2018 Mid-Year Report on Nassau County's Financial Condition

Office of the Nassau County Comptroller

July 31, 2018

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On behalf of the entire staff of the Office of the Nassau County Comptroller, I am proud to present our team's first six-month budget report. As with all of our publications, we have strived to present an accurate, clear, and easy-to-understand picture of the state of Nassau County's finances.

Our financial reporting is now led by figures derived from using the national standard for government accounting, Generally Accepted Accounting Principles (GAAP). That also means numbers describing the financial status of the "general fund" include all the major operating funds in the County, including the Sewer and Storm Water Fund.

Consistent financial reporting is a key component in the effort to lift Nassau County out of a fiscal crisis. Leaders cannot be expected to fix problems if they cannot be properly diagnosed in the first place.

It is important to realize this report is a snapshot in time. Our analysis is based on the current status of the financials at mid fiscal year 2018. We do understand there are key budget decisions being made even as this report is being written. So important are these decisions that we estimate our projected general fund deficit figures could improve up to 70 percent if all of the administration's proposals are adopted.

We understand the severely outdated financial systems throughout Nassau County make it prohibitively difficult for all departments to report using the national standard on a timely and regular basis, which is why we will continue to push for much needed modernization.

I look forward to discussing this report further as other stakeholders in Nassau County have the chance to review its findings.

Sincerely,

Jack Schnirman

1.0 EXECUTIVE SUMMARY

1.1 PURPOSE:

The Nassau County Charter requires that the Comptroller report on the status of the budget for the first six months of the current fiscal year and give an opinion concerning whether there will be a surplus or deficit. This report is required by §402 (9) of the County Charter.

1.2 FINANCIAL REPORTING:

National Standard

In an effort to accurately report and standardize the County's financial reporting, the Office of the Nassau County Comptroller will report results using the national standard for governmental accounting, known as Generally Accepted Accounting Principles (GAAP). The purpose of utilizing the national standard is to create uniformity and complete transparency for financial reporting which diminishes the ability for the County to decide **what financial transactions it chooses to report or withhold**. In addition, it maximizes the County's ability to understand and comparatively track its performance relative to other municipalities across the nation.

We do this with the full understanding of the effort required to progress the County's financial reporting to the national standard. In all, the County's reporting has been the same for decades, but accounting standards have evolved significantly. This implementation is especially pertinent given that our current financial systems and many financial policies are not established or have not been revised to keep up with the major GAAP reporting changes. For example, the County's fund balance policy, which addresses the level of unrestricted fund balance that should be maintained, is still based on pre-2010 standards and has not been updated to reflect the new requirements that have been effective since June 15, 2010. As with any change, we understand that moving to this standard takes time, effort, and careful implementation. However, if we do not collectively move towards financial decision making based on the national standard, we will be doing the residents of Nassau County a huge disservice, and that is something Nassau County cannot afford.

Primary Operating Funds

Under prior administrations, management's reporting and discussion of the County's primary operating results excluded various funds. The funds that were excluded are key to ensuring our policy makers and management have the relevant information needed to make sound decisions that ultimately have positive long-term impacts on the County's fiscal trajectory.

As presented in the Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR), we have expanded the definition of "primary operating funds" to include the total General Fund (see below for all components), Police District Fund, and Sewer & Storm Water Fund. Prior to the 2017 fiscal year, various funds required to be included in the General Fund under the national standard and the Sewer and Storm Water Fund were excluded in the discussions of the County's primary operating funds.

1.3 PROJECTED FISCAL YEAR 2018 GAAP DEFICIT

The 2018 mid-year financial projections estimate that the County will end the current year with a **$117.1 million operating deficit** and **ending unassigned fund balance deficit of $135.1 million** in the primary operating funds under Generally Accepted Accounting Principles (GAAP), as compared to a $122.4 million operating deficit and ending unassigned fund balance of $68.6 million at fiscal year-end 2017. The mid-year financial projections underscore the County's current difficult fiscal outlook, as it grapples with expenditures continuously outpacing revenue growth, the burden of the County Guaranty (backlog of tax certiorari payments), lawsuits, increased other post-employment benefit (OPEB) liabilities, increases in pension costs (primarily due to deferral of prior year payments), and increases in health insurance costs.

Several key events that have taken place in 2018 have presented significant impacts to the County's year-to-date fiscal results. Broadly speaking, the projected results primarily reflect an extraordinary one-time unbudgeted expense of $43.8 million related to the payment of the judgment in the "Restivo" case and under-budgeted appropriations for tax certiorari expenses, which are partially offset by positive variances, albeit not fully sustainable, in sales tax revenue and personnel vacancy savings.

EXHIBIT 1: Budget-to-Actuals Variance Drivers

Key Highlights: Budget-to-Actuals Variance Drivers

***Positive "Opportunity"* Key Drivers** ⬆

Vacancy (Payroll) Savings	+ $27.5 million	Current administration budget savings initiative; primarily unfilled positions County-wide
Sales Tax Revenue	+ $11 million	Strong current economic climate
Investment Income	+ $3.7 million	Increased interest revenue due to favorable rates

Unfavorable "Risk" Key Drivers ⬇

Litigation Costs	($50.4 million)	Primarily related to $43.8 million Restivo judgment
Tax Certiorari Payments	($45 million)	Projected higher payments than budgeted
OTB Lottery Terminals	($12.8 million)	Delayed installation of additional video lottery terminals at Resorts World Casino at Aqueduct Racetrack
Sewer Assessment	($9.3 million)	Sewer assessment refunds due to over assessed village taxpayers
Departmental Revenue	($9.9 million)	Primarily attributed to ongoing litigation related to Income and Expense reporting revenue and mortgage recording fees

The projected material variances to the County's 2018 Adopted Budget are shown below in Exhibit 2, with Generally Accepted Accounting Principle adjustments in Exhibit 3, and Fund Balance in Exhibit 4.

EXHIBIT 2: Revenue and Expenditure Forecast

Revenue and Expenditure Forecast for 2018
($'s millions)

	2018 Budget	2018 Projected GEN*	2018 Projected PDD	2018 Projected SSW	2018 Projected Total		Variance
Revenues							
Sales Tax	$1,188.8	$1,199.8			$1,199.8		$11.0
Use of Fund Balance	17.2						(17.2)
Interest Penalty on Tax	34.8	34.8			34.8		
Permits and Licenses	20.1	14.2	4.6	1.4	20.2		0.1
Revenue Offset to Expenditures	17.3	17.3			17.3		
Departmental Revenue							
Assessment - Income and Expense Law	42.6	37.4			37.4	(5.2)	
County Clerk - Mortgage Fees	57.5	53.5			53.5	(4.0)	
Other Departmental Revenue	138.2	133.5	2.8	1.2	137.5	(0.7)	(9.9)
Fines and Forfeitures	102.9	101.5	1.4		102.9		
Investment Income	2.1	5.2		0.6	5.8		3.7
Rents and Recoveries							
Sale of County Property	3.6	2.9			2.9	(0.7)	
Recoveries of Prior Year Appropriations	(1.6)	13.0	0.1		13.1	14.7	
Other Rents and Recoveries	29.6	20.3		7.1	27.4	(2.2)	11.8
Federal Aid	134.6	134.2			134.2		(0.4)
State Aid	211.6	209.2			209.2		(2.4)
Capital Resources for Debt	2.6	2.6			2.6		
Property Taxes	814.6	434.2	380.4		814.6		
Payment in Lieu of Taxes	45.6	23.8	16.8		40.6		(5.0)
OTB Profits	15.8	3.0			3.0		(12.8)
Interfund Revenue	69.1	67.3	0.2		67.5		(1.6)
Interfund Transfers (Other Financing Sources)	117.1	2.9		104.9	107.8		(9.3)
OTB 5% Tax	2.1	2.0			2.0		(0.1)
Special Taxes	30.0	30.0			30.0		
Total Revenue	**$3,096.2**	**$2,542.6**	**$406.3**	**$115.2**	**$3,064.1**		**($32.1)**
Expenditures							
Payroll (excluding Termination Pay and Overtime below)	780.6	553.3	186.9	10.8	751.0		29.6
Termination Pay (Police Department only)	29.7	22.6	18.0		40.6		(10.9)
Fringe	586.6	424.5	139.8	9.1	573.4		13.2
Overtime (Police Department and Correctional Center only)	70.8	53.0	24.8		77.8		(7.0)
Workers' Compensation	34.3	23.2	8.5		31.7		2.6
Social Services	407.9	404.8			404.8		3.1
Early Intervention	134.5	134.5			134.5		0.0
Debt service	384.5	363.6		13.3	376.9		7.6
Contractual Expense	315.5	259.4	1.9	63.2	324.5		(9.0)
Utilities	39.6	32.4	1.1	6.6	40.1		(0.5)
Judgments & Settlements	27.5	68.9	4.5	4.5	77.9		(50.4)
Property Tax Refunds	30.0	75.0			75.0		(45.0)
Equipment	2.4	2.0	0.4		2.4		
General Supplies	32.5	27.6	3.8	1.0	32.4		0.1
Direct Expenses	5.0	5.3			5.3		(0.3)
Local Government Assistance	70.9	71.9			71.9		(1.0)
Interfund Charges	52.8		23.1	28.1	51.2		1.6
Transfers Out (Other Financing Uses)	2.9	2.9			2.9		
Transportation	44.2	44.2			44.2		
Rent Expense	13.4	13.4			13.4		
Other	30.6	31.0	(0.4)		30.6		0.0
Total Expenditures	**$3,096.2**	**$2,613.5**	**$412.4**	**$136.6**	**$3,162.5**		**($66.3)**
Estimated Results on a Budgetary Basis for operating funds		**($70.9)**	**($6.1)**	**($21.4)**	**($98.4)**		**($98.4)**

* Includes: General Fund, Police Headquarters Fund, Fire Commission Fund, Debt Service Fund, Litigation Fund, Employee Accrued Benefits Liabillity Reserve Fund, Retirement Contribution Reserve Fund, Bond Indebtedness Reserve Fund, Open Space Fund and Technology Fund

EXHIBIT 3: Budget to GAAP Reconciliation

Budget to GAAP Reconciliations ($'s in millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
Projected Results on a Budgetary Basis	**($70.9)**	**($6.1)**	**($21.4)**	**($98.4)**
Period of availability adjustments	($5.1)		($5.2)	($10.3)
Use of Fund Balance				
Sale of Mitchel Field Leases	1.3			1.3
NCC adjustment for termination pay	(0.9)			(0.9)
Adjustments to remove encumbrances	($10.7)	$0.1	$6.6	($4.0)
Adjustment to record pension expense	(3.2)	(1.5)	(0.1)	(4.8)
PDD litigation expenditures	(4.5)	4.5		-
NET CHANGE IN FUND BALANCE (DEFICIT)	**($94.0)**	**($3.0)**	**($20.1)**	**($117.1)**

EXHIBIT 4: Projected Ending Fund Balance

2018 Projected Ending Fund Balance ***($'s in millions)***	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
2017 Ending Fund Balance				
Non Spendable	$ 54.0	$ 12.6	$ 0.4	$ 67.0
Spendable:				
Restricted	58.3	-	-	58.3
Committed	13.2	5.8	-	19.0
Assigned	-	-	23.6	23.6
Unassigned	(44.4)	(24.4)	-	(68.8)
Total Fund Balance (Deficit) as of 12/31/2017	$ 81.1	$ (6.0)	$ 24.1	$ 99.2
Total Projected Change in Fund Balance (Deficit) FY 2018	**$ (94.0)**	**$ (3.0)**	**$ (20.1)**	**$ (117.1)**
2018 Projected Ending Fund Balance (Deficit)				
Non Spendable	$ 55.1	$ 13.1	$ 0.5	$ 68.6
Spendable:				
Restricted	10.4	-	-	10.4
Committed	13.2	1.3	-	14.5
Assigned	-	-	23.6	23.6
Unassigned	(91.6)	(23.4)	(20.1)	(135.1)
Total Projected Fund Balance (Deficit) at 12/31/2018	**$ (12.9)**	**$ (9.0)**	**$ 4.0**	**$ (17.9)**

Other Possible Transactions

At this time, due to limited available details, the projected operating results DO NOT account for the potential fiscal impacts of various other possible transactions detailed below. These transactions may materialize by the close of fiscal year 2018; however, the timing and/or possibility of these transactions remains uncertain as of this publication. **All else remaining equal, if these possible transactions materialized, the fiscal year 2018 projected operating deficit of $117.1 million improves by approximately 70 percent to a $33.1 million to $34.7 million operating deficit.**

1. **Restivo Judgment | Potential Impact + $23 million**
   In February 2018, the County was required to pay a $43.8 million judgment related to litigation which began in 2006 (the "Restivo" Case). Even though the previous administration had restricted $45 million in a separate bank account to pay for this judgment, in accordance with the Court's instructions while the case was being appealed by the County, the expenditure to record the payment upon final determination by the Court could not be reported in the County's governmental funds until the payment was due and payable as per the County's independent audit firm RSM US, LLP. In accordance with the Court decisions concerning the appeal, the payment became due and payable when, in January of 2018, the Supreme Court of the United States declined to hear any further appeal. The result was an immediate shortage in the County's 2018 operating budget.

   The County's current administration has already received the Legislature's authorization to bond for $23 million of this payment. However, at the time of this report, it is unknown whether NIFA will approve this borrowing request.

2. **Tax Certiorari Borrowings | Potential Impact + $45 million**
   The current administration anticipates requesting bonding authorization of $100 million in fiscal year 2018 to pay out a portion of the tax certiorari backlog. Both a super-majority of the County Legislature and the NIFA Board of Directors must approve this request. Should this request be approved, and the bonding is pursued, it could provide an additional source of funding for fiscal year 2018. As of this date, our projections do not include any financial results related to this bonding.

3. **NYS Workers' Compensation | Potential Impact + 14.4 million - $16 million**
   The current administration's May 2018 Financial Report disclosed that New York State is looking to eliminate its workers' compensation long-term liability to the County, which estimates the cost of reimbursing the County for certain categories of injured workers. Instead, New York State is offering the County a discounted upfront payment. Triad Group LLC, the County's workers' compensation administrator, is negotiating the discount with New York State on behalf of the County. The current administration is anticipating that New York State, in fiscal year 2018, will offer between $14.5 million and $16 million to relieve its obligation. The County would receive the estimated funds but needs to pay the injured employees over a span of approximately 20 years; the State had estimated this liability at $19 million. At this time, with the limited details that are available regarding

this possible transaction, the Comptroller's Office cannot determine if 100 percent of this reimbursement would be recognized in fiscal year 2018.

4. **Labor Contracts | Potential Impact - To Be Determined**

   To date, all collective bargaining unit's contracts are expired. The fiscal year 2018 budget and our projections do not include any potential fiscal impacts for any newly negotiated agreements.

1.4 STATE OF THE ECONOMY:

National GDP for the second quarter of 2018 rose 4.1 percent, surpassing the 2.2 percent increase in the first quarter of 2018. This increase reflects a boost in overall consumer spending, lower unemployment rates, and stronger business investment. As of June 2018, per the State Labor Department and the Bureau of Labor and Statistics, the County's unemployment rate of 3.7 percent continues to be lower than that of New York State and the nation—4.5 percent and 4.0 percent, respectively.

In addition, Nassau County sales tax collections have grown by 4.4 percent year-over-year and continue to reflect strong collections as we approach the second half of 2018.

Median household incomes in Nassau County are significantly above the national average and the New York State average. According to the 2016 American Community Survey, Nassau County's median family income totals $102,044, as compared to the State and national median family income of $60,741 and $57,617, respectively. Updated statistics regarding national median household income and state median household income will be released in September of 2018.

Although Nassau County is considered developed with limited vacant parcels, on-going transit-oriented housing development and re-development, which continues to attract young professionals, adds great value to the existing traditional housing stock.

Lastly, it is important to note that the federal tax-reform, in particular the cap on State and Local Taxes (SALT) deductions, may continue to pose a risk to the County's economy and housing activity in the coming year.

1.5 OPPORTUNITIES:

Actions taken by the Current Administration :

The current administration has taken various steps to address the myriad of inherited fiscal challenges. As reflected in their updated 2018 Multi-Year Plan, dated July 2, 2018, the current administration's main priority is to address the current tax certiorari condition and mitigate associated risks going forward. This is reflected through the following planned measures:

- Publication of a new tax roll in January of 2019;
- $300 million in financing for Tax Certiorari Backlog: $100 million in 2018 and an additional $200 million in 2019 — fiscal year beginning 2020, the current administration plans to use operating funds to pay for tax certiorari claims and;

- Utilizing current Disputed Assessment Fund (DAF) resources to assist in clearing the applicable backlog on class four (commercial) properties and strengthening existing legislation.

In addition, on March 15, 2018, the County Executive put forth an amended budget for legislative approval. To date, the March 15 amended budget has not been fully approved by the Legislature. Many measures put forth in the proposal that do not require legislative action, including vacancy savings, have been implemented and are reflected in our projections. Budget restorations to date of $9.3 million include:

- Transdev (NICE) Bus Service: $7.1 million;
- Youth Board Programs: $1.4 million;
- Long Island Regional Planning Council: $0.3 million;
- Legal Aid Society: $0.3 million; and
- Vocational Education and Extension Board (VEEB): $0.2 million.

As stated in the Updated Multi-Year Plan, the current administration is exploring asking NIFA, as part of its control authority, to permit the County to operate with a budget conformed to their proposed changes regardless of legislative approval.

Other Opportunities:

In addition to the measures already taken by the current administration, the Comptroller's Office proposes review of the following opportunities for improvement:

1. Modernize the County's 35+ Year Old Financial System

   Modernizing the County's 35+ year old financial system must be a top priority to ensure continued compliance with governmental accounting standards and timely financial statements. The Nassau Integrated Financial System (NIFS), which runs on coding designed for 1980's accounting systems, cannot efficiently produce GAAP-compliant financial statements and thus the process is manually-driven. In addition, an up-to-date financial system will increase operational and reporting efficiencies and save taxpayers' dollars.

   Preparing reliable financial information is a key responsibility of management. The design and effectiveness of the processes and safeguards (internal controls) management puts in place over accounting and financial reporting is a key factor to being able to prepare reliable financial information timely.

   The County's independent audit firm, RSM US LLP, has noted the County's financial system as a continuing **material weakness**, which means an ineffective system exists that presents a **reasonable probability that a material misstatement of the County's financial statements will NOT be prevented or detected on a timely basis**. This material weakness will continue to be highlighted by the County's independent audit firm until the County upgrades its financial system to be in compliance with current governmental accounting standards.

Reports such as this one requires hundreds of staff hours to create GAAP-compliant reporting as the information is not readily available. Instead, the County's staff hours should be utilized analyzing the data so that helpful decision-making information can be derived from the data.

2. Centralize Departmental Functions (Improve Revenue Collection):

   The County's current organization is heavily decentralized for many functions. This results in inefficiencies and inconsistencies in reporting, requiring additional staff time to process adjusting entries needed for compliance with GAAP reporting. For example, out of the approximately 60 different departments, agencies, and offices, 37 have their own accountants, policies, and procedures for tracking, reviewing, and recording financial information. Department accountants report to their supervisors in their department, not to a centralized function. The Comptroller's Office would like to offer additional technical assistance and training to build accounting capacity throughout the County.

   In addition, the County does not have a centralized accounts receivable (revenue collection) unit. We recommend a concerted effort be put forth to centralize operations and collect all revenues and open receivables that are due to the County in a timely fashion.

3. *Grant Management Unit*:

   We recommend the creation of a grant management unit to oversee all grants within the County and assist departments in obtaining all possible funding available to the County. Other major Counties have employed this practice.

   In fiscal year 2017, $6 million of the budgeted grant revenue for the bus systems was delayed due to late execution of the grant. Given the expected decline in Federal and State Aid, a centralized department for grants may help the County find new revenue sources while providing citizens with enhanced services.

4. Audit Recommendations

   The Comptroller's Office is currently conducting a number of programmatic and fiscal audits of County departments and operations. The reports issued by the Comptroller's Office contain detailed recommendations for improvements which can be made by the current administration to save taxpayer dollars and more efficiently deploy limited resources. A collaborative approach to the audit process and swift implementation of recommended corrective action plans is an important resource to help the Administration tackle inherited operational and fiscal weaknesses.

In the following sections you find more detailed discussion on various revenue variances, expenditure variances, fund balance, projected debt levels, and other key concerns and major County financial trends.

2.0 REVENUE VARIANCES

This section discusses the revenue items with variance from budget, as identified in Exhibit 1.

2.1 Sales Tax

Sales Tax Receipts are projected to come in $11.0 million over budget. Year-to-date receipts are 4.4 percent over last year's comparative collections, and we are projecting a moderate 2.5 percent increase through the end of the year resulting in a total 3.31 percent net increase over last year. This is offset by a projected negative variance in Part County (Deferred) Sales Tax of $7.2 million resulting from the under budgeting of Part County Sales Tax.

Part (Deferred) County Sales Tax represents the collection of sales tax related to hotel occupancy and alcoholic beverages throughout the County, and it is reimbursed to the Towns within the County and the City of Glen Cove, with the exception of the City of Long Beach as it collects directly from the State, as a credit to their property tax levies at the amount budgeted. If the Part County Sales Tax collected is over budget, the amount collected in excess of the budgeted amount must be deferred so that the Towns and the City of Glen Cove may be made whole for the remaining amount in future years.

We believe increased consumer spending primarily related to the 2017 Tax Cuts and Job Act, a lower unemployment (increased disposable income), slight uptick in the housing activity, and anticipated major economic development have been driving factors for increased sales tax revenues.

SALES TAX ($'s in millions)					
	2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
Sales Tax Receipts	1,163.0	1,183.3	454.5	1,201.5	18.2
Part County Sales Tax	0.9	5.5	0.0	(1.7)	(7.2)
Total	**1,163.9**	**1,188.8**	**454.5**	**1,199.8**	**11.0**

2.2 Departmental Revenue

Departmental Revenue is projected to be under budget by $9.9 million. This is primarily attributed to $5.2 million in budgeted revenues to the Assessment Department for penalties for failure to file or meet the requirement of the County Code concerning Income and Expense statements. To date, this provision of the County Code continues to be challenged in court with no resolution expected in fiscal year 2018. Additionally, mortgage recording revenues, collected by the County Clerk, are expected to be under budget by $4 million due to year-to-date collection trends.

DEPARTMENTAL REVENUE ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
237.2	238.3	90.3	228.4	(9.9)

2.3 Investment Income

Investment Income Revenue is projected to be over budget by $3.7 million. The County's year-to-date collections of $3.1 million reflect higher than expected interest earnings that are expected to remain strong through the end of fiscal year 2018.

INVESTMENT INCOME ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
4.7	2.1	3.1	5.8	3.7

2.4 Federal and State Aid

Federal Aid is projected to be under budget by $0.4 million, and State Aid is projected to be under budget by $2.4 million. This decrease is attributed to lower caseloads in the County's Temporary Assistance for Needy Families and Safety Net programs, which is reflective of the improved local unemployment rate. As a result of this decrease in revenue, there is a direct decrease in associated expenses which are reflected in this report.

FEDERAL AID ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
133.1	134.6	28.1	134.2	(0.4)

STATE AID ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
213.8	211.6	52.9	209.2	(2.4)

2.5 Interfund Revenues/Sewer Assessments

A negative variance of $9.3 million is expected in interfund revenues in the Sewer and Storm Water District Fund (SSW). An error in the amounts billed to property owners in villages of

Rockville Centre, Hempstead, Freeport, Garden City, and Mineola for sewer assessments in 2018 was discovered earlier in the year. As a result, sewer assessments collections will be $9.3 million less than what was budgeted. The current administration has indicated that they will issue refunds to the residents who have already paid their assessments.

*Note: Sewer assessments are remitted to the Sewer Financing Authority (SFA) and then transferred to the SSW. For GAAP purposes, this revenue is classified as property taxes.

INTERFUND REVENUES ($'s in millions)				
2017 Actual	**2018 Budget**	**2018 YTD June**	**2018 Forecast**	**Variance**
140.9	117.1	48.2	107.8	(9.3)

2.6 Payments in Lieu of Taxes (PILOTs)

Payments in Lieu of Taxes (PILOTs**)** revenue is projected to be under budget by $5.0 million, due to concerns related to timely payments from the Town of Hempstead Industrial Development Agency (TOHIDA). The Town of Hempstead Comptroller collects PILOT payments from agencies with agreements with the TOHIDA. To date, amounts from fiscal year 2017 are still outstanding and cause increasing concern that 2018 revenues, conservatively estimated at $5.0 million, will also not be collected.

PAYMENTS IN LIEU OF TAXES ($'s in millions)				
2017 Actual	**2018 Budget**	**2018 YTD June**	**2018 Forecast**	**Variance**
42.2	45.6	17.0	40.6	(5.0)

2.7 Rents and Recoveries

Rents and Recovery revenue is projected to be over budget by $11.8 million. The primary driver of this variance is the projected recoveries from prior year disencumbrances of $13.1 million, which are $8.2 million over budget. Recoveries of prior year encumbrances has the effect of generating revenue on a budgetary basis; however, under GAAP reporting this is not permitted. Our projections eliminate the $13.1 million in the conversion from budgetary reporting to GAAP.

In addition, the County recovered $2.0 million of litigation funds that had been held by the Federal Court since August of 2016. This recovery is earmarked to be used for litigation costs.

The 2018 budget includes $3.6 million in revenues for proceeds from the sale of County property. In June of 2018, the County Legislature approved the sale of real property in Bethpage from Nassau Steel for $3.0 million dollars. Five percent of the sale proceeds, or $0.1 million, will go into the County's Open Space Fund (which is consolidated into the General Fund for reporting purposes) with the remaining 95 percent or $2.9 million deposited to the General Fund. To the best of our knowledge, no other sales have been approved. We project $2.9 million to be recognized in recoveries for this sale, resulting in a negative variance of $0.7 million.

	RENTS AND RECOVERIES ($'s in millions)				
Category	**2017 Actual**	**2018 Budget**	**2018 YTD June**	**2018 Forecast**	**Variance**
Sale of County Property	1.2	3.6	0.00	2.9	(0.7)
Disencumbrances	12.7	4.9	3.3	13.1	8.2
Other Rents and Recoveries	25.7	23.1	9.8	27.4	4.3
Total Rents and Recoveries	**39.6**	**31.6**	**13.1**	**43.4**	**11.8**

2.8 OTB Video Lottery Terminals Profits

We project $12.8 million of the $15.8 million Video Lottery Terminals ("VLT") proceeds budgeted as OTB Profits will not be realized. The County did not receive the $3 million budgeted for 2017 until May 2018, which was outside the County's 60-day period of availability policy for the recognition of revenues. Therefore this has been recorded as 2018 revenue.

An arrangement brokered by the State Legislature transferred from the County to OTB the authority to install 1,000 video lottery terminals at Resorts World Casino at Aqueduct Racetrack, which is operated by Genting New York LLC (Genting). According to the agreement, the 2018 budgeted revenues were contingent upon Genting installing an additional 500 VLTs at Aqueduct Racetrack by April 1, 2018. To date, the installation has been delayed and the 2018 collection of budgeted revenue is not expected. The projections below of $3 million relate solely to 2017 collection of revenue.

OTB PROFITS ($'s in millions)				
2017 Actual	**2018 Budget**	**2018 YTD June**	**2018 Forecast**	**Variance**
0.0	15.8	3.0	3.0	(12.8)

2.9 Fund Balance

The previous administration budgeted the appropriation of $17.2 million of prior year ending fund balance for use in 2018, $14.3 million for the operations of the Sewer and Storm Water Fund, and $2.9 million in the General Fund (Bond Indebtedness Reserve Fund) to offset 2018 debt service costs. GAAP reporting eliminates the use of appropriated prior year fund balance as it is not a source of revenue or funds. The projections in Exhibit 2 have projected zero dollars for Use of Fund Balance.

2.10 Interfund Transfer Revenue and Interfund Transfer Expense

Interfund transfer revenue is projected to be $1.6 million under budget while interfund transfer expense is projected to also be $1.6 million under budget. OTB, a component unit of Nassau County, refinanced debt owed for the acquisition and rehabilitation of the Race Palace that was secured by a direct pledge by Nassau County. In January 2018, OTB refinanced the debt and the County is no longer subject to this guarantee. These resulting transactions are an adjustment to both interfund revenue and offsetting expense for the County. The net of the revenue and expense change is zero and has no effect on the County's bottom line.

3.0 EXPENDITURE VARIANCES

This section discusses the expenditure items with variance from budget as identified in Exhibit 1.

3.1 Salaries, Fringe Benefits and Workers Compensation

We project salaries (including overtime for the Police Departments and the Correctional Center), fringe benefits, and workers' compensation expense to have a combined positive variance of $27.5 million from the 2018 Adopted Budget, primarily due to savings from vacant positions and Part-time/Seasonal employees as well as other payroll-related savings. Offsetting this projected positive variance is $11.7 million related to increased termination pay and overtime overages in Police District, Police Headquarters, and the Correctional Center.

SALARIES (including overtime and termination pay) ($'s in millions)					
	2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
GEN	671.8	647.7	317.1	628.9	18.8
PDD	232.4	223.7	110.2	229.7	(6.0)
SSW	11.7	9.7	4.9	10.8	(1.1)
Total	**915.9**	**881.1**	**432.2**	**869.4**	**11.7**

Note: GEN - General Fund; PDD - Police District Fund; SSW - Sewer and Storm Water Fund

Fringe benefits are projected to show a positive variance of $13.2 million when compared to the 2018 budget. This surplus is primarily attributable to vacancies and savings in health insurance premiums for active employees, offset by higher costs in health insurance for retirees and savings in social security tax expense.

FRINGES ($'s in millions)					
	2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
GEN	407.8	433.5	270.1	424.5	9.0
PDD	131.1	143.7	96.4	139.8	3.9
SSW	9.3	9.4	5.7	9.1	0.3
Total	**548.2**	**586.6**	**372.2**	**573.4**	**13.2**

Note: GEN - General Fund; PDD - Police District Fund; SSW - Sewer and Storm Water Fund

Workers' Compensation is trending lower for 2018 when compared to the Adopted Budget. The Comptrollers' Office projects this category to be $2.6 million under the $34.3 million budgeted for 2018.

WORKERS COMPENSATION ($'s in millions)					
	2017 Actual	**2018 Budget**	**2018 YTD June**	**2018 Forecast**	**Variance**
GEN	22.7	24.8	9.9	232.2	1.6
PDD	8.4	9.5	3.8	8.5	1.0
SSW	0.0	0.0	0.0	0.0	0.0
Total	**31.1**	**34.3**	**13.7**	**31.7**	**2.6**

Note: GEN - General Fund; PDD - Police District Fund; SSW - Sewer and Storm Water Fund

3.2 Termination Pay and Overtime

According to the current administration, the 2018 Adopted Budget funded termination pay for approximately 100 officers totaling $29.7 million. It has been NIFA's policy as of 2016 to no longer allow the County to borrow to cover costs related to termination pay. To date for fiscal year 2018, 110 sworn officers have retired, and the Comptrollers' projection includes a total of 135 police officers retiring from both the Police District and Police Headquarters in 2018, totaling $40.4 million, resulting in $10.7 million over budget.

The Comptroller's Office projects that up to 35 additional officers may be retiring before year-end 2018 and has estimated the added cost at $10.9 million. The 2018 projected total in termination pay for the County could reach up to $52.5 million combined should the additional risk within the Police Department occur, although the County has funded a contingency in the Employee Benefit Accrued Liability Reserve fund to address possible shortages in termination pay.

TERMINATION PAY ($'s in millions)					
	2017 Actual	**2018 Budget**	**2018 YTD June**	**2018 Forecast**	**Variance**
Police District	26.7	12.4	11.8	18.0	(5.6)
Police Headquarters	37.4	17.3	14.5	22.6	(5.3)
Other	18.0	11.9	10.0	12.4	(0.5)
Total	**82.1**	**41.6**	**36.3**	**53.0**	**(11.4)**

Based on current expense trends, overtime costs for the Police Department and Correctional Center are projected to be $7 million over the 2018 budget. The projected increase is primarily comprised of $2.4 million for Police District, $0.1 million for the Police Headquarters Fund, and $4.5 million for the Correctional Center due to delays in hiring new classes that would help increase headcount and reduce overall overtime expense. Deficits for these departments are expected to be funded by other salary line item savings. The negative variance of $7 million is offset by $2.8 million in overtime savings in other departments for a total variance of $4.2 million.

OVERTIME ($'s in millions)					
	2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
Police District	27.4	22.4	6.2	24.8	(2.4)
Police Headquarters	30.8	28.5	11.9	28.6	(0.1)
Correctional Center	22.2	19.9	9.3	24.4	(4.5)
Other	10.6	13.3	4.6	10.5	2.8
Total	**91.0**	**84.1**	**32.0**	**88.3**	**(4.2)**

3.3 Social Services

We project expenditures for Social Services will come in at $3.1 million under budget. This positive variance is primarily caused by lower recipient grant expenditures, due to lower Temporary Assistance for Needy Families and Safety Net program caseloads.

SOCIAL SERVICES ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
401.3	407.9	216.4	404.8	3.1

3.4 Debt Service

We are projecting a positive variance of $7.6 million in Debt Service due primarily to projected lower interest expense. Included in this variance is $1.7 million for Sewer bond interest. The $1.7 million is the interest savings from the 2017 Series C refunding of sewer bonds that is not reflected in the 2018 budget. The current administration agrees and has subsequently updated its debt service projections.

DEBT SERVICE ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
378.1	384.5	110.9	376.9	7.6

3.5 Contractual Expense

Contractual expense is expected to have a $9.9 million unfavorable variance against the budget. This variance is primarily due to $7.1 million from the restoration of previously eliminated bus routes and reinstated funding for the Youth Board and the Vocational Education and Extension Board (VEEB), along with additional funding needed for inmate care provided at the Nassau County Correctional Center.

CONTRACTUAL EXPENSE ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
246.1	243.6	201.5	253.5	(9.9)

3.6 Utilities

Utilities expense is expected to have a $0.5 million favorable variance due to lower cost for electricity and water.

UTILITIES ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
36.6	39.6	16.8	40.1	(0.5)

3.7 Local Government Assistance

Local government assistance is projected to have an unfavorable variance of $1 million due to a higher sales tax projection for 2018.

LOCAL GOVERNMENT ASSISTANCE ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
68.3	70.9	7.1	71.9	(1.0)

3.8 Judgments and Settlements

Judgments and Settlements is projecting a negative variance of $50.4 million for 2018. This is primarily due to the unbudgeted $43.8 million judgment related to the Restivo judgment that the County was required by the courts to pay in 2018. The current administration has noted that the County will request from NIFA permission to borrow to fund this extraordinary expense; the County Legislature has already approved bonding authorization of $23 million for this extraordinary item.

JUDGMENTS AND SETTLEMENTS ($'s in millions)				
2017 Actual	2018 Budget	2018 YTD June	2018 Forecast	Variance
39.9	27.5	47.5	77.9	(50.4)

4.0 ENDING GAAP FUND BALANCE

The projected operating deficit of $117.1 million will deplete the remaining fund balance for the three primary operating funds and further deteriorate the unassigned fund balance deficit to ($135.1) million from ($68.8) million at December 31, 2017.

The Table below illustrates the projected changes in fund balance for the ending of fiscal year 2018.

EXHIBIT 4: Projected Ending Fund Balance

2018 Projected Ending Fund Balance *($'s in millions)*	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
2017 Ending Fund Balance				
Non Spendable	$ 54.0	$ 12.6	$ 0.4	$ 67.0
Spendable:				
Restricted	58.3	-	-	58.3
Committed	13.2	5.8	-	19.0
Assigned	-	-	23.6	23.6
Unassigned	(44.4)	(24.4)	-	(68.8)
Total Fund Balance (Deficit) as of 12/31/2017	$ 81.1	$ (6.0)	$ 24.1	$ 99.2
Total Projected Change in Fund Balance (Deficit) FY 2018	**$ (94.0)**	**$ (3.0)**	**$ (20.1)**	**$ (117.1)**
2018 Projected Ending Fund Balance (Deficit)				
Non Spendable	$ 55.1	$ 13.1	$ 0.5	$ 68.6
Spendable:				
Restricted	10.4	-	-	10.4
Committed	13.2	1.3	-	14.5
Assigned	-	-	23.6	23.6
Unassigned	(91.6)	(23.4)	(20.1)	(135.1)
Total Projected Fund Balance (Deficit) at 12/31/2018	**$ (12.9)**	**$ (9.0)**	**$ 4.0**	**$ (17.9)**

The County's General Fund on a reporting basis includes several other funds and reserves that held significant fund balances. Those funds are known as the Litigation Fund, the Employee Benefit Accrued Liability Reserve Fund, the Bond Indebtedness Fund, the Retirement Contribution Fund, the Open Space Fund, and the Technology Fund. Since 2016, the fund balances in these funds have been diminished.

- **Litigation Fund**: The amounts in the Litigation Fund are restricted for litigation claims, judgments, and settlements. Most of the fund balance has been depleted due to significant payments in 2017 and 2018.

- **Retirement Contribution Reserve Fund**: The Retirement Contribution Reserve Fund held $8 million set aside for use to pay for 2017 pension costs of non-police employees in the General Fund. $8.0 million of fund balance was used in 2017. The remainder represents interest income earned on the previous fund balance.

- **Employee Benefit Accrued Liability Reserve Fund**: The Employee Benefit Accrued Liability Reserve Fund increased in 2016 by $13.1 million to set aside money for future Police District termination pay.

- **Bond Indebtedness Reserve Fund**: The Bond Indebtedness Reserve Fund currently holds $3.6 million of funds attributed to the savings realized in refinancing the County's debt in 2016. This amount is restricted to debt service. $2.9 million is expected to be used in 2018 to offset current year debt service costs. The remaining fund balance of $0.7 million is scheduled to be used in fiscal year 2019.

- **Open Space Fund:** The Open Space Fund currently holds $1.8 million of accumulated resources from County real estate sales, private gifts, and grants to preserve open space in the County. Local Law No. 7 of 2003 requires that the County use five percent of the proceeds from the sale of County-owned real estate to acquire, rehabilitate, and maintain property for use of open space purposes.

- **Technology Fund:** The Technology Fund currently holds less than $100,000 of fund balance. The resources within this fund are to cover technology expenditures.

5.0 DEBT AND LONG-TERM OBLIGATIONS

5.1 Debt

Exhibit 5 below details projected new long-term debt issued by the County (including borrowings for Nassau Community College and Sewer and Storm Water Capital Projects). Through July 2018, the County issued $90.8 million of long-term borrowing to fund capital projects and $59.6 million in Bond Anticipation Notes (BANs) to fund various sewer system improvements. The current administration anticipates additional bonding for the remainder of the year of $75 million for general capital projects, $100 million for tax certiorari payments, and $223.9 for sewer and storm water capital projects. The debt section includes the current administration's borrowing projections; however, these projections do not impact the fiscal year 2018 operating projected results. Note these borrowings are subject to approval by NIFA.

We have included the current administration's projected borrowing for sewer and storm water capital projects as it is uncertain at this time whether the County will proceed with a public-private partnership (P3) for the sewer system. For several years, the County issued BANs instead of long-term borrowing while the County was exploring the possibility of a P3 relationship for the sewer system. Currently, the County has $198.9 million in outstanding BANs maturing in December 2018. At this time, it is unknown whether these BANs will be replaced with long-term borrowing when they mature in December 2018.

At 2017 year-end, the total of the County's general obligation bonds and its component units' long-term serial bonds outstanding were approximately $3.5 billion (including serial bonds and accreted interest of the Nassau County Tobacco Settlement Corporation (NCTS) to which the County has no recourse). The 2018 actual borrowings, along with projected borrowings for the remainder of the year and projected reductions from maturing debt, will increase the total long-term bonds outstanding by approximately $260.3 million.

EXHIBIT 5: Total Projected Long-Term Borrowings

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

	As of Dec 31, 2017 Actual	Projected Additions	Projected Reductions	As of December 31, 2018 Estimated
County w/SSW (a)(b)	$2,251.4	$489.7	$106.9	$ 2,634.2
NIFA	654.0	-	118.5	535.5
Sewer and Storm Water Finance Authority (SFA)	133.7	-	10.8	122.9
Tobacco Settlement Corp (c)	469.6	6.8	-	476.4
Total	**$ 3,508.8**	**$496.6**	**$236.2**	**$3,769.1**

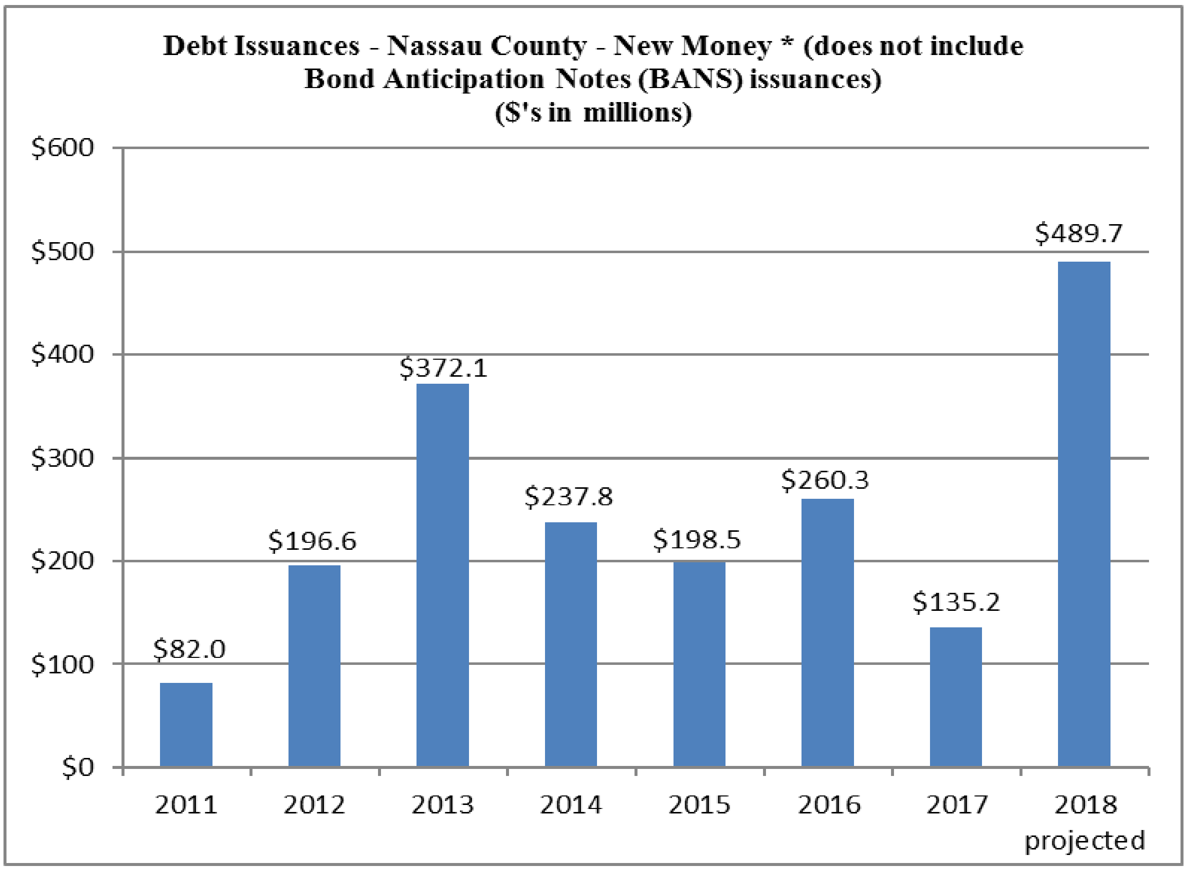
(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt.

(b) Includes $223.9 million of bonds projected to be issued in 2018 to be used for Sewer and Storm Water projects.

(c) December 31, 2017 includes accumulated accreted interest of $69.1 million.

Exhibit 6 below illustrates the growth in new money debt issuances. For comparison purposes only with prior year borrowing, the New Money in Exhibit 6 includes borrowings for general improvement bonds which include sewer district storm-related capital projects. The 2018 projected amount includes $223.9 million in existing BANs issuances that are projected to be converted to long-term bonds in 2018. These BANs issuances were used to fund sewer district related capital projects.

EXHIBIT 6: Projected Debt Issuances



5.2 Long-Term Obligations

Property Tax Refunds (Tax Certiorari)

As of December 31, 2017, the total property tax certiorari liability was estimated to be $569.3 million, comprising:

- $496.3 million in long-term liabilities:
- $30.1 million representing liabilities accrued for as of year-end 2017 and expected to be paid in 2018; and
- an estimated $42.9 million related to the Disputed Assessment Fund.

At year-end 2017, the total liability increased to $569.3 million from $340.0 million as of the prior year, primarily due to the reassessment of Long Island Power Authority (LIPA) properties, which are currently under negotiations.

The current administration had requested the New York State Legislature to approve an additional $400 million in NIFA borrowing capacity to pay off the bulk of the property tax refund liability. However, this was not approved. The current administration projects that it will request borrowing authorization of $100 million from the County Legislature and NIFA to issue bonds in 2018 for property tax refunds, and an additional $200 million in 2019 in an effort to pay off the majority of the backlog. At the time of this report it is unknown whether this approval will be obtained. If borrowing is not obtained, all property tax refunds, excluding DAF refunds, will need to be paid from the General Fund.

The 2018 Adopted Budget has no provision for bond proceeds to pay for property tax refunds, although the current administration is projecting $100 million of bonds will be used to pay the backlog by year-end. As previously mentioned, this borrowing is not yet reflected in the current administration's projections for property tax refunds for 2018.

The County's Disputed Assessment Fund (DAF) became operational in 2017, and as of December 31, 2017 the fund recorded $96.7 million of assets and $96.6 million of liabilities resulting from the collection of the DAF charges on class four (commercial) properties.

As of June 2018, the DAF has $205.2 million of assets and liabilities, with refunds to taxpayers totaling approximately $584,000 year-to-date. Additional refunds are expected to be recorded in 2018. At this time, we cannot estimate the DAF charge revenue that will be transferred to the County's General Fund for grievances lost by taxpayers.

Deferred Pension Expense Amortization Liability

The Employer Contribution Stabilization Program (Chapter 57, Laws of 2010) and the Alternate Contribution Stabilization Program (Chapter 57, Laws of 2013) allowed employers who participate in the NYS and Local Retirement Systems (Systems) to amortize a portion of the annual pension cost. The amortized amount is to be paid in equal installments over a 10-year or 12-year period, dependent upon which program was selected. Beginning with the NYS retirement invoices due on February 1, 2012 (for the State fiscal year 4/1/2011 to 3/31/2012) the County has opted to defer and amortize a portion of its annual pension bill. As of December 31, 2017, the County's liability to the NYS and Local Retirement Systems for the deferral of annual pension expense totaled $235.0 million. We estimate the liability as of December 31, 2018 will be $226.8 million. The decline is attributed to the increase in payments for the prior years' deferrals and a decline in the amount permitted to be amortized in current invoices.

EXHIBIT 7 : Deferred Pension Expense Amortization Liability

DEFERRED PENSION EXPENSE AMORTIZATION LIABILITY GAAP Basis ($'s in millions)				
	Balance at beginning of year	**Additions**	**Payments**	**Balance at end of year**
2012	43.6	52.2	5.8	89.9
2013	89.9	68.0	10.4	147.5
2014	147.5	63.3	15.8	195.1
2015	195.1	46.7	20.8	221.1
2016	221.1	33.1	21.6	232.6
2017	232.6	26.1	23.8	235.0
2018 est. *	235.0	18.2	26.4	226.8
2019 est. *	226.8	15.1	28.5	213.4
2020 est. *	213.4	14.4	30.8	196.9
2021 est. *	196.9	13.7	33.1	177.5

6.0 CONTROL PERIOD CALCULATION

6.1 Nassau County Interim Finance Authority ("NIFA") Act

Since its enactment in 2000, the Nassau County Interim Finance Authority ("NIFA") provides State oversight of the County's finances. NIFA was created pursuant to the NIFA Act codified as Title I of Article 10-D of the State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition with any United States district court or bankruptcy court for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2025.

6.2 Control Period Calculation

NIFA has certain powers under the Act to monitor and oversee the County's finances and upon the declaration of a "control period," additional oversight authority. On January 26, 2011, NIFA adopted a resolution which imposed a control period on the County pursuant to the Act. It determined that the County's proposed fiscal 2011 budget reflected a substantial likelihood that the budget would produce a deficit in excess of one percent of the aggregate result of operations in the major operating funds. The major funds are defined in the Act as the General Fund, the Police Headquarters Fund, the Police District Fund, the Fire Commission Fund, and the Debt Service Fund. This is based on the assumption that all revenues and expenditures are reported in accordance with generally accepted accounting principles.

During a control period, NIFA has the authority to withhold transitional state aid and is empowered, among other things, to:

- Approve or disapprove proposed contracts and borrowings by the County;
- Approve, disapprove, or modify the County's financial plan;
- Issue binding orders to the appropriate local officials;
- Impose a wage freeze;
- Terminate the control period upon finding that no condition exists which would permit imposition of a control period.

Under the Control Period Calculation requirement, the budgetary results of the County's General, Fire Commission, Police Headquarters, Police District, and Debt Service Funds are converted to GAAP results. Then, adjustments are made to remove the effect of other financing sources that are derived from the issuance of bonds. These include bond proceeds and premiums used to pay for operational expenditures. The projected Control Period Calculation Results for the fiscal year are negative $97.9 million. The County is projected to continue to be in a Control Period for fiscal year 2018 based on the Comptroller's Office projections contained in this report. Exhibit 9 below presents the Control Period Calculation results that is used by NIFA to determine whether a deficit of more than one percent of the aggregate result of operations in the operating funds (as defined above) exists, thereby triggering a NIFA Control Period.

EXHIBIT 8: Control Period Calculation

Revenue and Obligations Forecast for 2018 Reconciled to the Control Period Calculation*

($'s millions)

Estimated Results on a Budgetary Basis *	**($69.6)**
Adjustments to reconcile to Modified Accrual Basis	
Net adjustments for to remove the effect of encumbrances	(10.5)
Use of Fund Balance	-
Net adjustment to record pension expense on a modified accrual basis	(4.7)
Adjustment for cash receipts outside period of availability	(5.1)
Sale of Mitchel Field Leases	1.3
Other Estimated GAAP Adjustments	(5.4)
Net Change in Fund Balance on a Modified Accrual Basis	**(94.0)**
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense **R1507**	(0.2)
Operating expense paid with bond proceeds	(3.7)
Control Period Calculation Results	**($97.9)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Commission Fund, Debt Service Fund (not including sewer debt)

The historic Control Period Calculation results for the fiscal years 2010-2017 and projected 2018 are presented below.

EXHIBIT 9: Historical Control Period Calculation

Control Period Calculation 2010 - 2018 (projected)*

CALCULATION OF NIFA RESULTS 2010 - 2018*

($'s millions)

	2018 (projected)	2017	2016	2015	2014	2013	2012	2011	2010
Net Change in Fund Balance - modified accrual basis	($94.0)	($58.8)	$27.1	$28.0	($21.5)	$48.6	$24.0	($98.0)	$31.0
Less: adjustments included in other financing sources									
Premium on bonds	0.0	0.0	43.8	19.0	4.4	4.0	3.7	6.2	21.3
Borrowed funds to pay Property Tax Refunds	0.0	0.7	59.0	96.2	126.4	75.0	14.7	21.0	42.5
Borrowed funds to pay Other Judgments	0.0	0.0			8.3	26.5	20.0	4.6	30.4
Borrowed funds to pay Termination Pay	0.0	0.0	2.3	26.1	20.1	14.0	33.1	17.7	80.0
Borrowed funds to pay Other Operating Costs		3.5							
Transfer of revenue from other funds to offset debt expense	3.9	0.2	5.1	12.0	8.5	2.7	16.6	12.5	1.7
Total other financing sources/uses to be eliminated	3.9	4.4	110.2	153.3	167.7	122.2	88.1	62.0	175.9
Control Period Calculation Results	**($97.9)**	**($63.2)**	**($83.1)**	**($125.3)**	**($189.2)**	**($73.6)**	**($64.1)**	**($160.0)**	**($144.9)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Commission Fund, Debt Service Fund (not including sewer debt)