because it was on the higher side. But for the most part, if you take an average, it's between 1 1/2-2% over a ten year average. That's where the number comes in. But we do dig a little deeper.

Like I said, inflation helps us. If the price of gasoline goes up, I benefit from it. If milk goes up, I benefit. But the problem is, is the consumer spending side of that draws it down.

In addition, we use Moody's. They do a more in-depth research on current economic trends. You know, it's more global or national, but they try and drill it down to like Nassau County.

We've done some good things here. What I will say, Cricket, we're hoping to get a little bump. I'm optimistic that we're going to hit the number that we have as a projection, but there is risk to it. So there is a method to the madness. CPI, we look at, some of the other indicators that are out there. But that's usually how we come up with a baseline.

LEGISLATOR DRUCKER: I think the Fed is has done a decent job in getting inflation to be at a manageable level. And I think there's definitely -- I shouldn't say definitely -- but there's going to be a drop in the rates in September. How much it is going to be, we don't know. But do you factor that possibility in too when you do that? Do you factor that in? Because that could have some ripple effect.

MR. PERSICH: The Fed movements sometimes lag, the economic impacts; meaning, usually the Feds may be two quarters ahead or behind. But right now, even if they lower interest rates, I don't think it's going to have a major impact right now. I think it takes a little while for that to hit into the market. So we didn't factor any rate cuts in there. What we do do -- and it's easy for me when I do my Multi Year Plan update is, is if investment income is higher, the cost of debt is higher. But if it goes down, I benefit on the other side of it. So there's a benefit there. I think people are going to start deleveraging a little bit from the market; meaning, what I said, I think a lot of the people are cashing out a little bit from the market, which is more on the consumer spending side. But I still think there's challenges in that arena because it is a big economic generator here. Housing market is one of the key -- and good and bad as having lived through Hurricane Sandy. We are on an island. So the real estate market, that's what somebody once told me. It's an island. So there's not a lot of real estate left out there. I'm hopeful pricing goes down. For the children of the future, I don't see how they sustain it. Wages are not going to be, you know, as high as some of these $700-800,000 mortgages that are out there at 6%. That's a challenge to me.

LEGISLATOR DRUCKER: I think like Legislator Kopel said, you can't really put too much stock in the stock market. Up until a week or so ago, we were at unprecedented, unprecedented increases.

Stock market was doing better than it ever has. Yeah, we're hitting a little bit of a blip now. How it portends for the future, we don't really know. But I'm glad that you're not using that as a very material factor in your calculations.

MR. PERSICH: The market is one of those things that I think gives people the consumer spending side of it, meaning that consumer confidence. When the market's up people look at their portfolios and it's like, yeah, I got all this money and everything else. And then all of a sudden when it takes a dip like today, everybody starts taking a step back and saying, oh no, am I going to retire at this age? You know what I mean? So they start changing their spending habits sometimes when the market starts correcting. We have to be cognizant of that. That's one of the things I keep an eye on.

LEGISLATOR DRUCKER: Just to go over one of the areas that you were speaking very fast, 2026, you said something's going to happen in 2026.

MR. PERSICH: I think between 2025 to '26 is when I think we're going to see some type of economic downturn.

LEGISLATOR DRUCKER: You pointed to something in particular.

MR. PERSICH: In 2027 I don't have a contingency in the out years in the Multi Year Plan.

LEGISLATOR DRUCKER: What is that again?

MR. PERSICH: A contingency. We have a contingency built into the Multi Year Plan in 2025 and 2026. In 2027, I don't have a contingency. It's nothing more than a resource to alleviate some pressures on the budget, meaning I have money set aside in case I have an expenditure that I don't have enough coverage in.

LEGISLATOR DRUCKER: There's nothing specific. I thought I heard you say something specific. Okay.

MR. PERSICH: The other thing too, the Tier 6, the pension benefit. That was one of the things that did change and was going to put some stress on our pension payments to New York State. But we have a resource there to cover that.

LEGISLATOR DRUCKER: And you're, you're so sure we're headed for a recession. I'm not so sure we're headed for a recession.

MR. PERSICH: I'm not an economist, but I do know -- I am with you. I don't understand the technical factors behind this market rally. The fact that the past two days, is going down. Not that I'm relieved by it. It's not good news because we all have money in the market. But but the problem is, is that I don't understand some of the technical factors that are keeping this thing moving as fast and as high as it was. A little correction never hurt anybody, especially at 40,000. But it doesn't help people's confidence when they see the market dip.

One of the impacts is consumer confidence when the market takes a downturn. I don't know when they when the recession is coming. But having lived through a bunch of them, I know what happens. If I could predict it I'd be on the other side of this and putting all my money in cash. But I don't know if that's the prudent thing to do right now.

LEGISLATOR DRUCKER: You have your page of challenges, which I admire because you duly articulate really some very important challenges. How do you plan to specifically budget for those three items in particular that you put down in your challenges?

MR. PERSICH: Well, CSEA, I can't get into logistics of what we're doing, but the pattern was built -- I'm trying to stick to that pattern with CSEA. It got distorted as a result of the Excelsior plan rates that the State manipulated I would say a little bit. They set the rates, and just so everybody knows, that NYSHIP in its entirety is just a wholesale insurance company, for lack of a better thing. It's Blue Cross and Blue Shield for the hospitalization, United Health Care for the outpatient stuff. And they take a vig from that. I don't really have a lot of control. We have an RFP out there for for a healthcare consultant to see if there's other opportunities for us, maybe a different path. But we are cognizant that employees are entitled to health insurance, and we have to provide that. It's a question of what level. And I think we're going to get into those times. Downstate medical costs, it's a big differential between here and upstate. If you look around I mean the hospital system is a great economic driver for us. But buying practices and doing like some of these consolidations like these big hospital networks do has just driven up cost to us. So we have to be cognizant of that. And some of the properties there are not for profit, so they come off the roll and it creates a bigger problem. So you got to factor all that in there. The fact that the medical field has more resources and money to spend is a good thing. The problem is, is that it's driving up on the other side. What I make in some of those spending habits I pay in premium on the other side of it.

LEGISLATOR DRUCKER: The health insurance aspect is something that affects each and every one of us on this chamber. We're very interested in how we can handle it and how we have the money to handle it, because it's certainly a priority.

LEGISLATOR DRUCKER: Understood. And we've put money away for unforeseen expenses. That was one of the things and one of the resources we did, we put money into a healthcare reserve. Originally, the intent was to help fund the OPEB liability, but we have it as a resource in case rates go up 10% next year. It's a $300 million bill and it doesn't go down. That's one thing I will tell you. One year we got a I would say a 0% increase or 2% increase, which was right after Covid I think; it was one of those years. But I don't see that trending anymore. Everything that everybody thought with Covid was free testing and everything else, somebody had to pay for it and I think that's being reflected in some of the premiums that were out there.

LEGISLATOR DRUCKER: Just one or two more. You don't see any upcoming needs for capital borrowing for bonding.

MR. PERSICH: We just did our borrowing in June. Whenever the capital plan gets adopted, we'll go to the next round. Depending upon where the market is, we sometimes build in a borrowing in December, but we'll see what happens with that. We have ongoing projects right now that we're still working through.

LEGISLATOR DRUCKER: But you don't

plan on anything before December.

MR. PERSICH: Well, to go to market, the capital budget, I would hope that would be passed so that we can plan a path for that borrowing schedule. Because there are some things. One thing we have to be cognizant of is when we were not in such good financial times, some of the infrastructure we let get dilapidated, for lack of a better thing. Now we're not doing that. Meaning the cert borrowings and the NIFA borrowings that we did and everything else, we're on a path now. We have to catch up, which is going to be a painful process to keep up with the infrastructures that we left behind, because we couldn't afford it. Now we're there. We're being prudent on what is the immediate needs and what's not in immediate need, especially with some of the infrastructure that we have in the county. I think we're looking, we're analyzing it. We'll size the deals as we see fit.

LEGISLATOR DRUCKER: Lastly, just to piggyback on Chairman McKevitt, who raised a great point, Early Intervention services expenses must be budgeted for, Andy. It is that important. There are families that are affected by this each and every day.

MR. PERSICH: We're on it. We monitor it closely. It's appropriately budgeted. I don't no. It's a question of finding the resources. I have resources now. But it's like everything else, I can't go too high because I don't want to give a message out there that we got all this money, and then we start having people come in there. It's one of those things. It's a dynamic path, I would say.

LEGISLATOR DRUCKER: I understand. I just want you when you're with your team and you're sitting there deciding what goes into which bucket, I want that bucket to be prepared for it.

MR. PERSICH: We will keep it as filled as we need to and give the appropriate ample resources. We did the rate increase, which is one of the things that we did. But it's caseloads now that are driving it up. It's this Covid overhang -- I don't want to use it as an overhang -- but this generational thing. Kids going to school that were working from home, they have a lot of anxiety issues and everything else. You're starting to see that caseload data tick up. We're monitoring it. The Health Department does a great job of it. But I'm a numbers guy, but I am cognizant that we have to fulfill the needs that kids may need at this point.

LEGISLATOR DRUCKER: Thank you, Andy. Appreciate it.

MR. PERSICH: Thank you.

CHAIRMAN MCKEVITT: Legislator Giangregorio.

LEGISLATOR GIANGREGORIO: Hi, Andy. Just to go with my colleagues on this Early Intervention thing. When we did that increase, that was to create a fair wage. But there were also young people in the system that were unable to get those services because of the unfair wage. Now that we're paying as much as Suffolk, are you preparing for an increase in services to the individuals that were providing the service to. Not only the increase in the wage, but also additional young people coming into the system that weren't in there prior to this race?

MR. PERSICH: The answer to both questions is yes. We've factored in the rate increase into our numbers. Let me put it to you this way, based on caseload data that we had when we did it, we estimated it was going to be like 1,100,00 in additional expenses, probably going to be closer to 2-2.5 million because the caseloads, the volume, has gone up. We moved money in June to cover what we thought was a shortfall in early intervention. We're developing the budget for next year, so I'm sure we're not going to go below the number we're projecting right now, but we're going to probably be somewhere between 175 and 190 somewhere in that range. It's a significant increase. But one of the things that we are working on is trying to figure out ways to save money. Transportation is a big component of that, which we have to monitor that. Giving the kids the services is an important thing. But the transportation piece gets a little hairy sometimes of where the service providers can be provided for. Dr. Gelman has a plan. She's kind of working with BOCES to maybe do a pilot plan that let them figure out transportation for these children that need the resources. That's one of the workstreams we're trying to do.

The school districts decide what kids need. I don't have that ability to do that. So we have to work with the school districts. They work actively with them. There's some contention sometimes, but for the most part, we're not letting the kids fall behind is what I would say, Legislator. The County Executive has made that point that children are very, very important part of this County. He's made it a focal point on several fronts, just so you know.

LEGISLATOR GIANGREGORIO: My other point was just in talking about the Fed, in an ever changing environment just up until Friday, the original call was two cuts of 25 basis points. Now we could see two cuts of 50. We could also see an inter meeting cut as soon as a week or two. That's purely speculative. So we're prepared for all that, just in case?

MR. PERSICH: Yes, we are. Again, if you look at the balance sheet in our reserve balances, we're well positioned if things get a sideways. We have resources in our tool bag.

LEGISLATOR GIANGREGORIO: Money market accounts will probably take advantage of that cut immediately and drop their number that they're paying.

MR. PERSICH: Our yields right now is between I'd say four and four and a half what we're getting on our money. Because that's the collateralization piece where you can get a money market probably at 5 or 6%. We collateralize it so the bank discounts are rate.

LEGISLATOR GIANGREGORIO: There is a cost to that.

MR. PERSICH: Yes there is. We'll factor that in. As I said, if rates drop that means my debt service costs drop. So investment income could drop. But so will my debt service cost drop. They go hand in hand.

LEGISLATOR GIANGREGORIO: Thank you.

CHAIRMAN MCKEVITT: Minority Leader DeRiggi-Whitton.

LEGISLATOR DERIGGI-WHITTON: Thank you. How are you?

MR. PERSICH: Good morning. How are you?

LEGISLATOR DERIGGI-WHITTON: Good.

We just were looking at the

different accounts. There is a pretty drastic comparison between the Comptroller's amount that they have listed as their reserve. Theirs is listed at 538.7 million and OLBR is listed at 728.4 million, which is a pretty significant difference.

LEGISLATOR DERIGGI-WHITTON: These are as of? I don't have their numbers. I got the reports on Friday. I sifted through them. I will say this, these are as of 12/31/2023. So we've had some movement in there, meaning we move funds in and out.

LEGISLATOR DERIGGI-WHITTON: I think what the real difference is, is OLBR includes aspects such as the ARPA funding, which is 48 million.

MR. PERSICH: Correct.

LEGISLATOR DERIGGI-WHITTON: The opioid funding, which drives me crazy, at 88.7.

MR. PERSICH: I'm aware of that.

LEGISLATOR DERIGGI-WHITTON: Talk

about caring about kids. The DAF numbers, which is 41.8 million. So that is basically included in our reserves and it's collecting interest. And that's my first question. There was $7 million approximately paid in the Opioid Fund. Do you know where that interest went?

MR. PERSICH: That stays in that fund.

LEGISLATOR DERIGGI-WHITTON: It's not in there. The balance has not increased.

MR. PERSICH: Maybe -- I'll have to go back and look at that, but it's a requirement that it stays in there. I'll look at the booking of the entries, but I'm pretty --

LEGISLATOR DERIGGI-WHITTON: As of today, it's not. There was $7 million approximately in interest just for that alone, and it is not increased by 7 million. It's the same number.

MR. PERSICH: So I'll give you why I don't include those numbers in my thing because they're dedicated resources. See they're dedicated for a specific purpose. Opioid to me is a restricted fund. I can't use that for Operations. I'm not using it for that. Same with the ARPA funds. DAF is a different thing. It's my understanding -- and I will get back to you on this, let me check on that. But I am almost positive and I could be wrong, but the interest is being charged. But we'll look into that for you.

LEGISLATOR DERIGGI-WHITTON: I think it was moved to the General Fund, but that's what I heard. I've heard a few things and I'm not I'm not saying they're true, but if you could just check that, I would appreciate that.

MR. PERSICH: When the Comptroller makes a presentation, you're going to see she has a different matrix. It's a little bit different than ours. I only worry about the five major operating funds. She includes all those other funds in the General Fund. That's just a requirement as a result of her reporting that she needs to do. That's probably where the significant differences are. But I don't use those because they're restricted. They're not for me. I have my own set of reserves set aside for operational needs if we need it.

LEGISLATOR DERIGGI-WHITTON: I understand that, but the benefit of having reserves is we're getting interest on the money. So I'd like to know not only where the opioid interest went, but also the ARPA, the 48.8 and the DAF. I would think it'd be going back in the same line, but it's not. I wouldn't even have a problem if it was going back in the same line.

MR. PERSICH: I don't think the requirements under the ARPA statute requires -- let's segregate the two; the Opioid Funds the interest is retained there, the ARPA funds we can take into the General Fund because there's no requirement that we keep the money in there. So it is a benefit.

LEGISLATOR DERIGGI-WHITTON: I would feel better because, again, I heard 7 million.

MR. PERSICH: I will check on that for you.

LEGISLATOR DERIGGI-WHITTON: I understand what you're saying that it's allocated, but it still reserves. I would just think that we would have as a Legislature, we should just sort of have an idea how much we have in reserve, especially because it is collecting interest and it is part of our income.

MR. PERSICH: Absolutely.

LEGISLATOR DERIGGI-WHITTON: I also just had a few other questions. One is with the Capital Plan. You're saying that you want to have a projection as to how much to borrow, say, December, which I guess would be for 2025; where are we now with the capital line? How much money do we have should we need to fix a water main or something?

MR. PERSICH: We have money for specific projects. Most of the projects that we have in the current Capital Plan, we have bond authorizations so those are all covered. Infrastructure things we have a general purpose reserve set up for that. If a water main or a sewer pipe breaks or we have some catastrophic, we probably have bond authorizations in place and we have a part of the Capital Budget. It's the new stuff we're trying to get into. The stuff that we left alone for years. There's a lot of work in the sewer district that's going to be required. There's some other things. Some of the buildings here, as you can see, we're starting to put money back into the buildings -- my office is 80 degrees -- we are focusing on maintaining the assets we have in the infrastructure and upgrading them as need be, because we did leave them alone for a long period of time. So I think we're trying to catch up to that. And that's a cycle too. We can't do it all in one year. If I had a $2 billion capital budget or $3 billion, you're not going to do it all at once. It's a cycle. It's over time. We have to prioritize what our needs are. That's not me. That's the this Body and the County Executive that set that.

LEGISLATOR DERIGGI-WHITTON: But you agree that it's something we should be looking at it because we're going to have some of the projects coming up and the bonding and the Capital Plan should be addressed.

MR. PERSICH: It helps me plan. The only reason I would like to have the Capital Budget in place, an adopted one, because it helps me with my borrowing schedules that I need.

LEGISLATOR DERIGGI-WHITTON: We're hoping -- the Charter requires that year '25 we should be addressing by the end of the year.

MR. PERSICH: Understood.

LEGISLATOR DERIGGI-WHITTON: We're

hoping to be able to do that as well.

I have one other question that I spoke with the Comptroller about. I get approached just at various events. A number of our contractors, especially dealing with children and alcohol abuse and drug abuse, are not getting paid. They haven't been paid since the beginning of the year, just their contractual payment. And one of them mentioned to me that he took out a loan for 8% to pay for his staff. And this is a very respected agency. Do you know anything about this, like where this is held up? The Comptroller said she doesn't have it in her office.

MR. PERSICH: Claim vouchers come through. We process claim vouchers all the time. If the budget appropriation is there and it fits within the contractual guidance it moves on. Sometimes vendors don't have all the facts. Vendor portal, some of the disclosure requirements we have are a little bit more, I will say inhibits some of the getting the money out. But to that point is, is I know with the Opioid Funds we are creating a new IT vendor portal for them, which will help get money out faster.

LEGISLATOR DERIGGI-WHITTON: It's not even opioid money. It's contractual money that these groups need. I would really appreciate you looking at it.

MR. PERSICH: I will definitely. If you give me the list of vendors that are not paid, I will have my team --

LEGISLATOR DERIGGI-WHITTON: I will tell you right now. I don't want to breach anyone's confidence in me. But take a look at all of these groups that are supplying aid to -- there's a list of numbers. They're the ones we also promised opioid money to which we didn't pay either. Supposedly, those groups are not getting paid their contractual agreements. It's terrible business. And as we all agree, if you care about kids, this is where you show it. There and the opioid funding.

Just to jump over, I know CSEA we can't talk about too much, but from what I understand, the savings is pretty much not there, correct?

MR. PERSICH: That is correct, Legislator.

LEGISLATOR DERIGGI-WHITTON: That was one of NIFA's requirements, right, for this to happen, that we show a savings with the --

MR. PERSICH: (Nodding, affirmatively.)

LEGISLATOR DERIGGI-WHITTON: Okay. So it's something we really have to address. I get so many emails from retirees that are so upset. And it's heartbreaking because they've retired for years. Not to discuss it too much, but it's something that we're very serious about, trying to find a good resolution to.

MR. PERSICH: We are working to resolve those retiree issues. We were hit with a lawsuit too. So I think that, you know, hindered it a little bit. But there is an active workstream between the two parties to come up with a resolution for that one component of it, along with the health insurance, there's components that we need to address. The bigger one to me is resolving the Excelsior problem because it is a problem. But the retiree thing, I am well aware of it. I've gotten information from both sides here, and we're working on how to resolve that issue with the retirees.

LEGISLATOR DERIGGI-WHITTON: The other rumor -- I do hear a lot of rumors - is that Excelsior might be going bankrupt. It's just another rumor.

MR. PERSICH: No, it's a fact. Excelsior is going away at the end of the year. The State sent out a notification to us. It's public knowledge. There are other options. Again, that's why we're hiring a healthcare consultant. I personally don't have the experience there. I think we need somebody who knows capitative costs and everything else that go into pricing an insurance policy, especially in the healthcare arena.

If you ever looked at a bill, which is amazing to me, you go to the doctor and they charge this, but they pay that. I don't understand that math because it's you're taking a discount of significant amount. But we're looking to see if there's other service providers out there that are going to provide the same benefit that it NYSHIP does, or Anthem, which is Blue Cross/Blue Shield. We are getting to more of a supermarket type plan thing. That's where I think we got to get to, where you choose what you want, and we'll have to do that.

From what I understand -- I've had NYSHIP too -- I will say that I've heard that the Anthem Blue Cross plan is actually has some better benefits than the NYSHIP plan, but that's healthcare. We dynamically manage that when we do the

85% rule for the Anthem plan.

We don't control NYSHIP. There's three people in the room for the NYSHIP plan. I asked the state when we went into the Excelsior plan, can I have a seat at the table, because I'm your largest premium? I wouldn't say I got laughed at, but what I got told was this. Three people in the room, it's the Budget Director, Labor Relations and Civil Service. Those are the three people that manage that. You have to take all these other municipalities out that were being held hostage. There's nothing we can do about it. That's just the world we live in. So we're looking and I think other municipalities are going to start venturing out. I'm not a fan of self-insurance, as this county has had history there, we are well aware of that. I not going to be a proponent of that because of what happened to last time. But we are looking at other resources, maybe other carriers and stuff like that.

Again, I told you, it's a wholesaler that we pay a fee to too. The State charges us a premium fee.

LEGISLATOR DERIGGI-WHITTON: Not to get too -- because I know there is a lawsuit pending -- I also heard another rumor that if Excelsior does go bankrupt, it goes back to NYSHIP.

MR. PERSICH: That's what the state has offered us. We are in a holding pattern with them. We've asked for an extension before we choose our eligibility because we're trying to resolve the issue with CSEA. So that's the challenge we have right now in front of us is trying to get both parties to agree to what's a fair and equitable plan for them to adopt. Because they got a very rich deal. Fairness to the workers, they were complaining about how wages and everything else, we gave them the college chart and it's flowed in. I need resources to cover that shortfall. Otherwise, I have a major budget problem and we're going to be back in the same position we were, which I personally do not want to go back to. It's hard enough managing what we have now. I don't want to go backwards.

LEGISLATOR DERIGGI-WHITTON: I understand. Not to say that you're a pessimist because I don't think you are, but just your outlook on the economy and maybe a recession and the expenses we might have with the health insurance, I think it's safe to say, and this is another rumor I heard, that this would probably not be the time to do any type of tax cut. Do you agree with that?

MR. PERSICH: We are working with the budget right now. I can't tell you what it looks like. We've been able to hold the line on taxes considering the inflationary pressures we've had, but stay tuned. Again, I'm not a policy setter here, but we've been able to sustain the $70 million over the past four years. I was here for that and I was scared at that point. But apparently we survived that. I think we're in well positioned and we're managing our resources well. With these surpluses, gives us more flexibility in the future.

LEGISLATOR DERIGGI-WHITTON: Again, we need, as you just said a few times, we're looking at the numbers, we're looking at the possible recession, we're looking at healthcare costs going up, especially if we're ordered to take CSEA back and NYSHIP, which might happen. It's still the time to kind of hold on.

I also think that -- I really appreciate you looking into this, because I'll be honest with you, that a lot of the families with the opioid money are getting very upset and are thinking of what they can do to push it along. And if it comes out that the interest is being moved to our General Fund, it would just be a very bad -- you know, a lot of smart people are involved in opioids who have lost family members who are very intelligent. Honestly, I have a family who's an attorney who was very upset about this and is exploring what he can do. And I just don't want to see the County have that happen. And then all of a sudden we show, oh yeah, not only we're holding on to the money, but we're using the interest in our General Fund. I think it would be a terrible, terrible look.

MR. PERSICH: Understood. I will take a look at that. But I don't want to talk for the Treasurer's Office, but I will confirm that for you.

LEGISLATOR DERIGGI-WHITTON: Of course. This is probably the only time I get to see you, so I'm making you aware of some of the issues that we have.

All right, Andy, for your work.

MR. PERSICH: Thank you.

CHAIRMAN MCKEVITT: Any further questions from the legislators?

(Whereupon, no verbal response.)

CHAIRMAN MCKEVITT: If not, Mr.

Persich, thank you for you and your team for the presentation this morning.

MR. PERSICH: Thank you, everybody.

CHAIRMAN MCKEVITT: We will be seeing you again soon.

MR. PERSICH: You will.

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CHAIRMAN MCKEVITT: At this point, we have our County Comptroller, Elaine Phillips, here who will actually be our final witness today for our Budget Review Hearing.

(Whereupon, Comptroller's Office presentation is displayed and referred to.)

COMPTROLLER PHILLIPS: Good morning, Ms. Phillips.

(Whereupon, addresses audio.)

COMPTROLLER PHILLIPS: Good morning, and thank you. Thank you for inviting us. It's always wonderful to hear you -- not hear you, see you; but honestly, to hear your questions too. They're good questions. The people of Nassau County should be proud.

I'm here with my deputy comptroller, Betsy Hill, who you've met many times, and our director of accounting, Lisa Tsikouras. I want to just take a minute and thank Lisa and her team for all the hard work. So think about the timing. We went. We had the ACFR, which is the final report for 2023. That was completed at the end of June. And then we went directly in the PAFR in the paper and we have a copy of the PAFR in your folder that we gave you.

Nassau County -- just to toot our horn a little bit here -- Nassau County has won the GFOA, which is the Government Finance Officers Association. We have won the Triple Crown award for the last two years, so 2021 and 2022. It's a look back the year. We are the only government entity in New York state, local government entity, to have won that. So really hats off to Lisa and her team.

I'm also joined with my Deputy Comptroller, Beaumont Jefferson; our Chief Counsel, Charlie Casolaro; my Director of Communication, Wendy Goldstein; and the rest of the staff back there. So thank you all for coming.

We're going to start -- some of the

beginning I'm really going to go through quickly because Andy's already told you that story. The fact is, Nassau County is in best fiscal condition it has probably been in in decades. It's just a fact. Things can change, but it's a fact. The rating agencies have taken notice. We've gotten these rating agency upgrades.

On page three, we give you an outlook starting back in 2021. And remember the way we look at things in the Comptroller's Department. We look at things on the five major funds, but we also look at the world from the three primary operating funds, and we didn't give you your cheat sheet that year. Maybe we should have. But the three primary operating funds -- and Lisa can correct me if I'm wrong here -- are much more comprehensive. So they include all the reserves that the County established. So I want you to think about something also, because I will tell you as a business person, it took me a while to understand this. So you look at 2023, you see on the five major funds, we have a surplus of 19.6 million. And then you see the deficit in 2023 of 74 million. You say, what happened? Well, Nassau County did exactly what it was supposed to be doing. We took money from reserves and we paid down old liabilities, past liabilities.

And in fact, if you go to page four, you can see those liabilities that we paid down. We spent $137.6 million on our tax certiorari liability, claims and judgment, we paid down deferred pension liability. We no longer have a deferred pension liability. And then they made the decision to do a cash defeasance of our debt.

In addition, we paid $33 million to the PBA for retro payments due, and we accrued the costs of CSEA and COBA payments that we paid -- retro payments -- that we paid in 2024, but we accrued them in 2023. So you say, Elaine, why do we have that deficit? So the way GAAP accounting -- you better be proud of me right now -- the way GAAP accounting works, if you use reserves or your savings account, it does not transfer in as revenue, even though the expenses show up on the expense side. So it's like owning a small business and say your budget is flat, but you go out and buy a food truck from your savings, that is not revenue. That's a use of savings, not revenue. So honestly, from a business standpoint, it's a little counterintuitive. I had the money to spend. I spent it for good reasons, but it doesn't show up as revenue, which is why from a GAAP accounting basis, it's okay to kind of go up and down on that surplus deficit, as long as we have the reserves to be able to spend that money. So I just wanted to clarify that.

I'm going to turn it over to Betsy to give us a little bit about the economy.

MS. HILL: So I want to talk about the economy a little bit to just prepare for the sales tax now.

(Whereupon, audio is addressed.)

MS. HILL: So one of the things you should be aware of is that Nassau County's median household income is ranked number eight of all the counties in the United States of the 3143 counties. If you look at the economic indicators, Nassau County outperforms New York State and the United States in unemployment, in families below the poverty level, and median household income. That's what contributes to this wealth, or explains the wealth here.

What we should note, though, is on Thursday or Friday last week, the US and employment rate rose from 3.9 to 4.3, and that kind of shook up the markets a little bit. So it's putting a little bit of uncertainty out there. You should also know that I think on Thursday Intel cut

15,000 jobs, in their industry and their group.

In terms of GDP, Gross Domestic Product, we've seen two full years, eight quarters, of positive increases in the GDP. So it's been a nice period for the for the country. And it also has helped been a result of many jobs being available.

This is an interesting slide I think because it shows you that throughout Covid, the Federal Reserve kept rates flat, very low at zero, to help the economy and as a result, you could see the inflation rising. And it got to a point where finally the fed realized that they needed to do something about inflation. They'd kept it low because they were happy with the job market too, during that time. So they started raising the rates after they saw this peak, and then they raised them to the highest level ever, I think, or at least in 20 years. And now that they're seeing that there's a decline in inflation, that maybe they're being successful with, they're forcing these higher rates on the banks and on the industry. You're starting to see the the inflation come down, and that's why you're hearing the forecast that they're probably going to lower the rates somewhat in the next two quarters.

COMPTROLLER PHILLIPS: So what's the bottom line? Remember mid-year is a point in time. But we are going to address, the role of sales tax a little bit. So when I have the opportunity to go out and speak to Civics or Chambers, most people feel or think that the majority of Nassau County's $4.4 billion budget comes from property taxes, and that's actually not the case. So there's a chart or pie chart on page eight that kind of breaks out where our revenues come for our 2024 budget and you'll see sales tax make up 44% of our budget, which is why you ask so many questions about sales tax.

Just to kind of do a quick, quick review though property taxes are only 22% of our revenue side of our budget, Departmental revenues are 9%, other revenues 12%, and then state and federal aid. And I will say the reaction by most residents of Nassau County is surprised when they hear this.

Let's turn to page nine. Page nine is just actuals: What has happened for the first two quarters of 2024 versus the first two quarters of 2023. And as you've already discussed with OMB, is that year to date we're up 0.2%. First quarter was a little slower. Second quarter has picked up. We do not have the June numbers, they come in today. So we will know if we got a pick up from Cricket.

The other thing also is there's a makeup date. The quarterly reconciliation. So what we can see is that the State sometimes will underestimate what we're going to get, and then they reconcile. So that reconciliation doesn't come until I think October. So it'll be a while.

On page ten gives you our forecast and I'm going to repeat, it's a moment in time. So the way we are looking at this, if you go down, the green column is actuals to date. So through June plus 0.5%; may be a little conservative, we'll see. So it's important for us to look at not just plus 0.5% or plus 1% or -0.5%, but it's really important to look at the range. So what could the range possibly be? I believe the range could be somewhere slightly above the budgeted amount to possibly even slightly below the budgeted amount. But it's all within maybe plus a couple million to down maybe 5 to 10 million. And I say this respectfully, down five, down 10 million, although it's a large portion of our revenue stream, 5 to 10 million is easily managed by OMB.

You know, just for a second -- it will be interesting. I think the consensus is the Fed is going to have to lower rates. And then the question will be is were they a little too slow to to lower interest rates. And that could force a potential recession. But they can act pretty quickly. As you said, Legislator, it's very possible they do an interim. And even if they wait till September, they could do a much larger decrease also.

So the question will be, is there some pent up demand to buy homes? So we're sitting in the high sixes -- I was mortgage backed security person for 30 years -- we're sitting in the high sixes. Haven't seen the high sixes in 30, 40 years. Say those mortgage rates dropped down into the fives. Are there some young people that are kind of sitting back there waiting. How does the adjustable rate mortgage market react? Can we get down into the fours, maybe for 4.71. So that'll be very interesting to watch.

(Whereupon, audio addressed.)

MS. TSIKOURAS: So, the 2024 forecast in the report on page 11 is a summary. We're projecting on a budgetary basis for the three operating funds, and just as the Comptroller mentioned, it's it's this is how we report the County's financials to the public. Our ACFR, our Annual Comprehensive Financial Report, that gets issued publicly, that's audited reports on the three budgetary on the three operating funds, which is more comprehensive than the five funds that OMB will report on.

So on a budgetary basis, the projections are, 225.2 million. And then you'll see estimated GAAP adjustments, which I'll discuss a little bit later, which reduced that by 75 million for a GAAP basis of approximately 150.1 million.

So I'll talk about the potential opportunities and and risks for the major items that were identified. So as mentioned earlier, investment income is driving this difference by where we have an opportunity projected opportunity of about $40,000,000 -- 39.9 --

COMPTROLLER PHILLIPS: Can I for one second? So I pulled up a report that the Treasurer's Office now provides for us. And we have our cash in 11 banks -- or nine banks and two short term money market accounts that are approved by New York State. We have limits. We established -- this is a report that two years ago, we sat with the County Executive, the Treasurer and OMB and a small committee of outside internal people within the county -- and we requested a report from the Treasurer's Department on a monthly basis so we could see which banks that we have our cash in. We could see we put limits depending on the credit rating and the size of the banks. We see the letter of credit. So either we have a letter of credit to guarantee those cash, or we have over collateralization of 105%. So it is a report that the Treasury Department provides us and they give us the interest rates that they're earning. It's a great report.

MS. TSIKOURAS: So again, 39.9 million is what we're projecting as a potential opportunity in the five funds just to make it a little easier for comparison. We're projecting a $5.8 million opportunity sewer 4.9 and all other, funds that we consider, which include the Reserve Funds that are included in the General Fund for reporting purposes, is about 29.2 million, and those funds include the Litigation Fund, the Operating Reserve Fund that was recently created, the BIF Fund, the Bond Indebtedness Fund, the Employee Accrued Reserve Fund, and all those other, some of which are created in accordance with GML.

So the next opportunity that I'd

like to talk about is debt service; we're projecting $19.1 million opportunity. That's primarily the result of the delay in some of the borrowing, the cash defeasance that was done last year of approximately about $100 million. The refinancing that was also done. The NIFA tender offer also has a slight impact to this. So what we're projecting is a positive opportunity in principle, debt service of 10.9, of interest 6.3, and on the NIFA set asides, what our sales tax pays for for knife is debt of about 1.9 million.

The next opportunity is State Aid. We're projecting a potential opportunity of $29.9 million. The majority of that opportunity is driven by the increase in expenditures that we're projecting for early intervention preschool costs. So we have approximately 22 million of potential opportunity in State Aid related to that increase. It's a 59.9% reimbursement rate at the state level, and we also have an additional potential opportunity of 6.4 million for a safety net. Those are the major items that are driving that potential opportunity.

The last potential opportunity that we're identifying is a potential opportunity in the contingency. So as you know, the General Fund has a contingency budgeted of $39.4 million. The Sewer Fund has a potential contingency budgeted for 10.1. We're saying at this point, they're not going to be reporting any expenditures against those lines. So that's a potential opportunity that could offset some of the other potential concerns that we're going to identify next.

So as Andy brought up and the Legislative Board also brought up earlier; social services programs. We you know those costs are going up. We know that OMB in their projections have also projected increases in potential risks in those categories. Our potential risk is

52.9 million. I know OMB had projected, I believe, about 51 million in those same categories. What's driving those primarily recipient grants, safety net -- we have almost a $20 million increase in safety net costs based on caseloads, increase in homelessness. That's driving a lot of these. Another 20 million in purchase services related to daycare costs due to increase in eligibility. At the state level, the eligibility requirements were were changed. So there are more people that are now eligible for those services. And we also have a net increase in potential risk in Medicaid as well of about 4.7. We have a 9.7 risk in the county share and a 4.9 opportunity offsetting that in indigent care. So those are the main drivers. Of that 52.9, we've projected Federal Aid of 21 million opportunity and an additional and a 6.4 in State as I mentioned earlier on the safety net.

COMPTROLLER PHILLIPS: So that gives

us a still a negative variance of 25 million. But I want to highlight a piece that our Audit Division did on Hotel/Motel or providing homeless shelter. There's a great piece. It's listed on our website. It's not technically an audit, it's a report, but it talks about the number of cases of homelessness and how it's gone up. But what's also happened during this period of time is the number of shelter providers has gone down. So the County has been forced to use more and more Motel/Hotels, and that Motel/Hotel cost has increased significantly. So we provided the report to Jose Lopez. He acknowledged it and it is something that could be needs to be addressed as we're looking for those savings. Nobody doesn't want to provide the safety net. That's our job as government, is to provide a safety net. The question is, are we doing it in the most efficient manner?

MS. TSIKOURAS: The next potential

concern -- slide 17. Early Intervention in preschool. We're projecting a potential risk of about $37.4 million. And offsetting this risk is additional State Aid that's projected, as I mentioned earlier, of 22.2 million. This is these costs. This this risk is basically driven by the higher caseloads -- and I believe that this was also discussed in the previous presentation --- and as well as the higher specialist rates. We've been seeing these numbers continuously grow over the last few years. Our report has typically had a risk for these costs in every year that we've that we've prepared our mid-year report.

The next potential concern is overtime. And our projections are for a total potential risk of $50.7 million. And as you can see from the chart on page 18, it's in the main categories: Police District Fund, Police Headquarters Fund and Correctional Center. Our projections also include potential classes for the police officers. We know that there was a class of 93 that began in June, and there's a budgeted class of 75 expected sometime in the second half of 2024. And those costs have been funded by the adopted budget. But by the time the officers are ready, we don't know that this will mitigate enough of this cost. So we still see that this will be a potential risk to the budget. The next potential concern, as was also raised in the previous presentation, is fringe benefits with the health insurance premiums driving the majority of that risk.

So on the slide on page 19 you'll see we've had we have it broken out by the by our funds the different funds. You'll notice in the General Fund -- the Litigation Fund is in there as well -- we've projected some costs in there related to the fringe associated with some of the longevity that gets paid out of litigation. That's what you'll see in there. This projected concern or risk is approximately $22.8 million.

The next concern that we have is a potential risk in departmental revenue, with the major drivers being the GIS tax map verification. Just based on run rate and historical trends, where we're projecting a risk here, the revenues that have been reported so far have been very low. As you can see through June, it's only 7.9. The budget's 25. So even if there is a little bit of a pickup, we're projecting approximately 19 million in that category. And the other large variance in this category is the Income and Expense Law, as we know that that was budgeted at 5 million and is still in litigation, so there's no revenues related to that.

Those are the major concerns and potential concerns and potential opportunities. As the Comptroller mentioned, this is a point in time. This is what we see at this moment based on run rates, based on factors, discussions with some departments and obviously things can change. This is not a crystal ball. It's basically what we see at this point. So corrective action can always be taken.

The next slide on page 21. It is a listing of the GAAP adjustments. As I mentioned earlier, we projected a GAAP adjustments of approximately $75 million. GAAP adjustments are extremely difficult to project at this point in time because there's many factors that go into what constitutes a GAAP adjustment. The largest of them happen to be the encumbrances. For budgetary reporting, our surplus or deficit is affected by the encumbrances. So those are considered obligations from a budgetary perspective, from a GAAP perspective, they are not real real expenditures. They're not real expenses. They're only an obligation. So encumbrances come out. So there's usually a pick up based on an encumbrance. However, things like disencumbrances that the County uses and goes back into their fund balances of revenue stream is not, again, not a real revenue because encumbrances are not revenue or expense. So those will come out. So some of the items that we have in here, one of the largest is the effect of the encumbrances. So that's projected to be a net $33 million reduction. The other large item is the pension expenditure adjustment. So as you know, the State has a different fiscal year than the County. And when they bill us for the pension invoice for the the Police and Fire and the Employee Retirement System, it's based on their fiscal year. So from a GAAP perspective, again, you have to report real incurred expenditures, real costs in the fiscal year where they were incurred. So when we do our GAAP adjustments, we have to pick up 75% of the next coming invoice and 25% of the last invoice. We received the estimated pension invoices for 2025 and there were significant increases. So that's what's driving this $35 million GAAP adjustment. So, from a payment perspective, in '25, when the actual expense will hit on a budgetary basis, the Administration needs to ensure that they're covering that, that cost.

COMPTROLLER PHILLIPS: So we had the opportunity, we were looking at these pension costs and the increases in them. So we contacted the New York State Comptroller's Office, and they got back to us immediately late one Friday night where we spoke to them for quite a while. And so there is this adjustment. But when you look at the contribution rate, that we as a county, it has gone up significantly. And this is for April of 2023 to March of 2024.

So I looked at the major categories, and they have reduced their actuarial assumption. They were at 8%, and over the last couple of years they've reduced it to 5.9%, and they have a normalization that they use. But something's happening. I don't know if it's the planned administrative costs, there is a small group term life insurance in there, or it is this normalization that's occurring. But our contribution rate went for ERS, which is basically CSEA, non law enforcement, went up anywhere from 19 to 22% over the prior year. And then the law enforcement, which is PFRS, went up around 15%. So it's pretty significant contribution increases. Something that we really need to keep a handle on and probably dig into a little bit. It's something we will do in the Comptroller's Office.

MS. HILL: On slide 22, we're showing you the projections. Under the zero line, the projections by NIFA for the future budgets and the future Multi Year Plans. And you'll see that every year they project a negative, they project a deficit. Most notably starts in 2021 because they were projecting from the standpoint of 2020 with Covid, they projected huge deficits for the next year budget and the three year plans. But surprisingly or not so surprisingly, every single one of those years the County has had a surplus. So that's to show you the kind of dire predictions that NIFA has been making about the County's results against what the actual results have been.

COMPTROLLER PHILLIPS: So I'm going to just do a quick summary here.

I may not have mentioned it, but to manage a $4.4 billion budget and do it as well as OMB does is really commendable. So I give my hats off to OMB, and needless to say, we bother them a lot. So thank you.

But it really is the same challenges that Andy mentioned are the same challenges that the Comptroller Office is looking at:

Over time costs. We have got to continue to hire new employees; easier said than done.

Health insurance costs. Shame on New York state. Shame on New York state. You're telling me that when we talked to them and said we were going to move all these employees over to the Excelsior plan, they didn't have an idea that the Excelsior plan, they were going to shut it down. So we have that concern.

And these pension costs. I mean, these pension costs are increasing, you know, a defined benefit pension plan in the private sector is a thing of the past. It's something that it helps us attract and retain employees. But it is a cost that is of concern.

Opportunities, though, you know, look, as short term interest rates stay high, there'll be continued opportunity. Despite all of our concerns on sales tax, the fact is sales tax has kind of hit its next stable point. Somewhere around that

$1.55 billion. Yes, the economy slows down a little bit. It's going to go down a little bit. The economy speeds up a little bit, it's going to go up. And it really is because the New York state legislation in 2019 allowing for internet sales.

And really it's important that we think out of the box. I'll give a shout out to our County Executive for thinking out of the box and looking for potential new opportunities. It is critical if we are going to maintain the level of service, particularly when it comes to law enforcement first responders, it will be critical for us to find new opportunities, new revenue sources.

So thank you. We are open for questions, but thank you for your time.

CHAIRMAN MCKEVITT: Legislator Drucker.

LEGISLATOR DRUCKER: Yes. Just real quick. Thank you, Chairman.

Madam Comptroller, thank you. Thank

you and your team. Excellent job. We would normally have a few questions, except you were gracious enough to meet with our caucus in a private pre committee meeting in which all of our questions were raised and answered very, clearly and fully, so we're not going to be able to ask any questions now. And we don't mean to be disrespectful, but our caucus has something to go to. But we really want to thank you for what you and your team and your preparation and what you provide.

COMPTROLLER PHILLIPS: Thank you.

And thank you for supporting Nassau Forward. I haven't mentioned it is the new financial system. It is critical that we pass this capital budget so we can keep moving forward.

CHAIRMAN MCKEVITT: Among my side, we have no further questions at this point. I'll just have to say that was very helpful we had the mid year report last week, so I was able to ask a lot questions of Mr. Persich, depending upon the information you gave us previously. So it's something we do greatly appreciate you providing that.

COMPTROLLER PHILLIPS: Great. We had a couple minor -- we got some calls from some departments with few additional pieces of information. So the one in the packet is the most up to date, and it is the one that we will publish on our website.

CHAIRMAN MCKEVITT: Well, thank you very much. Thank you, your team, for a very comprehensive presentation this morning.

COMPTROLLER PHILLIPS: Thanks, everybody.

CHAIRMAN MCKEVITT: So that is the last of the presentation we have.

Do we have any public comment this morning for the Budget Review Committee?

(Whereupon, no verbal response.)

CHAIRMAN MCKEVITT: If there is not,

then we are adjourned, on behalf of Legislator Giangregorio, seconded by Legislator DeRiggi-Whitton.

All in favor, aye.

(Whereupon, all members of the Budget Review Committee respond in favor with, "Aye".)

CHAIRMAN MCKEVITT: Opposed, no.

(Whereupon, no verbal response.)

CHAIRMAN MCKEVITT: We are hereby adjourned.

(Whereupon, the Rules Committee is adjourned, 11:43 a.m.)

C E R T I F I C A T E

STATE OF NEW YORK)

: SS.:

COUNTY OF NASSAU)

I, KAREN LORENZO, a Notary Public for and within the State of New York, do hereby certify:

That the above is a correct transcription of my stenographic notes.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of August, 2024.

Karen Lorenzo

Karen Lorenzo

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