



NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2019 Budget & Multi-Year Plan

Executive Summary

Maurice Chalmers, Director

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Inter-Departmental Memo

To: Hon. Richard Nicoletto, Presiding Officer
Hon. Kevan Abrahams, Minority Leader
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review

A handwritten signature in blue ink, appearing to be "MC", is written over the name "Maurice Chalmers" in the "From:" field.

Date: October 2, 2018

Re: Executive Summary

Pursuant to §183 of the Nassau County Charter, the Office of Legislative Budget Review has prepared a preliminary analysis of the County Executive's proposed operating budget for Fiscal Year 2019 and Multi-Year Plan. Our report is made up of two parts: the enclosed Executive Summary and a Departmental Analysis.

I would like to thank the County Executive's financial team for their cooperation during this process. As always, my staff and I remain ready to provide whatever assistance the Legislature may require during the budget process. This document will be made available to your constituents at <https://www.nassaucountyny.gov/2384/Budget-Documents>.

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1. EXECUTIVE SUMMARY

Introduction

Pursuant to the County Charter, the Administration submitted its FY 19 Proposed Budget on September 17, 2018. Since 2011, the Nassau Interim Finance Authority (NIFA) according to its statute, in §3669 imposed a control period upon determining that there was a substantial likelihood and imminence of a Major Operating Funds deficit of one percent or more. NIFA, continues to be a control board overseeing County finances. One of the Authority's focus is insuring that County finances rely less on borrowing and more on recurring revenues to pay expenses. The FY 19 Proposed Budget includes funding for expenses that were cut in the past but are important to the County. The budget funds additional staffing in areas that the Administration intends on focusing on, such as Assessment and public safety. The budget also accounts for increases in fringe benefits and funding for the Nassau Inter County Express (NICE) bus system as well as a budget to budget increase for the program agencies contractual expenses. The County has been successful in attaining changes to the Disputed Assessment Fund (DAF) which will make it easier to pay for commercial tax refunds in the future. The County intends on setting the DAF charge at a level necessary to collect \$40.0 million in FY 19. The operating funds include an additional \$30.0 million for tax certiorari expenses. The Proposed budget does not include a property tax increase in the Major Funds but does anticipate a tax increase in the Sewer Finance Authority (SFA) and a levy for the Environmental Bond Act Fund. To pay for the increased expenses, the budget relies on additional revenues from sources such as the continued growth in sales tax and other revenue assumptions that the Office of Legislative Budget Review (OLBR) will analyze in the latter part of the Executive Summary. However, with such a heavy reliance on a continued positive economic outlook, the Administration must remain vigilant and ready to implement counter measures should the economic growth slow down.

OLBR estimates approximately \$54.9 million of risks in the Major Funds in the Proposed FY 19 Budget prior to any anticipated NIFA adjustments. In addition, there are areas outside of this budget such as possible Collective Bargaining Agreements (CBAs), that could drastically increase the current estimated risk. However, their final impact will depend on the details of future agreements between the County and the labor unions. The FY 19 Proposed Budget includes the cost of steps for the different unions but does not include any funding for Cost of Living Adjustments (COLAs).

The plan contends with escalating fringe benefits expenses for health insurance and pension contributions, in addition to costs related to the County's practice of deferring pension obligations to the out-years. Although the maximum amount that the County is allowed to amortize has decreased, the practice continues in FY 19 with the County planning to amortize the maximum allowed, approximately \$15.2 million, of the pension bill which will accrue future interest. In total, the County is now committed to make deferred pension payments through FY 31. From the inception of the program, total deferred pension costs have been estimated to be approximately \$339.4 million for all the amortized amounts prior to interest. With payment of the FY 19 pension bill, approximately \$222.9 million will still be outstanding prior to accruing interest. Due to the additional installments from prior year deferrals, the County has not been able to reap the benefits from recent rate decreases. Fiscal hardships may have forced the County to engage in this practice, however it is becoming evident that the amounts that can be amortized are being reduced and that the deferral program may not continue in the future.

The County has benefited from prior workforce management efforts and headcount is currently at historical lows. For FY 19, the Administration highlights that it is adding 171 positions from the prior year budget and these staffing increases are concentrated for example in some agencies responsible for implementing their tax policy agenda and the new State funded Raise the Age program. However, the proposed budget includes approximately 459 vacant full-time positions in the major operating funds compared to the current on-board headcount. Although the Administration could move quickly to fill many positions, there is a high probability that not all the positions will be filled by the beginning of the year. The longer a position remains vacant, the more budgetary savings will be generated from not filling the position. This may become a savings source for the Administration that could offset possible CBAs. The Administration estimates the value of the open funded vacant positions to be approximately \$28.0 million.

The proposed budget includes a property tax increase in the Sewer Finance Authority Fund and the Environmental Bond Act Fund. Taxes are increasing by 0.7% in the Major Funds including Sewers and approximately \$2.8 million in the Environmental Bond Act Fund. Currently, there is a cap in New York State where property taxes levied by local governments and school districts generally cannot increase by more than 2.0%, or the rate of inflation, whichever is lower. The law does allow local governments and school districts to levy an additional amount for certain excludable expenditures and utilize a carryover from one year to the next. Below is a breakdown of the tax levy by funds:

Table 1.0: Proposed Property Tax Levy by Fund

Property Tax Levy				
Fund	2018 Conformed	2019 Proposed	Difference 2018 vs 2019	% Of Total Levy
Fire Commission	15,258,520	16,087,836	829,316	2.0%
General	51,677,392	31,838,193	(19,839,199)	3.9%
Police District	380,448,990	400,096,691	19,647,701	49.0%
Police Headquarters	367,316,702	367,988,502	671,800	45.1%
Subtotal Major Funds	\$814,701,604	\$816,011,222	\$1,309,618	100.00%
Sewers (SFA)	124,763,530	130,284,209	5,520,679	
Total Major Funds & Sewers	\$939,465,134	\$946,295,431	\$6,830,297	
Environmental Bond	7,702,284	10,486,028	2,783,744	
College	52,206,883	52,206,883	0	
Grand Total	\$999,374,301	\$1,008,988,342	\$9,614,041	

Sales tax remains the County’s most substantial source of revenue and County sales tax collections continue to record positive momentum. The FY 19 Proposed Budget relies heavily on the continued growth in the economy as 46.1% of the anticipated revenue increase is budgeted from sales tax. The proposed sales tax revenue in the FY 19 Executive Budget, excluding the deferred piece, is \$1,231.3 million, 2.5% above the Office of Management and Budget’s (OMB) current FY 18 projection. The out-years of the plan anticipate a 2.0% growth rate. In addition to the above regular sales tax, \$12.5 million has been budgeted in FY 19 for prior year deferred sales tax.

Current economic forecasts anticipate positive annual economic growth as indicated by real U.S. GDP from FY 18 through FY 20. The average of all the FY 19 forecasts is 2.5%, the growth required to achieve

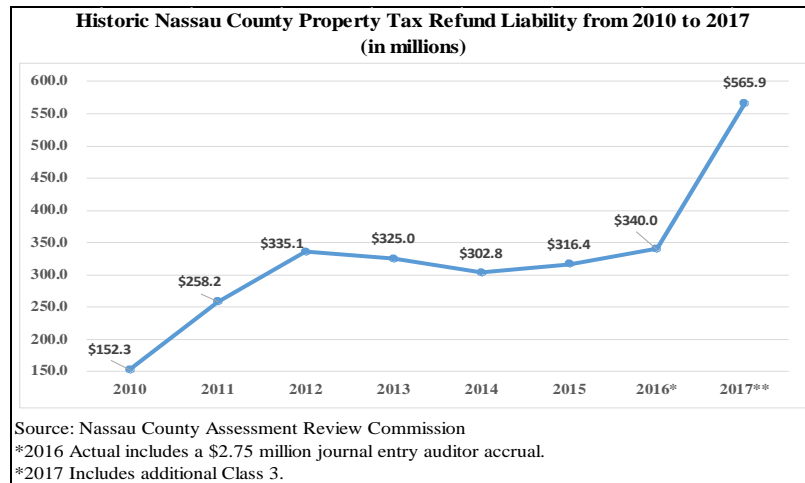
the sales tax budget. Moreover, on a year-to-date basis, through September 12, 2018, County sales tax collections have risen 4.9% above the prior year. If this trend continues, the County will not only exceed the current projections but will also be in a better position to achieve the budgeted 2.5% FY 19 sales tax growth. As stated above, this is an area of the budget that will need to be monitored closely and may warrant adjustments should the economy change. On a positive outlook, the budget does not include revenues from sales tax collections on internet sales. The United States Supreme Court ruled in June 2018 that States can collect local sales tax on products delivered to that locality. Upon passage of a New York State legislation, the County could begin collecting these additional revenues which are currently included as a gap closing item at \$11.0 million in FY 20.

As of December 31, 2017, the County's outstanding tax certiorari liability according to the Assessment Review Commission (ARC) was \$565.9 million, \$225.9 million or 66.4% higher than December 31, 2016's liability estimates of \$340.0 million. The major driver of the increase was the recognition of an additional \$220.3 million in class III liability. Out of the total December 31, 2017 liability, 41.6% or \$235.3 million was for class IV commercial grievances and 7.6% or \$42.8 million was for class I.

Tax certiorari expense continues to put a heavy burden on County finances. Historically, the County has paid \$76.5 million on average annually in property tax refund payments. To tackle the tax certiorari problem, the County has considered many options with the goal of reducing liability and possibly tackling the backlog. One tool was the creation of the Disputed Assessment Fund (DAF). The County implemented DAF as a mechanism to address tax grievances within class IV parcels. State enabled changes to DAF will permit greater flexibility and timely payments from the fund going forward.

In FY 19, to cover tax certiorari expenses, the proposed budget includes in the operating funds, \$30.0 million within the Assessment Office, in addition to the plans to levy \$40.0 million in DAF charges. In total, \$70.0 million would be raised in 2019 to pay for this expense. In addition, as of August 2018 there was \$146.9 million in cash equity in DAF as well as \$54.4 million in DAF open receivable charges that the County has not yet collected. The Proposed FY 19 Budget also includes an additional \$7.0 million compared to the prior year adopted budget in the Budget Office to pay for Suits and Damages. The prior year budget was \$23.0 million and has been revised to \$30.0 million.

The Administration anticipates borrowing \$300.0 million in FY 18 and FY 19 to pay off the backlog. The MYP provides for additional debt service payments in the amount of approximately \$3.0 million in FY 19 (growing to approximately \$20.0 million in the out years of the plan) to cover debt service costs related to the \$300.0 million of possible County bonding. The operating funds will not be able to absorb any payments required above the budgeted amounts.

Chart 1.0: Tax Certiorari Backlog

Budget Risks

OLBR has identified approximately \$54.9 million of risks in the Major Funds Proposed FY 19 Budget prior to any NIFA adjustments. Some risks stem from sources that the County has control over and will need to implement measures in order avoid that these risks materialize. For example, overtime will need to be monitored by the departments to ensure that budgets are met. However, achieving the overtime budget may be more difficult for some departments where staffing remains low. In contrast, there are initiatives in this budget that will require outside approvals, which to date have not been secured. In addition, the current labor agreements expired at the end of FY 17 and the proposed budget does not include any funding for possible COLA increases. However, the terms of any agreements can vary widely, and an amount can't be accurately estimated. The areas with risk items are illustrated in the table on the next page.

The Video Lottery Terminals (VLT) revenues are considered a major risk to the proposed budget. The County has not experienced great success in collecting these revenues and in their latest projections they only reflect the \$3.0 million received in FY 18 which leaves a projected deficit of \$12.7 million from the FY 18 budgeted amount of \$15.7 million. The Administration provided OLBR a letter from OTB which acknowledges the annual payment would be \$20.0 million in any event commencing on April 1, 2019. However, OLBR considers the payment a risk especially since the July 2018 OMB monthly financial report shows that on a year to date basis the Nassau Regional Off-Track Betting Corporation continues to have a negative net profit. If the County receives a payment of \$3.0 million as it did in FY 18, the remainder or \$17.0 million would be the budgeted risk.

Fines & Forfeits revenue is the second largest risky revenue source. This revenue category includes initiatives that have not been approved yet and additional revenues from anticipated volume increases that may not materialize.

The Administration is budgeting \$8.0 million from the sale of County properties. However, the property sale process is lengthy and this revenue is at risk until the sale is finalized.

Table 1.1: Major Funds Risks (millions)

Expense Risks (in millions)	
<u>Item</u>	OLBR <u>Surplus/Risk</u>
Overtime	\$3.2
Correctional Center Contractual expenses	1.5
Fringe Benefits (Health Ins.)	1.4
Expense Sub Total	6.1
Revenue Risks (in millions)	
<u>Item</u>	<u>Surplus/Risk</u>
Fines & Forfeits	13.5
State Aid	3.0
Department Revenues	4.0
Asset Forfeiture Revenue	6.0
Investment Income	2.8
Video Lottery Terminals (VLT)	17.0
Sale of County Property	8.0
Revenue Sub Total	54.3
Total Risks	\$60.4
Opportunities	
Overfunded Pension	5.4
Total Opportunities	5.4
Net Risks	\$54.9

Conclusion

The Proposed FY 19 Budget funds \$119.5 million in additional expenses which include salaries, fringes, debt service and other expenses that had been reduced in the past such as OTPS. The budget includes anticipated union step increases but does not contain any provisions for COLAs. However, the proposed budget does include approximately 459 vacant full-time positions compared to the current on-board headcount. Should many of these positions remain open or the hiring is delayed, this may become a savings source for the Administration that could mitigate possible CBAs. The value of the open funded vacant positions has been estimated by the Administration to be approximately \$28.0 million.

To cover the expense growth, the Administration has budgeted on \$55.0 million in heightened sales tax collections which implies a 2.5% growth rate from the current FY 18 projection. The FY 19 budget is highly leveraged on sales tax growth and it is unclear what adjustments could be made in the event of an economic downturn. The proposal also relies on other enhanced revenue assumptions that may not be approved or come to fruition and as such, will need to be monitored throughout the year.

OLBR estimates approximately \$54.9 million in risks to the budget, most of which is due to the heavy reliance on revenue enhancements. The Administration must remain ready to implement counter initiatives for items that fall short of budgeted expectations. The budget does not include specifically earmarked funds for labor agreements, since the outcome of negotiations may vary widely, this can be a challenge to the budget that will need to be evaluated in the context of an Adopted Budget.

Proposed Expense Budget

The FY 19 Proposed Expense Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is \$3.1 billion, a \$119.5 million increase in expenses. A breakdown of the budget categories reveals that salaries and fringe benefits make up approximately 49.1% of the total budget. Table 1.2 below shows the budget to budget variances by category:

Table 1.2: Major Funds' Expenses FY 19 vs. FY 18
(\$'s in millions)

	2018 NIFA Conformed	2019 Proposed	Variance
Expenses			
Salaries	\$871.4	\$900.2	\$28.8
Fringe Benefits	577.2	609.2	32.0
Workers Compensation	34.3	35.2	0.9
OTPS	285.2	307.4	22.2
Utilities	33.6	34.1	0.5
Transportation	44.2	44.8	0.6
Government Assistance	70.9	73.7	2.8
Interfund Charges	24.7	23.1	(1.6)
Direct Assistance	170.3	170.1	(0.2)
Early Intervention/Special Ed	134.5	135.5	1.0
Medicaid	237.7	242.5	4.8
Debt Service (Incl NIFA Set Aside)	366.9	384.9	18.0
Other Expenses	102.6	112.4	9.7
NIFA Expense	2.0	2.0	(0.0)
Total Expenses¹	\$2,955.4	\$3,074.9	\$119.5
<small>1. Excludes interdepartmental charges and debt service chargebacks</small>			

The Proposed FY 19 Major Funds salary line budget is increasing by \$28.8 million compared to the FY 18 NIFA Conformed Budget. The CBAs with County unions expired at the end of FY 17 and there are currently no agreements in place. The FY 19 Proposed Budget includes steps for labor unions however no COLAs were included. There was an expectation that the proposed budget would include clearly earmarked funds for possible union agreements. Any agreement will need to be evaluated within the context of an adopted budget for its fiscal impact. In addition, the proposal also funds an additional \$2.9 million in overtime and \$4.2 million in termination expenses countywide.

Headcount is currently at historical lows and the County has benefited from prior Workforce management efforts. An analysis reveals that the proposed budget includes approximately 459 vacant full-time positions in the major operating funds compared to the current on-board headcount. Although the Administration could move quickly to fill many positions, there is a high probability that not all the positions will be filled by the beginning of the year. The longer a position remains vacant, the more savings will be generated. This may become a savings source for the Administration that could offset possible CBAs. The Administration estimates the value of the open funded vacant positions to be approximately \$28.0 million. A more in-depth staffing analysis is included in the labor section of this report.

The largest expense variance is in the fringe benefits line. The FY 19 fringe benefit budget for the Major Funds is approximately \$609.2 million, which is an increase of \$32.0 million from the FY 18 NIFA Conformed Budget. This is due mostly to increases in health insurance for employees, as well as pension contribution costs. For a more in-depth analysis, OLBR has devoted section three of this report to the analysis of fringe benefits.

Pension expenses are budgeted to increase by \$8.7 million compared to the FY 18 budget. While the total bill is decreasing \$5.7 million, the County is still obligated to pay a higher amount than last year because of the installment payments it owes from previous amortizations. In addition, the maximum amortization allowed is decreasing by approximately \$9.5 million from \$24.6 million to \$15.2 million. The reduction in the maximum amortization allowed, as well as the cumulative annual installments from the prior year deferrals have offset any potential savings from the recent decline in pension rates.

Health insurance is increasing by \$18.0 million in FY 19 due to a rise of \$6.4 million in insurance costs for active employees and \$11.6 million in insurance costs for retirees. Per the Administration, the FY 19 Proposed Budget is based on a projected health insurance growth rate of 8.0%. This appears very reasonable based on the New York State Health Insurance Program (NYSHIP) best estimate scenario of 6.9% from their Second Quarter Report. While the health insurance budget for active employees is more than adequately funded, the budget for retirees does not appear to be sufficient based on the projected growth rate. Combined (active and retirees), OLBR estimates that the overall health insurance budget could be underfunded by roughly approximately \$1.4 million.

The OTPS rollup shows an increase of \$22.2 million. This consists of an increase of \$0.1 million in Equipment, a \$2.3 million increase in General Expenses and a \$19.8 million increase in Contractual services. Below is a breakdown of the different components:

Table 1.3: OTPS

OTPS	2018 Conformed	2019 Proposed	Difference
Equipment	2.3	2.4	0.1
General Expenses	31.5	33.9	2.3
Contractual Services	251.4	271.1	19.8
	285.2	307.4	22.2

The contractual expenses which have the largest increases in OTPS include an additional \$10.8 million for the bus service, \$2.9 million for program agencies and \$2.2 million for software contracts budget to budget.

The direct assistance budget is decreasing marginally by \$0.2 million. Contained within this rollup are recipient grants, purchased services and emergency vendor payments in the Department of Social Services. The table on the next page illustrates the categories with discussions following:

Table 1.4: Direct Assistance

Direct Assistance	2018 Conformed	2019 Proposed	Difference
Recipient Grants	55.7	52.1	(3.5)
Purchased Services	67.6	68.6	1.0
Emergency Vendor Payments	47.0	49.4	2.3
	170.3	170.1	(0.2)

A large part of Recipient Grant funding is used to make payments to DSS clients eligible for Temporary Assistance to Needy Families (TANF) and Safety Net Assistance (SNA) benefits. Recipient Grant expenses in the FY 19 proposal are lower by \$3.5 million budget to budget. The decrease in Recipient Grant expenses budget to budget reflects the decline in TANF and SNA cases. Caseloads are down approximately 11.6%.

Emergency vendor payments are made to cover a variety of services rendered to eligible DSS clients. Among these services are shelter care, institutional services, and utility and maintenance payments. The department anticipates an increase in shelter care of approximately \$2.0 million and an additional \$0.4 million in educational expenses. The additional \$1.0 million in Purchased Services is budgeted for daycare expenses.

Proposed Medicaid costs are up \$4.8 million budget to budget. The County budgeted an additional \$2.9 million in Indigent care expenses and \$2.2 million for the County share of Medicaid expenses.

Total debt service payments, including NIFA set-asides and expense of loans, are expected to increase by \$18.0 million from the FY 18 NIFA Conformed Budget. According to the FY 19 Multi-Year Financial Plan (MYP) Debt Service Baseline, the County included approximately \$16.2 million to cover interest payments for future debt issuances. This amount includes the County's estimated \$3.0 million for the issuance of \$300.0 million in tax certiorari bonds in FY 18 and FY 19. Both Legislative and NIFA approval would be required for the County to issue these bonds.

Overall the FY 19 Proposed Budget for other expenses is increasing by \$9.7 million from the prior year budget. The increase is primarily a function of \$7.0 million in additional other suits and damages funding. According to the Administration, these monies will be used to pay various litigation expenses. Also contributing to the increase is \$1.1 million in funding for insurance on buildings. According to the Administration, these funds will be used to get insurance coverage for County properties and possibly secure an excess and surplus policy to limit the County's exposure to large cost items.

Proposed Revenue Budget

The FY 19 Proposed Revenue Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is \$3.1 billion, a \$119.5 million increase from the prior year budget. Table 1.5 below shows the revenue sources from a year to year perspective and the corresponding variances:

Table 1.5: Major Funds Revenue FY 19 vs. FY 18
(\$'s in millions)

	2018 NIFA Conformed	2019 Proposed	Variance
Revenues			
Fund Balance	\$0	\$0	\$0
Department Revenues	237.1	232.3	(4.8)
Fines & Forfeits	102.9	118.6	15.7
Non-Tax Sources	233.7	267.0	33.3
Federal Aid	134.6	140.0	5.4
State Aid	211.6	224.6	13.0
Sales Tax	1,188.8	1,243.8	55.0
Property Tax	814.7	816.0	1.3
Other Taxes	32.0	32.6	0.6
Total Revenues¹	\$2,955.4	\$3,074.9	\$119.5
<small>1. Excludes interdepartmental revenue & debt service chargebacks</small>			

The Proposed FY 19 Budget anticipates a \$4.8 million reduction in Department Revenues compared to the previous year's budget. The proposal removes \$5.2 million in revenue from the Annual Survey of Income and Expense law which was included in the prior year and is currently in litigation. In addition, the revenues in the Clerk's office have also been reduced by \$3.1 million due to an anticipated reduction in the number of transactions. Offsetting these decreases are an additional \$1.3 million in the Police Department from ambulance dispatches and \$1.1 million in Park revenues.

Fines and Forfeit revenues include an additional \$15.7 million in the Proposed FY 19 Budget. The Traffic and Parking Violations Agency (TPVA) includes an additional \$8.0 million from a Boot and Tow initiative which has not yet been approved by the Legislature. In addition, the revenues from the Red Light cameras are budgeted to generate an additional \$3.8 million in revenue. In the Police Department, the proposed budget also includes an additional \$4.7 million in Public Safety fee revenue.

The Non-Tax revenues include many object codes rolled up in this category. Many of the object codes have significant differences and will be analyzed separately. Table 1.6 on the next page illustrates the different components of this category:

Table 1.6: Non-Tax Revenue Breakdown

	2018 Budget	2019 Proposed Amt.	Difference
Int Penalty On Tax	\$34.9	\$34.6	(\$0.2)
Permits & Licenses	18.5	19.6	1.1
Invest Income	2.0	9.7	7.7
Rents & Recoveries	25.1	34.4	9.4
Revenue Offset To Expense	17.3	17.5	0.1
Payment In Lieu Of Taxes	45.6	46.0	0.4
Capital Resources For Debt	2.6	3.5	0.9
OTB Profits	15.8	20.0	4.3
Interfund Charges Rev	69.2	81.1	11.9
Interfund Transfers	2.9	0.7	(2.2)
Total:	\$233.7	\$267.0	\$33.3

- The Proposed FY 19 Budget increases investment income revenues by \$7.7 million from the current budget. Compared to the current projection, FY 19 investment income is rising by \$2.8 million. Investment income is generated as the County invests its cash and it rises in tandem with interest rate increases. The budget takes into account that Economists are currently forecasting interest rates to rise from 2018 to 2019 and that the County will have the same level of cash to invest. However, the anticipated rate increases have not all taken place yet.
- Within, Rents and Recoveries, prior year recoveries (disencumbrances) are increasing by \$4.5 million from \$4.9 million to \$9.4 million. Although the budget appears attainable, the Administration will need to manage this process and ensure it is executed. In addition, the proposed budget anticipates \$8.0 million, or \$4.4 million more than the prior budget, from the sale of County properties. Although the County is on track to meet and exceed the current FY 18 budget, the sales process is a long one and can easily run into delays.
- The Proposed FY 19 Budget includes \$20.0 million in OTB profits, up \$4.3 million from the current budget. To date, the County has only collected \$3.0 million this year compared to the FY 18 budgeted amount of \$15.7 million. The balance is currently flagged as a risk.
- The proposed budget includes an additional \$11.9 million in interfund charges revenue when compared to the prior year budget. The budget includes \$6.0 million from Asset Forfeiture funding and an additional \$6.3 million from interfund revenues for Debt Service from Sewer.

Federal Aid is increasing Countywide by \$5.4 million. The budget includes many small decreases in some departments which are offset by an increase of \$6.7 million in the DSS. The increase in DSS is mainly attributed to an additional \$3.7 million in the Child Care Block Grant (CCBG) and \$3.0 million for Federal reimbursements for administrative costs for other Social Services programs.

The Proposed FY 19 Budget anticipates an additional \$13.0 million more in State Aid than the previous year's budget. In the Correctional Center, the budget increased by \$3.0 million due to an initiative that will allow the Nassau University Medical Center (NUMC) to bill Medicaid for eligible inmates housed at the jail that receive healthcare services. The Probation department also increased their aid by \$3.0 million in anticipation of additional reimbursements for programs such as the Raise the Age initiative. In the Health Department, State Aid is increasing by \$2.8 million due mostly to higher reimbursement rates from the New York State Department of Health Pre-school, School Medicaid Support Unit, for children in both the Children's Early Intervention and Pre-school Special Education Programs. Finally, there is new state aid revenue of \$2.0 million in the Fringe Benefit department, also resulting from the State's Raise the Age initiative reimbursement.

Sales tax is discussed above and in details in section four of the report.

Table 1.7 below illustrates the expense and revenues components for the Sewer & Storm Water Resource District:

Table 1.7: Sewer & Storm Water Resource District Highlight (SSW)

Sewer & Storm Water Resource District			
Object Title	2018 NIFA Conf. Budget	2019 Executive Budget	FY 19 vs FY18
Salaries, Wages & Fees	9,700,623	10,288,904	588,281
Fringe Benefits	9,377,251	9,546,528	169,277
Equipment	15,000	15,000	0
General Expenses	1,007,921	1,248,370	240,449
Contractual Services	64,154,936	64,068,608	(86,328)
Utility Costs	6,075,000	6,775,000	700,000
Interest	5,338,753	3,088,895	(2,249,858)
Principal	9,713,490	9,411,051	(302,439)
Interfd Chgs - Interfund Charges	28,068,536	34,322,246	6,253,710
Other Expenses	4,538,500	538,500	(4,000,000)
	137,990,010	139,303,102	1,313,092
Opening Fund Balance	14,266,242	10,480,905	(3,785,337)
Permits & Licenses	1,553,000	1,553,000	0
Invest Income	200,000	200,000	0
Rents & Recoveries	6,540,000	6,040,000	(500,000)
Dept Revenues	1,200,000	1,282,000	82,000
Interfd Tsfs - Interfund Transfers	114,230,768	119,747,197	5,516,429
	137,990,010	139,303,102	1,313,092

The FY 19 Proposed Budget includes \$139.3 million in expenses and revenue, which is an increase of \$1.3 million from the FY 18 NIFA Conformed Budget. The majority of the revenue increase is in the Interfund Transfer line, which results from a property tax increase transferred from the Sewer Financing Authority Fund. As a result of the property tax increase, less fund balance usage is planned in FY 19. The fund balance appropriation is decreasing by \$3.8 million from the current budget of \$14.3 million to \$10.5 million in FY 19. The revenue budget also includes \$6.0 million for the County Guarantee contract payment from Suez for leasing the County's employees to operate the Sewer System.

The increase on the expenditure side, results from salary, fringe benefits, general expenses, utility costs and interfund charges. The salary budget accommodates 6 additional full-time heads, and step increases for CSEA employees and eliminates the VSIP and attrition savings adjustment included in last year's budget.

Multi-Year Plan (MYP)

Table 1.8 below details the Administration's projected expenditures and revenues through FY 22. The budgetary gaps represent projected deficits if corrective actions aren't taken.

Table 1.8: Multi-Year Plan Projections (Major Funds)
(\$'s in millions)

	2019	2020	2021	2022
	Proposed	Proposed	Proposed	Proposed
Expenses				
Salaries	\$900.2	\$912.8	\$924.6	\$933.6
Fringe Benefits	609.2	640.2	665.9	696.1
Workers Compensation	35.2	35.2	35.2	35.2
OTPS	307.4	307.9	308.2	308.4
Utilities	34.1	35.8	35.9	36.3
Transportation	44.8	46.0	47.3	48.6
Government Assistance	73.7	75.1	76.6	78.1
Interfund Charges	23.1	23.1	23.1	23.1
Direct Assistance	170.1	171.3	172.4	174.2
Early Intervention/Special Ed	135.5	138.2	141.0	143.8
Medicaid	242.5	242.5	242.5	242.5
Debt Service (Incl NIFA Set Aside)	384.9	412.3	399.9	400.2
Contingency Reserve	0.0	0.0	0.0	0.0
Other Expenses	112.4	111.2	111.2	111.2
NIFA Expense	2.0	2.0	2.1	2.1
Total Expenses¹	\$3,074.9	\$3,153.7	\$3,185.9	\$3,233.3
1. Excludes interdepartmental charges and debt service chargebacks				
	2019	2020	2021	2022
	Proposed	Proposed	Proposed	Proposed
Revenues				
Fund Balance	\$0	\$0	\$0	\$0
Department Revenues	232.3	232.3	232.3	232.3
Fines & Forfeits	118.6	116.3	116.3	116.3
Non-Tax Sources	267.0	272.8	278.4	279.9
Federal Aid	140.0	140.0	138.4	138.4
State Aid	224.6	226.0	227.4	228.8
Sales Tax	1,243.8	1,256.0	1,289.1	1,306.7
Property Tax	816.0	816.0	816.0	816.0
Other Taxes	32.6	32.6	32.6	32.6
Total Revenues¹	\$3,074.9	\$3,091.9	\$3,130.6	\$3,151.0
1. Excludes interdepartmental revenue & debt service chargebacks				
Surplus/Gap Projections	\$0.0	(\$61.8)	(\$55.3)	(\$82.3)

Over the course of this MYP, total expenses are projected to grow by 5.2% while revenues increase at a rate of 2.5%. The plan fails to account for potential labor agreements which will add to the costs and ultimately increase the current projected gaps. Total expenses are growing by approximately \$158.4 million of which Salaries and Fringes make up \$120.4 million of the increase. Rising costs will outpace

the County's revenue sources. This essentially contributes to the structural gap and highlights the need for additional recurring revenues.

- Salaries and wages will increase by \$33.5 million, from a Proposed Budget of \$900.2 million in FY 19 to \$933.6 million in FY 22. Since the current labor agreements expired at year-end FY 17, the growth doesn't account adequately for possible COLA increases. These agreements could severely impact the MYP budget. Expense items such as salaries and salary extras such as overtime would increase and most of these expenses were kept flat in the MYP. Keeping staffing optimal as well as absorbing the impact of new labor agreements will be challenging.
- Fringe benefits will increase by \$86.9 million, or 14.3%, from \$609.2 million in the FY 19 Proposed Budget to \$696.1 million in FY 22.

Health insurance expenses for active and retired employees from FY 19 to FY 22 are projected to increase by \$67.8 million to \$405.6 million in FY 22.

The MYP baseline inflator used to project out-year health insurance costs for active employees is 8.5% in FY 20, and 6.13% in both FY 21 and FY 22. The MYP growth rates appear reasonable based on the historic five-year average of 6.3% for active employees.

The MYP baseline inflator used to project out-years costs for retirees is 8.5% in FY 20, 4.21% in both FY 21 and FY 22. This is close to the historic five-year average of 4.5% for Medicare eligible retirees.

From the FY 19 Proposed Budget, social security expenses are increasing by roughly \$2.2 million in FY 20, by \$2.3 million in FY 21, and by \$2.4 million in FY 22. With an increase in salaries, social security is also expected to rise since these costs are a function of salaries.

- Direct Assistance is projected to increase moderately by \$4.1 million over the MYP. These increases may be necessary to accommodate growing costs.
- The MYP anticipates debt service growing by approximately \$15.3 million which appears to be the increase in County debt service costs which is a function of planned future borrowings.
- The MYP doesn't draw on the undesignated fund balance.
- Non-tax revenues are projected to increase by \$12.9 million through the MYP. The interfund revenues (BW), more specifically the interfund revenues from SSW, are growing by \$20.3 million offset by a \$6.0 million decrease in Permits and Licenses revenue.
- Sales tax which represents the largest revenue increase through the MYP is budgeted to grow at 2.5% in FY 19 and 2.0% for the following three years (prior to deferrals).

Gap Closing Measures

The Administration included in the MYP various items that may reduce the projected out-year gaps. These items as illustrated in Table 1.9 below are divided into two categories: Expense/Revenue actions and NYS actions.

Table 1.9: Gap Closing Measures Detail FY 20 – FY 22 (millions)

	2020	2021	2022
Current Baseline Gap	(61.8)	(55.3)	(82.3)
<u>Expense/Revenue Actions</u>			
Workforce Management Savings	8.8	8.9	9.0
Asset Forfeiture Funding	6.0	6.0	6.0
Building Consolidation	5.0	5.0	5.0
Probation/Correction Savings	2.0	3.0	4.0
SUEZ Water Long Island Inc. Synergy Savings	3.0	4.0	4.0
Technology	2.0	2.0	2.0
Health Insurance Contribution	2.0	4.0	6.0
ERP Implementation	1.0	2.0	2.0
County's District Energy Facility	1.0	2.0	1.5
Income and Expense	15.0	15.0	15.0
Other Actions	7.0	10.0	10.0
Belmont Arena and Hub Sales Tax Benefit	7.5	7.7	7.8
<u>New York State Actions</u>			
Internet Sales	11.0	11.2	11.4
E-911 Reimbursement	1.0	1.0	1.0
Sports Betting	5.0	5.0	5.0
Total Gap Closing Initiatives	\$77.3	\$86.8	\$89.7
Projected Baseline After Gap Closing Actions	15.5	31.5	7.4

The following are explanations for these initiatives by the Administration that were included in the MYP:

Workforce Management

The Administration will optimize workforce levels while ensuring that the County provides essential services for all Nassau County residents. Each department is preparing a staffing and hiring plan that will analyze the impact of each vacancy. Each vacancy is carefully analyzed before approval of new hires. These plans will be consolidated into a County-wide staffing strategy.

Asset Forfeiture

The County intends on using \$6.0 million per year of forfeiture funds as a result of fully bonding for construction of the new Police Academy. The uses of the funds will be determined by the Police Department to address any new policing programs that meet the Asset Forfeiture statute requirements.

Building Consolidation

The County's dramatic workforce reduction has opened possibilities for centralization and downsizing of office space. The County has hired Smith & DeGroat Real Estate to review the County's real estate assets for potential sale of excess property, consolidation of office space, lease renewal terms, etc. The County will also realize utility and maintenance savings from better consolidated space.

Probation/ Corrections Savings

The County can achieve savings by utilizing electronic monitoring bracelets that enable Probation to monitor individuals who cannot make their court ordered bail in lieu of housing them in the jail. The County anticipates saving by not institutionalizing these individuals.

SUEZ Water Long Island Inc. Synergy Savings

The County has committed to ensuring that there will not be layoffs to its workforce due to its contract with SUEZ Water Long Island Inc. The contract guarantees \$10 million in annual labor savings. County employees no longer required to support SUEZ Water Long Island Inc. are being utilized to optimize workforce productivity in areas of County operations that can substantially reduce the use and cost of overtime, generate revenues, or decrease payments for services performed by contracted vendors.

Technology

The County is exploring opportunities to develop and utilize internet-based technologies to improve resident and business interaction with County government. These improvements will enhance customer service, reduce costs, improve productivity, and increase revenue.

Health Insurance Contribution

Due to the large number of retirements over the last years, newly hired County employees are required to contribute toward their health insurance. During this MYP period the County will begin to realize cost savings.

ERP Implementation

The new Enterprise Resource Planning (ERP) system will streamline core business processes that will lead to efficiencies and savings. This initiative is currently underway and the first phase (Personnel and Payroll) is anticipated to be operational by the end of 2018.

County's District Energy Facility

The agreement between Nassau County and Suez Energy NA, the current operator of the County's 57 mega-watt cogeneration plant in Uniondale, has a short-term extension to permit evaluation options for greater savings.

Income and Expense

The County believes that the Court of Appeals will rule in favor of the Income and Expense Law. This Law is intended to require commercial property owners to provide income statements for properties with a commercial rent and will produce revenue beginning in 2020.

Other Actions

The County will evaluate revenue generating and expense reduction initiatives that will result in a net savings to operations. These initiatives include achieving interdepartmental and/or interjurisdictional efficiencies, streamlining operations and improved grant management. Additionally, an area of focus will be on use of technology to promote doing business in and with Nassau County on more business-friendly terms.

Belmont Arena and Hub Sales Tax Benefit

The County hopes to realize additional sales tax revenue during and after the construction phase of the new Belmont Arena for the New York Islanders and the HUB development project. The MYP projects additional local sales tax from entertainment, lodging and various other sources.

Internet Sales

The United States Supreme Court ruled in June that States can collect local sales tax on products delivered in that locality. The County anticipates new revenue with passage of necessary implementing legislation by New York State.

E-911 Reimbursement

The State approved an amendment to County law that increased the surcharge on certain telecommunication equipment and telephone service supplier customers in relation to providing an enhanced 911 (E911) emergency telephone system in the County. This will enable the County to raise revenue needed to cover costs associated with providing this technology within the County.

Sports Betting

The United States Supreme Court ruled in June that states can initiate and control sports betting. The County anticipates new revenue pending legislation by New York State.

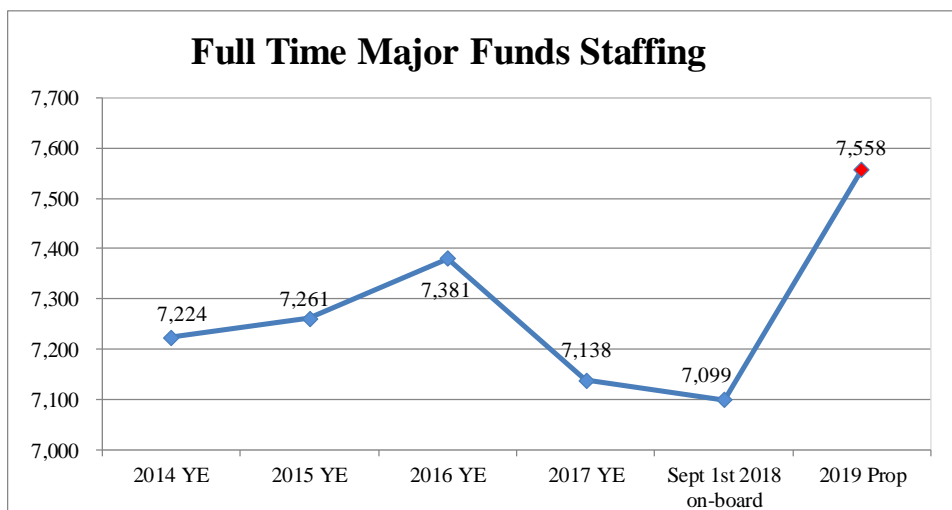
2. LABOR

Although the FY 19 Proposed Budget includes appropriations for scheduled employee Step increases no Cost of Living Adjustments (COLA) were included. In 2014, the County entered into labor agreements with the Police Benevolent Association (PBA), the Detectives Association Inc. (DAI), the Civil Service Employees Association (CSEA), the Superior Officers Association (SOA) and the Correction Officers Benevolent Association (COBA), formerly known as ShOA (Sheriff Officers Association). The agreements expired at the end of FY 17 and there are currently no Collective Bargaining Agreements (CBA) in effect with any unions. Depending on future negotiated contracts and their specific terms, the value of these agreements will need to be funded. However, an exact cost can't be accurately estimated as the terms and timing of any agreement can widely vary.

Since the labor contracts expired at the end of FY 17, there was an expectation that the proposed budget would include appropriations for possible union agreements. Any agreement will need to be evaluated within the context of an adopted budget to determine if the cost can be absorbed. Some aspects of previous CBAs represented structural changes that will continue to garner savings past the timeframe covered by the agreements. Examples of such structural changes included a 15.0% health insurance contribution and revised salary plans with lower salary scales for new employees.

Headcount is currently at historical lows and the County has benefited from prior Workforce management efforts. For FY 19, the Administration highlights that it is adding 171 positions from the prior year budget and these staffing increases are concentrated in some agencies responsible for implementing their tax policy agenda and staff to implement the new State funded Raise the Age program. However, as will be demonstrated in Chart 2.0 below, the proposed budget funds many more heads than are currently on-board. The budget includes approximately 459 vacant full-time positions in the major operating funds compared to the current on-board headcount:

Chart 2.0: Full Time Headcount Trend



Although the Administration could move quickly to fill many positions, there is a high probability that not all the positions will be filled by the beginning of the year. The longer a position remains vacant, the more savings will be generated from not filling the position. This may become a savings source for the

Administration that could offset possible CBAs. The Administration estimates the value of the open funded vacant positions in the budget to be approximately \$28.0 million.

The Major Funds overtime expense is budgeted at \$87.0 million in the Proposed FY 19 Budget which represents a marginal decrease from the prior year actuals and approximately \$3.2 million less than the current projections. The Police Department budgeted \$0.7 million less the current projection and the Department expects to manage to this budget. The Legislature approved capital bonding for the new Police Academy which is expected to free up Asset Forfeiture funds that can be used to offset overtime. However, the Administration will need to monitor the chargebacks to ensure that all possible credits are achieved. To mitigate overtime in the Police Department, the County hired 60 police officers in April 2018 and another class of 60 officers is slotted to be hired in November 2018.

In the Correctional Center, the FY 19 Proposed budget for overtime is \$2.6 million less than the current projections and \$1.9 million less than the prior year actual results. The staffing level for Corrections Officers is low and without increasing the count, the department may not be able to meet the overtime budget. The FY 18 Adopted Budget included 744 Correction Officers in comparison to the FY 19 Proposed headcount of 678 Correction Officers which is 73 less officers than the 751 requested by the department. Currently, there are 658 officers on-board. The department hired a total of 24 Officers in two classes which commenced in June and July and expects another class in November 2018. However, these Officers are not expected to be fully deployed until the last quarter of 2018 and/or the first quarter of 2019, and they will not impact the projected overtime shortfall.

Table 2.0: Major Funds Overtime Trends

OVERTIME TRENDS				
	2017 YE	2018 Projection	2019 Proposed	2019 Prop vs. 2018 Proj Variance
Police District	24,054,025	24,332,449	24,860,750	528,301
Police Headquarters	30,779,166	29,748,244	28,480,000	(1,268,244)
Total	54,833,191	54,080,693	53,340,750	(739,943)
Corrections	22,016,211	22,688,012	20,088,012	(2,600,000)
Police & Corrections	76,849,402	76,768,705	73,428,762	(3,339,943)
Others	10,877,420	13,458,972	13,581,858	122,886
TOTAL:	87,726,822	90,227,677	87,010,620	(3,217,057)

The Police Department’s FY 19 Proposed termination Budget is increasing by \$6.3 million from the current adopted budget. The budget anticipates approximately 120 separations at an average payout of \$300,000. The additional funds are more reflective of current trends.

Headcount

In Table 2.1 on the next page, the FY 19 Major Operating Funds Budget for **full-time** positions is compared to the current on board headcount of 7,099:

Table 2.1: Staffing Comparison

Full Time Major Funds Staffing Comparison					
Department	2018 Sept Onboard Headcount	2018 Sept Onboard Salaries	2019 Proposed Headcount	2019 Proposed Salaries	Variance 2019 Proposed vs. 2018 Sept Onboard
Assessment	113	8,114,891	203	10,375,846	90
Assessment Review Commission	31	2,317,745	51	3,005,426	20
Board of Elections	153	11,566,911	155	11,787,914	2
C.A.S.A.	3	191,000	4	241,000	1
Civil Service	46	3,883,682	46	4,208,902	0
Comptroller	72	6,299,138	84	7,264,376	12
Constituent Affairs	37	2,521,103	37	2,530,867	0
Consumer Affairs	28	1,860,796	30	2,053,316	2
Correctional Center	951	81,752,827	976	85,435,327	25
County Attorney	78	6,786,055	96	7,424,217	18
County Clerk	81	4,835,836	87	5,212,352	6
County Executive	14	1,634,375	14	1,634,375	0
District Attorney	377	35,190,264	385	39,317,018	8
Emergency Management	6	577,756	8	765,552	2
Health	155	12,892,055	175	14,036,563	20
Housing & Intergovernmental Affairs	13	866,925	13	866,925	0
Human Resources	7	606,540	7	606,540	0
Human Rights	6	482,338	6	467,089	0
Human Services	53	4,259,441	56	4,582,256	3
Information Technology	86	7,422,153	91	7,897,014	5
Investigations	0	0	0	0	0
Labor Relations	6	533,000	8	653,000	2
Legislature	85	6,574,099	96	7,472,422	11
Medical Examiner	73	6,775,225	97	8,443,234	24
Office of Minority Affairs	3	205,750	6	405,750	3
Office of Management and Budget	19	2,193,512	23	2,564,399	4
Parks, Recreation and Museums	137	8,418,624	143	9,467,834	6
Probation	166	14,066,964	234	17,125,444	68
Public Administrator	6	486,427	6	492,395	0
Public Works Department	387	26,703,448	424	28,835,458	37
Shared Services	11	856,870	11	835,796	0
Records Management	11	642,645	13	744,556	2
Social Services	577	39,974,536	601	41,724,373	24
Taxi and Limousine Commission	0	0	0	0	0
Traffic & Parking Violations	46	2,747,023	48	2,828,141	2
Treasurer	26	1,740,251	30	2,000,320	4
Veterans' Services Agency	7	471,594	10	550,042	3
Savings from Initiative & Adjustment	0	0	(100)	(4,531,450)	(100)
General Fund Total*	3,870	306,451,799	4,174	329,324,589	304
Fire Commission	84	6,379,022	88	6,651,148	4
Police District	1,716	147,988,031	1,738	166,065,419	22
Police Headquarters	1,429	148,813,299	1,558	162,867,898	129
Total Major Funds	7,099	609,632,151	7,558	664,909,054	459
Sewer & Storm Water (SSW)	108	7,191,636	113	7,462,570	5
Total including Sewers	7,207	616,823,787	7,671	672,371,624	464

Table 2.2 below illustrates the multi-year salary plan for the Major Funds:

Table 2.2: MYP Major Funds Salary Plan

Major Funds Multi-Year Salary Plan				
Department	2019 Proposed	2020 Plan	2021 Plan	2022 Plan
Assessment Review Commission	3,123,178	3,169,027	3,204,974	3,225,923
Assessment Department	10,729,057	10,884,514	11,006,394	11,077,425
County Attorney	7,695,441	7,740,708	7,776,198	7,796,882
Office of Management and Budget	4,326,119	4,326,119	4,326,119	4,326,119
Office of Consumer Affairs	2,218,601	2,245,342	2,266,307	2,278,525
Correctional Center	117,101,591	118,787,557	120,008,710	121,282,484
County Executive	1,814,860	1,818,261	1,820,928	1,822,482
Office of Constituent Affairs	2,743,887	2,764,377	2,780,442	2,789,804
Clerk	6,193,960	6,266,630	6,323,605	6,356,809
County Comptroller	7,659,675	7,751,038	7,822,668	7,864,413
Civil Service	5,114,305	5,185,764	5,241,788	5,274,439
District Attorney	42,708,360	42,847,152	42,955,968	43,019,384
Board of Elections	15,841,836	16,002,202	16,127,931	16,201,204
Emergency Management	886,614	894,295	900,318	903,828
Fire Commission	10,514,692	10,628,087	10,717,001	10,768,813
Health Department	15,574,385	15,792,124	15,962,834	16,062,323
Housing & Intergovernmental Affairs	875,562	875,562	875,562	875,562
Commission on Human Rights	473,670	478,354	482,027	484,167
Department of Human Services	5,041,234	5,105,464	5,155,822	5,185,170
Information Technology	7,437,041	7,550,105	7,638,750	7,690,411
County Legislature	8,107,533	8,109,878	8,111,716	8,112,788
Office of Labor Relations	684,833	685,782	686,526	686,960
Office of Minority Affairs	445,150	445,150	445,174	445,174
Medical Examiner	9,382,175	9,514,204	9,617,717	9,678,043
Public Administrator	560,214	565,078	568,891	571,114
Probation	19,508,799	19,782,625	19,997,310	20,122,426
Police Department	488,467,882	496,359,953	504,473,586	510,858,719
Department of Human Resources	807,368	807,843	808,215	808,432
Parks, Recreation and Museums	20,578,704	20,741,168	20,868,554	20,942,786
Shared Services	952,152	964,014	973,314	978,733
Public Works Department	31,816,199	32,258,136	32,604,623	32,806,551
Records Management	1,013,401	1,026,891	1,037,467	1,043,631
C.A.S.A.	243,563	243,563	243,563	243,563
Social Services	47,494,583	48,174,293	48,707,198	49,017,768
County Treasurer	2,208,128	2,233,050	2,252,589	2,263,976
Traffic & Parking Violations Agency	3,794,255	3,836,044	3,868,808	3,887,902
Veterans Services Agency	570,535	577,517	582,992	586,182
Office of Management and Budget - Attrition	(4,531,450)	(4,603,138)	(4,659,342)	(4,692,097)
Grand Total	900,178,092	912,834,734	924,583,246	933,648,817

3. FRINGE BENEFITS

Fringe benefit expenditures include health insurance contributions for active and retired employees, as well as pension and social security contributions. Escalating health insurance and pension contribution costs continue to place a heavy burden on the County's budget.

The Administration plans to amortize the maximum amount of pension expenses allowed under the State's Contribution Stabilization Program. While this will provide budgetary relief in FY 19 and defer roughly \$15.2 million of the expense, OLBR cautions that this practice of amortizing the pension obligation places a financial strain on the County's out-year gaps. From the inception of the program, total deferred pension costs have been estimated to be \$339.4 million, however with interest this could accumulate to be approximately \$415.7 million for all amortized amounts. With the payment of the FY 19 pension bill approximately \$222.9 million remains outstanding, prior to interest.

The FY 19 Fringe Benefit budget for the Major Funds is \$609.2 million, which is an increase of \$32.0 million from the FY 18 NIFA Conformed Budget due mostly to an increase in health insurance, pension contribution and Medicare reimbursement costs.

Table 3.0 displays the fringe benefit appropriations for the Major Funds.

Table 3.0: Fringe Budget by Major Fund

Fund	Department	NIFA	OLBR	FY 19	Variance	Variance
		Conformed FY 18 Budget	FY 18 Projection	Executive Budget	Exec. Vs. NIFA Conformed	Executive vs FY 18 Proj.
Fire Commission	Fringe Benefits	6,159,843	6,031,391	6,252,892	\$93,049	\$221,501
General Fund	Courts	1,167,636	1,113,084	1,234,691	67,055	121,607
	Fringe Benefits	246,413,712	244,528,414	267,220,833	20,807,121	22,692,419
	OMB	25,320,618	25,316,630	25,626,209	305,591	309,579
Police District	Fringe Benefits	143,730,679	141,001,036	145,021,715	1,291,036	4,020,679
Police Headquarters	Fringe Benefits	154,376,740	153,461,095	163,793,823	9,417,083	10,332,728
Total		577,169,228	571,451,650	609,150,163	\$31,980,935	\$37,698,513

Table 3.1: itemizes fringe benefit costs by sub-object code:

Table 3.1: Fringe Budget by Sub-object for the Major Funds

SubObject & Description	NIFA Conformed FY 18 Budget	OLBR FY 18 Projection	FY 19 Executive Budget	Variance Exec. vs NIFA Conformed	Variance Executive vs FY 18 Proj.
08F - NYS Police Retirement	91,385,429	91,362,279	95,763,717	4,378,288	4,401,438
11F - State Retirement Systems	76,893,596	77,786,859	81,219,825	4,326,229	3,432,966
13F - Social Security Contribution	60,404,098	59,404,098	60,673,952	269,854	1,269,854
14F - Health Insurance	165,938,274	152,455,711	172,324,219	6,385,945	19,868,508
17F - Optical Plan	862,823	771,344	913,071	50,248	141,727
19F - NYS Unemployment	817,487	957,537	811,462	(6,025)	(146,075)
20F - Dental Insurance	4,113,752	3,958,895	4,725,352	611,600	766,457
22F - Medicare Reimbursement	18,535,301	18,542,878	20,130,598	1,595,297	1,587,720
22S - Medicare Reimbursement Surcharge	878,795	979,326	915,849	37,054	(63,477)
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	0	0
35F - MTA Mobility Tax	3,049,059	3,045,681	3,065,554	16,495	19,873
40F - CSEA Legal Plan	548,625	752,821	463,500	(85,125)	(289,321)
41F - COBA Legal Plan	109,375	99,125	102,375	(7,000)	3,250
45F - Disability Insurance	53,000	53,000	53,000	0	0
75F - Health Insurance For Retirees	153,842,571	161,515,274	165,468,849	11,626,278	3,953,575
76F - Employees Optical - Retirees	669,206	698,985	418,840	(250,366)	(280,145)
98G - Fringes Allocable to Grants	(270,248)	(270,248)	0	270,248	270,248
ZZO - Capital Backcharge OT Fringes	(567,680)	(567,680)	0	567,680	567,680
ZZS - Capital Backcharge ST Time fringes	(2,194,235)	(2,194,235)	0	2,194,235	2,194,235
Grand Total	577,169,228	571,451,650	609,150,163	31,980,935	37,698,513

08F State Pension for the Police and Fire Retirement System & 11F Employee Retirement System

The New York State Retirement System is a program designed to help employees and family members maintain financial stability during retirement or in the event of a disability or death. The annual bill covers the period from April 1st of the previous year to the ensuing March 31st. The pension payment date for participating employers is February 1st, but local municipalities have the option to make the payment on December 1st at a discounted amount. The FY 19 Proposed Budget is based on paying the pension obligation as of the December payment date.

The FY 19 Proposed Budget plans on amortizing the maximum amount of pension expenses allowed under the State’s Stabilization Program. This program began in FY 11 and allowed participating employers to defer a portion of their pension expense over 10 years. In FY 14, the State created the Alternate Contribution Stabilization Program which increased the maximum length of amortization installments from 10 years to 12 years. Once the 12 year program is elected, you cannot return to the Original 10 year program, however it is required that payments continue on any existing amortizations

from the Original Program.¹ The interest rate for the maximum amortization of contributions under the Alternate Program in FY 18 is 3.31%. The interest rate for the FY 19 amortization has not yet been finalized.

Table 3.2 below provides the FY 19 and FY 18 pension expenses billed by the State for Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS). As shown below, the maximum amount allowed based on the FY 19 pension invoice is \$15.2 million or 7.7% of the \$198.3 million total pension bill. This is a significant reduction from the maximum amounts allowed in prior years. In addition to the Major Funds, within the \$198.3 million pension invoice, there is an estimated \$21.3 million for the Nassau Community College (NCC), the Sewer and Storm Water Resource District and the Grant Fund.

Table 3.2: FY18-FY19 Pension Invoices

Pension Payments Based on December Schedule			
	2018 Invoice	2019 Invoice	2019 vs. 2018
<u>Total Pension Bill Excluding Amortization</u>			
ERS	101,532,808	102,182,493	649,685
PFRS	102,554,637	96,163,728	(6,390,909)
	\$204,087,445	\$198,346,221	(5,741,224)
<u>Amount Using Maximum Amortization</u>			
ERS	88,054,338	92,824,389	4,770,051
PFRS	91,385,455	90,326,958	(1,058,497)
	\$179,439,793	\$183,151,347	\$3,711,554
Amount Allowed to be Amortized	\$24,647,652	\$15,194,874	(\$9,452,778)
Savings From December Pre-payment	1,593,408	1,533,517	

* The Invoices includes NCC Fund, SSW Fund, and the Grant Fund.

The table above provides the ERS and the PFRS disbursements based on paying the bill on the December 15, 2018 date. The early December payment date will result in a savings of \$1.5 million. The December invoice of \$198.3 million includes \$102.2 million billed for (ERS) and \$96.2 million billed for (PFRS).

Based on the FY 19 pension bill, the amortization of the maximum amount allowed, reduces the pension expense payment from \$198.3 million to \$183.2 million. The maximum amortization allowed is decreasing by \$9.5 million from \$24.6 million or 12.1% of the total pension bill to \$15.2 million.

When compared to the SFY 2017-18 year, the total pension invoice of \$198.3 million is decreasing by \$5.7 million (shown in the chart above). This can be attributed to a reduction in pension contribution rates and a decline in PFRS pensionable salaries, compared to the prior year. Although the total bill is decreasing, the County is still obligated to pay a higher amount, compared to last year, roughly \$3.7 million. The minimum amount due under the Stabilization program results in a larger payment compared to last year due a reduction in the maximum amount allowed and from the annual installments included in

¹ Office of the New York State Comptroller New York State and Local Retirement System. "Alternative Contribution Stabilization Program." http://www.osc.state.ny.us/retire/employers/alt_contribution_stabilization.php.

the bill from prior year deferrals. The cumulative annual installments from prior years have offset any savings from the recent decline in pension rates.

Table 3.3 below details the outstanding liability from deferring these expenses since FY 12.

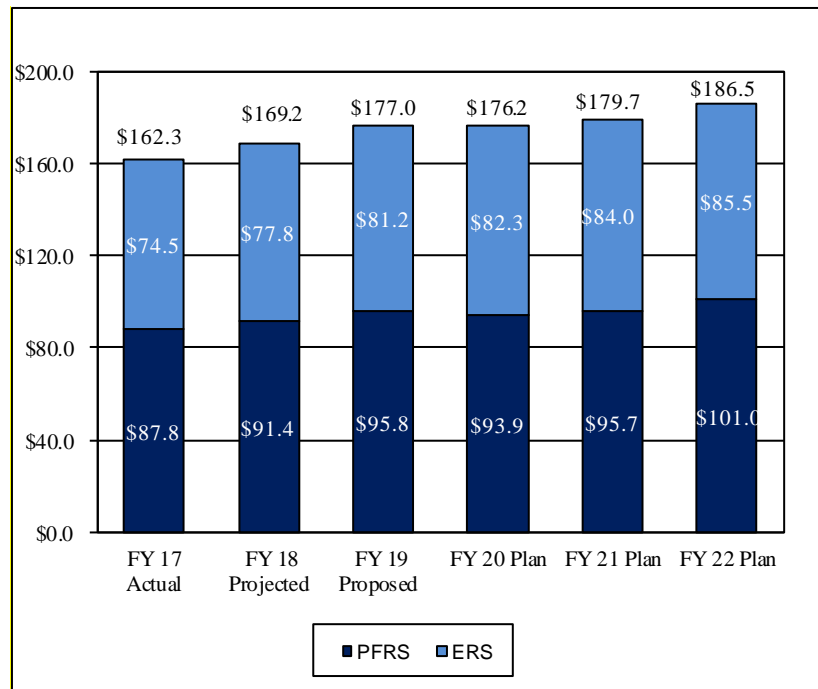
Table 3.3: Amortization

Amounts Amortized by Year (in millions)		
Year	Without Interest	With Interest
2012 Amortization Liability	38.8	47.2
2013 Amortization Liability	57.6	67.5
2014 Amortization Liability	71.5	90.1
2015 Amortization Liability	60.9	75.6
2016 Amortization Liability	41.1	50.5
2017 Amortization Liability	29.7	35.1
2018 Amortization Liability	24.6	30.3
2019 Amortization Liability	15.2	19.4 *
Subtotal Amortization 2012-2019	339.4	415.7
Remaining Liability After Paid Installments	222.9	258.4
*OLBR Estimates the 2019 liability based on the first installment from the projected FY 20 bill.		

As previously mentioned and depicted in the table above, the County has deferred a total of \$339.4 million through FY 19. However, with interest the total deferred could accumulate to \$415.7 million. After deducting the installments paid to date, OLBR estimates the total outstanding liability to be roughly \$222.9 million, prior to interest. The projected liabilities are based on the amortization schedules provided by the State.

Chart 3.0 on the next page, details the historical pension obligations from FY 17 actual through FY 22 (the out-years of the MYP) for the **Major Funds**. The Administration’s FY 19 Proposed Budget includes the pension expense of \$95.8 million for PFRS and \$81.2 million for ERS for a total budget of roughly \$177.0 million. The figures include the Major Funds and exclude the pension obligations for NCC, SSWRD and the Grant Fund. Since the minimum amount due for PFRS is \$90.3 million, and the Police pension budget is \$95.8 million, the budget appears to be overfunded by \$5.4 million.

Chart 3.0: FY 17 to FY 22 Pension Costs for the Major Funds (in millions)



The New York State Comptroller recently announced rates for the (SFY)19-20 will be in line with the previous year. The estimated average contribution rate for ERS will decrease minimally from 14.9% of payroll to 14.6% of payroll. The estimated average contribution rate for PFRS will remain unchanged at 23.5% of payroll.² As reflected in the above chart, pension costs remain relatively unchanged in FY 20, but are projected to rise through FY 22. The Administration’s Multi-Year Plan (MYP) projects pension costs to continue to rise to \$176.2 million in FY 20, \$179.7 million in FY 21 and \$186.5 million in FY 22.

The Multi-Year Plan (MYP) is based on the assumption that a portion of the pension expense will continue to be amortized in the out-years. The first payment from the FY 19 amortization will impact the FY 20 bill by an estimated additional \$1.6 million. This is in addition to the \$34.9 million in annual installments the County is currently obligated to make from the FY 12 through FY 18 amortizations. The FY 20 through FY 22 County budgets will include, at a minimum, an additional \$36.6 million each year from the prior and current pension deferments.

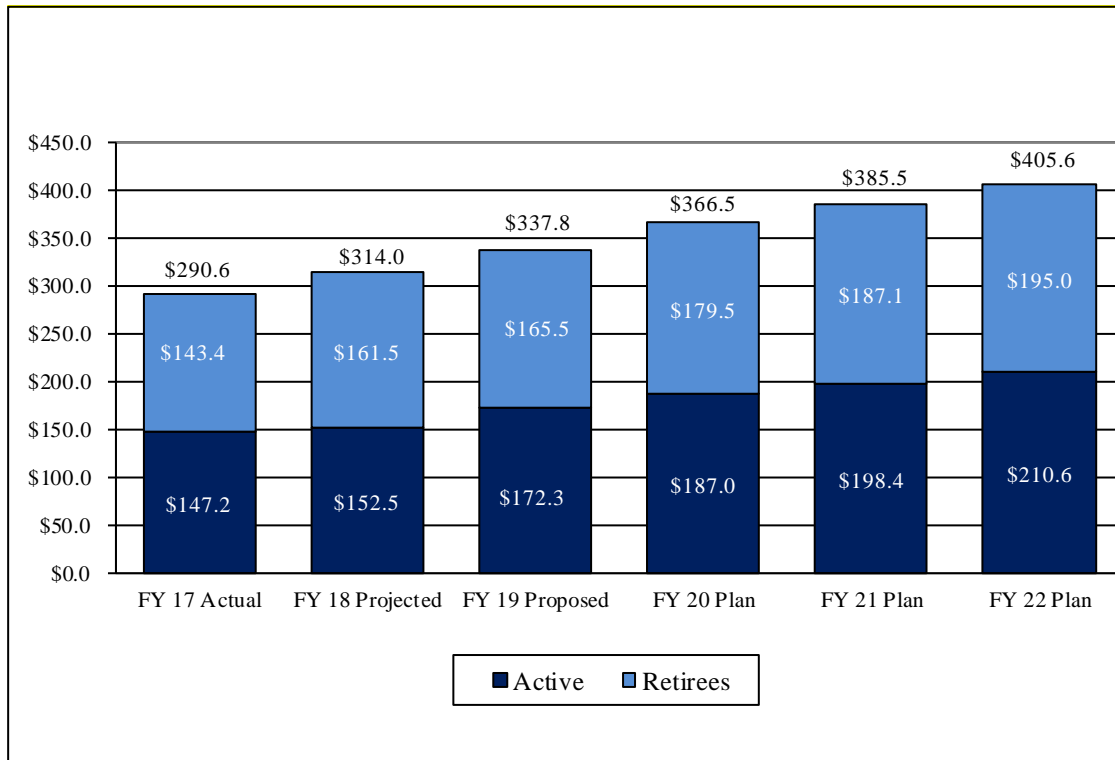
While pension rates have dropped, Nassau County is not reaping the benefits of this decrease. This is due to the additional installment payments from the previous year’s deferments that continue to be added to the annual pension bill and from a reduction in the maximum amortization allowed. Furthermore, if the County never amortized any of the bills from the previous years, not only would the bill be decreasing, but the amount owed would be less than what the County is currently allowed to pay under the maximum amortization in FY 19.

² Office of the New York State Comptroller, “DiNapoli: Employer Contribution Rates Stable for State Fiscal Year 2019-2020” <https://www.osc.state.ny.us/press/releases/aug18/082918.htm>.

14F & 75F Health Insurance for Current and Retired Employees

In FY 18, The New York State Health Insurance Plan (NYSHIP) Empire family plan, which consists of most County workers increased significantly by 8.7%. According to the Office of Management and Budget (OMB), the FY 19 Proposed Budget is based on a growth rate assumption of 8.0%. The FY 19 Proposed Budget for active and retiree health insurance is increasing by \$18.0 million compared to the FY 18 NIFA Conformed Budget and by \$23.8 million compared to the FY 18 projection.

Chart 3.1: FY 17 to FY 22 Health Insurance Costs (in Millions)



The FY 19 Proposed Budget includes \$337.8 million for active and retiree health insurance costs. Compared to the FY 18 projection, the FY 19 budget is increasing by \$19.9 million for active employees and \$4.0 million for retired employees, for a total of \$23.8 million.

The growth rate projection of 8.0%, seems reasonable compared to the New York State Health Insurance Program (NYSHIP) best estimated FY 19 health insurance rate projection of 6.9%. Based on projecting the growth rate assumption by the budgeted headcount and adjusting for timing delays, the **active employee** budget could be overfunded by roughly \$4.4 million. However, the budgeted health insurance for **retirees** does not appear to be sufficient and could have a shortfall as high as \$5.8 million. In total, the FY 19 health insurance budget for **(both active employees and retirees)** could be underfunded by roughly \$1.4 million.

It will be up to the Administration to manage the budget, if the rates happen to finalize closer either to the optimistic or pessimistic scenarios provided in NYSHIP’s Second Quarterly Experience Report. NYSHIP’s optimistic scenario includes a composite estimate of 4.5%, which could produce a projected surplus. However, the pessimistic scenario includes a composite increase of 9.2%, which could create a potential for a projected deficit.

13F Social Security

Social Security tax is comprised of two components: Old-age Survivors and Disability Insurance (OASDI) and Medicare tax. The employer's contribution rate is 6.2% for OASDI and 1.45% for Medicare, which equals a combined rate of 7.65%. Also, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes. For the current year the OASDI portion is applied to salaries up to \$128,700, which is an increase of \$1,500 from 2017. Medicare has no maximum.

The FY 19 Proposed Budget for social security is increasing by \$269,854, or 0.4%, compared to the FY 18 NIFA Conformed Budget and by \$1.3 million compared to the FY 18 projection. This appears reasonable since social security is function of salaries, and salaries are increasing.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. The annual per capita premium is \$110.40. The FY 19 Proposed Budget is increasing by \$50,248 compared to the FY 18 NIFA Conformed Budget and by \$141,727 compared to the FY 18 projection. Based on the FY 19 Proposed budgeted headcount of 7,558 the budget appears sufficient.

19F New York State Unemployment

The County is required to reimburse the State for all unemployment claims paid to former employees. The County provides quarterly payments to the State. The FY 19 Proposed Budget is decreasing by \$6,025 compared to the FY 18 NIFA Conformed Budget and by \$146,075 compared to the projection. Due to the high number of terminations that occurred in FY 18, the Proposed budget appears to be adequately funded.

20F Dental Insurance

This benefit provides dental insurance to full-time employees. The County recently renewed the contract with Healthplex, for another five-year term. The renew period is from January 1, 2017 through December 31, 2021. Under the contract the annual premium per capita remains unchanged at \$561. In addition, the contract offers a new "buy up" plan, for County employees who choose to contribute towards the cost of a PPO Plan, that would offer a broader range of coverage.

The FY 19 Proposed Budget is increasing by \$766,457 to \$4.7 million compared to the FY 18 current projection. The budgeted increase accommodates for the new hires included in the FY 19 Proposed Budget. If there are significant delays in the planned hiring, there is a potential for a surplus in dental costs.

22F Medicare Reimbursement

The County provides quarterly payments to cover premium costs related to Medicare coverage for retired employees. The Proposed FY 19 Budget is increasing by \$1.6 million, or 8.6% to \$20.1 million, compared to the FY 18 NIFA Conformed Budget and projection. According to the federal government, in FY 18 standard Medicare Part B premiums were \$134 per month for individual salaries up to \$85,000 and joint

salaries up to \$170,000; and a rate of \$187.50 for individual salaries up to \$107,000 and for joint salaries up to \$214,000.³

26F Flex Benefits Plan

All Nassau County employees have the option of contributing a portion of their salary to a flexible spending account for either healthcare or daycare expenses. This allows the employee to use pre-tax dollars on health care costs such as co-pays and deductibles. The FY 19 Proposed budget remains flat at \$2.1 million. The FY 19 budget includes corresponding revenue to offset the expense for the same budgeted amount.

35F MTA Mobility Tax

The Metropolitan Commuter Transportation Mobility Tax (MCTD) is a tax imposed on certain employers and self-employed individuals engaging in business within the metropolitan commuter transportation district (MCTD). For employers with payroll expenses above \$437,500, the tax is equivalent to 0.34% of payroll expenses. The FY 19 budget is \$3.1 million, which is relatively unchanged, or a 0.5% increase compared to the FY 18 NIFA Conformed Budget. Compared to the projection, it is an increase of \$19,873 which should cover the increase in salaries for the FY 19 budgeted headcount.

40F CSEA Legal Plan

The FY 19 budget includes \$463,500 for the CSEA legal plan which is a decline of \$85,125, or 15.5% budget to budget, and a reduction of \$289,321 compared to the current projection. As per the CSEA agreement, the County shall pay for each full and regular part time employee the sum of \$125 annually. The FY 19 budget may be understated since the current FY 18 projection is \$204,196 greater than the FY 18 NIFA Conformed budget.

41F COBA Legal Plan

The FY 19 budget includes \$102,375 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which is a minimal decrease of 7,000 or 6.4% from the FY 18 NIFA Conformed Budget.

45F Disability Insurance

The FY 19 Proposed Budget includes \$53,000 for providing New York State disability insurance to CSEA unit members; the budget remains unchanged compared to last year.

76F Employees Optical for Retirees

This benefit provides optical coverage for retired County employees. The County's cost to provide optical insurance coverage to retired employees is the same as the cost to provide insurance for current employees, which is \$110.4 per person. The FY 19 Proposed Budget is decreasing by \$250,366 from the FY 18 Conformed budget and \$280,145 compared to the FY 18 projection. Based on the current number of retirees receiving this benefit, the budget appears to be underfunded.

³ Centers for Medicare & Medicaid Services, "2018 Medicare Costs" <https://www.medicare.gov/Pubs/pdf/11579-Medicare-Costs.pdf>.

Multi-Year Plan**Table 3.4: FY 19 Proposed-FY 22 Multi-Year Plan**

SubObject & Description	2019 Proposed Budget	2020 Plan	2021 Plan	2022 Plan
AB08F - NYS Police Retirement	95,763,717	93,935,280	95,705,833	100,974,054
AB11F - State Retirement Systems	81,219,825	82,286,719	83,952,554	85,456,266
AB13F - Social Security Contributions	60,673,952	62,906,753	65,221,722	67,621,881
AB14F - Health Insurance	172,324,219	186,971,778	198,433,148	210,597,100
AB17F - Optical Plan	913,071	913,071	913,071	913,071
AB19F - New York State Unemployment	811,462	889,687	975,453	1,069,486
AB20F - Dental Insurance	4,725,352	4,725,352	4,725,352	4,725,352
AB22F - Medicare Reimbursement	20,130,598	20,792,895	21,476,981	22,183,574
AB22S - Medicare Reimbursement Surcharge	915,849	945,980	977,103	1,009,250
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB35F - MTA Mobility Tax	3,065,554	3,178,366	3,295,330	3,416,598
AB40F - CSEA Legal Plan	463,500	463,500	463,500	463,500
AB41F - SHOA Legal Plan	102,375	102,375	102,375	102,375
AB45F - Disability Insurance	53,000	53,000	53,000	53,000
AB75F - Health Insurance for Retirees	165,468,849	179,533,701	187,092,070	194,968,646
AB76F - Employees Optical for Retirees	418,840	418,840	418,840	418,840
Grand Total	609,150,163	\$640,217,298	\$665,906,332	\$696,072,993

Fringe benefits will increase by \$86.9 million, or 14.3%, from \$609.2 million in the FY 19 Proposed Budget to \$696.1 million in FY 22.

Health insurance expenses for active and retired employees from FY 19 to FY 22 are projected to increase by \$67.8 million to \$405.6 million.

- The MYP baseline inflator used to project out-year health insurance costs for active employees is 8.5% in FY 20, and 6.13% in both FY 21 and FY 22. The MYP growth rates appear reasonable based on the historic five-year average of 6.3% for active employees.
- The MYP baseline inflator used to project out-years costs for retirees is 8.5% in FY 20, 4.21% in both FY 21 and FY 22. This is close to the historic five-year average of 4.5% for Medicare eligible retirees.

Including the amortization amounts, pension costs are increasing by \$9.4 million to \$186.4 million by FY 22. This expense is projected to rise due to increasing salaries and the annual installment liabilities from continuing to amortize a portion of the expense.

From the FY 19 Proposed Budget, social security expenses are increasing by roughly \$2.2 million in FY 20, by \$2.3 million in FY 21, and by \$2.4 million in FY 22. With an increase in salaries, social security is also expected to rise since these costs are a function of salaries.

4. SALES TAX

The largest single source of revenue for the County is sales tax. Sales tax is collected by the State, and distributed to the County on a regular basis. The current rate in Nassau is 8.625%, of which 4.0% is the State’s share, 4.25% is the County’s share and 0.375% goes to the Metropolitan Commuter Transportation District. The County distributes one seventeenth of its collections to the Town of Hempstead, the Town of North Hempstead, the Town of Oyster Bay, the City of Glen Cove and the City of Long Beach. In FY 2019 the incorporated villages will be allocated a lump sum amount of \$1,250,000 to be divided on a per capita basis.

The proposed sales tax revenue in the FY 2019 Executive Budget, excluding the deferred piece, is \$1,231.3 million. Of the projected FY 2018 surplus, \$8.0 million is anticipated to be deferred to FY 2020 which represents the amount that the “part county” portion of sales tax will exceed the FY 2018 budget. The proposed Multi-Year Financial Plan (MYP) is currently reflecting the \$8.0 million FY 2018 deferral in FY 2021, however, the amount will be moved to FY 2020 in the final version of the MYP.

Table 4.0 below illustrates the FY 2019 Executive Budget, which anticipates a 2.5% growth from current projections and the out years of the plan which contain a 2.0% growth rate.

Table 4.0: Proposed Sales Tax Growth

	2018 Budget	Total 2018 Projections	Total 2018 Variance	2019 Budget	2020 Budget	2021 Budget	2022 Budget
Projected Sales Tax	1,183.3	1,201.3	18.0	1,231.3	1,256.0	1,281.1	1,306.7
OMB % Growth Needed				2.5%	2.0%	2.0%	2.0%

**part of the 2018 surplus will be deferred to 2020

Table 4.1 on the next page shows the annual actual gross sales tax collections, *excluding the prior year deferred piece*, from FY 2011 through FY 2017, the OMB FY 2018 projections and the proposed budgets for FY 2019 through FY 2022. The MYP projects a 2.0% growth rate from FY 2020 to FY 2022.

Table 4.1: Annual Sales Tax Collections

Fiscal Year	Actuals	Growth
2011*	1,027.5	1.8%
2012	1,070.4	4.2%
2013	1,138.2	6.3%
2014	1,090.8	-4.2%
2015	1,103.8	1.2%
2016	1,129.6	2.3%
2017	1,162.9	3.0%
Fiscal Year	Projections	Growth
2018	1,201.3	3.3%
2019	1,231.3	2.5%
2020	1,256.0	2.0%
2021	1,281.1	2.0%
2022	1,306.7	2.0%
2018 Figure Represents Projection		
* Includes Residential Energy Tax collections, effective June 1, 2009 through May 31, 2010.		

In addition to the above regular sales tax, a \$12.5 million addition has been budgeted in FY 2019 for deferred sales tax. That represents the amount by which part-county sales tax collections in FY 2017 exceeded the budget. The County is not able to book such revenue until two years after it has been received. In Table 4.1, the gross sales tax collections for each year are shown, excluding any prior year deferred collections.

On a year to date basis, through September 12, 2018, County sales tax collection have risen 4.9% above the prior year. If this trend continues, the County will have a higher probability of achieving the budgeted 2.5% FY 2019 sales tax growth.

Current economic forecasts anticipate positive annual economic growth as indicated by real U.S. GDP from FY 2018 through FY 2020. These forecasts may be viewed in Table 4.2. The average of all the FY 2019 forecasts is 2.5%, the required growth when comparing all recurring FY 2018 sales tax collections to the FY 2019 Executive Budget.

Table 4.2: Current U.S Real GDP forecasts

Current Real US GDP Forecasts			
	2018	2019	2020
Fannie Mae	3.0%	2.3%	
Mrt Bkrs Assn.	3.0%	2.3%	1.5%
Federal Reserve	2.8%	2.8%	1.8%
Average	2.9%	2.5%	1.7%

A significant portion of the FY 2019 budget revenue growth is attributable to sales tax growth. Sales tax collections will have to be monitored closely and may warrant adjustments should the economy change. However, it should be noted that Suffolk County's FY 2019 Recommended Operating Budget includes sales tax growth of 3.5% in FY 2019. Those growth rates are more aggressive than Nassau's budgeted

growth rates. Additionally, the budget does not include any revenues from sales tax collections from internet sales. The United States Supreme Court ruled in June 2018 that States can collect local sales tax on products delivered to that locality. Upon passage of New York State legislation, the County could collect these revenues. These revenues are included as a gap closing item, at \$11.0 million, in FY 2020.

On October 12, 2018, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection of where FY 2018 sales tax collections will end.

5. FUND BALANCE

For presentation purposes the funds are shown to correlate with the itemization used in the Comprehensive Annual Financial Report of the Comptroller (CAFR). The Total General Fund represents the sum total of the General Fund, Debt Service Fund, Fire Commission Fund, Police Headquarters Fund, Technology Fund, Open Space Fund, Employee Accrued Benefit Liability Fund, Litigation Fund, Retirement Contribution Reserve Fund, Bonded Indebtedness Fund, and Nassau County Power Utility Authority Fund. The Police District Fund and Sewer Fund are added to the Total General Fund to compute the Total Operating Funds.

Table 5.0 itemizes the County’s actual fund balance levels from FY 15 through FY 17, along with a projection of the FY 18 and FY 19 current projections. All figures are shown on a budgetary basis.

Table 5.0: Budgetary Basis Year End Balance 2015 to 2017 & Office of Management and Budget (OMB) Projected Year-End 2018-2019 figures

Budgetary Basis Year End Fund Balance, 2015 to 2017 actuals, 2018 & 2019 OMB Projections in thousands							
	2015	2016	2017	2018 Usage	2018	2019 Usage	2019
General Fund	141,298	177,801	121,755	0	121,755	0	121,755
Debt Service Fund	0	0	0	0	0	0	0
Fire Commission Fund	181	0	0	0	0	0	0
Police Headquarters Fund	0	0	0	0	0	0	0
Technology Fund	76	79	79	0	79	0	79
Open Space Fund	1,400	1,750	1,809	0	1,809	0	1,809
Employee Benefit Fund	0	13,084	13,084	0	13,084	0	13,084
Litigation Fund	20,200	43,614	5,826	0	5,826	0	5,826
Retirement Contribution Fund	8,000	8,013	43	0	43	0	43
Bonded Indebtedness Fund	0	3,609	3,609	(2,912)	697	(697)	0
Nassau County Power Utility Authority	(41)	(41)	(41)	0	(41)	0	(41)
Total General Fund	171,114	247,908	146,164	(2,912)	143,252	(697)	142,555
Police District	21,628	23,125	24,829	0	24,829	0	24,829
Sewer	44,419	40,588	28,550	(18,069)	10,481	(10,481)	(0)
Total Operating Funds Budget Balance	237,161	311,621	199,543	(20,982)	178,562	(11,178)	167,384

The projections in the above table take the FY 17 year-end as a starting point and then subtract FY 18 changes included in OMB’s projections and FY 19 appropriated uses incorporated in the proposed budget. Depending on budget trends, there is a possibility that some of the planned uses may not be necessary.

The County ended FY 17 with a balance of \$146.2 million in Total General Fund balance. This was an \$101.7 million budgetary decrease from FY 16. From a major fund perspective (General, Debt Service, Fire Commission, Police Headquarters and Police District), the County ended FY 17 with a balance of \$146.6 million, a decrease of \$54.3 million from FY 16. The fund balance was used to cover the year end shortfall.

Currently on a budgetary basis in FY 18, OMB is budgeting to utilize \$2.9 million in Total General Fund balance as well as \$18.1 million in Sewer Fund balance. The Total General Fund usage is planned in the

Bonded Indebtedness Fund. Also included in the proposed budget is the usage of \$1.9 million in FY 18 in the Environmental Bond Fund.

The Proposed FY 19 Budget includes \$11.3 million in fund balance appropriations. The budget plans on using \$0.7 million in the Bonded Indebtedness Fund, \$0.1 million in the Environmental Bond Fund and \$10.5 million in the Sewer Fund. The budget anticipates having a year end FY 19 Budgetary Basis Total Operating Fund Balance of \$167.4 million.