NASSAU COUNTY
OFFICE OF THE COMPTROLLER

COMPTROLLER'S COMMENTS ON THE PROPOSED NASSAU COUNTY 2018 BUDGET AND MULTI-YEAR FINANCIAL PLAN

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Nassau County Comptroller

October 20, 2017

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NASSAU COUNTY
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Comptroller's Comments on the Proposed Nassau County 2018 Budget and Multi-Year Financial Plan

1.0 Executive Summary

The County's 2018 Proposed Budget calls for expenditures in the County's primary operating funds, net of interfunds, of $2.97 billion, an increase of $31.2 million, or 1.1% over the 2017 Adopted Budget. The increased spending is due to $55.0 million in higher costs, primarily for employee and retiree fringe benefits ($32.1 million, +5.9%), contractual services ($22.9 million, +9.4%) which includes inmate medical care and funding for the County's public bus system, offset by a $20.1 million reduction in other expenditures, primarily in property tax refunds. The 2018 Proposed Budget holds salaries to about the same as in the prior year as a result of the Administration's early retirement incentive, which reduced headcount by 322, and is expected to offset contractual labor cost increases.

The Administration's 2018 budget proposes the raising of $114.8 million in new revenues in order meet the higher budgeted costs and to overcome projected declines in prior year revenues in Federal Aid, use of reserve funds and $60 million from bond proceeds to pay for property tax refunds. These new revenues will be generated from $61 million in fee increases (for traffic tickets, mortgage recordings and assessment items), $41 million from higher sales tax revenues, and $12.8 million from OTB video lottery terminals.

Additionally, a property tax increase of $15.2 million is proposed, equivalent to a 1.6% rise in the general tax levy, for the Sewer Finance Authority and the Environmental Protection Fund. This revenue does not affect the proposed budget for the Primary Funds.

The Comptroller's Office estimates that the submitted 2018 budget contains approximately $120.0 million of risks, on both a Generally Accepted Accounting Principles (GAAP) basis and in the modified GAAP basis prescribed by the Nassau County Interim Finance Authority (NIFA). The results between the two methodologies have converged since the Administration has not borrowed to pay for operating expenditures. **Assuming the risks are not mitigated, the Structural Gap will increase for the second consecutive year, to $142 million.**

The budgetary risks, as shown in Exhibit 1, stem primarily from the projected shortfall of $76.2 million in revenues and $42.0 million of higher expenditures. The main revenue risk variances are those items that require Legislative approvals, such as the $35 million from the increase in administrative fees on traffic and parking violations, $14 million of increased real estate filing fees and $12 million of increased assessment fees. Additionally, the $5.2 million revenues from the Income and Expense Law enforcement and the $12.8 million from OTB profits from VLTs are not expected to materialize. Furthermore, we project a risk of $40.0 million in underfunding for property tax refunds, compared with historic levels.

The Comptroller's 2017 Mid-Year report projected that the County would end with a $57.6 million deficit in the primary operating funds under GAAP and with $67.8 million of the fund balance. The year-end non-primary fund balances are now being revised lower to take into account the projected use of a portion of the Employee Accrued Benefits Reserve Fund to pay for higher than budgeted Police District termination pay. As a result, the 2017 ending GAAP fund balance for the primary operating funds and the non-primary operating funds and reserves (excluding the Environmental Protection Fund) are estimated to total $43.1 million.

Should the $120 million in risks not be eliminated, the ending 2018 GAAP Fund Balance for the primary and non-primary operating funds and reserves (excluding the Environmental Protection Fund) will decline to a **negative $79.9 million.** If, however, all opportunities identified in Exhibit 1 (totaling $119.1 million), including the proposed fee increases, materialize, the ending GAAP Fund Balances for the operating funds would still be projected to **decline to $39.2 million.**

By the end of 2018, long-term debt is expected to grow to $3.7 billion, an increase of approximately $113.5 million, when compared to year-end 2016 because the Administration plans to roll-over, at maturity, $99 million of sewer bond anticipation notes (BANs) into long-term bonds. The deferred pension liability is expected to reach $226.6 million and the long-term property tax liability is estimated to decrease to $281.5 million, as a result of the establishment of the Disputed Assessment Fund. The utility liability is estimated to remain unchanged at $280.6 million.

The County will face increasing fiscal challenges as the structural issues remain largely unaddressed causing accelerating divergence between recurring expense and revenue growth. The continued reliance on fee increases has likely run its course. Further fee hikes may actually become regressive. There are also rising concerns that employ productivity through better deployment of technology is not keeping pace with headcount reductions which may result in reduced public services. The new Administration, the Legislature and NIFA will need to address these challenges.

Exhibit 1

PROPOSED NASSAU COUNTY 2018 BUDGET
MAJOR FUNDS
SUMMARY OF RISKS and OPPORTUNITIES
($'s Millions)

Revenues			
Proposed Budget - net of interfunds		**$2,974.7**	
Sales Tax		7.2	
Fines & Forfeitures - Public Safety Fee		(35.0)	
Departmental Revenue			
Clerk Fee Increase	(14.1)		
Assessment Fee Increase	(12.0)		
County Attorney - Income & Expense Law	(5.2)		
Other Departmental Revenue	0.0	(31.3)	
OTB Profits		(12.8)	
Sale of County Property		(3.6)	
Other		(0.7)	
Total Revenue Risk			**$ (76.2)**
Expenses			
Proposed Budget - net of interfunds		**2,974.7**	
Payroll (excluding overtime below)		(2.9)	
Fringe		5.1	
Overtime		(2.2)	
Debt Service		(1.5)	
Property Tax Refunds		(40.0)	
Other		(0.5)	
Total Expense Risk			**(42.0)**
Estimated Budgetary Projected Risks excluding Opportunities			**$(118.2)**
Adjustments to reconcile to Modified Accrual Basis (estimated)			
Net adjustment to remove the effect of encumbrances			3.8
Net adjustment to record pension expense on a modified accrual basis			(6.9)
Sale of Mitchel Field Leases			1.3
Total Projected Risks on a Modified Accrual Basis (GAAP)			**(120.0)**

	Police District	**Other Funds**	**Total**
Estimated Budgetary Projection by Taxpayer Base	**$ 0.4**	**$ (118.6)**	**$(118.2)**
Revenue adjustments to arrive at GAAP	-	(3.6)	(3.6)
Expense adjustments to arrive at GAAP	(2.7)	4.5	1.8
Estimated Modified Accrual Projection by Taxpayer Base	**$ (2.3)**	**$ (117.7)**	**$(120.0)**
Opportunities			
Revenue:			
Clerk Fee Increase		14.1	
Assessment Fee Increase		12.0	
County Attorney - Income & Expense Law		5.2	
OTB Profits		12.8	
Fines & Forfeitures - Public Safety Fee		35.0	
Expense:			
Property Tax Refunds		40.0	119.1
Ending GAAP Results Projected after Additional Opportunities	**$ (2.3)**	**$ 1.4**	**$ (0.9)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Prevention, Safety, Communication & Education Fund
Debt Service Fund (not including sewer debt)

Exhibit 2

NIFA Results 2010 - 2018 (projected)*

BUDGETARY RESULTS 2010 - 2018 (projected)*
($'s millions)

	2018 (projected)	2017 (projected)	2016	2015	2014	2013	2012	2011	2010
Surplus (Deficit) on a Budgetary Basis	**($118.2)**	**($59.2)**	**$41.0**	**$57.1**	**$10.7**	**$55.0**	**$41.5**	**($50.4)**	**$26.6**

CALCULATION OF NIFA RESULTS 2010 - 2018*
($'s millions)

	2018 (projected)	2017 (projected)	2016	2015	2014	2013	2012	2011	2010
Net Change in Fund Balance - modified accrual basis	($120.0)	($72.2)	$27.1	$28.0	($21.5)	$48.6	$24.0	($98.0)	$31.0
Less: adjustments included in other financing sources									
Premium on bonds	0.0	0.0	43.8	19.0	4.4	4.0	3.7	6.2	21.3
Borrowed funds to pay Property Tax Refunds	0.0	0.0	59.0	96.2	126.4	75.0	14.7	21.0	42.5
Borrowed funds to pay Other Judgments	0.0	0.0			8.3	26.5	20.0	4.6	30.4
Borrowed funds to pay Termination Pay	0.0	0.0	2.3	26.1	20.1	14.0	33.1	17.7	80.0
Transfer of revenue from other funds to offset debt expense	0.0	0.0	5.1	12.0	8.5	2.7	16.6	12.5	1.7
Total other financing sources/uses to be eliminated	0.0	0.0	110.2	153.3	167.7	122.2	88.1	62.0	175.9
NIFA Results	**($120.0)**	**($72.2)**	**($83.1)**	**($125.3)**	**($189.2)**	**($73.6)**	**($64.1)**	**($160.0)**	**($144.9)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Prevention, Safety, Communication & Education Fund
Debt Service Fund (not including sewer debt)

Both the 2017 and 2018 projections assume no borrowed funds will be used to pay for operating expenses, thus the GAAP (modified accrual) and NIFA results are projected to be equal. The 2017 Budgetary Basis and New Change in Fund Balance – modified accrual basis amounts were revised to increase sales tax projections due to higher year-to-date collections and increased payroll costs due to the voluntary separation incentive offered in August 2017.

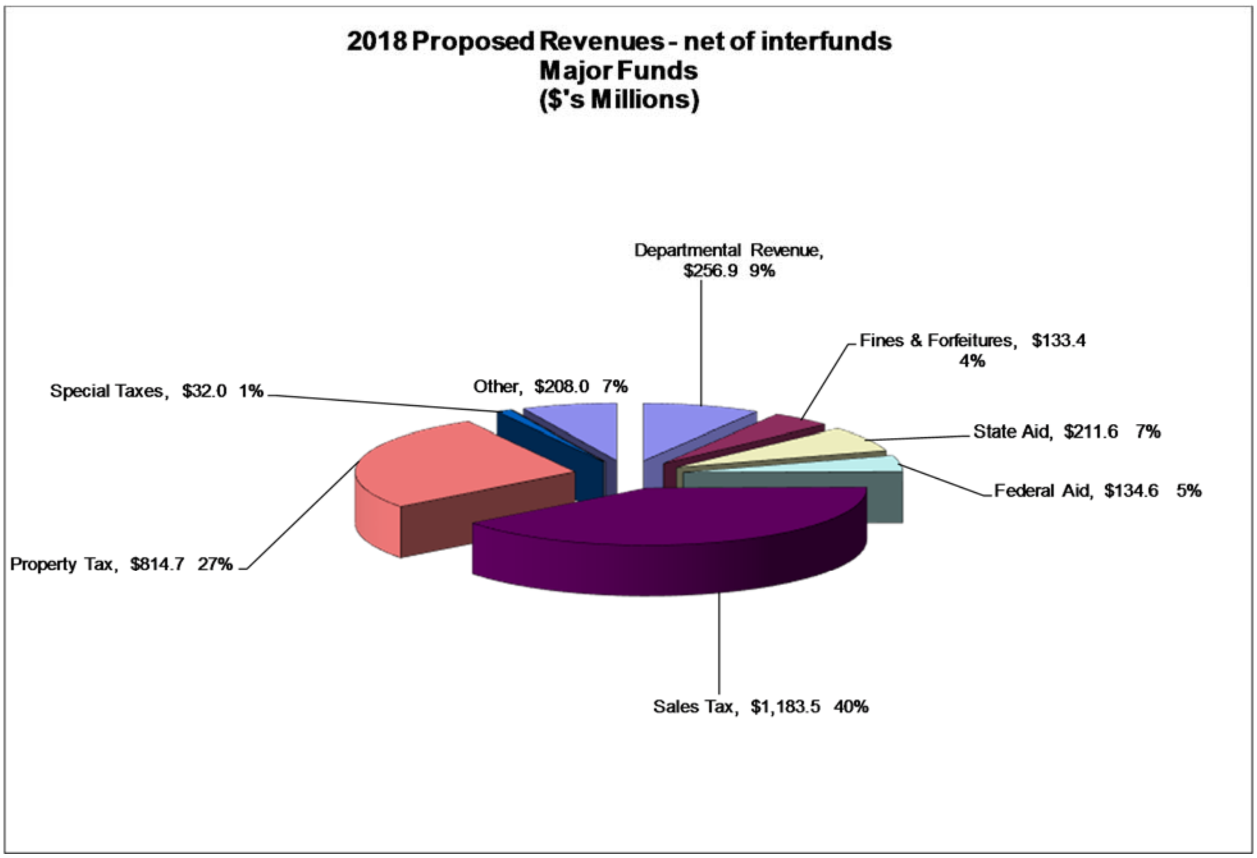
2.0 Discussion of Revenues

This section describes the significant revenue items in the categories, which may fall short of budget projections ("at risk").

2.1 Major Revenue Sources

Sales Tax is the major revenue source for the County, accounting for 40% of revenue, followed by Property Tax at 27%, and State and Federal Aid at about 12%. Departmental Revenues contribute about 9%. These ratios have remained essentially constant in recent years.

Exhibit 3



Total Budgeted Revenue
Major Funds
($ Millions)

	2017	2018
Total Budgeted Revenue	$ 3,398.7	$ 3,433.2
Less:		
Interfunds betw een major funds	455.2	458.5
Net Revenue	$ 2,943.5	$ 2,974.7

2.2 Sales Tax

Sales Tax, at approximately 40% of budgeted revenues net of inter-fund transfers, is the County's largest revenue source.

The proposed budget projects that the County will receive $1,178.0 million in 2018 sales tax (excluding deferred revenues). We project a growth in 2018 of 2.5% over our 2017 projection of $1,156.3 million due to robust spending trends in 2017. Consequently, we forecast sales tax to be $7.2 million (excluding deferred sales tax) over budget for 2018, as shown in the Exhibit 4 and
Exhibit **5** below.

Exhibit 4

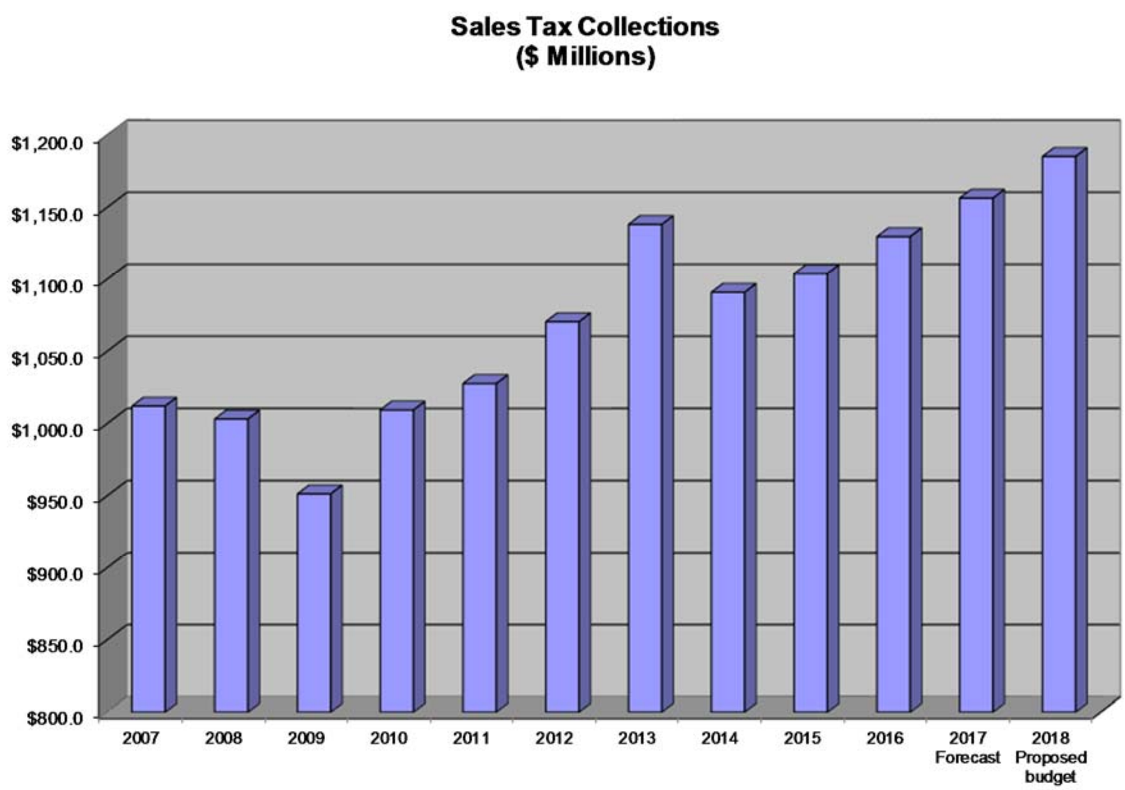


Exhibit 5

Sales Tax (Gross Receipts)
($ Millions)

	2016 Actual	2017 Forecast	2018 Proposed Budget	2018 Budgetary Opportunity	2019	2020	2021
Sales Tax *	$ 1,129.6	$ 1,156.3	$ 1,178.0	$ 7.2	$ 1,201.5	$ 1,225.6	$ 1,250.1

* Excludes deferred portion of sales tax

2.3 Fines & Forfeitures

Our analysis of the proposed budget for Fines & Forfeitures shows a risk of $35 million. We are risking the budgeted increase, from $55 to $120 per ticket for the public safety fee. It is not known at this time whether the County Legislature will approve the increase. Additionally, $1.0 million is budgeted in Traffic and Parking Violations related to scofflaw/default judgement administrative fees ($15 per ticket) and the expansion of default conviction administrative processing fees of $75 per ticket.

Exhibit 6

Fines and Forfeitures
Major Funds
($ Millions)

2016 Actual	2017 Comptroller's Mid-Year Report	2018 Proposed Budget	2018 Budgetary Risk	2019	2020	2021
$ 77.5	$ 94.9	$ 133.4	($ 35.0)	$ 130.9	$ 130.9	$ 130.9

2.4 Departmental Revenue

The 2018 budget includes fee increases in the County Clerk's Department of $14.1 million for real estate fees and the Assessment Department of $12.0 million related to tax map verifications, both of which are at risk because of the need for legislative approval. Also at risk is $5.2 million in County Attorney revenue from the Income and Expense law, which is at risk due to current legal challenges. This revenue, also budgeted in the 2016 and 2017 Adopted Budget, has failed to materialize. The Income and Expense Law passed by the Legislature authorized the County to assess a penalty on income-producing property owners who do not file an annual certified statement of income and expense (ASIE). Some amounts collected in 2017 will not be recognized due to the on-going litigation.

Exhibit 7

Departmental Revenue
Major Funds
($ Millions)

	2016 Actual	2017 Comptroller's Mid-Year Report Forecast	2018 Proposed Budget	2018 Budgetary Risk	2019 MYP	2020 MYP	2021 MYP
Clerk Fees	56.3	51.3	65.5	(14.1)	65.5	65.5	65.5
Assessment Fees	27.8	39.6	54.7	(12.0)	54.7	54.7	54.7
County Attorney	0.1	0.2	5.4	(5.2)	5.4	5.4	5.4
All other Departmental Revenue	132.2	139.0	131.2	0.0	131.3	131.3	131.3
Total	$ 216.4	$ 230.1	$ 256.8	($ 31.3)	$ 256.9	$ 256.9	$ 256.9

2.5 OTB Video Lottery Terminals Profits

We project a risk of $12.8 million of the $15.8 million Video Lottery Terminals ("VLT") proceeds budgeted as OTB profits. The County received $3 million in 2016 (25% of which was for 2017), therefore we expect this amount to be a reasonable estimate. An arrangement brokered by the State Legislature transferred from the County to OTB, the authority to install 1,000 video lottery terminals. OTB has an arrangement with Genting to operate those VLTs at Aqueduct Racetrack. In addition, OTB is contractually required to pay the County $620 thousand annually as it relates to the County's guarantee of OTB's 2005 Revenue Bonds, which are due each February; this payment has yet to be made to the County for the current fiscal year. Therefore, we are risking the $12.8 million of VLT revenue because with a total net position deficit of over $59 million as of December 31, 2016, and OTB being delinquent in its contractual payment to the County in 2017, we do not anticipate that there will be enough OTB profits to distribute.

Exhibit 8

OTB Profits
Major Funds
($ Millions)

2016 Actual	2017 Comptroller's Mid-Year Report Forecast	2018 Proposed Budget	2018 Budgetary Risk	2019	2020	2021
$ 3.0	$ 2.3	$ 15.8	($ 12.8)	$ 20.0	$ 20.0	$ 20.0

2.6 Sale of County Property

We project a risk of all $3.6 million budgeted for Sales of County Property as no deals are completed.

Exhibit 9

Sale of County Property
Major Funds
($ Millions)

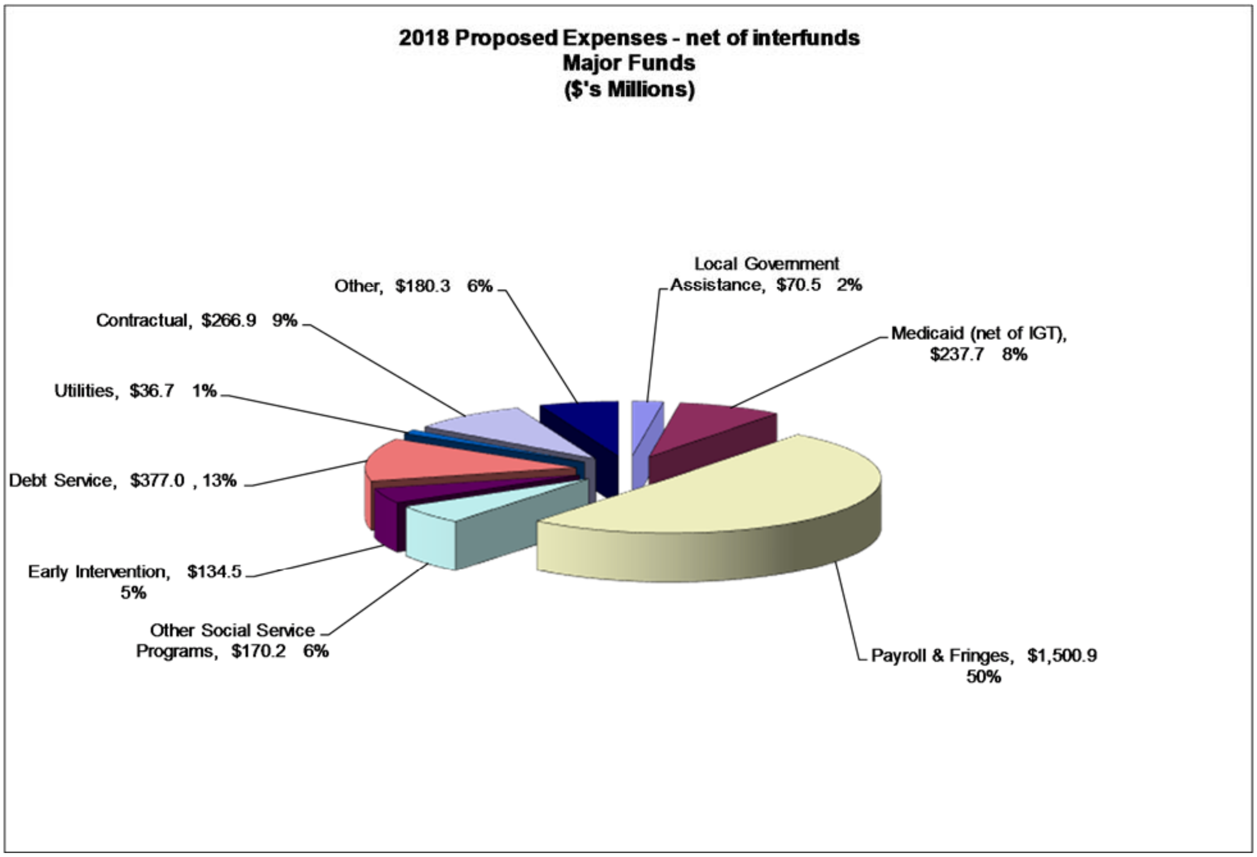
2016 Actual	2017 Comptroller's Mid-Year Report Forecast	2018 Proposed Budget	2018 Budgetary Risk	2019	2020	2021
$ 6.7	$ 0.1	$ 3.6	($ 3.6)	$ 3.6	$ 3.6	$ 3.6

3.0 Discussion of Expenses

3.1 Major Expense Categories

This section describes the significant expense items in the Proposed Budget, which may exceed budget ("at risk"). It is worth noting that 50% of the budget is attributed to payroll and fringe benefits, by far the highest portion of the budget. The next highest budgeted expense categories are Debt Service at 13%, Contractual Expenses at 9%, and Medicaid at 8%.

Exhibit 10



Total Budgeted Expenses
Major Funds
($ Millions)

	2017	2018
Total Budgeted Expenses	$ 3,398.7	$ 3,433.2
Less:		
Interfunds betw een major funds	455.2	458.5
Net Expenses	$ 2,943.5	$ 2,974.7

3.2 Salaries, Fringes & Workers' Compensation

The 2018 Proposed Budget assumes a full-time headcount of 7,450, a 1% increase from the current on-board headcount of 7,377 as of September 14, 2017. We project a $5.1 million negative variance in Salaries (including overtime), primarily due to projected overages in overtime of $3.1 million specific to the Police Headquarters and $0.6 million for termination pay related to the 2018 payments of the 2017 VSIP. For 2018, the Comptroller projects termination pay for the police funds to reach approximately $28.7 million for a total of 100 officers ($16.9 million in PDH and $11.8 million in PDD) and overtime of approximately $59.0 million ($31.6 million in PDH and $27.4 million in PDD).

Fringe Benefits are projected to be under budget by $5.1 million, due to variations in projected health insurance rates and headcount.

The total risk to the 2018 Proposed Budget for Salaries (including overtime), and Workers Compensation includes $2.2 million attributed to total overtime overages, and is offset by opportunities identified in Fringe benefits. There has been discussion of a possible agreement between the County and the unions related to the payments of longevity. The Comptroller's Office did not include any calculation related to additional longevity payouts as there has been discussion as to whether or not agreements with the collective bargaining units are binding to the County. However, the Comptroller's Office acknowledges that because these additional payments have not been included in the proposed budget for 2018 or the MYP, any decision made to payout this additional longevity could create a further deficit in Salaries in 2018 and going forward. Additionally, collective bargaining agreements for the County's major labor unions expire at the end of 2017 and any renegotiated agreements could have significant impact on the 2018 salaries and fringe budget.

Also of note, as mentioned above, subsequent to the issuance of our mid-year financial report, a voluntary separation incentive program (VSIP) with the Civil Service Employees Association (CSEA) was implemented by the County. This incentive increased total salary and fringe expense for 2017 by $15.5 million net of the savings achieved by the incentive and caused an additional negative variance in these budgetary categories. Major components of this cost increase include incentive payments of $1,000 per year of service payable at separation and the option to receive separation payments in a lump sum, also at the time of separation.

Exhibit 11

Salaries, Fringes & Workers' Compensation
Major Funds
($ Millions)

	2016 Actual	2017 Comptroller's Forecast	2018 Proposed Budget	2018 Budgetary (Risk) / Opportunity	2019 MYP	2020 MYP	2021 MYP
Salaries	$ 839.6	$ 914.3	$ 887.5	($ 5.1)	$ 902.0	$ 908.3	$ 913.3
Fringe Benefits	501.9	551.0	578.0	5.1	606.6	637.6	670.5
Workers Comp	31.2	34.5	35.4	0.0	35.4	35.4	35.4
Total	$ 1,372.7	$ 1,499.8	$ 1,500.9	$ 0.0	$ 1,544.0	$ 1,581.3	$ 1,619.2

Overtime Expenditures

The Administration assumes the hiring of new police officers to maintain a targeted headcount of approximately 2,500 sworn officers, combined with a lower average salary and new initiatives by the new Acting Commissioner, should result in better control of overtime in the two police funds.

We still anticipate a combined shortfall of approximately $2.2 million in overtime expenses, of which $3.1 million relates to the Police Headquarters Fund, and is offset by positive variances in the other funds.

Exhibit 12

Overtime *
($ Millions)

	2016 Actual	2017 Comptroller's Forecast	2018 Proposed Budget	2018 Budgetary (Risk) / Opportunity	2019 MYP	2020 MYP	2021 MYP
Police Headquarters	$ 38.5	$ 31.6	$ 28.5	($ 3.1)	$ 29.2	$ 29.6	$ 29.9
Police Districts	33.3	27.4	27.4	0.0	28.0	28.4	28.7
Correctional Center	16.5	19.4	19.9	0.1	20.4	20.6	20.9
Others	12.0	12.3	13.3	0.8	13.8	13.9	14.0
Total Expense	$ 100.3	$ 90.7	$ 89.1	($ 2.2)	$ 91.4	$ 92.5	$ 93.5

*** Overtime amounts included in salaries schedule**

3.3 Property Tax Refunds

We project that the County will end 2017 with an estimated long-term property tax liability and an estimated total property tax liability (including short-term liability) of approximately $281.5 million and $295.0 million, respectively. This has been revised from our mid-year projections to account for the $96.7 million collected in the County's Disputed Assessment Fund (DAF), which was established in 2017. The assumption is that the 2017 commercial property tax refunds will be paid from the DAF with the funds collected from those property tax refunds and will not exceed the amount collected. Thus the liability is not being increased for these additional grievances. The Administration believes that some commercial property grievances will be resolved within fiscal year 2017, thus resulting in activity within the DAF this year. Any funds that remain after all settlements will be distributed pro rata to the County and the applicable school district, town and special districts. If the payment to the taxpayer exceeds the amount paid into the DAF, the County's operating funds would be responsible for the difference. As of October 2017, the amount of DAF General Collections held were $34.5 million and DAF Collections for school/towns/special districts of $62.2 million.

Based on the revised 2017 estimate, we project that the County will end 2018 with an estimated long-term property tax liability and an estimated total property tax liability (including short-term liability) of approximately $281.5 million flat to the prior year, and $321.5 million, respectively. The increase in the total liability over the 2017 projection is due to the reduction in projected property tax refund payments as the County discontinues borrowing for these expenditures.

The 2018 Proposed Budget includes $30 million budgeted in the operating funds to pay property tax refunds and no bond proceeds appropriated for this purpose. However, based on past history, this amount appears to be insufficient to cover payments and possible year-end accruals of property tax refunds that may be due and payable in 2017 but still outstanding as of year-end. We project an additional year-end accrual of $40 million will be needed for property tax refunds due and payable at year-end; the accrual does not reduce the liability but reflects the additional fiscal year expense. If backlogged property tax refunds are not settled within the fiscal year, the accrual may be reduced.

Exhibit 13

Property Tax Refunds
Major Funds
($ Millions)

2016 Actual	2017 Comptroller's Mid-Year Report Forecast*	2018 Proposed Budget	2018 Budgetary Risk	2019 MYP	2020 MYP	2021 MYP
$ 31.1	$ 51.4	$ 30.0	($ 40.0)	$ 30.0	$ 30.0	$ 30.0

Exhibit 14 below reflects the historic long-term property tax liability, the short-term liability (representing the year-end accrual) and the projections for year-end 2017 and 2018. We project that the County will add approximately $30 million in new non-commercial liabilities during 2018 and pay down $30 million of the backlog, keeping the unpaid long-term property tax liability flat to 2017. However, if the Administration pays out only $30 million in 2018, the total liability, including the short-term component, would increase slightly due to the reduction in property tax refund payments. The long-term liability does not include grievances that are part of the DAF. As there is no historical trend in regard to the DAF, the full impact of the DAF to the County's financial results have not yet been evaluated.

Exhibit 14

LONG TERM PROPERTY TAX REFUND LIABILITY ($'s in millions)						
	Bal beg of year	Additions	Reductions	Bal end of year	Short-term (affecting current year results)	Total liability
2012	$ 222.9	$ 83.8	$ (9.5)	$ 297.2	$ 38.0	$ 335.2
2013	297.2	77.7	(81.3)	293.6	31.5	325.1
2014	293.6	97.8	(95.4)	296.0	10.6	306.6
2015	296.0	103.6	(96.9)	302.6	13.8	316.4
2016	302.6	91.6	(91.4)	302.9	37.1	340.0
2017 est	302.9	30.0	(51.4)	281.5	13.5	295.0
2018 est	281.5	30.0	(30.0)	281.5	40.0	321.5

Source: 2012-2016 Nassau County Comprehensive Annual Financial Report

3.4 Judgments and Settlements

In 2015, surplus from bond premiums in excess of cost of loans expenses, which had previously been prohibited by NIFA during the control period beginning in 2011 from being reported as operating revenues, was used by the Administration to reduce debt service costs in 2015 and 2016. NIFA has indicated that an equal amount of debt service surplus generated as a result of applying debt premium to debt service costs must be used to offset the cost of judgments and settlements (including property tax refunds). For fiscal years 2015 and 2016, the Administration transferred the debt service surplus arising from the use of premiums to pay down debt service, as a means to fund judgments and settlements, for which a Litigation Fund was established in 2015. The Litigation Fund ended fiscal 2016 with a $43.6 million fund balance of which $6 million of PDD budgetary surplus and $5.5 million of General Fund budgetary surplus was transferred at year-end. The Comptroller's Office expects that the entire 2017 opening fund balance in the Litigation Fund will be liquidated by the end of the fiscal year.

NIFA has indicated that there is no agreement to permit this continued use of premium for debt service expenditures in 2017 or going forward. The Administration has budgeted $23 million for judgments and settlements in the General Fund's 2018 budget, which should be sufficient to cover all expenditures other than any extraordinary judgments and settlements.

Exhibit 15

Judgments and Settlements
Major Funds
($ Millions)

2016 Actual	2017 Comptroller's Mid-Year Report Forecast*	2017 Proposed Budget	2017 Budgetary Risk	2019 MYP	2020 MYP	2021 MYP
$ 4.9	$ 3.0	$ 23.0	$ 0.0	$ 23.0	$ 23.0	$ 23.0

3.5 Deferred Pension Expense Amortization Liability

The Employer Contribution Stabilization Program (Chapter 57, Laws of 2010) and the Alternate Contribution Stabilization Program (Chapter 57, Laws of 2013) allowed employers who participate in the NYS and Local Retirement Systems to amortize a portion of the annual pension cost. The amortized amount is to be paid in equal installments over a ten-year or twelve-year period, dependent upon which program was being selected.

Beginning with the NYS retirement invoices due on February 1, 2012 (for the State fiscal year 4/1/2011 to 3/31/2012) the County has opted to amortize a portion of its annual pension bill and expects to opt in for the 2018 pension invoice, which is expected to be paid in December 2017 for the 2018 fiscal year. The estimated amortization to be taken in the 2018 invoice (budgetary basis), for all funds and the Nassau Community College, is $24.6 million. The portion related to the primary operating funds only is $22.9 million

As of December 31, 2016, the County's GAAP liability to the NYS and Local Retirement Systems for the deferral of annual pension expense was $232.6 million (see Exhibit 16). Assuming the projected amortization on the 2018 and 2019 invoices are elected, the County's estimated GAAP liability at the end of fiscal 2017 and fiscal 2018 are estimated at $235.0 million and $226.6 million, respectively. The estimated decline from 2017 to 2018 is due to the slowing growth in the County's regular pension contribution (excluding installment payments for prior year amortization elections) and the amortization amounts offset by the increase in the installment payments. Exhibit 16 below illustrates the decline in additions to the liability and the increase in the reductions to the liability due to the compounded effect of the annual installment payments.

Exhibit 16

DEFERRED PENSION EXPENSE AMORTIZATION LIABILITY
GAAP Basis
($'s in millions)

	Balance at beginning of year	Additions	Reductions	Balance at end of year
2011	14.6	32.2	3.3	43.6
2012	43.6	52.2	5.8	89.9
2013	89.9	68.0	10.4	147.5
2014	147.5	63.3	15.8	195.1
2015	195.1	46.7	20.8	221.1
2016	221.1	33.1	21.6	232.6
2017 est.	232.6	26.1	23.8	235.0
2018 est. *	235.0	18.2	26.5	226.6

* assumes amortization elected in 2019 invoice

Exhibit 17 below illustrates the decline in the pension expense deferred per the annual invoice and the increase in the expense due to the annual installment payments of the prior years' deferrals. As is shown, beginning in 2018, the County will be paying more in pension expense as a result of opting into the amortization offered by the State.

Exhibit 17

Deferred Pension Expense Additions (per invoice) and Installment Payment Trends (per invoice) *

$ in millions

	Pension Expense Deferred (per invoice)	Installment payments (per invoice)	Net surplus/(deficit) effect on Budgetary Results
2012	35.6	-	35.6
2013	52.1	4.3	47.8
2014	66.1	10.4	55.7
2015	55.2	17.4	37.8
2016	37.4	23.2	14.2
2017	27.6	27.2	0.4
2018 est.	22.9	29.8	(6.9)
2019 est.	14.6	32.2	(17.6)
2020 est.	14.6	33.7	(19.1)
2021 est.	14.6	35.3	(20.7)

* Expenditures are for the primary operating funds only (GEN, FCF, PDD and PDH)

Pension expense deferred in this table differ from previous table as this table is based on actual invoice (budgetary) version previous table based on actual dates of service (GAAP)

3.6 Debt Service

According to the 2018 Proposed Budget, the Administration has projected to pay debt service of $377.0 million. We project a budgetary risk of $1.5 million due to debt service on future borrowings as well as a decrease in debt refunding savings for 2018, which we expect will be revised as a technical adjustment.

Exhibit 18

Debt Service
Major Funds
($ Millions)

	2017	2018				
2016 Actual	2017 Comptroller's Mid-Year Report Forecast	Proposed Budget	Budgetary Risk	2019 MYP	2020 MYP	2021 MYP
$ 355.9	$ 370.8	$ 377.0	($ 1.5)	$ 390.2	$ 390.5	$ 370.2

4.0 The Multi-Year Financial Plan

As shown in Exhibit 19 below, the Administration's financial plan projects budget baseline gaps of $34.2 million in 2019, $58.2 million in 2020, and $56.1 million in 2021. **We estimate out-year gaps (including gap closing measures) of $147.4. million in 2019, $162.3 million in 2020 and $149.9 million for 2021.**

Some potential variances compared to the Multi-Year Financial Plan (including gap-closing items) include:

- Our projections in the out-years continue to reflect higher than budgeted overtime costs for the Police Funds of approximately $3 million per year, which is included in the Payroll & Fringe risk for 2019 - 2021. The Multi-Year Financial Plan includes increasing attrition savings in the out-years, which differ from our projections.

- We project a risk in 2019-2021 related to Clerk and Assessment fee increases requiring legislative approval and Revenue and Expense Fee collections in County Attorney related to court challenges. The total Departmental Revenue risk each year is $31.3 million.

- We project a 2% out year increase in Sales Tax which is the same as the Multi-Year Plan assumption, however our 2018 projection is 2.5% over our 2017 projection of $1,156.3 million (due to robust spending trends in 2017) which differs from the budgeted 2%, resulting in an approximate opportunity of $7.4 million in 2019, $6.5 million in 2020, and $5.7 million in 2021.

- We project a risk in Fines & Forfeitures related to the ticket surcharge increase of approximately $35 million in 2019-2021.

- We project a risk of $17 million for OTB profits in 2019-2021 because it is based on profits that are not guaranteed.

- We project a risk for $3.6 in 2019-2021 for Sales of County Property because no deals have been signed.

- As in the 2018 budget, we project a negative variance in Property Tax Refunds of $40 million in each year 2019-2021.

- The budgetary expenditure for the deferral of the annual pension expense is projected to be $17.6 million, $19.1 million and $20.7 million for 2019, 2020 and 2021, respectively. See Exhibit 17 for the expense projections.

- There have been discussions regarding additional longevity payouts to begin in 2018 and whether or not agreements with the collective bargaining units are binding to the County. If this happens, any additional longevity payouts have not been included in the 2018 Proposed Budget or the MYP and would create a further budgetary salary deficit beginning in 2018. Because these additional payouts will affect the base pay of County police officers, this decision would have a compounding effect for salary expense in the out years of the MYP. The salary impact of this discussion is too preliminary to quantify and have not been included in the Comptroller's Office salary projections regarding the 2018 budget or the MYP.

A continued area of concern is the growing liability related to the County's opting to defer a portion of the annual pension expense. The New York State Retirement System allows local municipalities to elect to "amortize" a portion of their annual invoice and pay via annual installments over 10 or 12 years (depending on the year the deferral was elected). The County has made this election each year beginning with the pension invoices for the period 4/1/2011 to 3/31/2012. As of December 31, 2016, the liability due to the New York State Retirement System was $232.6 million.

The County is expected to elect this amortization policy again in 2017, which will further increase the pension liability to an estimated $235.0 million by year-end 2017 and slightly drop 2018 to $226.6 million, due to the installment payments being greater than the elected amortization. Assuming the amortization is elected in each of the out years, and projecting that the amount amortized is the same in each year and the interest rate on the loan is just over 4%, the estimated liability as of the end of 2019, 2020 and 2021 would be $213.7 million, $200.0 million and $185.6 million, respectively.

In our projections, beginning in 2018, payments on the deferred balance would begin to exceed the new additions to the liability. Since the growth in the amortization allowed is slowing considerably and the installment payments now represent over 10% of the liability balance, it may be in the County's best interest to forgo the election to amortize and pay the entire contribution per the invoice.

Exhibit 19

PROPOSED NASSAU COUNTY 2018-2021 MULTI-YEAR FINANCIAL PLAN MAJOR FUNDS SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES

($'s Millions)

	2019	2020	2021
Baseline Gap per Financial Plan (before Gap Closing Measures)	**$ (34.2)**	**$ (58.2)**	**$ (56.1)**
Items included in Baseline Gap that are risks/opportunites			
Payroll & Fringe	(4.1)	2.8	11.9
Departmental Revenue	(31.3)	(31.3)	(31.3)
Sales Tax	7.4	6.5	5.7
Fines & Forfeitures	(35.0)	(35.0)	(35.0)
OTB Profits	(17.0)	(17.0)	(17.0)
Sale of County Property	(3.6)	(3.6)	(3.6)
Property Tax Refunds	(40.0)	(40.0)	(40.0)
Other	(1.2)	0.8	1.5
Gap Closing Measures			
Program/ OTPS Reduction	3.0	3.0	4.0
Suez Water Long Island Inc.Synergy Savings	3.0	3.0	4.0
Technology	1.0	2.0	2.0
Consolidation Efficiencies		1.0	2.0
Debt Refunding	4.6	3.7	2.0
Net Baseline Gap	**$ (147.4)**	**$ (162.3)**	**$ (149.9)**

Exhibit 20 below details the Administration's gap closing measures that the Comptroller's Office identifies as risks to the Multi-Year Plan. These gap-closing measures are not included in the Administration's Baseline Gaps or the Comptroller's Office projections for the Multi-Year Plan. These gap-closing measures are considered risks primarily due to their need for State legislations in order to be enacted (NYS Actions) or the inability to substantiate the assumptions for the savings.

Exhibit 20

PROPOSED NASSAU COUNTY 2018-2021
MULTI-YEAR FINANCIAL PLAN
MAJOR FUNDS
SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES
(Gap Closing Measures Considered at Risk)
($'s Millions)

	2019	2020	2021
Gap Closing Measures Considered at Risk			
NYS Actions			
Mandate Reform	$ 14.0	$ 28.7	$ 28.7
Other NYS Legislative Actions	2.5	5.0	5.0
E-911 Surcharge	3.5	6.9	6.9
Hotel/Motel Tax Rate Increase	2.4	4.8	4.8
NYS Highway Traffic Offense Reimbursement	2.8	5.7	5.7
Sub-Total NYS Actions	25.2	51.1	51.1
Other			
Public Private Partnerships		20.0	20.0
Revenue Initiatives	15.0	15.0	15.0
County's District Energy Facility		10.0	10.0
Health Insurance Cost Reduction	5.0	5.5	7.0
Workforce Management	6.0	6.0	8.0
Strategic Sourcing		3.0	4.0
ERP Implementation	1.0	2.0	2.0
Total Gap Closing Measures at Risk	**$ 52.2**	**$ 112.6**	**$ 117.1**

5.0 Ending GAAP Fund Balance

5.1 Total GAAP Fund Balance

The County is required to report its financial results and fund balances in accordance with GAAP. Exhibit 21
below illustrated the 2015 and 2016 ending GAAP fund balances, as reported in the County's Comprehensive Annual Financial Report (CAFR) and the 2017 and 2018 projected ending fund balances on a GAAP basis, should the 2017 and 2018 risks materialize.

At year-end 2016, the total ending GAAP fund balance for the County's primary operating funds plus the non-primary operating funds and reserves listed below was $170.5 million. The 2017 and 2018 projections have this balance dropping to $43.1 million and $(79.9) million, respectively.

Exhibit 21

ENDING GAAP FUND BALANCES ($'s in millions)				
	2015	2016	2017 Projected	2018 Projected
Primary Operating Funds				
General* (GAAP)	$ 88.1	$ 111.3	$ 42.4	$ (75.3)
PDD	(8.8)	(5.0)	(14.3)	(16.7)
	$ 79.3	$ 106.3	$ 28.1	$ (91.9)
Non-Primary Operating Funds**				
OSF	$ 1.4	$ 1.8	$ 1.8	$ 1.7
TCF	0.3	0.1	0.1	0.1
LIT	20.2	37.6	0.0	0.0
EBF	-	13.1	9.5	9.5
RCF	8.0	8.0	0.0	0.0
BIF	-	3.6	3.6	0.7
	$ 29.9	$ 64.2	$ 15.0	$ 12.0
Other Funds***				
SSW	$ 46.4	$ 42.2	$ 17.7	$ 10.6
ENV	19.5	11.1	2.0	0.0
*General Fund includes FCF, PDH, and DSV for reporting purposes				
**consoldiated into General Fund for GAAP reporting purposes				
*** these represent other Major or Non-Major operating funds with annual budgets (excludes DAF)				

5.2 Use of Non-Primary Funds and Reserves

At the end of 2016, the Administration transferred $66 million (GAAP basis and $72 million budgetary basis) from the County's primary operating funds into non-primary operating funds and reserves. As of September 30, 2017, the Administration has used resources from non-primary operating budgetary funds to pay judgments and settlements, and we project that additional funds will be used in 2017. These funds and their balances are shown below.

Exhibit 22

NON-PRIMARY OPERATING FUND BALANCES* AND RESERVES
$ millions

Budgetary Basis	Balance as of December 31, 2016	Projected Balance as of December 31, 2017	Projected Balance as of December 31, 2018
Litigation Fund	$ 43.6	$ -	$ -
Employee Benefit Accrued Liabilty Reserve Fund	13.1	9.5	9.5
Bond Indebtedness Reserve Fund	3.6	3.6	0.7
Retirement Contribution Reserve Fund	8.0	0.0	0.0
Environmental Bond Fund	11.1	2.0	0.0
Open Space Fund	1.7	1.8	1.8
Technology Fund	0.1	0.1	0.1
Total Non-Primary Operating Fund Balances and Reserves	**$ 81.2**	**$ 16.9**	**$ 12.0**

** does not include the Disputed Assessment Fund (DAF)*

Our 2017 mid-year report projected the total non-primary fund balances at December 31, 2017 to be $20.5 million. Our current projections have reduced this to $16.9 million because we expect that PDD will need to use approximately $3.6 million of the Employee Benefit Accrued Liability Reserve, which may only be used for retirees of the Police District Fund, to pay for the over-budgeted police termination in the PDD fund for fiscal year 2017.

The amounts in the Litigation Fund are restricted for litigation claims, judgments and settlements. In 2016, the County set aside $49.3 million for General County claims and $6.0 million (budgetary basis) for claims related to the Police District. As of September 30, 2017, the fund is almost depleted; $6.0 million of the remainder may only be used for Police District litigation claims, judgments and settlements. We have projected no activity in 2018 for this fund as the 2018 Proposed Budget has $23 million of judgments and settlements budgeted in the General Fund.

The Retirement Contribution Reserve Fund currently holds $8.0 million set aside for use to pay for 2017 pension costs of non-police employees in the General Fund. The 2017 Adopted Budget includes the use of this funding to offset pension expense in the General Fund; we project no activity in 2018.

The Employee Benefit Accrued Liability Reserve Fund increased in 2016 by $13.1 million to set aside money that could be used to pay future termination pay for Police District officers. We project $3.6 million will be needed in fiscal 2017 and none in 2018.
The Bond Indebtedness Reserve Fund currently holds $3.6 million of funds attributed to the savings realized in refinancing the County's debt in 2016 and its use is restricted to debt service. These funds may be used in 2018 and 2019 to offset debt service costs if they are included in the adopted budgets of those years. The current 2018 Proposed Budget estimates all of the reserve will be used in 2018, however, the Administration has indicated that $2.9 million will be used in 2018 and the remainder in 2019, and the budget will be changed via a technical adjustment.

The Environmental Bond Fund currently holds $11.1 million of accumulated resources to cover the cost of purchasing and preserving open space and for other purposes in accordance with the County's environmental programs established by local laws, and thus, is restricted. In 2016 and 2017, no property taxes were earmarked for this use. The 2018 Proposed Budget appropriates the remaining fund balance and provides this fund with $7.7 million of property taxes (which accounts for half of the increase in 2018 property taxes) to fund the projected debt service of $9.6 million.

The Open Space Fund currently holds $1.8 million of accumulated resources from County real estate sales, private gifts and grants to preserve open space in the County. Local Law No. 7 of 2003. No activity is projected in this fund for fiscal 2018.

6.0 Major County Financial Trends

6.1 Budgetary Structural Gap Trend

The County has historically used the Structural Gap as a metric to illustrate fiscal health. It measures the imbalance between recurring operating revenues and expenses. The Structural Gap is not the same as a budgetary deficit. Structural gaps can only be narrowed by reducing recurring expenses or by increasing recurring revenues. When the County balances its budget by using non-recurring revenues, such as drawing down reserves or borrowing for operating expenses, it does not reduce the Structural Gap.

Exhibit 24 **Error! Reference source not found.** shows the historic performance of the County Structural Gap. The 2018 projected Structural Gap is reduced compared to the recent high of 2014, mostly due to lower borrowing for property tax refunds and a lower benefit from amortizing pension expense, however, it is projected to increase over the two prior years to $142.0 million. Exhibit 24 shows the details of the components of the Structural Gap.

Exhibit 23 and Exhibit 24 include actual budgetary results for 2009 through 2016, projected results for 2017 and projected results for 2018 as discussed in this report.

The 2017 Budgetary Basis and New Change in Fund Balance – modified accrual basis amounts were revised to increase sales tax projections due to higher year-to-date collections and increased payroll costs due to the voluntary separation incentive offered in August 2017.

Exhibit 23

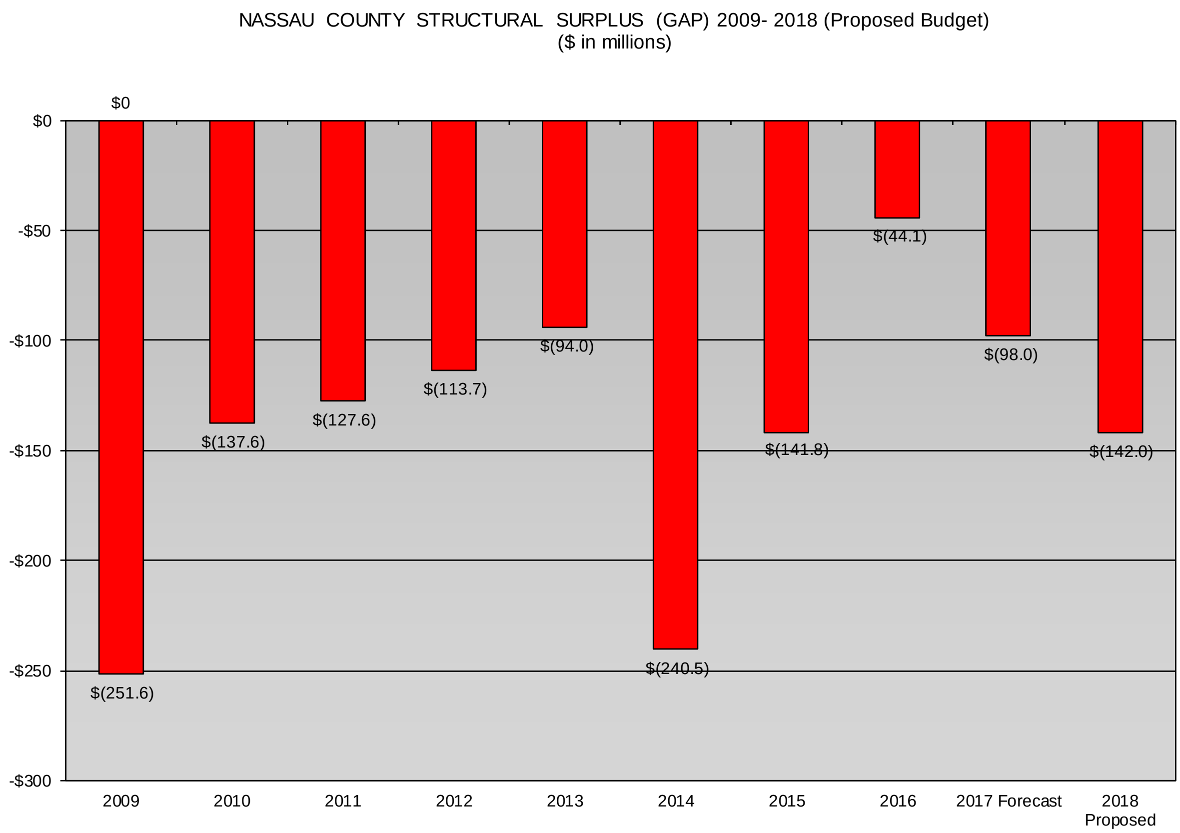


Exhibit 24

Nonrecurring Revenues and Expenses
Major Funds
2009 - 2018 (Projected)
($ Millions)

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Projected
Results	$ (0.1)	$ 26.6	$ (50.4)	$ 41.5	$ 55.0	$ 10.7	$ 57.1	$ 41.0	$ (69.9)	$ (118.2)
Use of Reserves	0.5			10.4			10.2	43.8	8.0	
Transfer to Reserves						(6.2)	(9.2)	(72.0)		
Use of Fund Balance	10.0				10.5	16.2	15.0	3.2		
Tobacco Related	15.2							18.0		
Nonrecurring Income and Expense										
Federal Medical Assistance Percentages (FMAP)	44.8	45.1	22.4							
FEMA Reimbursement							10.9			
Amortization of the Pension Bill				35.6	47.8	55.7	37.8	15.0	27.6	22.9
Residential Energy Tax	21.9	17.3								
Payroll Deferrals & Lag	60.1	17.2	(5.7)	(7.3)	(1.9)	(6.0)				
Bonding for Budgeted Termination Pay	34.5	26.8			8.6	20.1	26.1	2.0		
Effect of Voluntary Separation Incentive (VSIP)									(8.5)	
Use of borrowed funds to pay property tax refunds	64.5	42.5	21.0	14.7	75.0	126.4	96.2	60.0		
Property Tax Refund Forbearance				88.7						
Mitchell Field Securitization			37.4							
Net Bulk Lien Sale			(7.4)							
Debt Restructuring				1.3	5.9	23.0	4.3	7.5	0.9	0.9
NIFA Restatement		15.3								
Sale of County Property			9.5	11.8	3.1	2.1	4.0	6.7	0.1	
Speed Cameras						19.9	3.6	0.9		
Total Nonrecurring	251.5	164.2	77.2	155.2	149.0	251.2	198.9	85.1	28.1	23.8
Structural Gap	$ 251.6	$ 137.6	$ 127.6	$ 113.7	$ 94.0	$ 240.5	$ 141.8	$ 44.1	$ 98.0	$ 142.0

6.2 Borrowing Trends

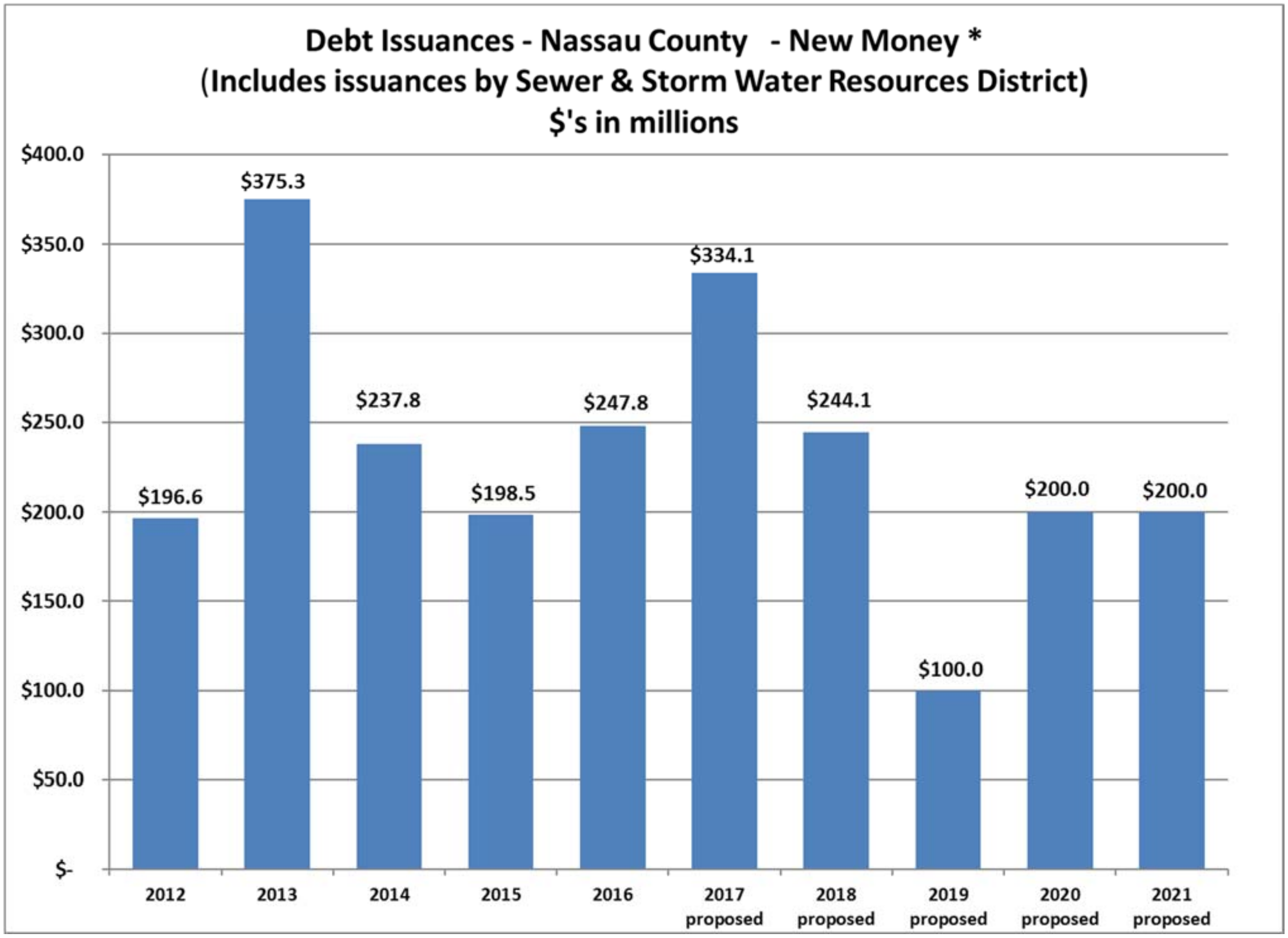
The 2018 Proposed Budget projects long-term borrowings of $244.1 million, which will require NIFA approval, subject to Legislative (supermajority) approval. The Administration expects to issue long-term bonds to pay for capital projects, which includes borrowing of $94.1 million for sewer related projects. Part of this expected borrowing of $94.1 million for sewer related projects is bonding for the $44.1 million 2017 Series A BANs maturing on December 14, 2018.

The Administration's proposed capital borrowings in years 2019 and 2020 include $75.0 million in general capital projects and $25.0 million in sewer related projects in year 2019 in addition to $150.0 million in general projects and $50.0 million in sewer related capital projects in year 2020. While the County is still exploring the possibility of a public-private partnership (P3) for the sewer system, the Administration felt it was best to budget long-term borrowings for sewer-related projects. Currently, the Administration intends to roll into bonds the 2016

Series D BANs for $98.9 million that mature in December 2017. At the time of the 2017 Mid-Year Report, the Administration had projected that the BANs would be rolled over into new short-term obligations, not bonds. The Exhibits below reflect this revised assumption.

According to the Administration, there is a possibility that the County will refund approximately $500.0 million of outstanding long-term borrowings in December 2017. There may be debt service savings resulting from this refunding, however these savings have not been incorporated into our projections as most of the details are unknown at this point in time.

Exhibit 25



*** does not include Bond Anticipation Notes (BANs) issuances used for sewer district related capital projects.**

Exhibit 26 below illustrates projected long-term debt issued through December 31, 2018 by the County including SSW District, Nassau Community College, NIFA, Sewer and Storm Water Finance Authority (SFA), and Nassau County Tobacco Settlement Corp (NCTSC).

At 2016 year-end, the total of the County's general obligation bonds and its component units' long-term bonds outstanding was approximately $3.6 billion (including serial bonds and accreted interest of the Nassau County Tobacco Settlement Corporation (NCTS) to which the County has no recourse). The 2017 and 2018 anticipated borrowings will increase the total long-term bonds outstanding from $3.6 billion at year-end 2016 to approximately $3.7 billion at year-end 2018 after reductions from maturing debt for an increase of 3.0%. Please note the projected additions for years 2017 and 2018 include bonding for sewer related BANs. The 2017 projections include bonding for the $98.9 million Series D BANs maturing in December 2017. The 2018 projections include bonding for the $44.1 million 2017 Series A BANs maturing in December 2018.

The projected decrease in new money borrowings from 2018 to 2019 is primarily due to the timing of the issuance of the debt, with 2019 projecting only one issuance and 2020 and 2021 projecting two.

Exhibit 26

Total Projected Long-Term Borrowings
($'s in millions)

	As of December 31, 2016 Actual	2017 Projected Additions	2017 Projected Reductions	As of December 31, 2017 Estimated	2018 Projected Additions	2018 Projected Reductions	As of December 31, 2018 Estimated
County w/SSW (a)	$ 2,244.2	$ 334.1	$ 103.8	$ 2,474.5	$ 244.1	$ 106.5	$ 2,612.1
NIFA	783.6	-	129.7	653.9	-	118.5	535.4
Sewer and Storm Water Finance Authority (SFA) (b)	144.1	-	10.3	133.8	-	10.8	123.0
Tobacco Settlement Corp (NCTSC) (c)	462.4	7.2	-	469.6	7.7	-	477.3
Total	**$ 3,634.3**	**$ 341.3**	**$ 243.8**	**$ 3,731.8**	**$ 251.8**	**$ 235.9**	**$ 3,747.8**

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt
(b) Assume no additional borrowings for SFA
(c) December 31,2016 includes accumulated accreted interest of $61.8 million; projected additions for 2017 and 2018 represent accreted interest

7.0 Sewer and Storm Water District

Effective January 1, 2015, SUEZ Water Long Island Inc. (formerly United Water Long Island Inc.), took over daily operations of the County's sewer system. As shown in Exhibit 27 below, the Administration is projecting that the SSW District will end in budgetary balance, after use of $15.8 million of prior year fund balance. Our projections indicate that $13.8 million of prior year fund balance will be required to fund the operations of the SSW District in 2018, leaving only $10.6 million of ending fund balance remaining for 2019.

The County's sewer system continues to be under-funded notwithstanding the partnership with SUEZ Water Long Island Inc. (formerly United Water Long Island Inc.). The 2018 proposed budget's tax levy for the sewer system and payments in lieu of taxes has increased by $9.8 million when compared to the 2017 Adopted Budget. The tax levy increase requires approval by the Legislature, however, we did not risk this increase in our analysis.

Exhibit 27

SSW FUND	2018 Proposed Budget - Administration	2018 Proposed Budget - CO	(Risk)/Opportunity to 2018 Proposed Budget	2019 Plan	2020 Plan	2021 Plan
EXP						
AA - SALARIES, WAGES & FEES	11,187,693	10,980,590	207,103	11,315,336	11,417,074	11,274,609
AB - FRINGE BENEFITS	9,377,251	8,798,940	578,311	8,896,731	9,348,679	9,823,874
BB - EQUIPMENT	15,000	15,000	-	15,000	15,000	15,000
DD - GENERAL EXPENSES	1,007,921	1,007,921	-	1,007,921	1,007,921	1,007,921
DE - CONTRACTUAL SERVICES	64,154,936	64,154,936	-	65,364,909	66,599,081	67,857,936
DF - UTILITY COSTS	6,075,000	4,918,834	1,156,166	6,221,955	6,546,561	6,806,058
FF - INTEREST	5,338,753	5,338,753	-	4,819,333	4,269,492	3,690,623
GG - PRINCIPAL	9,713,490	9,713,490	-	10,116,051	10,545,174	9,667,736
HH - INTERFD CHGS - INTERFUND CHARGES	28,068,536	28,068,536	-	36,404,604	41,310,761	43,617,487
OO - OTHER EXPENSES	4,538,500	4,538,500	-	538,500	538,500	538,500
EXP Total	**139,477,080**	**137,535,500**	**1,941,580**	**144,700,339**	**151,598,243**	**154,299,743**
REV						
AA - OPENING FUND BALANCE	15,753,312	13,811,732	(1,941,580)	-	-	-
BC - PERMITS & LICENSES	1,553,000	1,553,000	-	1,553,000	1,553,000	1,553,000
BE - INVEST INCOME	200,000	200,000	-	200,000	200,000	200,000
BF - RENTS & RECOVERIES	6,540,000	6,540,000	-	6,540,000	6,540,000	6,540,000
BH - DEPT REVENUES	1,200,000	1,200,000	-	1,200,000	1,200,000	1,200,000
IF - INTERFD TSFS - INTERFUND TRANSFERS	114,230,768	114,230,768	-	114,230,768	114,216,518	114,360,018
REV Total	**139,477,080**	**137,535,500**	**(1,941,580)**	**123,723,768**	**123,709,518**	**123,853,018**
Surplus (Deficit)	**-**	**-**	**-**	**(20,976,571)**	**(27,888,725)**	**(30,446,725)**
Ending Fund Balance - Budgetary Basis - projected	**8,668,588**	**10,610,168**				

The Administration continues to exclude the $12.6 million of sewer assessment fees to be charged to non-profits in the 2018 Proposed Budget. The Comptroller's projections also exclude the sewer assessment fees as this issue is still in litigation.

It is our understanding that SUEZ Water, as part of the consideration received by the County, guaranteed salary savings of a minimum of $10 million. The County bills SUEZ Water for actual salary and fringe costs for the leased employees, which have decreased due to a reduction of leased employees from 124 to 83. The number of leased employees in the Sewer fund appears to be decreasing while the number of non-leased employees is increasing. The revenue received from SUEZ Water for the leased employees is reported in Rents and Recoveries. In the 2018 budget, the Administration only budgeted $6.5 million in rents and recoveries to cover the leased employees to SUEZ Water, which is below the $10.0 million minimum. It is not clear at this time whether the $10 million represented as guaranteed payments, is indeed guaranteed. Due to this uncertainty, our projections for rents and recoveries is flat to the Administration's budget.

Our projections for utility costs are $1.2 million under the 2018 Proposed Budget. Utility costs have decreased across other funds and therefore we have reflected those saving in the SSW District fund as well.