NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2021 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 5, 2020

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 2021 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 21 Proposed Budget on September 15, 2020. Since 2011, the Nassau Interim Finance Authority (NIFA) according to its statute in §3669 imposed a control period upon determining that there was a substantial likelihood and imminence of a Major Operating Funds deficit of one percent or more; to date the County is still in the control period.

The FY 21 Proposed budget takes place in an environment of uncertainties. Early in FY 20, the Country was hit with the Coronavirus (COVID-19) which devastated the economy by forcing the shutdown of basically all financial activities. The County has entered Phase Four of the reopening process and economic activities have begun to show life again. However, it is largely agreed that the pandemic has created some challenges with the FY 20 budget and a recovery is expected to continue well into FY 21. There are many assumptions being made since there's no past event to compare the impact of the virus. However, the challenge for both years is sizable and what happens in the next few months can drastically change that landscape.

To understand the FY 21 Proposed Budget, it is important to consider the current FY 20 realities and threats as they will impact the proposed budget. Many economic indices are trending positively; yet there is cautious optimism as the weather gets colder, schools re-open and the holiday shopping season is just around the corner; all these situations carry a risk and can dampen the recovery.

To deal with this year, the Administration has proposed $385.0 million in gap closing initiatives; this includes $198.0 million in multiple measures the Administration intends to implement in addition to using $112.0 million in unassigned fund balance and $75.0 million in debt savings ($198M + $112M + $75M = $385M). How much the County ends up needing is widely unknown and will depend on many factors such as a continued recovery and/or additional aid. However, any amount used this year towards the gap, will diminish availability/reliance of these funds for FY 21. That lack of fiscal flexibility can be problematic should the Administration face a resurgence of the virus and/or another closedown which would prove devastating and difficult to overcome. The FY 21 budget will not benefit as much from the prior year unassigned fund balance and the Cares Act funding. This will put fiscal stress on the proposed budget and will necessitate creative actions to close the gap.

The Proposed FY 21 Budget includes an equal decrease in expenses and revenues of approximately $168.3 million, the major components of which will be illustrated later in the report. Compared to the prior year budget, FY 21 includes an estimated decrease of $252.8 million in sales tax revenue and to maintain balance, the Administration plans to have NIFA restructure debt and generate savings of $285.0 million in the Major Funds through FY 21. The Administration has taken the position that the removal/change to this item may necessitate adjustments in other areas and throw the budget out of balance. From an accounting perspective, and looking at the budget as proposed, any change to this item will need to be replaced by other initiatives that accomplish the same desired result. The final outcome will be a **policy decision**. OLBR has asked the Administration to provide a crosswalk of how the savings are reflected in the budget and according to the back-up we received, the FY 21 Proposed Budget includes debt service savings of approximately $233.2 million of which $14.3 million is for the Sewer Fund, approximately $7.5 million for the Environmental Fund and $211.4 million in the Major Funds.

The $285.0 million targeted savings was illustrated in a PFM memo to the Administration which was provided to the Legislature. The memo dated September 9, 2020 shows **their** cash flow savings projections. Given that there had been many memos and analysis, OLBR did get the Administration to confirm the figures.

Table 1.0: PFM Cash Flow Savings by Scenario

PFM Savings Estimates from Proposed 2021 Refinancing (in millions)			
Year	**10-Yr Amt**	**15-Yr Amt**	**30-Yr Amt**
NIFA Refinances NIFA	167,242	167,202	166,724
County Refinances County	106,834	115,004	
NIFA Refinances NIFA & County*	286,352	285,835	

*With Balloon Maturity

One of the highlights of the Proposed FY 21 Budget is the precipitous drop in sales tax revenue which remains the County's most substantial source of revenue and as such, is discussed in Section Four of this Executive Summary. Depending on what happens in the next few months, this revenue source can impact the required budget actions.

The average decline of the sales tax checks during the pandemic through the September 11, 2020 check is 21.8%. Current projections from OLBR use the year to date actual sales tax collections and assume a 20.0% reduction on <u>all remaining checks</u> to arrive at a FY 20 sales tax base projection of $1,047.1 million. This is different than the Administration, who assumes an overall 20.0% decline from the entire FY 20 Adopted Budget due to COVID-19. That difference in methodology leads to a more positive sales tax revenue base of approximately $39.2 million in FY 20 as shown in the table below:

Table 1.1: OMB and OLBR FY 20 Sales Tax Base Comparison

	2020 Budget	**OMB 2020 Projections**	**OMB Variance to Budget**
OMB Scenario	1,269.7	1,008.0	$ (261.7)
			-20.6%

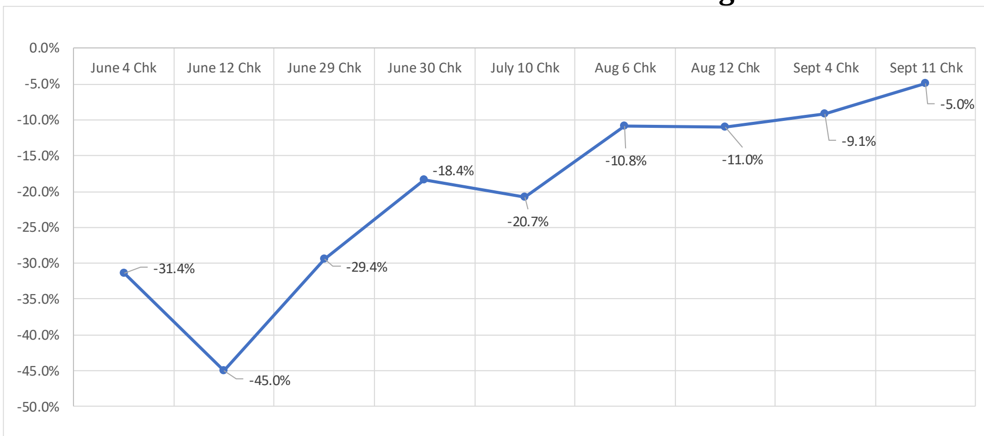
	OLBR 2020 Projections	**Variance to Buget**
OLBR Scenario	1,047.1	$ (222.5)

** Includes Distressed Hospital Adj.

OLBR Vs. OMB Variance to Base	**$ 39.2**

It should be mentioned that using the -20.0% may be seen as taking a cautious approach given that the annual decline percentages in each sales tax check have been improving. Using the FY 21 growth estimated by OMB of 1.5% and applying it to OLBR's FY 20 projected base would positively impact FY 21 by approximately $40.9 million. The chart on the next page illustrates the historical percentage growths to date:

Chart 1.0: Historical Sales Check Percentage Growth



The projections first presented to the Legislature estimated the remaining checks seeing a 20.0% negative growth and did not yet factor the current trends. Moody's Economy.com most recent forecast included an expected FY 20 decline of 16.6% in Gross County Product (GCP); followed by a positive 2.7% GCP growth in FY 21. There is a potential for additional sales tax revenues if the current trends continue and there is no second shutdown in FY 20, or if a second shutdown is not as sizable as the first. The Table below illustrates the impact of different scenarios compared to the current OMB projections.

Table 1.2: Scenarios at Different Growth Rates on Remaining Checks

@ Remaining Growth Scenarios	Projected Gap	Current OMB Projected Gap	FY 20 Difference to OMB Base
-5%	($146.7)	($261.7)	$115.0
-10%	(172.0)	(261.7)	89.7
-15%	(197.3)	(261.7)	64.4

On October 9, 2020, the County will receive the final check completing all collections through August. Uncertainties will still exist, but at that time, OLBR will have an updated projection of where FY 20 sales tax collections could end.

Per the Administration, the FY 21 budget also includes funding of approximately $26.6 million for possible Collective Bargaining Agreements (CBA) with all the unions. In estimating the funding, the Administration modeled their projection based on similar terms to the CBA with the Detectives' Association Inc. contract. Depending on the timing and final terms, the cost may differ from the amount anticipated above; however, it was prudent to earmark an amount in the FY 21 Proposed Budget. In addition to the $26.6 million, the total value of the funded but vacant positions has been estimated to be approximately $10.2 million. This number will be reduced when the Administration hires employees.

The proposed budget includes a property tax increase in the Sewer Finance Authority Fund and the Environmental Bond Act Fund. In addition, the Major Funds include an adjustment of $3.9 million which OMB explains to be mainly from the restoration of taxes. 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 1.3: Proposed Property Tax Levy by Fund

Fund	Property Tax Levy 2020 Adopted	2021 Proposed	Difference 2020 vs 2021	% of FY 21 Total Levy
Fire Commission	18,463,956	19,120,319	656,363	2.3%
General	46,666,211	42,189,502	(4,476,709)	5.1%
Police District	390,092,882	389,296,771	(796,111)	47.2%
Police Headquarters	366,185,547	374,656,545	8,470,998	45.4%
Subtotal Major Funds	**$821,408,596**	**$825,263,137**	**$3,854,541**	**100.00%**
Sewers (SFA)	149,332,643	154,559,286	5,226,643	
Total Major Funds & Sewers	**$970,741,239**	**$979,822,423**	**$9,081,184**	
Environmental Bond	10,727,963	11,017,635	289,672	
College	52,206,883	52,206,883	0	
Grand Total	**$1,033,676,085**	**$1,043,046,941**	**$9,370,856**	

In the mid-year reports published by NIFA, the County Comptroller and OLBR, the average FY 20 gap was estimated to be approximately $307.9 million. If the recovery continues to be strong, this number will be lower and to understand the importance of the next few months, OLBR has prepared the illustration below to show how this can impact FY 21:

Table 1.4: FY 20 Projections and How FY 21 Could be Impacted

	Administration's Proposed Gap Closers	Mid Year Avg. Of All 3 Monitors	Scenarios Based on Current Projections Vs. Debt Savings & Fund Balance credits	
Avg of all Monitors Mid-Year Projections		**($307.9)**	**($290.3)**	**($290.3)**
		Scenario		
CARES Act Funds	103.0	103.0	103.0	103.0
PEG Program	25.0	25.0	25.0	25.0
Litigation Fund	23.0	23.0	23.0	23.0
Worker's Comp Fund	15.0	15.0	15.0	15.0
Capital Closeout	32.0	32.0	32.0	32.0
Subtotal	**198.0**	**198.0**	198.0	198.0
NIFA debt Savings	$75.0	$75.0	$75.0	$0.0
Unassigned Fund Balance	**112.0** →	**0**	→ **0**	→ **0**
Grand Total	**385.00**	**273.0**	**273.0**	**198.0**
Shortage		**(34.9)**	**(17.3)**	**(92.3)**
Possible Fund Balance Carry Forward out of $112.0 M		**$77.1**	**$94.7**	**$19.7**

The $307.9 million average gap is by no means a small number and can drastically change depending on what happens in the next few months. A continued recovery will be welcomed news for the County, but a slowdown of the economy and the possibility of a second shutdown will be devastating. However, everything being equal, at a $307.9 million deficit, if the NIFA debt savings take place in conjunction with the other measures, only $34.9 million would need to be used in unassigned fund balance leaving the remaining balance available for FY 21. Or, if the $75.0 million is not realized, and the County had to use the Unassigned Fund Balance, all but approximately $2.1 million would remain. Using the current projected deficit of $290.3 million and assuming that only the $198.0 million in savings happen, this would put the County in a position where $92.3 million would have to be used from the Unassigned Fund Balance leaving $19.7 million available. Again, these projections are fluid and have improved to account for some positive developments; still, the bottom line will need to be adjusted with time.

OLBR has received confirmation that the $75.0 million NIFA debt mandatory sinking fund payment which is due November 15, 2020, will be pushed out, therefore relieving FY 20. However, there seems to be different approaches on how this will be handled beginning in FY 21. The Administration takes the position that the FY 20 debt extension will ultimately put the $75.0 million on a ten-year fixed amortization by NIFA, commencing in FY 22 with an interest payment due in FY 21.

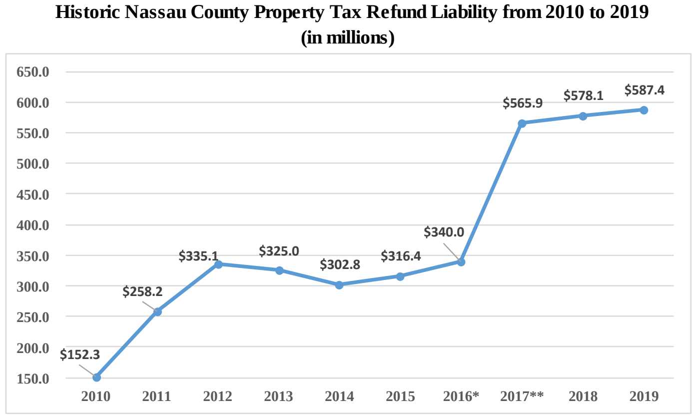
However, according to NIFA, they have been withholding County sales tax revenues each month to cover the $75.0 million payment otherwise due November 15, 2020. Through September, NIFA has withheld eleven twelfths of the amount required to make the debt service payment. Once the November 15th payment has been postponed until 2021, NIFA will turn over the funds to the County. Per NIFA, no decision has been made yet on restructuring (amortizing) the postponed $75.0 million payment beyond 2021. Consequently, NIFA will once again begin to withhold sales tax revenues each month beginning in November of 2020 until a decision is made on the larger refunding transaction proposed by the Administration.

In FY 21, the budget includes the amortization of approximately $14.2 million in pension expenses. In total, the County is now committed to make deferred pension payments through FY 33. With payment of the FY 21 pension bill, approximately $189.5 million will still be outstanding prior to accruing interest. The New York State Comptroller recently announced that Employer Contribution rates for the State Fiscal Year (SFY) 21-22 will increase due not only the COVID-19 pandemic but also to demographic changes such as longer lifespans, and market volatility.[1]

As of December 31, 2019, the County's outstanding property tax liability according to the Assessment Review Commission (ARC) was $587.4 million. This represented a 1.6% increase from December 31, 2018's liability of $578.1 million. The increase from 2016 to 2017 was due to the recognition of an additional $220.3 million in class III liability. Chart 1.1 on the next page illustrates the ARC estimated backlog:

[1] Office of the New York State Comptroller, "NYSLRES Announced Employer Contribution Rates for Retirement System for 2021-22", September 3, 2020.

Chart 1.1: Tax Certiorari Backlog



Source: Nassau County Assessment Review Commission
*2016 Actual includes a $2.75 million journal entry auditor accrual.
**2017 Includes additional Class 3.

The outstanding liability increase was a function of higher class four liability; all other classes recorded a decline in liability. The table below itemizes the annual change in property class liability, figures are in millions.

Table 1.5 Backlog by Class

Annual Nassau County Property Tax Refund Liability by Class				
	2018	**2019**	**$ Change**	**% Change**
Class 1	41.5	35.5	-6.0	-14.6%
Class 2	39.7	33.1	-6.6	-16.7%
Class 3	245.6	242.9	-2.7	-1.1%
Class 4	251.2	275.9	24.7	9.8%
Total	**578.1**	**587.4**	**9.3**	**1.6%**
Source: Assessment Review Commission				

The Proposed FY 21 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.

Table 1.6 on the next page shows the expense and revenue components for the Sewer & Storm Water Resource District:

Table 1.6: Sewer & Storm Water Resource District Highlight (SSW)

Sewer & Storm Water Resource District			
Expense	**FY 20 NIFA Approved Budget**	**FY 21 Executive Budget**	**FY21 vs FY20**
Salaries	$9,505,595	$9,079,692	($425,903)
Fringe Benefits	9,397,114	11,659,270	2,262,156
Equipment	10,000	10,000	0
General Expenses	1,278,370	1,278,370	0
Contractual Services	65,153,850	73,004,033	7,850,183
Utility Costs	7,695,000	7,695,000	0
Interest	2,588,805	2,946,825	358,020
Principal	8,895,174	10,197,736	1,302,562
Interfund Charges	41,107,216	37,774,460	(3,332,756)
Other Expense	358,500	5,358,500	5,000,000
	$145,989,624	**$159,003,886**	**$13,014,262**
Revenue			
Fund Balance	$0	$554,086	$554,086
Permits & Licenses	1,455,000	627,500	($827,500)
Invest Income	200,000	100,000	($100,000)
Rents & Recoveries	4,240,000	0	($4,240,000)
Dept Revenues	1,253,000	1,271,000	$18,000
Fed Aid-Reimb of Exp	0	0	$0
Interfund Transfers	138,841,624	144,795,524	$5,953,900
Debt Svc From Capital	0	11,655,776	$11,655,776
	$145,989,624	**$159,003,886**	**$13,014,262**

The FY 21 Proposed Budget includes $159.0 million in expenses and revenue, which is an increase of $13.0 million from the FY 20 NIFA Approved Budget. The revenue increase is in debt service, specifically restructuring proceeds, of $11.7 million. The interfund transfer line increase of $6.0 million results from a property tax hike transferred from the Sewer Financing Authority Fund. Fund balance usage of $0.6 million is planned for in FY 21. The rents & recoveries revenue budget does not include the County Guarantee contract payment from SUEZ for leasing the County's employees to operate the Sewer System. Permits & licenses are declining in all revenue lines.

The increase on the expenditure side, results from fringe benefits, contractual services, principal and interest as well as other expense. Fringe benefits are growing in social security, health insurance and the State retirement system costs. The contractual services line contains the allocation for the SUEZ contract expense which is increasing by $7.9 million. Principal and interest are rising by $1.3 million and $0.4 million, respectively.

Budget Risks

OLBR has preliminarily identified approximately $388.6 million of risks in the Proposed FY 21 Budget for the Major Funds. Of this total risk, approximately 73.3% is made up of anticipated savings ($285.0 million) that are to come from possible debt restructuring/refinancing; without this $285.0 million item, the risks would drop to $103.6 million. Similar to the Administration's strategy in the current year, possible offsets/gap closers could decrease the number to $233.2 million. Obviously, any variation to the anticipated debt savings can drastically change the risk outlook.

Table 1.7: FY 20 Major Funds Risks (millions)

Risks (in millions)

Items	OLBR Surplus/Risk
NIFA Debt Restructuring savings	$ (285.0)
Overtime	(17.9)
State Aid	(16.7)
NICE bus contract	(14.2)
Early Intervention/Preschool	(12.0)
Cash Recoveries	(10.0)
Sale of County Property	(8.6)
Health Insurance Contribution	(7.0)
Ticket Reconciliation Program	(6.9)
Coliseum Rent & Utilities	(5.3)
Annual Survey of Income & Expense	(5.0)
Total Risks	**$ (388.6)**
Possible Offsets/Gap Closers	
Unassigned FY 20 Fund Balance	94.7
Vacancy Value	10.2
Sales tax on top of base difference @-10% remaining checks	50.5
Total Of Possibilities	**155.4**
Net Risks	**(233.2)**

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. Some other items may be beyond the County's control such as state aid. The latter is within the State's control, and this year the County anticipates cuts of approximately 20.0% to some reimbursements with no clear commitment that the slashes will not continue into FY 21 nor the funds would be reinstated.

The core assumption in the FY 21 Proposed Budget is that debt will be restructured/refinanced by NIFA generating $75.0 million in savings in FY 20 and approximately $210.0 million in FY 21. The control board currently has most of the funds to make the $75.0 million payment. If it does, the risk in FY 21 would be reduced, however, so would the Unassigned Fund Balance required to cover any FY 20 shortfalls. If the restructuring is not approved and this item must be removed/changed, there will need to be an equal amount of savings generated from other actions to keep FY 21 in balance. What action is taken will be about choices and the final decision will be Policy. As previously shown, there are still many uncertainties that can drastically affect FY 20 which in turn will have an impact in FY 21 and the required actions.

Achieving the overtime budget may be challenging but per OMB, the departments should be able to manage to the reduced budgets. In the Correctional Center, the proposed overtime budget is a direct result of the reduced inmate headcount and planned consolidation of buildings. The Police Department hopes to continue staying ahead of attrition and has other funds that it can tap into to reduce the overtime impact on the Major Funds.

The State is dealing with the financial fallout from COVID-19 and has implemented cuts to some reimbursements that the County would normally receive. The FY 21 budget anticipates some cuts that happened this year to be reinstated, however with the continued economic fallout, there is no certainty that this will happen.

The NICE bus contract has been reduced by $14.2 million budget to budget. The department explained that the savings will be achieved not by cutting routes but by reducing service hours to correlate with the decreased fare box revenue and the STOA grant funding. It is unclear if this will be adopted. Similarly, the FY 21 budget includes some initiatives that will need to be implemented by the Administration. This includes cash recoveries of $10.0 million and a Booth and Tow initiative in TPVA for $6.9 million. The Administration also budgeted $8.6 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. The Annual Survey of Income and Expense (ASIE) is still pending litigation and the coliseum is going through a new management proposal.

In the possible offsets/gap closers section of the risk table, OLBR considers some items that may be available to assist the Administration in tackling the FY 21 Proposed Budget risks. Most are highly contingent on what happens in the next few months. In total, they don’t entirely offset the total risks but significantly reduce the bottom line. The next few months will be critical in getting a more definitive trend of the economy and the affected areas of the budget; some revenue sources may become unexpected opportunities, or some may not come to fruition. If any portion of the Unassigned Fund Balance is not used in FY 20, this can help the Administration tackle FY 21. In addition, if the trends continue for sales tax and there is only a decrease of approximately -10.0%, there could be an additional sales tax revenue of $50.5 million.

Conclusion

This budget reflects the ongoing uncertainties surrounding the negative impact of the Coronavirus and the actions the Administration deems necessary to deal with the fallout. The Administration has submitted a budget that it believes will allow the County to face the worst-case scenario from COVID-19. The choices mainly take advantage of possible savings that may be generated in the first few years of a NIFA restructuring although there will be costs in the out years. The Administration’s focus is to get by in FY 21 and then address what comes from that decision in the out years.

Unless there is a severe resurgence of the virus and another shutdown, the County has proposed actions that put it on track to get through FY 20. However, the decisions that are made now, the possibility of a bailout and/or the depth of the economic recovery, have the potential to dictate what actions become necessary in FY 21. Some steps may or may not become necessary, but unfortunately this will not be known for the next few months. The Administration, from a Policy position, is looking at the budget in terms of fragility of the economy and the likely negative implications from a second wave of the virus and possible shutdown. This budget puts forward some choices to deal with the Coronavirus that are a matter of Policy and will have to be considered by the Legislature.

Proposed Expense Budget

The FY 21 Proposed Expense Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is $2.9 billion, a $168.3 million decrease in expenses. A breakdown of the budget categories reveals that salaries and debt service expense decreases account for most of the reduced expenses. Table 1.8 below shows the budget to budget variances by category:

Table 1.8: Major Funds' Expenses FY 20 vs. FY 21
($'s in millions)

	FY 20 NIFA Approved	FY 21 Proposed	Variance
Expenses			
Salaries	$905.8	$873.8	($32.0)
Fringe Benefits	610.2	602.6	(7.7)
Workers Compensation	31.2	31.2	0.0
OTPS	324.2	311.9	(12.3)
Utilities	34.0	33.2	(0.8)
Transportation	45.1	46.3	1.1
Government Assistance	75.1	62.5	(12.6)
Interfund Charges	23.3	22.7	(0.6)
Direct Assistance	174.1	178.8	4.7
Early Intervention/Special Ed	137.0	139.6	2.6
Medicaid	238.2	234.9	(3.3)
Debt Service (Incl NIFA Set Aside)	394.5	286.3	(108.3)
Other Expenses	115.1	115.7	0.6
NIFA Expense	2.0	2.2	0.2
Total Expenses[1]	**$3,109.8**	**$2,941.5**	**($168.3)**

1. Excludes interdepartmental charges and debt service chargebacks

The largest decrease reflected in the expense table above is related to debt service. This drop in expenses, balances the lower budgeted FY 21 revenues and is expected to be achieved through NIFA refinancing/restructuring debt. The FY 21 Proposed NIFA set-asides Budget, which rolls up into the debt service line, is decreasing $119.4 million from the FY 20 Adopted Budget. This is slightly offset by increases in principal and interest payments.

The Proposed FY 21 Major Funds salary line budget is decreasing by $32.0 million compared to the FY 20 NIFA Approved Budget. The Proposed budget removes 329 heads compared to the prior year budget, hence reducing the expenses. In FY 20, the County entered into a Memorandum of Understanding (MOU) with the Police Detectives' Association Inc (DAI). union and OLBR has been notified that the County also negotiated a labor deal with the Superior Officers Association (SOA), the details of which have not yet been presented to the Legislature. Other than these two agreements, the contracts with the other County unions have expired since the end of 2017.

Per the Administration, the FY 21 budget includes funding of approximately $26.6 million for possible Collective Bargaining Agreements (CBA) with all the unions. It was prudent to earmark an amount in the FY 21 Proposed Budget for this purpose. In addition, the remaining value of the funded but vacant positions has been estimated to be approximately $10.2 million. This number will be reduced as the Administration hires employees.

The FY 21 Proposed fringe benefit budget for the Major Funds is approximately $602.6 million, which is a decrease of $7.7 million, or 1.3% from the FY 20 NIFA Approved Budget. The fringe benefit decrease is within the health insurance budget for active employees and retirees, which is partially offset by smaller increases in mostly all the other fringe benefit categories. The decline in the health insurance budget is related to the Administration's vacancy cut of 329 positions. For a more in-depth analysis, OLBR has devoted Section Three of this report to the analysis of fringe benefits.

The Other Than Personal Services (OTPS) rollup shows a reduction of $12.3 million. This consists of decreases of $0.2 million in equipment, $0.04 million in general expenses and a much larger decrease in contractual services of $12.1 million. Below is a breakdown of the different components:

Table 1.9: OTPS

OTPS	FY 20 Approved	FY 21 Proposed	Difference
Equipment	3.2	3.0	**(0.2)**
General Expenses	37.2	37.2	**(0.0)**
Contractual Services	283.8	271.7	**(12.1)**
	324.2	**311.9**	**(12.3)**

Contractual expenses which has the largest OTPS decrease includes reductions of $9.7 million in DPW and $2.6 million in the Assessment Department.

The Administration explains that the FY 21 Assessment contractual services costs are decreasing by $2.6 million from the prior year budget for miscellaneous contractual services due to the department reducing the need for contractual services.

In DPW, Building and Maintenance services are increasing by $4.0 million and the bus contract has been reduced by $14.2 million budget to budget. The department explained that the bus savings will be achieved not by cutting routes but by reducing service hours to correlate with the decreased fare box revenue and the STOA grant funding.

Proposed Revenue Budget

The FY 21 Proposed Revenue Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is $2.9 billion, a $168.3 million decrease from the prior year budget. Table 1.10 below shows the revenue sources from a year to year budget perspective and the corresponding variances:

Table 1.10: Major Funds Revenue FY 20 vs. FY 21
($'s in millions)

	FY 20 NIFA Approved	FY 21 Proposed	Variance
Revenues			
Fund Balance	$0	$0	$0
Department Revenues	229.9	215.2	(14.6)
Fines & Forfeits	113.2	107.0	(6.2)
Non-Tax Sources	269.6	388.6	119.0
Federal Aid	142.4	143.9	1.5
State Aid	224.3	207.7	(16.6)
Sales Tax	1,276.7	1,023.9	(252.8)
Property Tax	821.4	825.3	3.9
Other Taxes	32.4	29.9	(2.5)
Total Revenues[1]	**$3,109.8**	**$2,941.5**	**($168.3)**

1. Excludes interdepartmental revenue & debt service chargebacks

The Proposed FY 21 Budget for sales tax revenue is comparing a pre COVID-19 adopted budget to the current realities. As such, this line item shows a huge decrease and the final number for FY 20 will not be known for a few months. Earlier in the Executive Summary and in Section Four, sales tax revenue and the possible scenarios are discussed in detail.

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 1.11 below illustrates the different components of this category:

Table 1.11: Non-Tax Revenue Breakdown

	FY 20 Budget	FY 21 Proposed	Difference
Int Penalty On Tax	$36.9	$32.7	($4.2)
Permits & Licenses	18.7	18.6	(0.2)
Invest Income	9.7	3.7	(6.0)
Rents & Recoveries	33.5	45.9	12.5
Revenue Offset To Expense	20.7	20.7	(0.0)
Payment In Lieu Of Taxes	47.9	52.4	4.5
Capital Resources For Debt	2.7	135.3	132.6
OTB Profits	20.0	5.0	(15.0)
Interfund Charges Rev	79.5	74.4	(5.1)
Interfund Transfers	-	-	-
Total:	**$269.6**	**$388.6**	**$119.0**

- The increase in the Capital Resources for Debt line is attributed to the restructuring proceeds revenue portion included in the budget due to the anticipated NIFA debt restructuring. Any changes/adjustments to the proposed budget could affect the proceeds from this item.
- The $12.5 million additional revenue in rents & recoveries is made up mostly of $11.8 million more in cash recoveries and an additional $2.1 million from the sale of County properties.
- The Payment in Lieu of Taxes (PILOT) line represents the revenues associated with PILOT agreements. The FY 21 PILOT line is increasing by $4.5 million compared to the FY 20 NIFA Approved Budget. Based on the data download, the increase is on both the LIPA / PSEG Pilot line and the regular line.
- The OTB revenue line does not anticipate any additional recovery from the FY 20 YTD actual.

Department revenues show a decrease of $14.6 million year over year. This reduction consists mostly of $9.7 million less in DPW revenue of which $8.9 million is in fare box revenue from NICE bus. The other larger decrease is in the Parks department with $2.8 million less in revenue.

The fines and forfeit budget to budget shows a $6.2 million decrease in total. The Traffic and Parking Violations Agency (TPVA) in total shows an increase in revenue of $1.9 million; revenue declines of $5.0 million in Fines and Red Light Cameras are being offset by a $6.9 million revenue initiative that the Administration refers to as Ticket Reconciliation Program (TRP). The public safety fee in the Police department is budgeted to experience an $8.0 million decrease.

In the Proposed FY 21 Budget, state aid is decreasing by $16.6 million from the prior year budget in many departments. However, this revenue line is increasing from the current projections of $191.0 million. This revenue line is volatile and has been impacted by the COVID-19 virus this year. It is hoped that there will be some recovery next year, but the threat of an unanticipated mid-year cut is always a possibility.

Multi-Year Plan (MYP)

Table 1.12 below details the Administration's projected expenditures and revenues through FY 24. The budgetary gaps represent projected deficits if corrective actions aren't taken.

Table 1.12: Multi-Year Plan Projections (Major Funds)
($'s in millions)

	2021 Proposed	2022 Plan	2023 Plan	2024 Plan
Expenses				
Salaries	$873.8	$901.3	$933.6	$965.8
Fringe Benefits	602.6	623.8	657.1	692.5
Workers Compensation	31.2	31.2	31.2	31.2
OTPS	311.9	314.4	316.8	319.3
Utilities	33.2	33.3	33.5	33.8
Transportation	46.3	47.1	47.8	48.6
Government Assistance	62.5	65.5	68.7	70.1
Interfund Charges	22.7	22.4	22.1	21.9
Direct Assistance	178.8	180.1	181.4	182.7
Early Intervention/Special Ed	139.6	140.9	142.4	143.8
Medicaid	234.9	240.9	246.0	242.5
Debt Service (Incl NIFA Set Aside)	286.3	407.1	388.7	399.8
Contingency Reserve	0.0	0.0	0.0	0.0
Other Expenses	115.7	115.7	116.9	116.2
NIFA Expense	2.2	2.0	2.1	2.1
Total Expenses[1]	**$2,941.5**	**$3,125.8**	**$3,188.3**	**$3,270.3**

1. Excludes interdepartmental charges and debt service chargebacks

	2021 Proposed	2022 Plan	2023 Plan	2024 Plan
Revenues				
Fund Balance	$0	$0	$0	$0
Department Revenues	215.2	238.7	245.7	251.4
Fines & Forfeits	107.0	120.1	120.1	120.1
Non-Tax Sources	388.6	282.5	288.5	292.7
Federal Aid	143.9	143.9	143.8	143.6
State Aid	207.7	219.0	221.4	223.8
Sales Tax	1,023.9	1,052.3	1,128.6	1,151.6
Property Tax	825.3	825.2	827.1	827.0
Other Taxes	29.9	31.4	31.4	31.4
Total Revenues[1]	**$2,941.5**	**$2,913.0**	**$3,006.7**	**$3,041.6**

1. Excludes interdepartmental revenue & debt service chargebacks

Surplus/Gap Projections	**$0.0**	**($212.7)**	**($181.7)**	**($228.8)**

Over the course of this MYP, total expenses are projected to grow by 11.2% while revenues increase at a rate of 3.4%. There are many uncertainties that can severely affect the proposed MYP. The economy has begun to show signs of improvement while the pending threat of a second waive of the virus and ensuing shutdown still exists. However, even without diving into the numbers, the plan as proposed by the Administration does show a growing imbalance between expenses and revenues. Total expenses are growing by approximately $328.9 million of which salaries and fringes make up $181.9 million of the increase. Revenues in the plan are increasing by $100.1 million. 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 $92.0 million, from a Proposed Budget of $873.8 million in FY 21 to $965.8 million in FY 24. The MYP does assume having new CBAs with all unions in the outyears. Negotiations are still ongoing with some unions and the exact terms are not yet known.
- Fringe benefits will increase by $89.9 million, or 14.9%, from the $602.6 million in the FY 21 Proposed Budget to $692.5 million in FY 24.

  Health insurance expenses for active and retired employees from FY 21 to FY 24 are projected to increase by $49.4 million to $371.5 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 21 through FY 24. The MYP growth rate appears reasonable compared to the historic five-year average of 5.5% for active employees. However, it appears high based on the historic five-year average composite of 2.8% for Medicare eligible retirees.
  - Pension costs for ERS and PFRS are increasing by $34.1 million to $212.4 million by FY 24. The increase can be attributed to increasing pensionable salaries, a projected rise in contribution rates and from the annual amortization installment liabilities.
  - The FY 21 Proposed Budget for social security remains flat at $61.0 million from FY 21 through FY 24.
- The MYP records County interest and principal costs increasing annually from FY 21 through FY 24. Additionally, due to the planned FY 21 NIFA debt restructuring, the other expenses debt service line is increasing $120.8 million from FY 21 to FY 22, followed by a FY 23 decline and an FY 24 increase.
- The FY 21 sales tax budget is based upon a total 1.4% growth rate from the FY 20 OMB projection and the out years of the plan which contain 5.1%, 5.1% and 2.0% growth rates.

Gap Closing Measures

The Administration included in the MYP various items that may reduce the its projected out-year gaps. These items are illustrated in Table 1.13 below:

Table 1.13: Gap Closing Measures Detail FY 22 – FY 24 (millions)

	2022	2023	2024
Current Baseline Gap	**(212.7)**	**(181.7)**	**(228.8)**
Expense/Revenue Actions			
eFMAP Reconciliation	-	15.0	-
NIFA Debt Restructuring	150.0	-	-
State Aid Mandated Cap	-	20.0	20.0
Building Consolidation	5.0	5.0	5.0
Sales Tax from Belmont	5.0	7.0	10.0
Bus Camera	5.0	10.0	15.0
Value of New Construction	3.0	6.0	9.0
Efficiency Program	20.0	20.0	20.0
Contract Management	6.0	6.0	6.0
Economic Recovery Revenue	18.7	92.7	143.8
Total Gap Closing Initiatives	**$212.7**	**$181.7**	**$228.8**
Projected Baseline After Gap Closing Actions	**(0.0)**	**0.0**	**0.0**

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

eFMAP Reconciliations

Pursuant to the Affordable Care Act, the State reconciles the enhanced Federal Medical Assistance Percentage for the County share for certain single/childless couples on an annual basis. Reconciliations for SFY16-17 and beyond have not yet been released. The Administration estimates this revenue adjustment to be at least $15 million and has it as a gap closer in FY 23.

NIFA Debt Restructuring

The budget balance for FY22 is dependent on restructuring of the County's existing debt and further restructuring of existing debt issued by NIFA on behalf of the County in prior years. In FY 22, the County intends to restructure debt to generate $150 million of net savings.

State Aid Mandated Cap

Nassau County pays vendors to provide preschool education for certain 0-5 year-olds in the County. The County submits a voucher to the State and obtains reimbursement for these services from the State. The current State reimbursement rate on most related expenses is 59.5%. The County portion of this mandated program has been growing with no control available to the County. The Administration anticipates increased reimbursement being provided to account for the cost to the County.

Building Consolidation

The County's past workforce reduction has opened possibilities for centralization and downsizing of office space. The County will also realize utility and maintenance savings from better consolidated space.

Sales Tax from Belmont/Value of New Construction

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

Bus Camera

The school Bus Cameras Program has a similar goal as the County Red Light Camera Program. It will provide for a safer boarding and off boarding process for children by encouraging residents to follow state laws as related to stopped school buses. The County will administer the program with the support of school districts.

Efficiency Program

The Administration will continue to seek opportunities for consolidation and realign workforce levels to ensure that the County provides essential services for all Nassau County residents in an affordable manner.

Contract Management

The Administration will review contract scopes to reduce redundancy and optimize outside contracts to ensure that the County provides essential services for all Nassau County residents in an affordable manner.

Economic Recovery Revenue

Business sectors that were viewed as higher risk for transmitting the virus have experienced longer periods of closure. Additionally, staying home disrupted spending patterns that contributed to the local economy and generated sales tax. Therefore, major contributors to the County’s sales tax revenue such as auto dealers, restaurants, gasoline stations, traveler accommodation, retail shopping - especially malls/clothing and department stores - and auto repair and maintenance all saw significant declines due to these shutdowns. The Multi-Year Plan reflects an economic recovery in the out years for these sectors.

2. LABOR

In FY 20, the County entered into a Memorandum of Understanding (MOU) with the Police Detectives' Association (DAI) Inc. Union. This was the first negotiated contract that the County had entered into since the expiration of all the County's union contracts on December 31, 2017. The term of this agreement is for the period starting January 1, 2018 through June 30, 2026. The MOU provides Cost of Living Adjustments (COLAs) of 2.0% on July 1, 2020 and July 1, 2021, 2.5% on July 1, 2022 and July 1, 2023, and 3.0% on July 1, 2024 and July 1, 2025. The Office of Legislative Budget Review (OLBR) was also notified that the County negotiated a labor deal with the Superior Officers Association (SOA), the details of which have not yet been presented to the Legislature. Until the deal is presented, the specifics revealed, and an analysis performed, the estimated cost will not be known. However, based on the FY 21 Proposed Budget it appears that the salaries for the SOA union have been adjusted to account for cost increases.

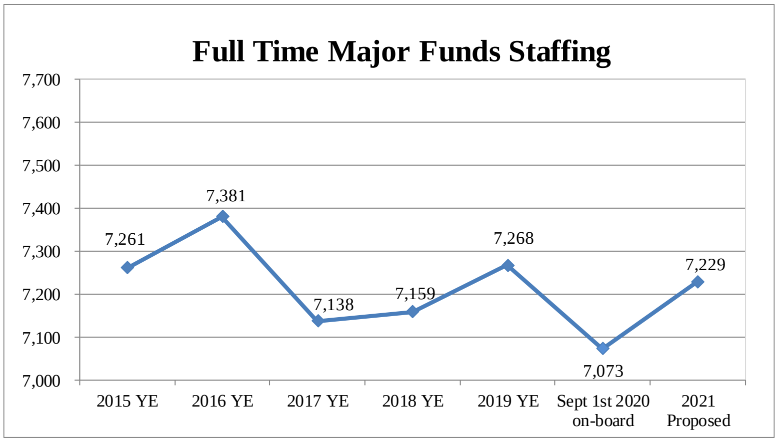
Per the Administration, the FY 21 budget also includes funding of approximately $26.6 million for possible Collective Bargaining Agreements (CBA) with <u>all the unions</u>. In estimating the cost, the Administration modeled their estimate based on similar terms to the CBA with the Detectives' Association Inc. contract. Depending on the timing and final terms, the cost may differ from the amount anticipated above; however, it was prudent to include an amount in the FY 21 Proposed Budget. In addition, the total remaining value of the funded but vacant positions has been estimated to be approximately $10.2 million. This number will be reduced as the Administration hires employees.

Except for DAI and the pending agreement with SOA, the CBA with the Police Benevolent Association (PBA), the Civil Service Employees Association (CSEA) and the Correction Officers Benevolent Association (COBA), formerly known as ShOA (Sheriff Officers Association) are expired and to date no new agreements have been negotiated. When contracts are settled between the County and unions, these agreements will need to be evaluated within the context of the Adopted Budget and the projections to determine if the value can be absorbed. The $26.6 million appropriation identified above will be first used to absorb the cost of possible union agreements.

Headcount is currently at historical lows as the County continues to benefit from prior workforce management efforts and has kept these positions unfilled. The Administration's Executive Summary highlights the addition of staff in departments where it is deemed necessary. The Proposed Budget funds 7,229 full time positions in the Major Operating Funds which compared to the September 1, 2020 onboard headcount of 7,073 includes 156 vacant funded positions.

Chart 2.0 on the next page, illustrates the historical, current and FY 21 proposed full-time headcount:

Chart 2.0: Headcount Trend



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

The Major Funds overtime expense is budgeted at $69.7 million in the Proposed FY 21 Budget which represents a $17.9 million decrease from the FY 20 projections and approximately $12.2 million less than the FY 20 Adopted Budget. The Police Department budgeted $12.7 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, they are planning to hire two classes in FY 21 of approximately 75 officers per class to stay ahead of attrition.

In the Correctional Center, the FY 21 Proposed Budget for overtime is $4.2 million less than the current projections. The department has seen the inmate headcount drastically decrease and is implementing measures to consolidate space, hence decreasing expenses.

Table 2.0: Major Funds Overtime Trends

OVERTIME TRENDS				
	2020 Adopted	2020 Projection	2021 Proposed	FY 21 Bud Vs. FY 20 Proj Difference
Police District	$ 24,860,750	$ 25,779,945	$ 21,150,000	$ (4,629,945)
Police Headquarters	27,980,000	31,951,366	23,850,000	(8,101,366)
Total	52,840,750	57,731,311	45,000,000	(12,731,311)
Corrections	15,313,446	15,500,000	11,258,446	(4,241,554)
Police & Corrections	68,154,196	73,231,311	56,258,446	(16,972,865)
Others	13,715,325	14,384,534	13,460,881	(923,653)
TOTAL:	$ 81,869,521	$ 87,615,844	$ 69,719,327	$ (17,896,517)

Headcount

In Table 2.1 on the next page, the FY 21 full-time Operating Funds Budget including Sewer & Storm Water positions is compared to the current on-board headcount by department:

Table 2.1: Staffing Comparison

Department	2021 Department Headcount Request	2020 Sept Onboard Headcount	2020 Sept Onboard Salaries	2021 Proposed Headcount	2021 Proposed Salaries	Variance 2021 Proposed vs. 2020 Sept Onboard
Assessment	154	152	10,530,934	154	11,686,664	2
Asian American Affairs	4	3	211,000	4	271,000	1
Assessment Review Commission	63	61	4,483,601	63	4,840,370	2
Board of Elections	161	142	10,810,670	161	11,905,676	19
Civil Service	45	48	3,800,075	45	3,929,846	(3)
Office of Crime Victims Advocate	3	2	195,000	6	357,500	4
Comptroller	84	78	6,802,961	84	7,466,028	6
Constituent Affairs	15	15	1,404,470	15	1,404,470	0
Consumer Affairs	24	25	1,606,452	25	1,747,026	0
Correctional Center	976	887	76,147,451	922	82,716,885	35
County Attorney	88	86	7,544,306	88	8,041,060	2
County Clerk	89	85	5,077,873	89	5,677,604	4
County Executive	13	13	1,523,675	13	1,523,675	0
District Attorney	449	417	38,640,441	448	42,566,557	31
Emergency Management	8	8	781,938	8	794,849	0
Health	180	162	13,227,544	180	14,708,014	18
Housing & Intergovernmental Affairs	14	14	955,000	14	1,043,965	0
Human Resources	8	6	528,740	8	638,740	2
Human Rights	4	4	319,509	5	381,163	1
Human Services	59	58	4,615,533	61	4,898,337	3
Information Technology	115	112	8,647,923	115	9,212,171	3
Labor Relations	5	7	628,000	5	473,000	(2)
Legislature	98	95	7,887,314	98	8,279,995	3
Medical Examiner	82	82	7,484,599	85	8,117,971	3
Office of Hispanic Affairs	7	3	205,000	6	380,000	3
Office of Minority Affairs	7	7	579,750	8	604,750	1
Office of Management and Budget	25	25	2,719,901	28	2,839,901	3
Parks, Recreation and Museums	147	139	8,289,137	144	8,568,650	5
Probation	179	178	15,529,615	184	16,736,706	6
Public Administrator	6	6	493,508	6	494,755	0
Public Works Department	391	382	27,031,988	391	29,044,588	9
Shared Services	12	12	1,033,558	12	1,085,406	0
Records Management	11	10	617,447	11	655,127	1
Social Services	571	532	37,871,649	555	41,973,169	23
Traffic & Parking Violations	43	43	2,599,868	43	2,626,518	0
Treasurer	30	28	1,847,210	29	2,042,651	1
Veterans' Services Agency	9	7	478,139	8	521,279	1
Savings from Initiative & Adjustment	0	0	0	(268)	(8,397,286)	(268)
General Fund Total	**4,179**	**3,934**	**313,151,779**	**3,853**	**331,858,780**	**(81)**
Fire Commission	91	90	6,820,281	91	7,472,515	1
Police District	1,740	1,603	141,151,851	1,738	162,597,297	135
Police Headquarters	1,585	1,446	146,952,764	1,547	158,698,539	101
Total Major Funds	**7,595**	**7,073**	**608,076,675**	**7,229**	**660,627,131**	**156**
Sewer & Storm Water (SSW)	91	90	6,080,064	91	6,236,139	1
Total including Sewers*	**7,686**	**7,163**	**614,156,739**	**7,320**	**666,863,270**	**157**

Note: *The September onboard total for Major Funds includes all in employees.*

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

Table 2.2: MYP Major Funds Salary Plan

Major Funds Multi-Year Salary Plan				
Department	**2021 Proposed**	**2022 Plan**	**2023 Plan**	**2024 Plan**
Assessment Review Commission	4,944,684	5,251,413	5,451,970	5,597,235
Assessment Department	12,023,594	12,459,599	12,899,718	13,301,003
Asian American Affairs	351,241	351,241	351,241	351,241
County Attorney	8,288,045	8,365,980	8,441,410	8,535,977
Office of Management and Budget	5,509,506	5,509,506	5,509,506	5,509,506
Office of Consumer Affairs	1,928,033	1,976,192	2,037,103	2,122,379
Correctional Center	105,617,069	109,161,776	112,574,835	116,577,391
County Executive	1,613,468	1,613,468	1,613,468	1,613,468
Office of Constituent Affairs	1,485,130	1,485,130	1,485,130	1,485,130
Clerk	6,614,183	6,780,875	6,983,552	7,206,754
County Comptroller	7,814,177	8,062,619	8,348,364	8,661,637
Civil Service	5,144,935	5,279,752	5,427,161	5,600,671
Office of Crime Victims Advocate	365,420	365,420	365,420	365,420
District Attorney	45,078,345	45,695,007	46,371,765	47,096,036
Board of Elections	17,833,856	18,052,533	18,300,975	18,581,094
Emergency Management	987,768	996,900	1,007,274	1,018,971
Fire Commission	11,263,213	11,585,133	11,929,152	12,248,092
Health Department	16,213,457	16,661,722	17,166,236	17,699,936
Housing & Intergovernmental Affairs	1,161,161	1,161,161	1,161,161	1,161,161
Commission on Human Rights	400,360	411,049	427,576	439,326
Department of Human Services	5,276,291	5,414,096	5,564,967	5,742,996
Information Technology	9,966,471	10,309,382	10,715,255	11,060,971
County Legislature	8,840,678	8,840,678	8,840,678	8,840,678
Office of Labor Relations	503,623	503,623	503,623	503,623
Office of Minority Affairs	711,778	711,778	711,778	711,778
Medical Examiner	9,317,572	9,603,398	9,896,099	10,211,731
Public Administrator	568,382	575,099	582,589	590,730
Probation	19,240,775	19,868,526	20,558,449	21,238,565
Police Department	465,055,150	481,580,127	502,411,587	522,413,430
Department of Human Resources	841,249	841,249	841,249	841,249
Parks, Recreation and Museums	18,569,753	18,860,691	19,182,597	19,541,198
Shared Services	1,184,973	1,210,096	1,242,864	1,287,767
Public Works Department	31,715,823	32,755,705	33,826,909	34,963,983
Records Management	980,293	1,009,959	1,032,052	1,056,238
C.A.S.A.	441,121	441,121	441,121	441,121
Social Services	47,861,673	49,372,967	51,012,514	52,610,980
County Treasurer	2,173,920	2,226,882	2,290,052	2,354,973
Traffic & Parking Violations Agency	3,704,067	3,782,365	3,873,174	3,990,891
Veterans Services Agency	592,979	606,798	621,912	643,406
Office of Management and Budget - Attrition	(8,397,286)	(8,397,286)	(8,397,286)	(8,397,286)
Grand Total	**873,786,930**	**901,343,733**	**933,605,203**	**965,821,449**

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 for the tenth consecutive year. This will provide budgetary relief in FY 21 by deferring roughly $14.2 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 $365.9 million, which includes the FY 21 deferral. OLBR estimates, that with interest this could accumulate to be approximately $446.1 million for all amortized amounts. With the payment of the FY 21 pension bill, approximately $189.5 million remains outstanding, prior to interest accumulating.

The FY 21 Fringe Benefit budget for the Major Funds is $602.6 million, which is a decrease of $7.7 million from the FY 20 NIFA Approved Budget due mostly to decreases in health insurance for active employees and retirees, partially offset by increases in the other fringe lines. The budget to budget decrease is mostly due to the Administration's cut of 329 vacancies in the Proposed Budget, as well as an overfunded FY 20 budget. Compared to the FY 20 projection, expenses are increasing by $17.5 million, which is within the health insurance, pension and social security budgets.

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

Table 3.0: Fringe Budget by Major Funds

Fund	Department	NIFA Approved FY 20 Budget	OLBR FY 20 Projection	FY 21 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 20 Proj.
Fire Commission	Fringe Benefits	6,485,830	6,076,180	6,419,389	($66,441)	$343,209
General Fund	Courts	1,165,108	858,225	832,948	(332,160)	(25,277)
	Fringe Benefits	272,661,178	255,851,233	259,052,076	(13,609,102)	3,200,843
	OMB	26,666,209	26,663,493	24,666,209	(2,000,000)	(1,997,284)
Police District	Fringe Benefits	143,028,266	138,829,314	145,750,544	2,722,278	6,921,230
Police Headquarters	Fringe Benefits	160,214,065	156,783,483	165,841,028	5,626,963	9,057,545
Total		**610,220,656**	**585,061,928**	**602,562,194**	**($7,658,462)**	**$17,500,266**

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 20 Budget	OLBR FY 20 Projection	FY 21 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 20 Proj.
08F - NYS Police Retirement	91,266,592	90,429,202	92,300,000	1,033,408	1,870,798
11F - State Retirement Systems	82,981,930	83,798,758	86,010,662	3,028,732	2,211,904
13F - Social Security Contribution	58,568,302	59,568,302	61,046,635	2,478,333	1,478,333
14F - Health Insurance	166,171,506	152,839,180	156,702,108	(9,469,398)	3,862,928
16G - County Exp	-	5,242	0	0	(5,242)
17F - Optical Plan	928,925	775,871	946,602	17,677	170,731
19F - NYS Unemployment	758,239	1,504,368	900,000	141,761	(604,368)
20F - Dental Insurance	4,772,517	3,926,567	4,952,531	180,014	1,025,964
22F - Medicare Reimbursement	24,540,055	25,761,651	25,752,737	1,212,682	(8,914)
22S - Medicare Reimbursement Surcharge	950,849	2,534,663	2,000,000	1,049,151	(534,663)
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	0	0
35F - MTA Mobility Tax	3,041,599	3,041,599	3,345,754	304,155	304,155
40F - CSEA Legal Plan	450,450	699,700	460,500	10,050	(239,200)
41F - COBA Legal Plan	105,375	98,625	105,375	0	6,750
45F - Disability Insurance	53,000	53,000	54,000	1,000	1,000
75F - Health Insurance For Retirees	173,073,396	157,177,234	165,405,116	(7,668,280)	8,227,882
76F - Employees Optical - Retirees	457,921	747,966	480,174	22,253	(267,792)
98G - Fringes Allocable to Grants	-	-	0	-	-
Grand Total	**610,220,656**	**585,061,928**	**602,562,194**	**(7,658,462)**	**17,500,266**

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

The annual bill for the New York State Retirement System 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. It is our understanding that the Administration is planning to make the payment this year in February; if so, the County will not realize the pre-payment discounted savings of approximately $1.5 million.

The FY 21 Proposed Budget plans to amortize 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]

Table 3.2 on the next page provides the FY 20 and FY 21 pension expenses billed by the State for Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) based on both the February and December payment dates. As shown on the next page, the maximum amortized amount allowed based on the FY 21 pension invoice is $14.2 million or roughly 7.0% of the $202.9 million total pension bill for the February payment date. This is an increase of $4.6 million from last year's pension bill. In addition to the Major Funds, within the pension invoice, funds are included for the Nassau Community College (NCC), the Sewer and Storm Water Resource District (SSWRD) and the Grant Fund.

[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.

Table 3.2: FY20-FY21 Pension Invoices

Pension Payments Based on December & February Schedules			
December			
	2020 Invoice	**2021 Invoice**	**2021 vs. 2020**
Total Pension Bill Excluding Amortization			
ERS	102,601,060	104,658,997	2,057,937
PFRS	94,222,748	96,750,276	2,527,528
	$196,823,808	**$201,409,273**	**4,585,465**
Amount Using Maximum Amoritization			
ERS	94,064,572	95,698,704	1,634,132
PFRS	90,525,510	91,488,818	963,308
	$184,590,082	**$187,187,522**	**$2,597,440**
Amount Allowed to be Amortized	**$12,233,726**	**$14,221,751**	$1,988,025
February			
	2020 Invoice	**2021 Invoice**	**2021 vs. 2020**
Total Pension Bill Excluding Amortization			
ERS	103,374,753	105,426,721	2,051,968
PFRS	94,963,831	97,491,530	2,527,699
	198,338,584	**202,918,251**	**4,579,667**
Amount Using Maximum Amoritization			
ERS	94,838,265	96,466,428	1,628,163
PFRS	91,266,593	92,230,072	963,479
	186,104,858	**188,696,500**	**2,591,642**
Amount Allowed to be Amortized	**12,233,726**	**14,221,751**	
Savings From December Pre-payment	**1,514,776**	**1,508,978**	

* 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 both the December and February payment dates. As previously mentioned, if the Administration makes the payment in February, the discounted savings of $1.5 million will be eliminated. The February invoice of $202.9 million includes $105.4 million billed for (ERS) and $97.5 million billed for (PFRS).

Based on the SFY 20-21 pension bill, the amortization of the maximum amount allowed, the pension expense payment is reduced from $202.9 million to $188.7 million based on the February date. When compared to the SFY 19-20 year, the total pension invoice is increasing by $4.6 million (shown in the chart above), or by $2.6 million compared to the amount that will be paid under the maximum amortization. The increase in the pension bill can be attributed to increasing pensionable salaries, as well as a small rise in the contribution rates for PFRS and from the annual installments included in the bill from prior year deferrals that continue to accumulate.

Table 3.3 below details the outstanding liability from deferring these expenses since FY 12. Since the prior year's liabilities were based on paying the bills in December, the figures below represent the total amortization amounts based on the December payment dates.

Table 3.3: Amortization

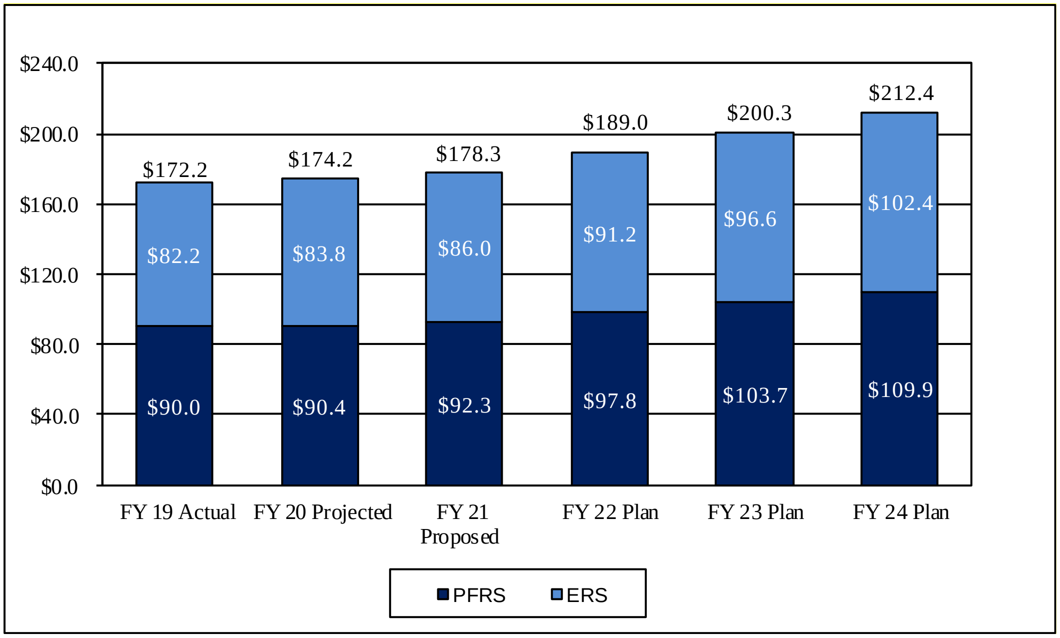
Amounts Amortized by Year (in millions)			
Year	**Without Interest**	**Estimated With Interest**	
2012 Amortization Liabilty	38.8	47.2	
2013 Amortization Liabilty	57.6	67.5	
2014 Amortization Liabilty	71.5	90.1	
2015 Amortization Liabilty	60.9	75.6	
2016 Amortization Liabilty	41.1	50.5	
2017 Amortization Liabilty	29.7	35.1	
2018 Amortization Liabilty	24.6	30.3	
2019 Amortization Liability	15.2	19.4	
2020 Amortization Liability	12.3	14.7	
Subtotal Amortization 2012-2020	351.7	430.4	
2021 Deferred Liability	14.2	15.7	*
Subtotal Amortization 2012-2021	**365.9**	**446.1**	
Remaining Liability After Paid Installments	**189.5**	**214.5**	

*OLBR Estimates the 2021 liability based on the first installment from the projected FY 22 bill.

As previously mentioned, and depicted in the table above, the County has deferred a total of $365.9 million through FY 21 (which includes the $14.2 million being deferred this year). These total deferred amounts are based on the December payment dates, however, this amount would be roughly $1.5 million higher based on making the February payment dates. With interest, the total deferred could accumulate to $446.1 million. After deducting the installments paid to date, OLBR estimates the total outstanding liability to be roughly $189.5 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 obligation from FY 19 actual through FY 24 (the out-years of the MYP) for **the Major Funds.** The Administration's FY 21 Proposed Budget includes the pension expense of $92.3 million for PFRS and $86.0 million for ERS for a total budget of roughly $178.3 million. The figures are based on amortizing the maximum amount allowed, and they include the Major Funds only.

Chart 3.0: FY 19 to FY 24 Pension Costs for the Major Funds (in millions**)**



The New York State Comptroller recently announced rates for the SFY (21-22) and reported that local and state governments will soon have to pay more into their workers' pension, which could further "pressure governments already struggling because of lost revenues during the COVID-19 emergency to raise taxes." The estimated average contribution rate for ERS is projected to rise up to 16.2% of payroll, from 14.6% and PFRS will increase to 28.3% of payroll, from 24.4%.[2] According to the Comptroller, "demographic changes such as longer lifespans, and market volatility are nudging rates up. And, as the COVID-19 pandemic continues to create uncertainty in the financial markets and hurt Main Street, it is unfortunate that the state pension fund entered this uncertain time."[3]

The Administration's Multi-Year Plan (MYP) projects pension costs to continue to rise to $189.0 million in FY 22, $200.3 million in FY 23 and $212.4 million in FY 24. The MYP is reflected at the end of this report. The first payment from the FY 21 amortization of the $14.2 million deferral will impact the FY 22 bill by an estimated additional $1.2 million. This is in addition to the $37.8 million in annual installments the County is currently obligated to make from the FY 12 through FY 20 amortizations. On a positive note, the budget for FY 23 could reflect a decrease since annual installments of $4.7 million from the 10-year 2012 borrowing will be completed. As a result, approximately $4.7 million in annual liability will be removed.

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

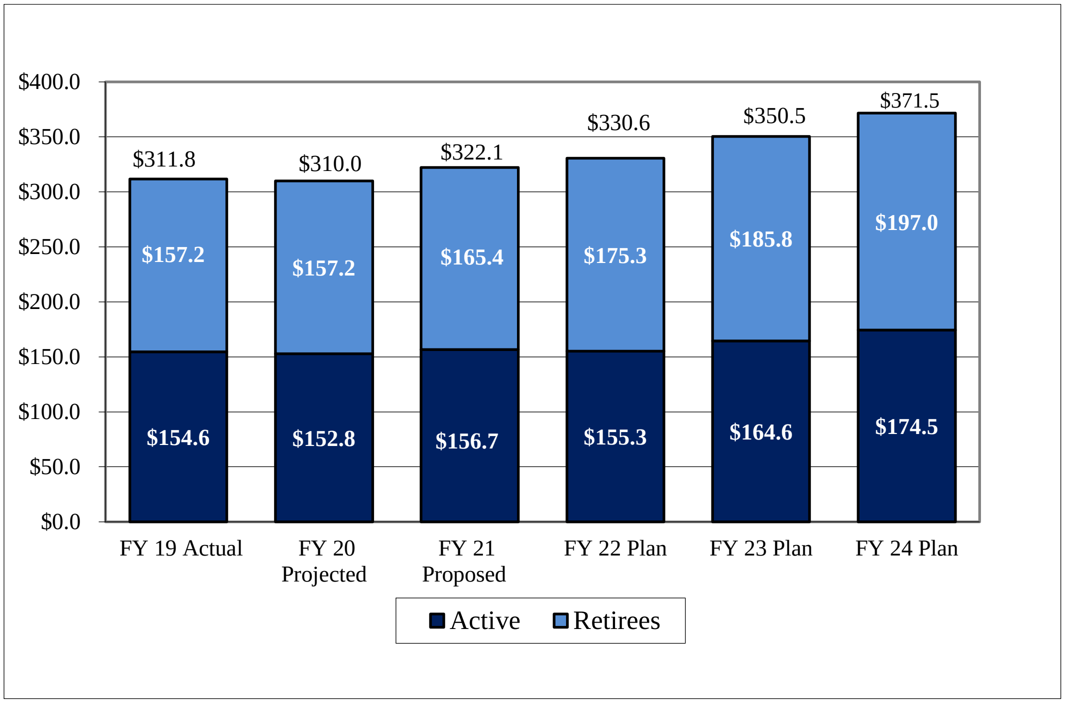
In FY 20, The New York State Health Insurance Plan (NYSHIP) Empire individual and family premium plans, which most County workers carry, decreased by roughly -1.1%. This was the first decline realized in decades for the individual and family premiums in the Empire plan. According to the Office of

[2] Office of New York State Comptroller, "N.Y. State Comptroller DiNapoli: NYSLRS Announced Employer Contribution Rates for Retirement System for 2021-22." September 4, 2022.
[3] Ibid.

Management and Budget (OMB), the FY 21 Proposed Budget is based on a growth rate assumption of 6.0%.

The FY 21 Proposed Budget for active and retiree health insurance is decreasing by $17.1 million compared to the FY 20 NIFA Approved Budget, however it is increasing by $12.1 million compared to the FY 20 projection (which is discussed below).

Chart 3.1: FY 19 to FY 24 Health Insurance Costs (in Millions)



The FY 21 Proposed Budget includes $322.1 million for active and retiree health insurance costs. The $17.1 million decrease compared to the FY 20 NIFA Approved Budget is due the Administration's reduction of 329 vacant positions. In addition, the FY 20 Adopted Budget was overfunded.

Compared to the **FY 20 projection**, the FY 21 budget is increasing by $3.9 million for active employees and $8.2 million for retired employees, for a total of $12.1 million. The increase compared to the projection is due an increase in the health insurance growth rate; as well as increasing the current onboard to the budgeted headcount. The Administration's growth rate assumption of 6.0% seems reasonable compared to an independent analysis conducted by the New York Stat consultant, AON Empower Results. According to this analysis, AON Empower Results is projecting an overall 2021 blended health insurance funding level increase of 6.8% for the Empire Plan.

The FY 21 health insurance budget also includes a credit, which partially offsets this cost, to reflect a possible 2% health insurance contribution if labor agreements are negotiated similar to the terms that were settled in the recent Detectives' Association Inc. contract (DAI). If the County is successful in obtaining the projected health insurance contribution with County unions, the FY 21 health insurance budget will be sufficient. However, without any of these contribution savings, there could be a potential deficit. Based on projecting the 6.0% growth rate assumption by the budgeted headcount and not obtaining any savings from possible contributions, the health insurance budget for active employees appears to be underfunded by up to roughly $7.0 - $8.0 million. Meanwhile, the budget for health insurance for retirees appears to be sufficient.

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 $137,700 which is an increase of $4,800 from the $132,900 in 2019. Medicare has no maximum. Preliminary estimates project the wage base to rise to at least $141,900 in 2021. [4]

The FY 21 Proposed Budget for social security is increasing by $2.5 million or 4.2%, compared to the FY 20 NIFA Approved Budget and by $1.5 million compared to the FY 20 projection. According to the Administration, the increase is attributed to less County employees reaching the social security cap.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. The annual per capita premium is $110.40. The FY 21 Proposed Budget is increasing by $17,677 compared to the FY 20 NIFA Approved Budget and by $170,731 compared to the FY 20 projection. Based on the FY 21 Proposed budgeted headcount of 7,229 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 21 Proposed Budget is increasing by $141,761 compared to the FY 20 Approved Budget, however it is decreasing by $604,368 compared to the projection. Since the current FY 20 projection is roughly $1.5 million, the FY 21 Proposed budget could be underfunded if current unemployment rates continue in FY 21

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 is $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 21 Proposed Budget is increasing by $180,014 compared to the FY 20 budget and significantly by $1.0 million compared to the FY 20 current projection. The FY 21 Proposed Budget is more than sufficient to cover the full-time budgeted headcount in the FY 21 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 21 Budget is increasing by $1.2 million, or 4.9%, compared to the FY 20

[4] Trimarchi, Michael, Bloomberg Tax, "Social Security Tax Wage Base Projected to Rise $4,200 for 2021", April 22, 2020.

NIFA Approved Budget and is consistent with the current projection. The budgeted increase can be attributed to an increase in Medicare eligible retirees and a rise in the Part B rates.

In FY 20 standard Medicare Part B premiums are $144.60 per month for individual salaries up to $87,000 and joint salaries up to $174,000. The monthly Part B premiums that include income-related adjustments will range from $202.40 up to $491.60, depending on the extent to which an individual beneficiary's modified adjusted gross income exceeds $87,000 (or $174,000 for a married couple).[5]

The standard Medicare Part B premium is expected to rise by 2.7% or $3.9 to $148.50 per month for 2021.[6]

22S Medicare Reimbursement Surcharge

The FY 21 Proposed Budget for the Medicare Reimbursement surcharge is increasing by $1.0 million to $2.0 million, compared to the FY 20 Adopted Budget, to be more consistent with the prior year actual, however it is short 21.1% compared to the current projection.

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 21 Proposed budget remains flat at $2.1 million. The FY 21 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 21 budget is $3.3 million, which is an increase of $304,155 from the FY 20 NIFA Approved Budget and projection.

40F CSEA Legal Plan

The FY 21 budget includes $460,500 for the CSEA legal plan, which is an increase of $10,050, or 2.2% budget to budget, however it is a reduction of $239,200 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 21 Proposed Budget may be understated since the current FY 20 projection is greater than the FY 20 NIFA Approved budget.

41F COBA Legal Plan

The FY 21 budget includes $105,375 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which is unchanged from the FY 20 NIFA Approved Budget and an increase of $6,750 compared to the FY 20 projection.

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[5] "Medicare Part B Costs," Medicare.Gov; https://www.medicare.gov/your-medicare-costs/part-b-costs

[6] Powel, Robert, **USA Today**, "Social Security: There may be no cost of living increase in 2021." August 5, 2020.

45F Disability Insurance

The FY 21 Proposed Budget includes $54,000 for providing New York State disability insurance to CSEA unit members; which is rising minimally budget to budget and compared to the projections.

76F Employees Optical for Retirees

This benefit provides optical coverage for retired County employees. The County's cost to provide optical insurance coverage to retired employees is the same as the cost to provide insurance for current employees, which is $110.4 per person. The FY 21 Proposed Budget is increasing by $22,253 from the FY 20 NIFA Approved budget but is decreasing by $267,792 compared to the FY 20 projection. Based on the current projection and on the current number of retirees receiving this benefit, the budget appears to be underfunded by this amount.

Multi-Year Plan

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

SubObject & Description	2021 Proposed Budget	2022 Plan	2023 Plan	2024 Plan
AB08F - NYS Police Retirement	92,300,000	97,838,000	103,708,280	109,930,777
AB11F - State Retirement Systems	86,010,662	91,171,302	96,641,580	102,440,075
AB13F - Social Security Contributions	61,046,635	61,046,635	61,046,635	61,046,635
AB14F - Health Insurance	156,702,108	155,304,234	164,622,489	174,499,838
AB17F - Optical Plan	946,602	1,003,398	1,063,602	1,127,418
AB19F - New York State Unemployment	900,000	954,000	1,011,240	1,071,914
AB20F - Dental Insurance	4,952,531	5,249,683	5,564,664	5,898,544
AB22F - Medicare Reimbursement	25,752,737	27,297,901	28,935,775	30,671,922
AB22S - Medicare Reimbursement Surcharge	2,000,000	2,000,000	2,000,000	2,000,000
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB35F - MTA Mobility Tax	3,345,754	3,412,669	3,480,922	3,550,541
AB40F - CSEA Legal Plan	460,500	469,710	479,104	488,686
AB41F - COBA Legal Plan	105,375	107,483	109,632	111,825
AB45F - Disability Insurance	54,000	55,080	56,182	57,305
AB75F - Health Insurance for Retirees	165,405,116	175,329,423	185,849,188	197,000,140
AB76F - Employees Optical for Retirees	480,174	480,174	480,174	480,174
Grand Total	**602,562,194**	**$623,819,692**	**$657,149,467**	**$692,475,793**

Fringe benefits will increase by $89.9 million, or 14.9%, from the $602.6 million in the FY 21 Proposed Budget to $692.5 million in FY 24.

- Health insurance expenses for active and retired employees from FY 21 to FY 24 are projected to increase by $49.4 million to $371.5 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 21 through FY 24. The MYP growth rate appears reasonable compared to the historic five-year average of 5.5% for active employees. However, it appears high based on the historic five-year average composite 2.8% for Medicare eligible retirees.

- Pension costs for ERS and PFRS are increasing by $34.1 million to $212.4 million by FY 24. The increase can be attributed increasing pensionable salaries, a rise in contribution rates 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, this reduction could be eroded if the County continues to defer the pension expense in FY 22 and FY 23.

- The FY 21 Proposed Budget for social security remains flat at $61.0 million from FY 21 through FY 24. According to the Administration, the increase is attributed to less County employees reaching the social security cap.

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 addition, in FY 21 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 21 Executive Budget, excluding the deferred piece, is $1,022.0 million. The FY 21 budget reflects a calculated 1.4% growth from OMB's July FY 2020 projection. According to the Administration, their July FY 2020 projection assumed a 20.0% decline from the FY 20 Adopted Budget due to COVID-19.

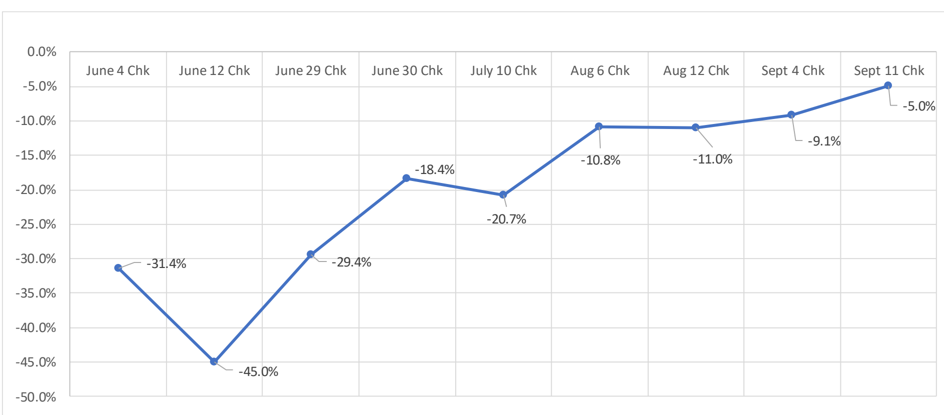
Table 4.0 below illustrates the FY 21 Proposed Budget, which shows a 1.4% growth rate from the FY 2020 OMB projection and the out years of the plan which contain 5.1%, 5.1% and 2.0% growth rates.

Table 4.0: Proposed Sales Tax Growth

	2020 Budget	Total 2020 Projections*	Total 2020 Variance	2021 Budget	2022 Budget	2023 Budget	2024 Budget
Projected Sales Tax	1,269.7	1,008.0	-261.7	1,022.0	1,074.0	1,128.6	1,151.6
OMB's Projection and Proposed Budget				1.4%	5.1%	5.1%	2.0%

COVID-19 and the subsequent shutdown has put significant downward pressure on County sales tax collections. On a year to date basis, through the September 11, 2020 sale tax check, County sales tax collections are down 12.2% from this time last year. However, it should be mentioned that the annual declines in each sales tax check have been falling. The chart below illustrates the recent growths to date:

Chart 4.0: Historical Sales Check Percentage Growth



The **average** decline of the sales tax checks during the pandemic through the September 11, 2020 check is 21.8%. OLBR used the year to date actual sales tax collections and assumed a **20.0%** reduction on all remaining check, to arrive at a FY 2020 sales tax base projection of $1,047.1 million (including the distressed hospital reduction). This may be seen as accounting for the possibility of a second COVID-19 impact/shutdown of a similar magnitude as the first. However, comparing OLBR's FY 2020 base projection to OMB's methodology leads to potential additional revenues of $39.2 million from OMB:

Table 4.1: OMB and OLBR FY 20 Base Comparison

	2020 Budget	OMB 2020 Projections	OMB Variance to Budget
OMB Scenario	1,269.7	1,008.0	$ (261.7)
			-20.6%

	OLBR 2020 Projections	Variance to Buget
OLBR Scenario	1,047.1	$ (222.5)

** Includes Distressed Hospital Adj.

OLBR Vs. OMB Variance to Base	**$ 39.2**

There is also the potential for additional sales tax revenues if the current trends continue and there is no second shutdown in FY 20 or if a second shutdown is not as sizable as the first. The Table below illustrates the impact of different scenarios compared to the current OMB projections:

Table 4.2: Scenarios at Different Growth Rates on Remaining Checks

@ Remaining Growth Scenarios	Projected Gap	Current OMB Projected Gap	FY 20 Difference to OMB Base
-5%	$ (146.7)	$ (261.7)	$ 115.0
-10%	(172.0)	(261.7)	89.7
-15%	(197.3)	(261.7)	64.4

Table 4.3 on the next page shows the annual actual gross sales tax collections, *excluding deferred pieces*, from FY 2013 through FY 2019, OMB's FY 2020 projection and the proposed budgets for FY 2021 through FY 2024. The MYP projects growth rates of 5.1%, 5.1% and 2.0% from FY 2022 to FY 2024.

Table 4.3: Annual Sales Tax Collections

Fiscal Year	Actuals	Growth
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	2.9%
2018	1,201.5	3.3%
2019	1,244.1	3.5%
Fiscal Year	**Projections**	**Growth**
2020	1,008.0	-19.0%
2021	1,022.0	1.4%
2022	1,074.0	5.1%
2023	1,128.6	5.1%
2024	1,151.6	2.0%

2020 figure represents OMB 's revised projection

In addition to the above regular sales tax, a $1.9 million addition has been budgeted in FY 2021 for deferred sales tax from FY 19. That represents the amount by which part-county sales tax collections in FY 19 differed from the budget. The County is not able to book such revenue until two years after it has been received. In Table 4.3, the gross sales tax collections for each year are shown, excluding any prior year deferred collections.

There are many parameters upon which the Proposed FY 21 sales tax budget is based on. Recent economic forecasts and indicators point to the continued positive economic growth for Nassau County in FY 21. Moody's Economy.com most recent forecast included an expected FY 20 decline of -16.6% in Gross County Product (GCP), followed by positive 2.7% GCP growth in FY 2021.

Current local economic indicators support the forecast for positive growth in FY 2021. Multiple Listing Service of Long Island figures show that in August 2020 the number of pending sales increased 45.6% from the prior August. The August 2020 pending sales increase followed a 59.3% July 20 rise. Pending sales may be seen as a barometer of future activity as the transactions should close over the next three to six months.

Similar to what the economic indicators point out, OLBR is cautiously optimistic and the growth rate in the Proposed FY 21 sales tax budget appears realistic. The actual number during the first quarter of FY 21 may not be positive as it will still be measuring a recovery period compared to a strong first quarter in FY 20. However, the growth rate throughout the remainder of the year should be stronger. Additional opportunities would emerge if a second shutdown is not as significant as the first or if there is no other shutdown.

On October 9, 2020, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection of where FY 2020 sales tax collections will end.

5. FUND BALANCE

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

Table 5.0 itemizes the County's actual fund balance levels from FY 17 through FY 19, along with a projection of the FY 20 and FY 21 current appropriations/usages. All figures are shown on a budgetary basis.

Table 5.0: Budgetary Basis Year End Balance 2017 to 2019 & Office of Management and Budget (OMB) Projected Year-End 2020-2021 figures

Bugetary Basis Year End Fund Balance, 2017 to 2019 actuals, 2020 projection & 2021 Appropriation in thousands							
	2017	2018	2019	2020 Usage	2020 Projected	2021 Usage	2021 Projected
General Fund	121,755	122,077	201,624	(112,000)	89,624	0	89,624
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	81	83	0	83	(83)	0
Open Space Fund	1,809	1,809	1,809	(350)	1,459	0	1,459
Employee Benefit Fund	13,084	13,230	13,401	0	13,401	0	13,401
Litigation Fund	5,826	14,434	29,709	(29,709)	0	0	0
Retirement Contribution Fund	43	51	52	0	52	0	52
Bonded Indebtedness Fund	3,609	697	0	0	0	0	0
Nassau County Power Utility Authority	(41)	(41)	(41)	0	(41)	0	(41)
Total General Fund	**146,164**	**152,338**	**246,636**	**(142,059)**	**104,577**	**(83)**	**104,494**
Police District	24,829	24,922	47,284	0	47,284	0	47,284
Sewer	28,550	14,343	10,653	(1,556)	9,097	(554)	8,543
Total Operating Funds Budget Balance	**199,543**	**191,602**	**304,573**	**(143,614)**	**160,958**	**(637)**	**160,321**

The projections in the above table take the FY 19 year-end as a starting point and then add or subtract FY 20 and FY 21 appropriated uses incorporated in the updated Multi-Year Plan and proposed budget.

The County ended FY 19 with a balance of $246.6 million in Total General Fund balance. This was an $94.3 million budgetary increase from FY 18. From a Major Fund perspective (General, Debt Service, Fire Commission, Police Headquarters and Police District), the County ended FY 19 with a balance of $248.9 million, an increase of $101.9 million from FY 18.

In the Total Operating Fund, the Proposed FY 21 Budget and the June 2020 update to the Multi-Year Plan, appropriate the use of $112.0 million in the General Fund balance (which represents all of the County's useable, unassigned fund balance on a GAAP basis), $29.7 million in Litigation Fund balance, $1.6 million in fund balance in FY 20 in the Sewer Fund, and $0.4 million in the Open Space Fund. The $112.0 million General Fund balance usage equates to the FY 19 unassigned GAAP fund balance itemized in the FY 19 CAFR. For FY 21, the Proposed Budget, includes the use of $83.0 thousand in Technology Fund Balance and the use of $0.6 million in Sewer Fund balance.