

**NASSAU COUNTY  
NEW YORK**



**EDWARD P. MANGANO  
COUNTY EXECUTIVE**

**MULTI-YEAR  
FINANCIAL PLAN UPDATE  
FISCAL YEARS 2012 – 2015  
JUNE 30, 2012**



**OVERVIEW**

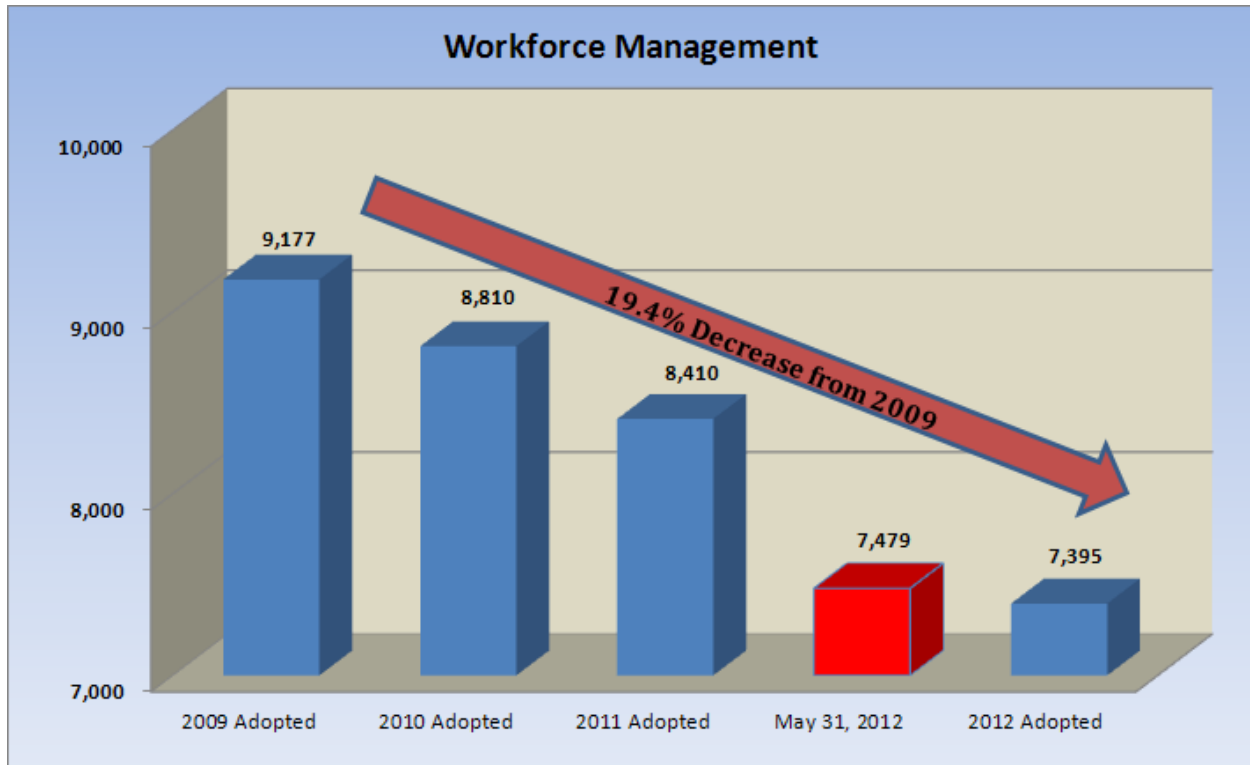
During the 2012 Budget adoption process, an agreement was reached with the Nassau County Interim Finance Authority (“NIFA”) to achieve structural balance in 2015. The County will remain in budgetary balance, the historical reporting mechanism, for the first three years of the 2012 – 2015 Multi-Year Financial Plan (“MYP”) despite unprecedented increases in employee pension and health insurance costs. Transitional financing for various working capital items (i.e., tax certiorari settlements, termination pay and other judgments and settlements) will be utilized at decreasing levels over the life of the plan to enable the County to achieve structural balance in 2015. The table below outlines the schedule for working capital borrowings in the MYP.

**Scheduled MYP Working Capital Borrowings**  
Dollars in millions

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
Tax Certiorari Settlements	\$95.0	\$85.0	\$75.0	\$50.0	\$0.0	\$305.0
Other Judgments and Settlements	\$25.0	\$21.7	\$12.1	\$6.2	\$0.0	\$65.0
Termination Pay	\$80.0					\$80.0
<b>Total</b>	<b>\$200.0</b>	<b>\$106.7</b>	<b>\$87.1</b>	<b>\$56.2</b>	<b>\$0.0</b>	<b>\$450.0</b>

As noted by Grant Thornton LLP, a financial advisory firm retained by NIFA, the inherited collective bargaining agreements “provide for an unsustainable level of compensation and benefits.” Grant Thornton has called for major changes to the current labor agreements including “across the board contribution by employees for health and retirement benefits” and “across the board reductions to paid leave.” Since assuming office, County Executive Mangano has called on labor unions for concessions to address these rapidly escalating costs; however, to date, the unions have not offered the requisite concessions necessary to bring the County’s total compensation costs down to the level needed to achieve structural balance.

Absent these labor concessions, the County has substantially reduced the workforce through layoffs, voluntary separation incentives and attrition. The County is in the process of reducing its labor force to the lowest level in Nassau County’s history, approximately 7,400 positions, as part of a plan to achieve recurring savings of \$150 million.



The benefits received by the workforce place an unacceptable burden on Nassau County taxpayers as they significantly exceed benefits offered by similar municipalities. Examples include:

- Contractual Overtime – The Nassau County Police Department is the only major police department in the United States that has contractual guaranteed minimum staffing by precinct. This operational constraint leads to an inefficient use of resources resulting in significantly more overtime than is necessary. The current minimum manning agreement necessitates calling officers in on overtime even when straight-time police are available.
- Health Insurance – Currently, the County’s union employees do not contribute to the cost of health care. In 2011 New York State reached an agreement with its CSEA employees, whereby employees contribute 31% to the cost of family health insurance coverage and 16% for individual coverage. Consistent with the private sector and other municipalities, union employees in Nassau must contribute to their health insurance costs.
- As stated in the Grant Thornton report, “The average public safety employee is entitled to 61 days of annual paid leave.”
- As stated in the Grant Thornton report, “The average CSEA employee is entitled to 44 days of annual paid leave.”

In order for Nassau County to achieve structural balance, the benefits received by union employees need to align with those in the private sector and other municipalities.



The County has achieved savings from several significant initiatives in the first six months of 2012. The successful bus public-private partnership with Veolia Transportation results in annual savings of \$33 million to Nassau County taxpayers. In addition, the public-private partnership with Veolia Transportation has provided significant operational benefits. Previously, the MTA did not achieve approximately 15% of scheduled bus service deployment, on a daily basis. Veolia Transportation has improved this deployment to 100% and has greatly improved on-time performance.

An additional successful initiative is the consolidation of police precincts from eight to four, projected to result in recurring annual savings of \$20 million. Highlights of the Police Precinct consolidation include:

- Maintaining all 177 patrol cars in their current neighborhoods
- Assigning 48 more police officers to community policing positions, and
- Redistributing administrative workload more evenly among four new precincts

Together these two initiatives save County taxpayers in excess of \$50 million annually and lead to structural balance.

Projected Fringe Benefit amounts in the MYP Update have decreased from levels included in the Adopted MYP issued in October 2011 primarily due to lower health insurance costs than were previously forecasted. This results from lower composite base rates as well as a continuing decline of individuals employed due to staffing reduction initiatives since the 2012 Budget and MYP were adopted.

The County is also projecting lower debt service costs over the next couple of years as compared to the Adopted MYP. This is a direct result of County borrowings that came later than originally planned and lower issuance amounts than were originally planned. The debt was also issued at lower interest rates than originally projected.

Sales Taxes in the MYP Update are projected to be higher than the Adopted MYP due to more favorable sales tax receipts than originally forecasted. The current forecast yields a budgetary benefit in excess of \$20 million for 2012 and will provide recurring benefit in subsequent years.

### **2012 Discussion**

NIFA approved the 2012 Budget and MYP on December 8, 2011 and stipulated that the County report financial results on a monthly basis. As noted in the County's May 2012 monthly report, the County currently projects a \$22.2 million budgetary deficit prior to gap closing actions, which are primarily focused on increased labor savings. On June 26, 2012 all departments were instructed to reduce their salary lines by an additional 3.5% to close this deficit. In addition, the County is considering offering a voluntary separation incentive to further reduce labor costs.

# FISCAL 2012–2015 MULTI-YEAR FINANCIAL PLAN UPDATE



## Table 1: 2012-15 Pre-Gap Closing Analysis (Dollars)

MAJOR FUNDS					
E/R	OBJECT AND NAME	2012 May Projections	2013 Proj. Baseline	2014 Proj. Baseline	2015 Proj. Baseline
EXP	AA - SALARIES, WAGES & FEES	809,344,702	743,800,425	747,172,096	754,348,147
	AB - FRINGE BENEFITS	440,921,878	488,403,119	509,791,234	532,329,732
	AC - WORKERS COMPENSATION	30,399,332	31,280,913	32,188,059	33,121,513
	BB - EQUIPMENT	1,551,728	1,596,728	1,643,033	1,690,681
	DD - GENERAL EXPENSES	30,644,507	31,533,198	32,447,660	33,388,643
	DE - CONTRACTUAL SERVICES	215,501,536	219,347,673	224,110,262	229,679,339
	DF - UTILITY COSTS	37,624,375	37,945,437	38,180,726	38,433,502
	DG - VAR DIRECT EXPENSES	5,000,000	5,000,000	5,000,000	5,000,000
	FF - INTEREST	71,356,917	91,122,553	97,132,331	101,230,293
	GA - LOCAL GOVT ASST PROGRAM	64,162,017	66,022,715	67,937,374	69,907,558
	GG - PRINCIPAL	57,530,001	71,239,999	83,725,001	95,494,999
	HC - NHC ASSN EXP - NASSAU HEALTH CARE ASSN	13,000,000	13,000,000	13,000,000	0
	HD - DEBT SERVICE CHARGEBACKS	321,143,986	353,818,327	363,803,692	361,262,476
	HF - INTER-DEPARTMENTAL CHARGES	154,544,706	154,544,706	154,544,706	154,544,706
	HH - INTERFD CHGS - INTERFUND CHARGES	19,332,746	18,184,980	25,242,167	25,499,897
	LB - TRANSF TO GENERAL FUND	225,000	0	0	0
	MM - MASS TRANSPORTATION	42,217,100	43,177,862	44,231,337	45,384,706
	NA - NCIFA EXPENDITURES	2,025,000	1,600,000	1,675,000	1,750,000
	OO - OTHER EXPENSE	363,730,835	352,651,991	326,308,116	284,191,809
	PP - EARLY INTERVENTION/SPECIAL EDUCATION	172,975,000	176,434,500	179,963,190	183,562,454
	SS - RECIPIENT GRANTS	66,210,000	67,865,250	69,561,881	71,300,928
	TT - PURCHASED SERVICES	59,100,000	59,986,500	61,486,163	62,408,455
	WW - EMERGENCY VENDOR PAYMENTS	66,772,000	69,442,880	71,526,166	72,956,690
	XX - MEDICAID	248,838,445	256,303,598	258,866,634	263,844,838
<b>EXP Total</b>		<b>3,294,151,811</b>	<b>3,354,303,354</b>	<b>3,409,536,828</b>	<b>3,421,331,366</b>
REV	BA - INT PENALTY ON TAX	28,500,000	28,500,000	28,500,000	28,500,000
	BC - PERMITS & LICENSES	11,381,732	11,381,732	11,381,732	11,381,732
	BD - FINES & FORFEITS	49,479,909	49,479,909	49,479,909	49,479,909
	BE - INVEST INCOME	2,379,784	4,759,568	9,519,136	19,038,272
	BF - RENTS & RECOVERIES	25,023,344	15,692,755	15,692,755	15,692,755
	BG - REVENUE OFFSET TO EXPENSE	14,678,154	11,730,154	26,101,354	33,859,674
	BH - DEPT REVENUES	166,712,609	172,495,860	174,004,610	176,227,332
	BI - CAP BACKCHARGES	1,430,300	0	0	0
	BJ - INTERDEPT REVENUES	154,544,706	154,544,706	154,544,706	154,544,706
	BO - PAY LIEU TAX - PAYMENT IN LIEU OF TAXES	8,661,865	8,661,865	8,661,865	8,661,865
	BQ - D/S FROM CAP - DEBT SERVICE FROM CAPITAL	103,740,000	87,948,333	60,159,521	1,848,000
	BV - DEBT SERVICE CHARGEBACK REVENUE	321,143,986	353,818,327	363,803,692	361,262,475
	BW - INTERFD CHGS - INTERFUND CHARGES REVENUE	76,650,139	75,549,235	82,869,375	82,532,959
	FA - FEDERAL AID - REIMBURSEMENT OF EXPENSES	158,973,429	160,852,929	162,442,673	163,730,365
	IF - INTERFD TSFS - INTERFUND TRANSFERS	225,000	0	0	0
	SA - STATE AID - REIMBURSEMENT OF EXPENSES	234,623,923	237,348,507	239,967,610	242,472,306
	TA - SALES TAX CO - SALES TAX COUNTYWIDE	993,000,248	1,021,797,255	1,051,429,376	1,081,920,827
	TB - PART COUNTY - SALES TAX PART COUNTY	85,423,241	84,483,828	86,886,652	84,774,179
	TL - PROPERTY TAX	804,331,558	804,331,558	804,331,558	804,331,558
	TO - OTB 5% TAX	3,229,600	2,906,433	2,615,791	2,615,791
	TX - SPECIAL TAXES - SPECIAL TAXES	27,776,000	27,776,000	27,776,000	27,776,000
<b>REV Total</b>		<b>3,271,909,527</b>	<b>3,314,058,954</b>	<b>3,360,168,315</b>	<b>3,350,650,705</b>
<b>Projected Baseline Gap</b>		<b>(22,242,284)</b>	<b>(40,244,400)</b>	<b>(49,368,513)</b>	<b>(70,680,661)</b>



**Table 2: 2013-15 Gap Closing Plan (Major Funds)  
(Dollars in millions)**

<b>MYP 2013 - 2015</b>			
	<b>2013 Plan</b>	<b>2014 Plan</b>	<b>2015 Plan</b>
<b>Current Baseline Gap (w/ 2012 Proposed Actions Carried Forward)</b>	<b>(40.2)</b>	<b>(49.4)</b>	<b>(70.7)</b>
Surplus Land Sales	5.0	5.0	5.0
Value of New Construction	2.0	4.0	6.0
New Recurring Initiatives			15.0
<u>NYS Actions</u>			
Elimination of MTA Station Maintenance			31.0
Red Light Camera Phase II	3.0	6.0	6.0
LIE Ticket Surcharge			5.0
Public Private Partnership (Sewer System)	55.0	60.0	-
Public Private Partnership (Estimated savings from debt defeasance)			21.9
<b>Gap Closing Actions</b>	<b>65.0</b>	<b>75.0</b>	<b>89.9</b>
<b>Surplus/ (Deficit)</b>	<b>24.8</b>	<b>25.6</b>	<b>19.2</b>

# FISCAL 2012–2015 MULTI-YEAR FINANCIAL PLAN UPDATE



## Multi Year Plan – Update

MAJOR FUNDS					
E/R	OBJECT AND NAME	2012 May Projections	2013 Updated Plan	2014 Updated Plan	2015 Updated Plan
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<b>Surplus / (Deficit)</b>		<b>(22,242,284)</b>	<b>24,755,600</b>	<b>25,631,487</b>	<b>19,219,339</b>



### **Discussion of Gap Closing Actions**

#### **Project Description - Nassau County Sewer System P3**

As noted by NIFA in its October 2, 2009 staff report, substantially all of the sewer district fund balance will be gone by 2013 and significant tax increases would be needed in the sewer fund. In addition to the lack of a sustainable fiscal structure, the sewer system is plagued by equipment and system deficiencies, and poor operations and performance that threaten the health, safety and welfare of Nassau County residents.

Building on its successes partnering with private entities for its bus transportation and inmate health care services, Nassau County is evaluating a public-private partnership transaction (the “P3 Transaction”) involving the assets of the County’s sewer system (the “System”). The System is responsible for the collection, treatment, and disposal of sewage for the majority of the County, with a current customer base of approximately 1.0 million.

A P3 Transaction may consist of (a) the concession, lease, or other similar arrangement involving the System, including but not limited to a public-private partnership, or (b) the sale, transfer, or other disposition involving all or any portion of the System.

Under any P3 Transaction, the County would receive an upfront payment from a private investor as compensation for transferring operations of the System to that investor. In return, the investor will collect all charges for System usage as well as assume responsibility for all System operations, maintenance and capital expenditures. However, the County, or another appropriate State entity, will continue to ensure that all regulatory standards are met.

The County, through an extensive open and competitive process, has selected United Water as the operator of the sewer system. United Water is an established operator since 1869 with vast experience running large wastewater and complex water systems. They have local expertise having served 110 communities in New York State. United Water’s headquarters are within 50 miles of Nassau County giving access to 1,100 employees for support.

On June 18, 2012, the County’s financial advisor for the P3 Transaction, Morgan Stanley, issued a Request for Information (RFI) to potential investors to gauge the market’s interest in this transaction. A P3 transaction will increase service efficiencies, ensure a high quality of service for all County residents who use the System, and accomplish a number of the County’s key financial objectives.

#### **Other MYP Expense Initiatives**

The County continues to explore options to achieve expense reductions. All future years of the MYP include the continuation of the NIFA imposed wage freeze. This condition may change if the unions engage in negotiations and offer concessions, or if there is a significant economic recovery.

The County also will continue its Assessment Reforms, which will produce savings. The County has approximately \$1.1 billion of outstanding debt used to pay for successful property assessment challenges. Consequently, County Executive Mangano has made reducing this liability a priority. The MYP includes projected savings and reduced levels of borrowing from the elimination of the County guarantee, which causes the County to refund property taxes that it never received, but were received by school districts, towns, and special districts. The savings estimates increase as successful challenges shift from before to after the effective date of the elimination of the guarantee.





The County also intends pursuing efficiencies and savings through strategic sourcing and Enterprise Resource Planning (“ERP”) implementation.

The MTA recently levied an onerous payroll tax on Nassau County employers. This costs the County approximately \$3 million annually and impacts other businesses in Nassau County as well. The County will be seeking New York State legislation to eliminate Long Island Railroad station maintenance payments, to help offset this burdensome tax.

### **Other MYP Revenue Initiatives**

In addition, the County has received New York State approval for an additional 50 red light camera intersections. When fully implemented, this will result in a net revenue gain of \$6 million for the County. It will also pursue State legislation seeking reimbursement for the cost of patrolling New York State highways in Nassau County.

The future years of the MYP also include projected revenues from additional sales of surplus County land and estimated property taxes from new construction.

### **MYP Contingencies**

As a secondary contingency to the P3 Transaction, the Mangano Administration would propose the following actions:

#### **Refunding/Restructuring Opportunities for NIFA Debt**

The County believes that significant savings are available from a refunding/restructuring of NIFA debt. Interest rates are at historic lows. Many of the major New York issuers either have already or are planning to issue refunding bonds to lock in debt service savings for their constituents. This list includes New York City and its related entities, the Thruway Authority, the Long Island Power Authority, the Metropolitan Transportation Authority, the Triboro Bridge and Tunnel Authority, and the Environmental Facilities Corporation.

The County urges NIFA to take advantage of this market environment to benefit the taxpayers of Nassau County. Based on information available to the County, in the current interest rate environment a refunding of NIFA bonds could generate approximately \$20 million of budget savings to Nassau County in 2012-2014 (10% PV savings), with no dissavings beyond 2014. This represents real savings to the County and its taxpayers. By allowing the County to incur dissavings after 2014, the up-front benefit would be significantly greater (could be in excess of \$150 million with PV savings still achieved).

#### **Furloughs - \$50 million**

The County would move to transition to a four-day work week for those employees not working in vital health and public safety areas.