NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2020 Budget & Multi-Year Plan

Executive Summary

Maurice Chalmers, Director

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Inter-Departmental Memo

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

From: Maurice Chalmers, Director
Office of Legislative Budget Review

Date: October 10, 2019

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 2020 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.

1. EXECUTIVE SUMMARY

Introduction

Pursuant to the County Charter, the Administration submitted its FY 20 Proposed Budget on September 16, 2019. The County continues to be in a Nassau Interim Finance Authority (NIFA) control period where the Authority oversees and controls County finances. Since 2011, 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. The Proposed FY 20 Budget includes a $19.0 million tax levy increase in the Sewer Finance Authority, a small increase in the Environmental Bond Act Fund and a $5.7 million rise in the Major Operating Funds which the Administration attributes the latter to be from the restoration of taxes and the elimination of exemptions. It has been nearly two years since all the Collective Bargaining Agreements (CBA) with the County unions have expired and although it is expected that financial flexibilities in the form of open funded positions will be used to fund any agreement, no specific funding source has been earmarked in the proposal. The budget also accounts for an increase in contractual expenses for Inmate healthcare and the Nassau Inter County Express (NICE) bus system. The operating budget includes $30.0 million for Tax Certiorari expenses in addition to $40.0 million in the Disputed Assessment Fund (DAF). The County borrowed $100.0 million to settle tax claims in FY 18 but there was not a corresponding decrease in the backlog, which grew.

To pay for the increased expenses, the budget relies on additional revenue sources such as the continued growth in sales tax which contains a new internet sales tax collection element for which the County doesn't have a history. The budget anticipates $14.6 million, after Aid and Incentive to Municipalities (AIM) in internet sales tax collections and an overall sales tax growth of 3.1% budget to budget. Section four of this Executive Summary discusses Sales Tax in detail. However, with such a heavy reliance on a continued positive economic outlook, in addition to the funds from internet sales, the Administration must remain vigilant and ready to implement counter measures should the economic growth slow down.

OLBR estimates approximately $61.1 million of risks for the Major Funds in the Proposed FY 20 Budget. In addition, there could be a risk since the Proposed FY 20 Budget does not include any specifically earmarked funds to be used for possible CBA agreements. However, the value of funded open vacant positions may be used to pay for any settlement that the County enters into. The final impact of any agreement will depend on the details of any future contract between the County and the labor unions. The proposed budget will not be able to fund all open positions and meet the cost of a settlement at the same time. Therefore, the Administration will need to find the optimum staffing level while having enough funding left over to pay for CBAs. Section two of his Executive summary includes a more in-depth analysis of labor.

The plan contends with escalating fringe benefits expenses for health insurance and Medicare reimbursement costs. Since the FY 19 budget for pension costs was overfunded for the Police and Fire Retirement System (PFRS), pension obligations show a decrease in the FY 20 Proposed Budget. The County once again continues the practice of deferring pension obligations to the out-years. Although the maximum amount that the County is allowed to amortize has decreased by roughly $3.0 million, in FY 20 the County still plans to amortize the maximum amount of $12.2 million which will accrue interest.

In total, the County is now committed to make deferred pension payments through FY 32. From the inception of the program, total deferred pension costs have been estimated to be approximately $351.7 million for all the amortized amounts prior to interest. With payment of the FY 20 pension bill, approximately $206.1 million will still be outstanding prior to accruing interest. While pension rates have remained steady or dropped in previous years, the maximum amount that the County is required to pay continues to increase annually due to the additional installment payments from the previous year's deferments that continue to be added to the annual pension bill.

Headcount is currently at historical lows as the County continues to benefit from prior workforce management efforts, and from keeping these positions open. Prior years' budget have benefitted from the value of the open funded positions, generating surpluses in the salary line. The Administration's Executive Summary highlights the addition of staff from the current on-board to fulfill many initiatives such as Raise the Age and other reforms. The proposed budget funds 7,492 full-time positions in the Major Operating Funds which compared to the September 1, 2019 on board headcount of 7,227 results in 265 vacant funded positions. The Administration does state that it adjusted the "Stat" for the positions downward by 66 positions, however the funding remained spread in the departments. The available funding for vacancies in the budget has been estimated to be approximately $30.9 million. Although the Administration could move quickly to fill many positions, there is a high probability that not all the positions will be filled. The longer a position remains vacant, the more budgetary savings will be generated from not filling the position. This may become a funding source for the Administration that could offset possible CBAs.

The proposed budget includes a property tax increase in the Sewer Finance Authority Fund and the Environmental Bond Act Fund. In addition, taxes are increasing by $5.7 million or 0.7% in the Major Funds. 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

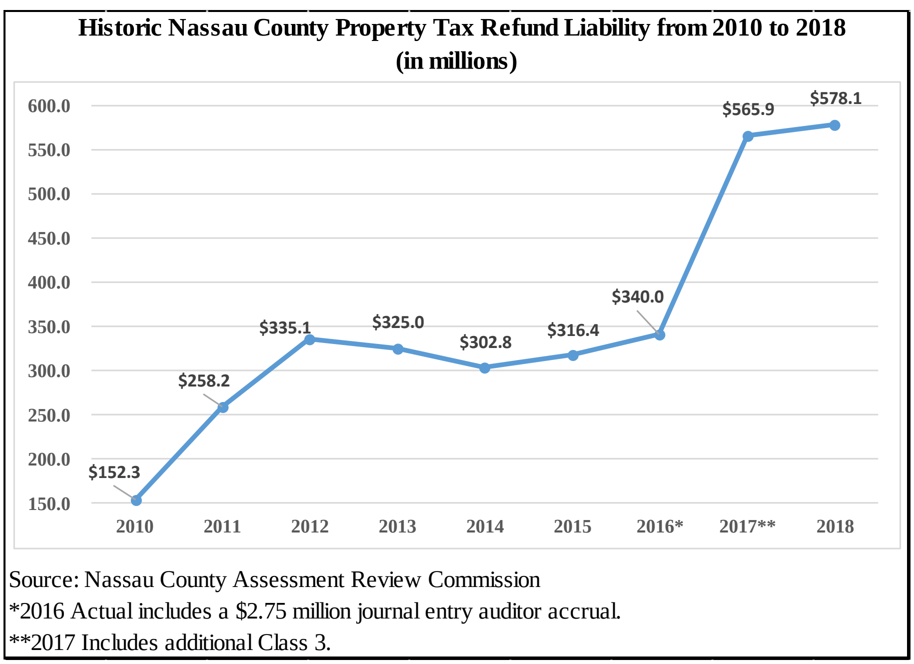
Property Tax Levy				
Fund	**2019 Adopted**	**2020 Proposed**	**Difference 2019 vs 2020**	**% Of Total Levy**
Fire Commission	16,437,909	18,463,956	2,026,047	2.2%
General	30,484,577	46,981,211	16,496,634	5.7%
Police District	398,867,360	390,092,882	(8,774,478)	47.5%
Police Headquarters	370,221,376	366,185,547	(4,035,829)	44.6%
Subtotal Major Funds	**$816,011,222**	**$821,723,596**	**$5,712,374**	**100.00%**
Sewers (SFA)	130,284,209	149,332,643	19,048,434	
Total Major Funds & Sewers	**$946,295,431**	**$971,056,239**	**$24,760,808**	
Environmental Bond	10,486,028	10,727,963	241,935	
College	52,206,883	52,206,883	0	
Grand Total	**$1,008,988,342**	**$1,033,991,085**	**$25,002,743**	

Sales tax remains the County's most substantial source of revenue and the collections continue to record positive momentum. The FY 20 Proposed Budget relies heavily on the continued growth. The proposed sales tax revenue in the FY 20 Proposed Budget, excluding the deferred piece, is $1,269.7 million, or a 3.1% increase budget to budget. The Office of Management and Budget (OMB) included within the sales tax growth number an additional $14.6 million for internet sales taxes which commenced in June 2019. Without the revenue from internet sales, the sales tax growth would be 1.9%. The out-years of the plan anticipate a 2.0% growth rate. In addition to the above regular sales tax, $7.0 million has been budgeted in FY 20 for prior year deferred sales tax.

Current economic forecasts anticipate positive annual economic growth as indicated by real U.S. GDP from FY 19 through FY 21. The current average of all the FY 20 forecasts is 1.6%, which is close to amount anticipated prior to the additional $14.6 million impact of internet sales. Moreover, on a year-to-date basis, through October 3, 2019 County sales tax collections have risen 3.7% above the prior year. However, it is not anticipated that the growth next year will be as strong as there's a looming threat of an economic slowdown spearheaded by uncertainties due to the trade war with China and a general concern about a decrease in consumer confidence. As stated above, sales tax is an area of the budget that will need to be monitored closely and may warrant adjustments should the economy change, or internet sales tax does not have the magnitude that is hoped.

As of December 31, 2018, the County's outstanding property tax liability according to the Assessment Review Commission (ARC) was $578.1 million. This represented a 2.2% increase from December 31, 2017's liability of $565.9 million. The increase from 2016 to 2017 was due to the recognition of an additional $220.3 million in class III liability. Chart 1.0 below illustrates the ARC estimated backlog:

Chart 1.0: Tax Certiorari Backlog



The outstanding liability increase was a function of higher class two and class four liabilities. The chart on the next page itemizes the annual change in property class liability, figures are in millions:

Annual Nassau County Property Tax Refund Liability by Class

	2017	2018	$ Change	% Change
Class 1	42.8	41.5	-1.3	-2.9%
Class 2	34.9	39.7	4.9	13.9%
Class 3	252.9	245.6	-7.3	-2.9%
Class 4	235.3	251.2	15.9	6.8%
Total	**565.9**	**578.1**	**12.2**	**2.2%**

Source: Assessment Review Commission

Tax certiorari expense continues to put a heavy burden on County finances. Historically, from 2014 through 2018, the Treasurer's Office figures show that the County on average has paid out $85.5 million in annual property tax refunds. Year-to-date through August 23, 2019, the Treasurer's Office figures show that the County has paid $87.4 million to cover property tax refund payments. Bond proceeds were used to cover $61.4 million of the expense, $1.8 million of operating funds was utilized and $24.3 million of Disputed Assessment Funds (DAF) were processed.

Currently, as of the September 2019 month end, the County had $38.8 million in the Assessment Department operating funds which includes the reversal of the prior year accrual and $207.0 million in DAF cash equity. The proposed FY 20 budget contains $30.0 million in other suits & damages appropriation in the Assessment Department and the County plans to levy $40.0 million DAF charges. Additionally, the out-years of the Multi-Year Financial Plan (MYP) include $30.0 million in other suits & damages appropriation in the Assessment Department.

To tackle the tax certiorari problem, the County has considered many options with the goal of reducing liability and possibly tackling the backlog. The implementation of the DAF fund was a mechanism to address tax grievances within class four parcels. State enabled legislation provided greater usage flexibility within the DAF fund going forward. The County in its debt service expense anticipates borrowing $200.0 million this year to address the backlog and no additional funds in the out years. This is an area that the County will need to be very mindful of as any usage of borrowed funds is counted toward the NIFA GAAP results and could have the unintended consequence of prolonging the control period.

The Sewer and Stormwater Resource District Fund will have a levy increase of approximatively $19.0 million in FY 20. The prior year included $10.5 million in fund balance usage which is projected to have a balance of $3.9 million by year-end and no fund balance is included in the proposed budget. In addition, the County Guarantee which used to be $10.0 million when the County initially entered into the contract with SUEZ has steadily decreased throughout the years and is only budgeted to be $4.2 million. This represents a decrease of $1.8 million, from $6.0 million in the prior year. The County will need to audit this revenue for compliance with the contract as the decreased amount will necessitate that the shortfall be made up by either use of fund balance, if available, or continued tax increases.

Budget Risks

OLBR has identified approximately $61.1 million of risks in the Proposed FY 20 Budget for the Major Funds. This includes a $9.4 million adjustment for prior period recoveries which is needed to conform with NIFA reporting. There are some other risks outside of this budget, such as the cost related to new labor contracts which can vary widely, that may require the County to utilize funds included in the proposed budget for vacancies. Finding that optimal staffing level while not using all the funds will be challenging for the Administration. Some identified risks stem from sources that the County has control over and will need to implement measures in order to avoid or minimize them. For example, overtime will need to be monitored by the departments to ensure that budgets are met and risks are diminished. However, achieving the overtime budget may be difficult especially when staffing remains low. In the Correctional Center, the proposed overtime budget is $11.6 million short of current projections and the prior year actual expense. Furthermore, in the Correctional Center, the expenditures related to the inmate healthcare contract is $2.4 million less than the average of prior years.

There is a major risk in the Early Intervention and Pre-school Education provider payments budget, where the Department of Health has expressed concerns with the proposed budget due to, not only the increase in the number of children served, but also rate increases. Projections based on caseload growth rates translate into a $10.9 million risk. However, the Proposed FY 20 Budget is approximately $19.4 million lower than the amount the department requested, and the entire amount could be at risk depending on trends. This shortage could require some remediation prior to adopting the budget.

The Administration included additional sales tax revenue of $14.6 million related to internet sales tax net of AIM payments. Although it is anticipated that internet sales tax collections will have a positive impact on sales tax revenue, questions remain on whether the remittances from the State are net or gross of AIM withholdings since Nassau is in a control period. The last few sales tax checks have been positive and brought up the Year to Date growth to 3.7%. It is not clear whether the County will have to later make the AIM payments or whether the State has deducted that amount prior to their remittance. Using the economic indicators that are currently available for FY 19 and FY 20, this translates into a risk of $9.9 million to the FY 20 Proposed Budget. An in-depth analysis of sales tax is included in section four of this Executive Summary.

There are items included in this budget for which the County does not have a clear roadmap of how they will be implemented, or reimbursements will be collected. One such item is the Raise the Age initiative revenue that didn't come to fruition in FY 19 and is doubtful in FY 20.

Fines & Forfeits revenues are anticipated to miss budget in FY 20, the majority of which is based on the current trends in the Public Safety fee compared to the proposed budget.

Within department revenues, the Administration correctly adjusted the Clerk revenues downward because they are reliant on the housing market trends. However, based on current projections, there should have been another $1.0 million further downward adjustment in the Clerk's Office. In addition, the same methodology was not applied to the GIS tax map verification fee which grew in the proposed budget and as such poses an $8.0 million risk.

The Administration is budgeting $6.5 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.

Offsetting these risks are $5.9 million in opportunities mainly in fringe benefits and mostly from Health Insurance savings.

Table 1.1: FY 20 Major Funds Risks (millions)

Expense Risks (in millions)

Item	OLBR Surplus/Risk
Overtime	$11.6
Correctional Center Contractual expenses	2.4
Early Intervention / Preschool Provider Payments	10.9
Expense Sub Total	**24.9**

Revenue Risks (in millions)

Item	Surplus/Risk
Sales Tax	9.9
Probation State Aid	1.9
Fines & Forfeits	5.1
Department Revenues	9.4
Sale of County Property	6.5
Revenue Sub Total	**32.7**
Total Risks	**$57.6**
Opportunities	
Fringe Benefits	5.3
Correctional Center Federal Aid	0.6
Total Opportunities	**5.9**
Net Risks	**$51.7**
NIFA Adjustments	9.4
Total Risks (Incl NIFA Adj.)	**$61.1**

Conclusion

The Administration has submitted its FY 20 Proposed Budget which includes sufficient funding to cover mandatory scheduled employee step increases. However, labor contracts expired at the end of FY 17 and it will be almost two years since no Collective Bargaining Agreements (CBA) are in effect with any union. Past budgets have benefited from surpluses generated from vacant positions and the related fringe benefits savings. Although the Budget does not clearly earmark funding for union contracts, it is expected that part of the $30.9 million value of vacant positions will be used to mitigate any costs. Many departments have expressed the need to hire more employees and finding the equilibrium in filling vacancies while leaving enough funding to cover labor agreements will be challenging.

It is apparent that with any negotiated contract, the Administration will no longer have the financial flexibility of past years as costs will grow. To mitigate costs, the FY 20 budget relies heavily on the growth of sales tax which budget to budget includes a 3.1% increase. This revenue source includes a new internet sales tax component for which there is no history; in addition, the AIM payments will decrease the revenues. The FY 20 budget is highly leveraged on sales tax growth and it is unclear what adjustments could be made in the event of an economic downturn.

OLBR has identified approximately $61.1 million of risks in the Proposed FY 20 Budget. These risks will need to be managed to by the Administration as some of the past funding flexibilities could dry up. The Administration will need to remain ready to implement counter measures for items that fall short of budgeted expectations.

Proposed Expense Budget

The FY 20 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 $34.6 million increase in expenses. A breakdown of the budget categories reveals that salaries and fringe benefits make up approximately 48.7% of the total budget. Table 1.2 below shows the budget to budget variances by category:

Table 1.2: Major Funds' Expenses FY 20 vs. FY 19
($'s in millions)

	FY 19 NIFA Approved	FY 20 Proposed	Variance
Expenses			
Salaries	$901.3	$904.1	$2.8
Fringe Benefits	608.0	610.2	2.2
Workers Compensation	35.0	31.2	(3.8)
OTPS	307.5	326.3	18.8
Utilities	34.1	34.0	(0.1)
Transportation	44.8	45.1	0.3
Government Assistance	73.7	75.1	1.4
Interfund Charges	23.1	23.3	0.2
Direct Assistance	170.1	174.1	4.0
Early Intervention/Special Ed	135.5	137.0	1.5
Medicaid	242.5	238.2	(4.3)
Debt Service (Incl NIFA Set Aside)	384.9	394.5	9.6
Other Expenses	112.6	115.1	2.5
NIFA Expense	2.5	2.0	(0.5)
Total Expenses[1]	**$3,075.6**	**$3,110.1**	**$34.6**

1. Excludes interdepartmental charges and debt service chargebacks

The Proposed FY 20 Major Funds salary line budget is increasing by $2.8 million compared to the FY 19 NIFA Approved Budget. The CBAs with County unions expired at the end of FY 17 and there are currently no agreements in place. The FY 20 Proposed Budget will be sufficient to pay 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.

Although the Proposed FY 20 Budget only increases the salary cost by $2.8 million, the current year budget is projected to have a significant surplus which could carry into FY 20. An analysis reveals that the proposed budget includes approximately 265 vacant full-time positions in the Major Operating Funds compared to the current on-board headcount. The Administration estimates the value of the open funded vacant positions in the budget to be approximately $30.9 million. A more in-depth staffing analysis is included in the Labor Section of this report.

The FY 20 fringe benefit budget for the Major Funds is approximately $610.2 million, which is an increase of $2.2 million from the FY 19 Approved Budget. This is due mostly to increases in health insurance for active employees, and Medicare Reimbursement. For a more in-depth analysis, OLBR has devoted section three of this report to the analysis of fringe benefits.

The FY 20 workers compensation budget allocation is decreasing by $3.8 million compared to the FY 19 budget. In February 2019, the County received a $15.0 million worker's compensation buyout from New York State for second injury claims. Previously, on certain qualifying cases, employers would be reimbursed all, or part of the indemnity and medical payments made by insurance carriers via Special Funds. With the buyout, the County will no longer receive reimbursements on these cases. However, by using the revenues to settle more recent and higher rate cases, the Administration is expecting to achieve the budgeted savings. As of September 24, 2019, none of the buyout revenues have been spent.

The Other Than Personal Services (OTPS) rollup shows an increase of $18.8 million. This consists of an increase of $0.8 million in equipment, a $3.9 million increase in general expenses and a $14.1 million rise in contractual services. Below is a breakdown of the different components:

Table 1.3: OTPS

OTPS	FY 19 Approved	FY 20 Proposed	Difference
Equipment	2.3	3.1	**0.8**
General Expenses	34.0	37.8	**3.9**
Contractual Services	271.2	285.3	**14.1**
	307.5	**326.3**	**18.8**

Contractual expenses which has the largest increase in OTPS includes an additional $4.2 million for the bus service, $3.4 million in the Assessment department miscellaneous contract line, $1.7 million more for inmate healthcare in the Correctional Center and a $1.8 million increase in the Information Technology department most of which is for software contracts. Most of the general expense increase, $2.1 million, is in the Information Technology department. The department's budget now includes $1.5 million for postage.

The direct assistance budget is increasing by $4.0 million. Contained within this rollup are recipient grants, purchased services and emergency vendor payments in the Department of Social Services (DSS). The table below illustrates the categories with discussions following:

Table 1.4: Direct Assistance

Direct Assistance	FY 19 Approved	FY 20 Proposed	Difference
Recipient Grants	52.1	51.1	**(1.0)**
Purchased Services	68.6	69.7	**1.1**
Emergency Vendor Payments	49.4	53.2	**3.9**
	170.1	**174.1**	**4.0**

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 20 proposal are lower by $1.0 million. The decrease in Recipient Grant expenses budget to budget is attributed to TANF and SNA caseload declines of 20.7% and 8.7% respectively through August 2019. The additional $1.1 million in Purchased Services is budgeted for daycare expenses.

Emergency vendor payments are made to cover a variety of services rendered to eligible DSS clients. Among these services are shelter care and educational payments. The department anticipates an increase in shelter care of approximately $2.7 million and an additional $1.9 million in educational expenses.

The proposed Medicaid costs are declining by $4.3 million budget to budget. According to the Department, FY 19 had 53 weekly share payment cycles and FY 20 has one less cycle payment.

Total debt payments, including NIFA set-asides and expense of loans, are expected to increase by 2.5% or $9.6 million budget to budget. The combined interest and principal lines are budgeted to record an annual increase of $25.1 million, driven by the amortization schedule of the existing debt as well as an allotment for future, planned debt issuances. The other expense line, where the County books the costs associated with the NIFA issued debt, are budgeted to decrease by $15.5 million budget to budget. According to the Multi-Year Financial Plan (MYP) Debt Service Baseline, the County included approximately $379.2 million to cover existing debt obligations and $18.1 million to cover interest payments for future debt issuances.

Proposed Revenue Budget

The FY 20 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 $34.6 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 20 vs. FY 19
($'s in millions)

	FY 19 NIFA Approved	FY 20 Proposed	Variance
Revenues			
Fund Balance	$0	$0	$0
Department Revenues	232.5	229.9	(2.6)
Fines & Forfeits	118.6	113.2	(5.4)
Non-Tax Sources	267.5	269.6	2.1
Federal Aid	140.0	142.4	2.4
State Aid	224.4	224.3	(0.2)
Sales Tax	1,243.8	1,276.7	32.8
Property Tax	816.0	821.7	5.7
Other Taxes	32.6	32.4	(0.2)
Total Revenues[1]	**$3,075.6**	**$3,110.1**	**$34.6**

1. Excludes interdepartmental revenue & debt service chargebacks

The Proposed FY 20 Budget anticipates an overall decrease of $2.6 million in department revenues compared to the previous year's budget. The proposed budget lowers the revenue in the Clerk's office by $3.1 million to better reflect the housing market trends. Fare box revenue from the NICE bus systems has also been lowered by $4.4 million. To offset these revenue losses, the budget increases the GIS Tax map revenue by $2.5 million which is seen as a risk since these revenues should have followed the same trend as in the Clerk's Office. Other departments with increase revenues include DSS with an additional $1.1 million from welfare receipts.

The Fines and Forfeit revenues in the Traffic and Parking Violations Agency (TPVA) included a Boot & Tow initiative for $8.0 million in the prior year budget. For the Proposed FY 20 Budget, that initiative has been removed and is being slightly offset by additional revenue from fines and the current Boot and Tow operation within the department. As a result, the revenue for Fines and Forfeit is decreasing by $5.4 million.

The Non-Tax revenues include many object codes rolled up in this category. Many of the object codes have differences and the major changes 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

	FY 19 Budget	FY 20 Proposed Amt.	Difference
Int Penalty On Tax	$34.6	$36.9	$2.3
Permits & Licenses	19.6	18.7	(0.8)
Invest Income	10.2	9.7	(0.5)
Rents & Recoveries	34.4	33.5	(1.0)
Revenue Offset To Expense	17.5	20.7	3.3
Payment In Lieu Of Taxes	46.0	47.9	1.9
Capital Resources For Debt	3.5	2.7	(0.8)
OTB Profits	20.0	20.0	-
Interfund Charges Rev	81.1	79.5	(1.6)
Interfund Transfers	0.7	-	(0.7)
Total:	**$267.5**	**$269.6**	**$2.1**

- FY 20 interest penalty on taxes revenues are budgeted to record a $2.3 million increase compared to both the FY 19 Approved Budget and current projections. This increase is mainly from anticipated fee revenue increases.
- The revenue offset to expenses increase is primarily a function of higher resident tuition expenses. The FY 20 Proposed Budget for Resident tuition expenses are increasing $3.3 million budget to budget but are in-line with the FY 18 actual revenue. Corresponding expenses are completely offset by billing back the local town and cities and the reimbursement payments are shown on the revenue offset to expense line.
- The Payment in Lieu of Taxes (PILOT) line represents the revenues associated with PILOT agreements. The FY 20 PILOT line is increasing by $1.9 million compared to the FY 19 NIFA Approved Budget. The increase is primarily on the LIPA / PSEG Pilot line. The LIPA PILOT agreement is contractually set to increase 2.0% annually.

Overall, Federal Aid is increasing by $2.4 million. DSS is rising by $1.9 million in FY 20 mainly due to more funding in the Child Care Block Grant (CCBG) and for additional reimbursed expenses.

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

Table 1.7 on the next page 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			
Expense	**FY 19 NIFA Approved Budget**	**FY 20 Executive Budget**	**FY20 vs FY19**
Salaries	$10,288,904	$9,505,595	($783,309)
Fringe Benefits	9,546,528	9,397,114	(149,414)
Equipment	15,000	10,000	(5,000)
General Expenses	1,248,370	1,278,370	30,000
Contractual Services	64,068,608	65,153,850	1,085,242
Utility Costs	6,775,000	7,695,000	920,000
Interest	3,088,895	2,588,805	(500,090)
Principal	9,411,051	8,895,174	(515,877)
Interfund Charges	34,322,246	41,107,216	6,784,970
Other Expense	538,500	358,500	(180,000)
	$139,303,102	**$145,989,624**	**$6,686,522**
Fund Balance	$10,480,905	$0	($10,480,905)
Permits & Licenses	1,553,000	1,455,000	(98,000)
Invest Income	200,000	200,000	0
Rents & Recoveries	6,040,000	4,240,000	(1,800,000)
Dept Revenues	1,282,000	1,253,000	(29,000)
Interfund Transfers	119,747,197	138,841,624	19,094,427
	$139,303,102	**$145,989,624**	**$6,686,522**

The FY 20 Proposed Budget includes $146.0 million in expenses and revenue, which is an increase of $6.7 million from the FY 19 NIFA Approved Budget. The revenue increase is in the Interfund Transfer line, which results from a property tax increase transferred from the Sewer Financing Authority Fund. No fund balance usage is planned in FY 20. The revenue budget includes $4.2 million for the County Guarantee contract payment from SUEZ for leasing the County's employees to operate the Sewer System. This is $1.8 million less than the FY 19 NIFA Approved Budget of $6.0 million.

The increase on the expenditure side, results from interfund charges, contractual services and utility costs. Interfund charges, specifically for capital debt service, is increasing by $6.6 million. The contractual services line contains the allocation for the SUEZ contract expense which is increasing by $1.1 million. Utility cost, driven by brokered gas, is growing by $0.9 million.

Multi-Year Plan (MYP)

Table 1.8 below details the Administration's projected expenditures and revenues through FY 23. The budgetary gaps represent projected deficits if corrective actions aren't taken.

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

	2020 Proposed	2021 Proposed	2022 Proposed	2023 Proposed
Expenses				
Salaries	$904.1	$939.1	$974.1	$1,010.5
Fringe Benefits	610.2	645.8	674.2	704.0
Workers Compensation	31.2	31.2	31.2	31.2
OTPS	326.3	329.7	329.7	329.7
Utilities	34.0	33.1	33.4	33.7
Transportation	45.1	45.6	46.1	46.5
Government Assistance	75.1	76.5	78.0	79.6
Interfund Charges	23.3	23.3	23.3	23.3
Direct Assistance	174.1	175.3	176.6	177.8
Early Intervention/Special Ed	137.0	138.4	139.8	141.2
Medicaid	238.2	238.2	238.2	238.2
Debt Service (Incl NIFA Set Aside)	394.5	387.3	389.4	371.8
Contingency Reserve	0.0	0.0	0.0	0.0
Other Expenses	115.1	115.5	115.9	116.3
NIFA Expense	2.0	2.0	2.0	2.1
Total Expenses[1]	**$3,110.1**	**$3,181.0**	**$3,251.7**	**$3,305.8**

1. Excludes interdepartmental charges and debt service chargebacks

	2020 Proposed	2021 Proposed	2022 Proposed	2023 Proposed
Revenues				
Fund Balance	$0	$0	$0	$0
Department Revenues	229.9	229.9	229.9	229.9
Fines & Forfeits	113.2	113.2	113.2	113.2
Non-Tax Sources	269.6	273.8	277.7	282.5
Federal Aid	142.4	140.9	140.8	140.8
State Aid	224.3	224.3	224.3	224.3
Sales Tax	1,276.7	1,295.1	1,321.0	1,347.4
Property Tax	821.7	821.7	821.7	821.7
Other Taxes	32.4	32.4	32.4	32.4
Total Revenues[1]	**$3,110.1**	**$3,131.1**	**$3,160.9**	**$3,192.1**
Surplus/Gap Projections	**$0.0**	**($49.9)**	**($90.8)**	**($113.7)**

1. Excludes interdepartmental revenue & debt service chargebacks

Over the course of this MYP, total expenses are projected to grow by 6.3% while revenues increase at a rate of 2.6%. The MYP appears to be sufficient to absorb step increases in the out years. Total expenses are growing by approximately $195.7 million of which salaries and fringes make up $200.2 million of the increase, which is offset by a $22.7 million decrease in debt service cost. Rising costs will outpace the County's revenue growth which essentially contributes to the structural gap and highlights the need for additional recurring revenues or expense savings.

- Salaries and wages will increase by $106.4 million, from a Proposed Budget of $904.1 million in FY 20 to $1,010.5 million in FY 23. Since the current labor agreements expired at year-end FY 17 and the financial aspect of new CBAs is not known, the MYP may need to be adjusted to account for any impact. Expense items such as overtime are increasing by $4.9 million throughout the MYP. Keeping staffing optimal as well as absorbing the impact of new labor agreements will be challenging.
- Fringe benefits will increase by $93.7 million, or 15.4%, from $610.2 million in the FY 20 Proposed Budget to $704.0 million in FY 23.

  Health insurance expenses for active and retired employees from FY 20 to FY 23 are projected to increase by $67.8 million to $407.0 million. The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 6.0% from FY 20 through FY 23. The MYP growth rates appears slightly lower than the historic five-year average of 6.7% for active employees. However, the growth rate appears high based on the historic five-year average composite 2.9% for Medicare eligible retirees. Based on the 6% growth rate, OLBR projects the MYP could possibly be overfunded annually in the out-years.

  Pension costs are increasing by $13.6 million to $187.9 million by FY 23. 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 20 Proposed Budget, social security expenses are increasing by roughly $7.3 million to $65.9 million in FY 23. With an increase in salaries, social security is also expected to rise since these costs are a function of salaries.
- Debt Service is budgeted to decrease significantly throughout the MYP as the NIFA set-a-side expenses will decrease by approximately $68.0 million offset by increases in principal and interest payments which is a function of amortization schedules in addition to planned future borrowings.
- Sales tax which represents the largest revenue increase through the MYP is budgeted to grow at 3.1% in FY 20 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 21 – FY 23 (millions)

	2021	2022	2023
Current Baseline Gap	**(49.9)**	**(90.8)**	**(113.7)**
Expense/Revenue Actions			
Building Consolidation	5.0	5.0	7.0
Workforce Management Savings	5.0	10.0	15.0
ERP Implementation	0.5	1.0	1.0
County's District Energy Facility	1.0	1.0	1.5
Income and Expense	15.0	15.0	15.0
Belmont Arena and Hub Sales Tax Benefit	7.7	12.8	14.8
Other Savings Initiatives	15.4	46.8	62.0
New York State Actions			
E-911 Reimbursement	1.0	1.0	1.0
Total Gap Closing Initiatives	**$50.6**	**$92.6**	**$117.3**
Projected Baseline After Gap Closing Actions	**0.7**	**1.8**	**3.6**

The following are the Administration's explanations for the above initiatives / Gap closers for the MYP:

Building Consolidation

The County's past 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.

Workforce Management

The Administration plans on optimizing workforce levels while ensuring that the County provides essential services.

ERP Implementation

It is envisioned that the new enterprise resource planning (ERP) system will streamline core business processes and 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 FY 19.

County's District Energy Facility

The agreement between Nassau County and Engie NA, the current operator of the County's 57 mega-watt cogeneration plant in Uniondale, is continuing under a short-term extension. The County is finalizing negotiations that will provide significant savings and opportunities for growth in the HUB.

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 produce a minimum of $15.0 million in recurring revenue beginning in FY 20.

Belmont Arena and Hub Sales Tax Benefit

The County plans 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.

Other Actions

The County plans to 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. This includes anticipated personnel related savings.

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 the revenue needed to cover costs associated with providing this technology within the County.

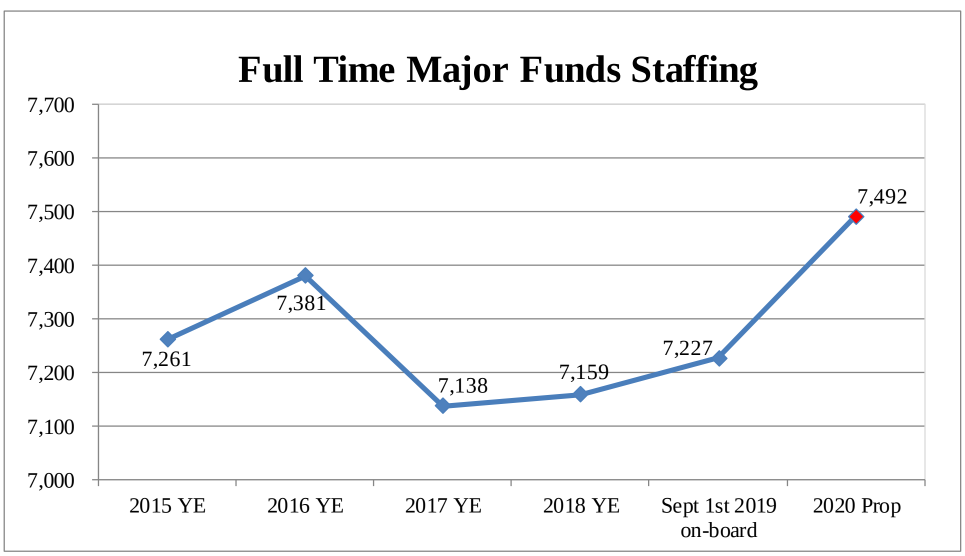
2. LABOR

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 labor contracts expired at the end of FY 17 and it will be almost two years since no Collective Bargaining Agreements (CBA) are in effect with any union. The FY 20 Proposed Budget includes sufficient funding to cover mandatory scheduled employee Step increases which have been estimated to be between $14.0 million to $17.0 million. However, no Cost of Living Adjustments (COLA) were earmarked except for the mention of the reduction of approximately 66 vacant positions for which the funding, referred to be approximately $7.0 million, remained in the budget among County Departments. Depending on future negotiated contracts and their specific terms, the cost of these agreements will need to be evaluated within the context of an adopted budget to determine if the value can be absorbed. However, an exact cost can't now be accurately estimated as the terms and timing of any agreement can vary widely.

There was an expectation that the proposed budget would include appropriations specifically earmarked for possible union agreements. NIFA in its FY 19 mid-year report estimated that "there will be added costs of approximately $11.0 million annually for each one percent increase granted in a single year" and the Administration estimates the cost to be approximately $10.0 million; therefore the $7.0 million that is mentioned above seems a little light. However, the County has benefited from the reduced headcount which has created budgetary surpluses and the FY 20 budget will also have that flexibility.

Headcount is currently at historical lows as the County continues to benefit from prior workforce management efforts and has kept these positions open. The Administration's Executive Summary highlights the addition of staff to fulfill many initiatives such as Raise the Age and other reforms. The proposed budget funds 7,492 full time positions in the Major Operating Funds which compared to the September 1, 2019 on board headcount of 7,227 results in 265 vacant funded positions. Chart 2.0 illustrates the historical, current and FY 20 proposed full-time headcount:

Chart 2.0: Headcount Trend



As mentioned on the previous page, although the staffing headcount statistic has been reduced, the Administration states that the funding for these positions remains in the budget throughout the departments. The total value of the funded but vacant positions, after considering the amounts that will be needed to pay for employee steps, has been estimated to be approximately $30.9 million. This number will be reduced as the Administration hires employees.

Although the Administration could move quickly to fill many positions, there is a high probability, based on the past few years trends, that not all the positions will be filled. The longer a position remains vacant, the more savings will be generated from that position. This may become a funding source the Administration could use to offset/fund possible CBAs.

The Major Funds overtime expense is budgeted at $81.9 million in the Proposed FY 20 Budget which represents a $5.2 million decrease from the prior year actual and approximately $12.1 million less than the current projections. The Police Department budgeted $0.5 million less than the current projection and the Department expects to manage to this budget and maximize Asset Forfeiture funds that can be used to offset overtime. To mitigate overtime in the Police Department, the County hired approximately 28 Police Officers in May 2019 and is planning a class of 100 or more officers in November 2019. The plan is to hire up to 200 officers as needed in FY 20.

In the Correctional Center, the FY 20 Proposed Budget for overtime is $11.6 million less than the current projections. The staffing level for Corrections Officers is low and without increasing the count to outpace retirements, the department may not be able to meet the overtime budget. This drastic reduction in overtime expenses is expected to come from the department hiring additional heads in FY 19 and projected additional hires in FY 20 as well as an expected reduction in the inmate population driven by programs such as Raise the Age and Bail Reform. The Administration has not been successful in reducing the Correctional Center's overtime expense and whether this decrease comes to fruition remains to be seen.

Table 2.0: Major Funds Overtime Trends

OVERTIME TRENDS				
	2018 YE	2019 Projection	2020 Proposed	2020 Prop vs. 2019 Proj Variance
Police District	20,566,583	24,860,750	24,860,750	-
Police Headquarters	29,722,525	28,480,000	27,980,000	(500,000)
Total	50,289,108	53,340,750	52,840,750	(500,000)
Corrections	26,716,533	26,870,000	15,313,446	(11,556,554)
Police & Corrections	**77,005,641**	**80,210,750**	**68,154,196**	**(12,056,554)**
Others	10,109,973	13,781,244	13,715,325	(65,919)
TOTAL:	**87,115,615**	**93,991,994**	**81,869,521**	**(12,122,473)**

The Police Department's FY 20 Proposed termination Budget is decreasing by $1.7 million, to $36.3 million, from the current adopted budget. Based on the current average separation pay, the budget should be sufficient for approximately 120 separations.

Headcount

In Table 2.1 on the next page, the FY 20 full-time Operating Funds Budget including Sewer & Storm Water positions is compared to the current on-board headcount and the requested headcount by department:

Table 2.1: Staffing Comparison

Department	2020 Department Headcount Request	2019 Sept Onboard Headcount	2019 Sept Onboard Salaries	2020 Proposed Headcount	2020 Proposed Salaries	Variance 2020 Proposed vs. 2019 Sept Onboard
Full Time Major Funds Staffing Comparison						
Assessment	203	140	9,746,194	203	13,010,675	63
Asian American Affairs	2	0	0	6	375,000	6
Assessment Review Commission	72	53	3,962,352	72	5,297,147	19
Board of Elections	158	153	11,496,778	156	12,484,046	3
Civil Service	49	48	3,787,116	48	4,113,114	0
Comptroller	88	71	6,381,024	86	7,279,221	15
Constituent Affairs	15	37	2,521,410	15	1,350,825	(22)
Consumer Affairs	31	26	1,724,748	30	2,046,754	4
Correctional Center	1,058	968	81,789,348	1,024	85,401,893	56
County Attorney	101	86	7,582,823	99	8,454,333	13
County Clerk	87	80	4,938,653	87	5,482,320	7
County Executive	13	12	1,436,675	13	1,506,375	1
District Attorney	459	396	37,437,829	424	40,969,576	28
Emergency Management	8	8	779,347	8	899,141	0
Health	185	158	12,975,227	167	14,180,147	9
Housing & Intergovernmental Affairs	14	13	900,000	17	1,173,965	4
Human Resources	8	7	622,100	8	682,100	1
Human Rights	6	5	420,288	5	434,944	0
Human Services	66	56	4,476,057	62	5,160,212	6
Information Technology	132	95	8,038,651	132	10,937,993	37
Labor Relations	6	7	628,000	6	568,000	(1)
Legislature	99	93	7,540,723	99	8,009,739	6
Medical Examiner	100	76	7,127,561	78	7,610,613	2
Office of Hispanic Affairs	4	5	316,000	7	435,000	2
Office of Minority Affairs	7	5	363,750	10	764,750	5
Office of Management and Budget	27	26	2,728,901	31	3,051,401	5
Parks, Recreation and Museums	147	145	8,684,131	147	9,189,504	2
Probation	256	178	15,045,559	203	17,343,953	25
Public Administrator	6	6	492,211	6	493,662	0
Public Works Department	429	391	27,317,497	416	30,171,698	25
Shared Services	14	12	1,011,600	14	1,101,804	2
Records Management	13	10	618,880	13	679,125	3
Social Services	588	561	39,590,247	576	43,116,579	15
Traffic & Parking Violations	47	47	2,827,430	47	2,995,758	0
Treasurer	34	29	1,826,006	34	2,263,309	5
Veterans' Services Agency	9	7	467,643	9	577,138	2
Savings from Initiative & Adjustment	0	0	0	(260)	(7,476,199)	(260)
General Fund Total*	**4,541**	**4,010**	**317,602,759**	**4,098**	**342,135,615**	**88**
Fire Commission	99	93	6,885,787	96	7,616,697	3
Police District	1,760	1,685	146,381,449	1,754	160,369,258	69
Police Headquarters	1,577	1,439	148,330,241	1,544	158,301,265	105
Total Major Funds	**7,977**	**7,227**	**619,200,236**	**7,492**	**668,422,835**	**265**
Sewer & Storm Water (SSW)	99	96	6,406,848	99	6,999,777	3
Total including Sewers	**8,076**	**7,323**	**625,607,084**	**7,591**	**675,422,612**	**268**

Table 2.2 below illustrates some departments with the largest variances from the **requested** headcount to the proposed budget:

Table 2.2: Department requested Headcount variance to budget

FY 2020 Department Requested Headcount vs County Executive Headcount			
Department	2020 Dept. Request HC	2020 County Exec. HC	Variance
Probation	256	203	(53)
District Attorney	459	424	(35)
Sheriff/Correctional Center	1,058	1,024	(34)
Medical Examiner	100	78	(22)
Health Department	185	167	(18)
Public Works Department	429	416	(13)
Social Services	588	576	(12)
Department Of Human Services	66	62	(4)
Fire Commission	99	96	(3)

Table 2.3 below illustrates the multi-year salary plan for the Major Funds:

Table 2.3: MYP Major Funds Salary Plan

Major Funds Multi Year Salary Plan				
Department	2020 PROPOSED	2021 PLAN	2022 PLAN	2023 PLAN
Asian American Affairs	455,000	455,000	455,000	455,000
Assessment Review Commission	5,436,804	5,596,664	5,789,669	6,006,826
Assessment Department	13,369,429	13,758,801	14,228,835	14,757,648
County Attorney	8,948,617	9,043,065	9,157,070	9,285,327
Office Of Management And Budget	(2,152,808)	(2,152,808)	(2,152,808)	(2,152,808)
Office Of Consumer Affairs	2,199,481	2,262,173	2,337,591	2,422,289
Sheriff/Correctional Center	113,837,102	119,998,615	124,358,106	129,099,924
County Executive	1,717,859	1,717,859	1,717,859	1,717,859
Office Of Constituent Affairs	1,443,125	1,443,125	1,443,125	1,443,125
County Clerk	6,455,689	6,605,984	6,787,148	6,990,815
County Comptroller	7,869,461	8,069,756	8,311,363	8,583,077
Civil Service	5,344,224	5,478,139	5,639,729	5,821,487
District Attorney	43,714,852	44,159,642	44,695,838	45,302,507
Board Of Elections	19,077,418	19,437,108	19,869,842	20,355,847
Emergency Management	1,077,757	1,098,072	1,122,115	1,148,890
Fire Commission	11,523,139	11,842,254	12,217,347	12,633,545
Health Department	15,631,121	16,116,841	16,702,033	17,359,746
Housing & Intergovernmental Affairs	1,227,965	1,227,965	1,227,965	1,227,965
Commission On Human Rights	454,719	466,135	479,922	495,435
Department Of Human Services	5,562,854	5,709,380	5,887,496	6,088,593
Information Technology	11,179,518	11,537,464	11,967,603	12,450,411
County Legislature	8,721,345	8,721,345	8,721,345	8,721,345
Office Of Labor Relations	590,000	590,000	590,000	590,000
Office Of Minority Affairs	862,950	862,950	862,950	862,950
Medical Examiner	8,650,975	8,896,050	9,191,137	9,522,692
Public Administrator	624,995	633,704	644,206	656,016
Probation	20,020,032	20,637,607	21,379,490	22,212,067
Police Department	476,690,556	498,609,726	520,406,917	542,182,031
Department Of Human Resources	921,200	921,200	921,200	921,200
Parks, Recreation And Museums	20,480,059	20,805,853	21,194,947	21,630,298
Purchasing Department	1,243,900	1,269,738	1,300,935	1,336,038
Public Works Department	33,746,660	34,672,064	35,956,865	37,394,669
Records Management	971,896	996,702	1,026,425	1,059,740
Office Of Hispanic Affairs	458,000	458,000	458,000	458,000
Social Services	48,707,028	50,228,909	52,058,228	54,111,819
County Treasurer	2,361,578	2,424,468	2,500,230	2,585,376
Traffic & Parking Violations Agency	4,031,994	4,119,853	4,225,523	4,344,184
Veterans Services Agency	603,257	378,755	389,182	400,914
Grand Total	**904,059,751**	**939,098,158**	**974,070,427**	**1,010,482,846**

Salaries in the MYP increase by approximately $35.0 million every year.

3. FRINGE BENEFITS

Fringe benefit expenditures include health insurance contributions for active and retired employees, as well as pension and social security contributions. 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. This will provide budgetary relief in FY 20 by deferring roughly $12.2 million. However, OLBR continues to caution 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 for all funds have been estimated to be $351.7 million, which includes the FY 20 deferral. However, OLBR estimates, that with interest this could accumulate to be approximately $430.3 million for all amortized amounts. With the payment of the FY 20 pension bill approximately $206.1 million remains outstanding, prior to interest accumulating.

The FY 20 Fringe Benefit budget for the Major Funds is $610.2 million, which is an increase of $2.2 million from the FY 19 NIFA Approved Budget due mostly to increases in health insurance for active employees and Medicare reimbursement. Compared to the FY 19 projection, expenses are increasing by $25.1 million, which is primarily within health insurance.

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

Table 3.0: Fringe Budget by Major Fund

Fund	Department	NIFA Approved FY 19 Budget	OLBR FY 19 Projection	FY 20 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 19 Proj.
Fire Commission	Fringe Benefits	6,108,190	6,110,213	6,485,830	$377,640	$375,617
General Fund	Courts	1,234,691	933,674	1,165,108	(69,583)	231,434
	Fringe Benefits	266,234,698	256,664,300	272,661,178	6,426,480	15,996,878
	OMB	25,626,209	25,628,537	26,666,209	1,040,000	1,037,672
Police District	Fringe Benefits	145,021,715	140,245,034	143,028,266	(1,993,449)	2,783,232
Police Headquarters	Fringe Benefits	163,793,823	155,492,223	160,214,065	(3,579,758)	4,721,842
Total		**608,019,326**	**585,073,981**	**610,220,656**	**$2,201,330**	**$25,146,675**

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 Approved FY 19 Budget	OLBR FY 19 Projection	FY 20 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 19 Proj.
08F - NYS Police Retirement	95,763,717	90,283,953	91,266,592	(4,497,125)	982,639
11F - State Retirement Systems	81,219,825	82,367,412	82,981,930	1,762,105	614,518
13F - Social Security Contribution	60,673,952	60,784,686	58,568,302	(2,105,650)	(2,216,384)
14F - Health Insurance	163,493,382	155,665,111	166,171,506	2,678,124	10,506,395
16F - County Exp	0	4,359	0	0	(4,359)
17F - Optical Plan	913,071	782,155	928,925	15,854	146,770
19F - NYS Unemployment	811,462	811,462	758,239	(53,223)	(53,223)
20F - Dental Insurance	4,725,352	3,994,674	4,772,517	47,165	777,843
22F - Medicare Reimbursement	20,130,598	22,913,471	24,540,055	4,409,457	1,626,584
22S - Medicare Reimbursement Surcharge	915,849	1,941,169	950,849	35,000	(990,320)
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	0	0
35F - MTA Mobility Tax	3,065,554	3,065,554	3,041,599	(23,955)	(23,955)
40F - CSEA Legal Plan	463,500	682,250	450,450	(13,050)	(231,800)
41F - COBA Legal Plan	102,375	101,750	105,375	3,000	3,625
45F - Disability Insurance	53,000	53,000	53,000	0	0
75F - Health Insurance For Retirees	173,168,849	158,802,556	173,073,396	(95,453)	14,270,840
76F - Employees Optical - Retirees	418,840	720,419	457,921	39,081	(262,498)
Grand Total	**608,019,326**	**585,073,981**	**610,220,656**	**2,201,330**	**25,146,675**

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 Administration plans to pay the pension bill in December which has been the past practice, however the pension budget reflects an amount greater than the December payment. Therefore, there could be an opportunity in pension expenses within the Fringe budget.

The FY 20 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. The County opted into the Alternate Program, however, once the 12 year program is elected, you cannot return to the Original 10 year program.[1] The interest rate for the

[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.

maximum amortization of contributions under the Alternate Program in FY 19 is 3.99%, a rise from 3.31% in FY 18. The interest rate for the FY 20 amortization has not yet been finalized.

Table 3.2 below provides the FY 20 and FY 19 pension expenses billed by the State for Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS). As shown below, the maximum amortized amount allowed based on the FY 20 pension invoice is $12.2 million or 6.2% of the $196.8 million total pension bill. This is a decrease of $3.0 million from last year and a significant reduction from the maximum amounts allowed in prior years. In addition to the Major Funds, within the pension invoice, there are additional funds for the Nassau Community College (NCC), the Sewer and Storm Water Resource District (SSWRD) and the Grant Fund.

Table 3.2: FY19-FY20 Pension Invoices

Pension Payments Based on December Schedule			
	2019 Invoice	2020 Invoice	2020 vs. 2019
Total Pension Bill Excluding Amortization			
ERS	102,182,493	102,601,060	418,567
PFRS	96,163,728	94,222,748	(1,940,980)
	$198,346,221	**$196,823,808**	**(1,522,413)**
Amount Using Maximum Amoritization			
ERS	92,824,389	94,064,572	1,240,183
PFRS	90,326,958	90,525,510	198,552
	$183,151,347	**$184,590,082**	**$1,438,735**
Amount Allowed to be Amortized	**$15,194,874**	**$12,233,726**	($2,961,148)

* 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, 2019 date. The early December payment results in an amount that is $1.5 million less than the February invoice amount. The December invoice of $196.8 million includes $102.6 million billed for (ERS) and $94.2 million billed for (PFRS).

Based on the SFY 2019-20 pension bill, the amortization of the maximum amount allowed, reduces the pension expense payment from $196.8 million to $184.6 million. The maximum amortization allowed is decreasing by roughly $3.0 million from $15.2 million or 7.7% of the total pension bill to $12.2 million or 6.2%. The maximum amortization amount allowed has declined annually each year since the County opted into the Alternate Program in 2014.

When compared to the SFY 2018-19 year, the total pension invoice of $196.8 million is decreasing by $1.5 million (shown in the chart above). The decrease is from PFRS, which is partially offset by a smaller increase in the ERS bill. The decrease results mostly from a reduction in PFRS pensionable salaries.

Although the total bill is decreasing, the County is still obligated to pay a higher amount, compared to last year, roughly $1.4 million. The minimum amount due under the Stabilization program results in a larger payment compared to last year, due to a reduction in the maximum amount allowed and from the annual installments included in the bill from prior year deferrals.

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

Table 3.3: Amortization

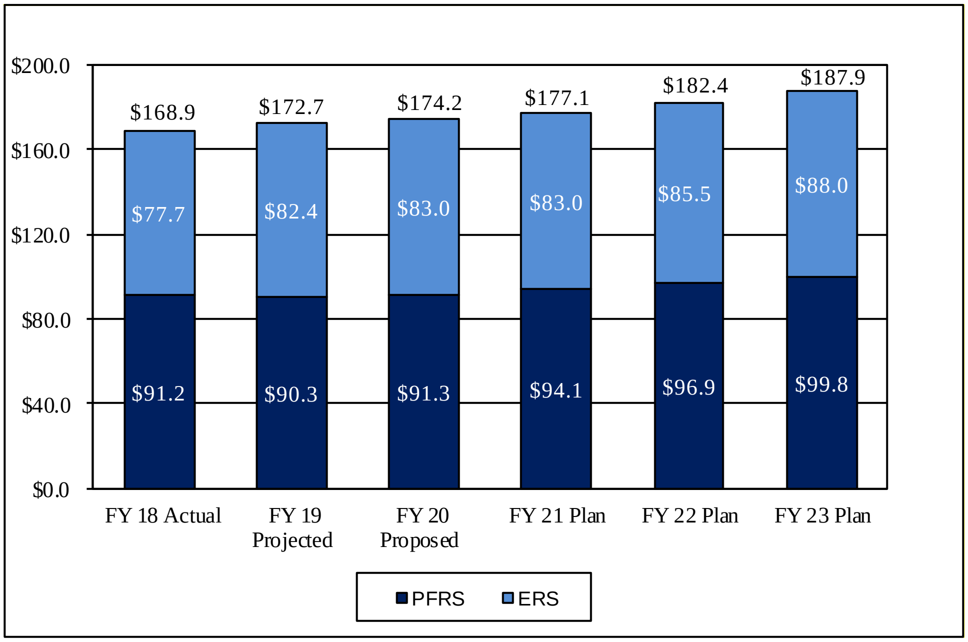
Amounts Amortized by Year (in millions)			
Year	**Without Interest**	**Estimated With Interest**	
2012 Amortization Liabilty	38.8	47.2	
2013 Amortization Liabilty	57.6	67.5	
2014 Amortization Liabilty	71.5	90.1	
2015 Amortization Liabilty	60.9	75.6	
2016 Amortization Liabilty	41.1	50.5	
2017 Amortization Liabilty	29.7	35.1	
2018 Amortization Liabilty	24.6	30.3	
2019 Amortization Liability	15.2	19.4	
Subtotal Amortization 2012-2019	339.4	415.7	
2020 Deferred Liability	12.2	14.6	*
Subtotal Amortization 2012-2020	**351.7**	**430.3**	
Remaining Liability After Paid Installments	**206.1**	**236.5**	

*OLBR Estimates the 2020 liability based on the first installment from the projected FY 21 bill.

As previously mentioned, and depicted in the table above, the County has deferred a total of $351.7 million through FY 20. However, with interest the total deferred could accumulate to $430.3 million. After deducting the installments paid to date, OLBR estimates the total outstanding liability to be roughly $206.1 million, prior to interest accumulating. 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 18 actual through FY 23 (the out-years of the MYP) for the **Major Funds.** The Administration's FY 20 Proposed Budget includes the pension expense of $91.3 million for PFRS and $83.0 million for ERS for a total budget of roughly $174.2 million. The figures include the Major Funds and exclude the pension obligations for NCC, SSWRD and the Grant Fund.

Chart 3.0: FY 18 to FY 23 Pension Costs for the Major Funds (in millions)



The New York State Comptroller recently announced rates for the SFY (2020-21) will remain the same as the previous year for ERS, with a small increase in rates for PFRS. The estimated average contribution rate for ERS will remain 14.6% of payroll and PFRS will increase by 0.9%, form 23.5% for 24.4% of payroll.[2] For the past seven years, the Comptroller has lowered pension contribution rates or essentially kept them flat. According to the Comptroller's press release, this is achieved through solid investment returns, prudent management and a diverse portfolio."[3] In June, the Pew Charitable Trusts once again, rated the state pension fund as one of the best funded pension plans.[4] The Administration's Multi-Year Plan (MYP) projects pension costs to continue to rise to $177.1 million in FY 21, $182.4 million in FY 22 and $187.9 million in FY 23. The MYP is reflected at the end of this report.

The 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 20 amortization will impact the FY 21 bill by an estimated additional $1.2 million. This is in addition to the $36.6 million in annual installments the County is currently obligated to make from the FY 12 through FY 19 amortizations. Looking forward, the FY 21 through FY 22 County budgets will include, at a minimum, an additional $37.8 million each year from the prior and current pension deferments. On a positive note, the budget for FY 23 could reflect a decrease since, the 10-year borrowing from 2012 will be completed. As a result, approximately $4.7 million in annual liability will be removed. However, this is not reflected in the MYP.

While pension rates have remained steady or dropped in previous years, Nassau County continues to pay more annually in pension costs, which can be seen from the chart above. This is due to the additional installment payments from the previous year's deferments that continue to be added to the annual pension

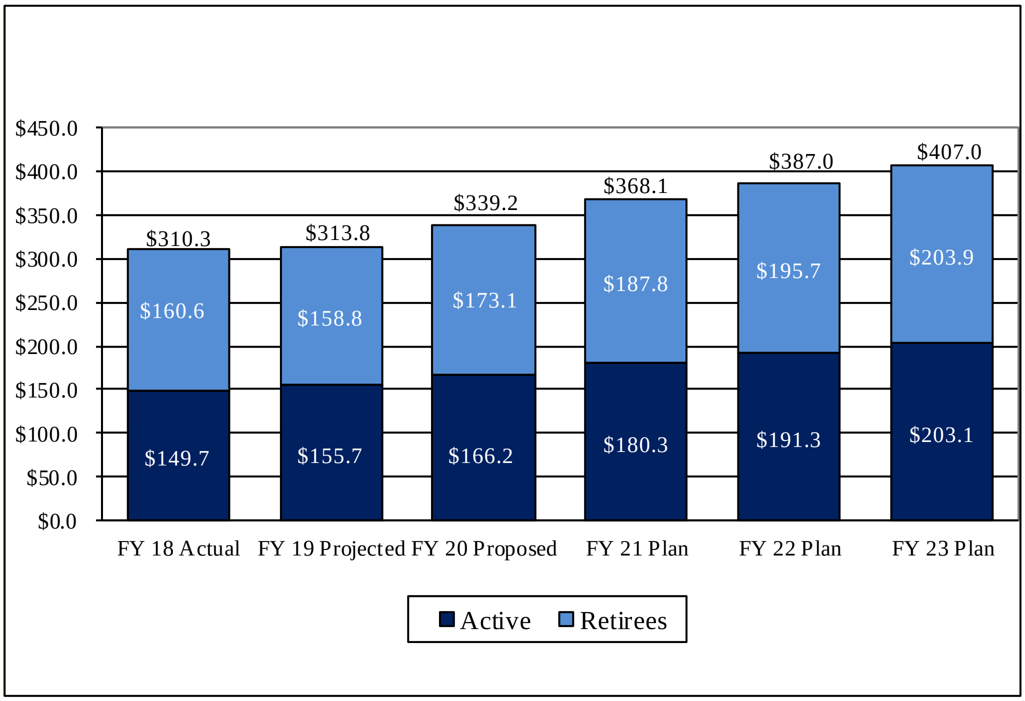
[2] Office of the New York State Comptroller, "State Pension Employer Contribution Rates Announced for 2020-21, Assumed Rate of Return Lowered" https://www.osc.state.ny.us/press/releases/aug19/082919.htm
[3] Ibid.
[4] Ibid.

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 20.

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

In FY 19, The New York State Health Insurance Plan (NYSHIP) Empire family premium plan, which most County workers carry, increased by 2.8%. According to the Office of Management and Budget (OMB), the FY 20 Proposed Budget is based on a growth rate assumption of 6.0%. The FY 20 Proposed Budget for active and retiree health insurance is increasing by $2.6 million compared to the FY 19 NIFA Approved Budget and by $24.8 million compared to the FY 19 projection (which is discussed below).

Chart 3.1: FY 18 to FY 23 Health Insurance Costs (in Millions)



The FY 20 Proposed Budget includes $339.2 million for active and retiree health insurance costs. Compared to the **FY 19 projection**, the FY 20 budget is increasing by $10.5 million for active employees and $14.3 million for retired employees, for a total of $24.8 million.

The growth rate projection of 6.0%, seems very reasonable compared to the New York State Health Insurance Program (NYSHIP) best estimate FY 20 health insurance rate projection of 5.5%. Based on projecting this growth rate assumption by the budgeted headcount and adjusting for timing delays, the **active employee** budget seems underfunded by roughly $862,000. However, the budgeted health insurance for **retirees** appears to be overfunded by roughly $5.8 million. Therefore, the net surplus combined is approximately $5.0 million

The projection surplus is based on NYSHIP's best estimate scenario in the Second Quarterly Experience Report. However, if rates happen to finalize closer either to the optimistic which is a composite estimate of 3.0%, the surplus could grow to $11.9 million. And if rates finalize closer to the pessimistic scenarios, which is a composite estimate of 7.6%, there could be a deficit of roughly $2.2 million.

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 132,900 which is an increase of $4,500 from 2018. Medicare has no maximum. Preliminary estimates suggest that social security benefits will increase in 2020 by roughly $213 to about $133,113 a year.[5]

The FY 20 Proposed Budget for social security is decreasing by $2.1 million or 3.5%, compared to the FY 19 NIFA Approved Budget and by $2.2 million compared to the FY 19 projection. Social security is a function of salaries and wages.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. In FY 20, the County is utilizing the first one-year extension of the contract with Davis vision on the contract. The annual per capita premium is $110.40. The FY 20 Proposed Budget is increasing by $15,854 compared to the FY 19 NIFA Approved Budget and by $146,770 compared to the FY 19 projection. Based on the FY 20 Proposed budgeted headcount of 7,492 the budget appears to be more than 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 20 Proposed Budget is decreasing by $53,223 compared to the FY 19 Approved Budget and to the projection.

20F Dental Insurance

This benefit provides dental insurance to full-time employees. The County's current contract with Healthplex has a term in place through December 31, 2021. Under the contract the annual premium per capita remains unchanged at $561. In addition, the contract offers a "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 20 Proposed Budget is increasing by $47,165 compared to the FY 19 budget and significantly by $777,843 to compared to the FY 19 current projection. The budgeted increase accommodates for the new hires included in the FY 20 Proposed Budget. Similar to the current year, 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 20 Budget is increasing by $4.4 million, or 21.9%, compared to the FY 19

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[5] Franklin, Mary Beth, "2020 Social Security COLA expected to be 1.6%" Investment News,
. https://www.investmentnews.com/article/20190912/FREE/190919973/2020-social-security-cola-expected-to-be-1-6

NIFA Approved Budget and by $1.6 million compared to the projection. The increase can be attributed to the projected rise in Part B rates.

In FY 19 standard Medicare Part B premiums were $135.50 per month for individual salaries up to $85,000 and joint salaries up to $170,000; and a rate of $189.60 for individual salaries up to $107,000 and for joint salaries up to $214,000.[6] Medicare trustees projected that the standard monthly premiums will increase by $8.80 a month to $144.30. The increase reflects the increasing levels of health care prices which has been exceeding significantly over inflation.[7]

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 20 Proposed budget remains flat at $2.1 million. The FY 20 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 20 budget is $3.0 million, which is minimal decrease of $23,955 from the FY 19 Approved Budget and projection.

40F CSEA Legal Plan

The FY 20 budget includes $450,450 for the CSEA legal plan, which is a decline of $13,050, or 2.8% budget to budget, and a reduction of $231,800 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 20 budget may be understated since the current FY 19 projection is $218,750 greater than the FY 19 NIFA Approved budget.

41F COBA Legal Plan

The FY 20 budget includes $105,375 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which is a minimal increase of 3,000 or 2.9% from the FY 19 NIFA Approved Budget and an increase of $3,625 compared to the FY 19 projection.

45F Disability Insurance

The FY 20 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,

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[6] Centers for Medicare & Medicaid Services, "2019 Medicare Part A & B Premiums and Deductibles" https://www.cms.gov/newsroom/fact-sheets/2019-medicare-parts-b-premiums-and-deductibles

[7] Tergesen Anne, "Medicare B Costs for Retirees Projected to Rise" The Wall Street Journal, Health Policy. https://www.medicareresources.org/faqs/what-kind-of-medicare-benefit-changes-can-i-expect-this-year/

which is $110.4 per person. The FY 20 Proposed Budget is increasing by $39,081 from the FY 19 Approved budget but is decreasing by $262,498 compared to the FY 19 projection. Based on the current projection and on the current number of retirees receiving this benefit, the budget appears to be underfunded by roughly $262,000.

Multi-Year Plan

Table 3.4: FY 20 Proposed-FY 23 Multi-Year Plan

SubObject & Description	2020 Proposed Budget	2021 Plan	2022 Plan	2023 Plan
AB08F - NYS Police Retirement	91,266,592	94,086,393	96,908,985	99,816,254
AB11F - State Retirement Systems	82,981,930	82,987,712	85,477,343	88,041,664
AB13F - Social Security Contributions	58,568,302	60,911,034	63,347,475	65,881,374
AB14F - Health Insurance	166,171,506	180,296,084	191,348,234	203,077,881
AB17F - Optical Plan	928,925	928,925	928,925	928,925
AB19F - New York State Unemployment	758,239	758,239	758,239	758,239
AB20F - Dental Insurance	4,772,517	4,772,517	4,772,517	4,772,517
AB22F - Medicare Reimbursement	24,540,055	26,012,458	27,573,206	29,227,598
AB22S - Medicare Reimbursement Surcharge	950,849	1,007,900	1,068,374	1,132,476
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB35F - MTA Mobility Tax	3,041,599	3,102,431	3,164,480	3,227,769
AB40F - CSEA Legal Plan	450,450	450,450	450,450	450,450
AB41F - COBA Legal Plan	105,375	105,375	105,375	105,375
AB45F - Disability Insurance	53,000	53,000	53,000	53,000
AB75F - Health Insurance for Retirees	173,073,396	187,784,635	195,690,368	203,928,932
AB76F - Employees Optical for Retirees	457,921	457,921	457,921	457,921
Grand Total	**610,220,656**	**$645,815,074**	**$674,204,892**	**$703,960,376**

Fringe benefits will increase by $93.7 million, or 15.4%, from the $610.2 million in the FY 20 Proposed Budget to $704.0 million in FY 23.

- Health insurance expenses for active and retired employees from FY 20 to FY 23 are projected to increase by $67.8 million to $407.0 million.
  - The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 6.0% from FY 20 through FY 23.
  - The MYP growth rates are slightly lower than the historic five-year average of 6.7% for active employees.
  - The MYP growth rate appears high based on the historic five-year average composite 2.9% for Medicare eligible retirees.
  - Based on the 6.0% growth rate, OLBR projects the MYP could be overfunded annually in the out-years.
- Including the amortization amounts, pension costs are increasing by $13.6 million to $187.9 million by FY 23. This expense is projected to rise due to increasing salaries and the annual installment liabilities from continuing to amortize a portion of the expense. By FY 23, the annual liability installments from 10-year borrowing from FY 12 will be completed and fall off from the

bill. As a result, approximately $4.7 million will be removed. However, some of that reduction will be eroded if the County continues to defer the pension expense in FY 21 and FY 22.

- From the FY 20 Proposed Budget, social security expenses are increasing by roughly $7.3 million to $65.9 million in FY 23. 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 2020 the incorporated villages are 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 2020 Executive Budget, excluding the deferred piece, is $1,269.7 million. Per conversations with the Office of Management and Budget (OMB), they are revising their FY 2019 sales tax projection to match the FY 2019 budgeted amount. The FY 2020 budget represents a 3.1% growth from OMB's revised FY 2019 projection. According to the Administration, $14.6 million in new internet sales tax collections net of Aid and Incentives for Municipalities (AIM) payments were included in the FY 2020 sales tax budget. Deducting those payments out results in a 1.9% FY 2020 economic growth rate relative to the revised OMB sales tax projection.

Table 4.0 below illustrates the FY 2020 Executive Budget, which anticipates a total 3.1% growth from the revised OMB projection and the out years of the plan which contain a 2.0% growth rate.

Table 4.0: Proposed Sales Tax Growth

	2019 Budget	Total 2019 Projections*	Total 2019 Variance	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Projected Sales Tax	1,231.3	1,231.3	0.0	1,269.7	1,295.1	1,321.0	1,347.4
OMB % Growth Needed				3.1%	2.0%	2.0%	2.0%

*Projection reflects OMB's revised projection of the 2019 budgeted amount.

Table 4.1 on the next page shows the annual actual gross sales tax collections, *excluding deferred pieces*, from FY 2012 through FY 2018, the revised OMB FY 2019 projection and the proposed budgets for FY 2020 through FY 2023. The MYP projects a 2.0% growth rate from FY 2021 to FY 2023.

Table 4.1: Annual Sales Tax Collections

Fiscal Year	Actuals	Growth
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%
2018	1,201.5	3.3%
Fiscal Year	**Projections**	**Growth**
2019	1,231.3	2.5%
2020	1,269.7	3.1%
2021	1,295.1	2.0%
2022	1,321.0	2.0%
2023	1,347.4	2.0%
2019 figure represents OMB 's revised projection		

In addition to the above regular sales tax, a $7.0 million addition has been budgeted in FY 2020 for deferred sales tax. That represents the amount by which part-county sales tax collections in FY 2018 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.

Those were the parameters upon which the Proposed FY 2020 sales tax budget was created. Since then, on a year to date basis, through October 3, 2019, County sales tax collections have risen 3.7% above the prior year. Moreover, all remaining sales tax checks could fall 0.3%, and the FY 2019 sales tax budget would be achieved.

Current economic forecasts anticipate positive annual economic growth as indicated by real U.S. GDP from FY 2019 through FY 2021. These forecasts may be viewed in Table 4.2. The average of all the FY 2019 forecasts is 2.2%. In FY 2020, U.S. GDP is expected to grow 1.6% on average.

Table 4.2: Current U.S Real GDP forecasts

Current Real US GDP Forecasts, Aug. 2019			
	2019	**2020**	**2021**
Fannie Mae	2.2%	1.7%	
Mrt Bkers Assn.	2.2%	1.3%	1.4%
Federal Reserve	2.3%	1.9%	2.0%
Average	**2.2%**	**1.6%**	**1.7%**

Using current year to date sales tax collections as a base and growing all remaining checks by the most recent 2.2% growth forecast for real US GDP, results in an $8.6 million FY 2019 sales tax surplus. At the higher FY 2019 base, 2.4% growth is required in FY 2020 to obtain the proposed sales tax budget.

As mentioned previously, the budgeted FY 2020 sales tax growth may be separated into two components, that attributable to new internet sales tax collections and that attributed to overall economic growth. The Administration stated that it included $14.6 million in new internet sales tax collections net of AIM payments in the FY 2020 sales tax budget. According to the Administration, the Governor estimated that authorizing internet sales would generate $174.9 million in FY 2020 revenue for all counties in the state. They assumed that Nassau would collect 14.9% of those revenues or $26.1 million. They then deducted $11.4 million in AIM payments to arrive at the $14.6 net number.

OLBR has several concerns regarding the internet sales tax approximation. There is no history to help gauge the accuracy of the figure, as internet sales tax collections were legalized in mid-year FY 2019. Moreover, it is possible that not all internet sales tax collections are net new to the County. That is, an internet sale may displace an in-store purchase thereby leaving the County with no net gain. Additionally, the 14.9% allocation for Nassau County may be high as Nassau County represents roughly 7.0% of the State's population. Lastly, data found at the New York State Comptroller's web-page itemized FY 2019 and FY 2020 enacted AIM budgets for the cities, towns and villages within Nassau County which added up to $18.2 million. OLBR cautions that if Nassau's internet sales come in closer to 7.0% and its AIM payments sum to $18.2 million, then the County's overall internet sales tax growth may be completely offset by the mandated AIM payments.

Furthermore, there is a concern as to how the County will receive the revenues. The New York State Comptroller's July 2019 publication entitled, "Growth in Local Sales Tax Collections Slows in the First Half of 2019", states that the new Tax Law section 1261(c) (5-a) stipulates that instead of AIM payments, those towns and villages will now receive an equivalent amount of funding derived from their County's sales tax revenues; which the Comptroller will annually withhold and distribute to the towns and villages.

However, since Nassau is under a control board, the State can not withhold its sales tax revenues. As such Nassau may be required to make these payments and the Proposed FY 2020 budget does not contain any appropriations for making AIM payments.

A significant portion of the FY 2020 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.

On October 11, 2019, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection of where FY 2019 sales tax collections will end. However, it will not be clear if the remittances to the County are net or gross of AIM payments.

It is anticipated that internet sales tax collections may have a positive impact on sales tax revenues; and using the economic indicators that are available for FY 2019 and FY 2020 translates into a risk of $9.9 million to the FY 2020 Proposed Budget.

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 16 through FY 18, along with a projection of the FY 19 and FY 20 current appropriations. All figures are shown on a budgetary basis.

Table 5.0: Budgetary Basis Year End Balance 2016 to 2018 & Office of Management and Budget (OMB) Projected Year-End 2019-2020 figures

Bugetary Basis Year End Fund Balance, 2016 to 2018 actuals, 2019 & 2020 Appropriations in thousands							
	2016	2017	2018	2019 Usage	2019 Projected	2020 Usage	2020 Projected
General Fund	177,801	121,755	122,077	0	122,077	0	122,077
Debt Service Fund	0	0	0	0	0	0	0
Fire Commission Fund	0	0	0	0	0	0	0
Police Headquarters Fund	0	0	0	0	0	0	0
Technology Fund	79	79	81	0	81	0	81
Open Space Fund	1,750	1,809	1,809	0	1,809	0	1,809
Employee Benefit Fund	13,084	13,084	13,230	0	13,230	0	13,230
Litigation Fund	43,614	5,826	14,434	15,012	29,446	(15,012)	14,434
Retirement Contribution Fund	8,013	43	51	0	51	0	51
Bonded Indebtedness Fund	3,609	3,609	697	(697)	(0)	0	(0)
Nassau County Power Utility Authority	(41)	(41)	(41)	0	(41)	0	(41)
Total General Fund	**247,908**	**146,164**	**152,338**	**14,315**	**166,652**	**(15,012)**	**151,641**
Police District	23,125	24,829	24,922	0	24,922	0	24,922
Sewer	40,588	28,550	14,343	(10,481)	3,862	0	3,862
Total Operating Funds Budget Balance	**311,621**	**199,543**	**191,602**	**3,834**	**195,436**	**(15,012)**	**180,425**

The projections in the above table take the FY 18 year-end as a starting point and then add or subtract FY 19 and FY 20 appropriated uses incorporated in the adopted and proposed budgets. Depending on budget trends, there is a possibility that some of the planned uses may not be necessary.

The County ended FY 18 with a balance of $152.3 million in Total General Fund balance. This was an $6.2 million budgetary increase from FY 17. From a Major Fund perspective (General, Debt Service, Fire Commission, Police Headquarters and Police District), the County ended FY 18 with a balance of $147.0 million, an increase of $0.4 million from FY 17.

Currently on a budgetary basis in FY 19, the Adopted Budget authorizes the use of $10.5 million in Sewer Fund balance and $697 thousand in Bonded Indebtedness Fund balance. The FY 19 Adopted Budget also reflects the collection of $15.0 million in the Litigation Fund of NYS Workman's Compensation Claim buyout funds. These are the fund balance usages and additions projected in FY 19 for the total operating funds.

The Proposed FY 20 Budget expects to use the $15.0 million Workman's Compensation funds in the Litigation Fund. The budget anticipates having a year-end FY 20 Budgetary Basis Total Operating Fund Balance of $180.4 million.

It should be mentioned that since the Comptroller considers the Environmental Bond Fund to be a non-major fund and does not include it in the Total Operating Funds Definition, it is not reflected in the chart. In FY 19 the adopted budget incorporated the usage of $0.1 million in the Environmental Bond Fund. Additionally, the Proposed FY 20 Budget plans on using $0.3 million in the Environmental Bond Fund.