



NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2022 Budget & Multi-Year Plan

Executive Summary

Maurice Chalmers, Director

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Inter-Departmental Memo

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

From: Maurice Chalmers, Director
Office of Legislative Budget Review

Date: September 28, 2021

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 2022 and Multi-Year Plan. Our report is made up of two parts: the enclosed Executive Summary and a Departmental Analysis.

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

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1. EXECUTIVE SUMMARY

Introduction

Pursuant to the County Charter, the Administration submitted its FY 22 Proposed Budget on September 15, 2021. 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.

Last year, the Country was hit with the Coronavirus (COVID-19) which devastated the economy by forcing the shutdown of basically all financial activities and created many uncertainties in forecasting County finances. From a fiscal perspective, many economically sensitive revenues have experienced a recovery and this year's FY 21 budget has benefited and is projected to end in a budgetary surplus. Although most economic indices are on an upward trajectory compared to last year, the Administration must remain vigilant as there are still many worries that can influence the FY 22 Proposed Budget. In many areas of the Country, the COVID-19 cases have surged due to the highly contagious delta variant and with this development comes the risk of another economic slowdown and in a worst-case scenario, a shutdown. Analysts don't currently expect another lockdown but warn that the slowdown could crimp the ongoing recovery. With the hazy economic risk, it is fiscally preferable to air on the side of caution in estimating some economically sensitive revenue streams while recognizing the trend in other areas of the budget.

The FY 22 Proposed Budget contains a Major Funds property tax decrease of approximately \$70.0 million. In addition, the budget proposes to reduce the pension liability deferrals from prior years by \$153.9 million, a move that reduces the County's outstanding pension obligation borrowing and will decrease the associated interest the County would have incurred from the outstanding liability. The post COVID-19 recovery has been strong in the County, which is primarily reflected in the continued percentage growth of sales tax. In addition, the restructuring / refinancing done by the Nassau Interim Finance Authority (NIFA) has been structured to provide savings in the first three years of the transaction with the out-years being significantly greater than FY 22. State and federal aid have also rebounded from the cuts imposed due to the coronavirus, and the cash influx has made it possible to sustain many County programs and activities. As just mentioned, these are some of the factors that have allowed the Administration to shape the currently Proposed FY 22 Budget and they will be reviewed in detail further in the report. However, OLBR agrees with NIFA in their assessment that, the out years beyond FY 22 will be more challenging if expenses and revenues are not better aligned leading to structural balance.

There are items, fee/revenue changes, that are being considered by the Legislature that may force changes to the budget as proposed, but the process will not be finalized by the time this report is issued and the final determination, which will be a policy decision, should be captured in the Adopted version of the budget. In addition, aside from the fact that some of these fees have been seen as repressive, there is pending litigation on some of these items which is in the appeal process. If the fee changes withstand the possible veto and override process that exist in the Charter, about \$109.2 million in revenue will need to be replaced by an equal amount of funding or expense reduction in order for the budget to remain in balance.

One major factor that is keeping the FY 22 Proposed Budget in balance is the recognition of additional 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. Unlike the prior year where the budget was considered to be anemic forcing the Legislature to create "A Special Revenue Fund, to commence concurrently with the 2021 budget, to which all sales tax revenues collected by the County that are in excess of the adopted 2021 Nassau County budget shall be deposited and to which any budgeted funds in any budget line that become surplus as a result of the receipt of federal aid to address the COVID-19 pandemic shall be deposited”, the increased revenue directly supports the Administration’s budgeted initiatives. The amount that will end up being transferred into the Special Revenue Fund is currently projected to be north of \$350.0 million and if used to pay down the backlog, would accomplish a major goal that the County has endeavored to achieve and for which NIFA was created.

Year-to-date collections, through the September 10, 2021 sales tax check, are up 30.3% from this time last year. On October 12, 2021, the County will receive the final check completing the third quarter collections and at that time, OLBR will have an updated projection of where FY 21 sales tax collections will end.

The Administration, in drafting their plan explained that to arrive at the FY 22 Proposed Budget it began by taking the 2019 year-end sales tax revenue and then growing that base by 3.1% annually through FY 22. This is illustrated in the table below:

Table 1.0: Sales Tax Calculation

2019 Year-End Actual with Deferrals	2020 Adjusted	2021 Adjusted	2022 Budget with Deferrals
1,254.7	1,293.6	1,333.7	1,375.0
	3.1%	3.1%	3.1%

Since the County has experienced growth rates that have exceeded the economic forecasts, OLBR uses the **actual** collections as a starting base, then grows the remaining checks in FY 21 by a percentage. Using this methodology and growing the FY 21 remaining checks by 5.0%, sales tax collections would exceed the FY 22 Proposed sales tax budget, meaning that no growth would be necessary to meet the FY 22 budget. Using the 5% growth rate on remaining checks and after deducting the AIM, Distressed Provider and Part B payments overage, sales tax collections for FY 21 would end up at \$1,376.3 million which is close to the total FY 22 Proposed sales tax budget with deferrals of \$1,375.0 million

Recent economic forecasts and indicators point to a continued positive economic growth for Nassau County in FY 21 and FY 22. A survey of current US Gross Domestic Product (GDP) and regional Gross County Product (GCP) forecasts reveals that the US economy is expected to grow 4.9% on average in the fourth quarter of 2021, 3.4% in 2022, and 2.4% in 2023. Moody’s who calculates a more regional GCP has a higher estimate. Table 1.1 on the next page displays the current economic forecasts:

Table 1.1: Survey of Current US GDP Forecasts

Current Real US GDP 2021 Forecasts, August 2021			
	Q4 2021	2022	2023
Fannie Mae	5.9%	3.2%	
Mortgage Bankers Association	6.0%	3.0%	1.7%
The Conference Board	2.9%	4.0%	3.0%
Average US GDP Forecast	4.9%	3.4%	2.4%

Moody's, Regional GCP	9.1%	6.1%	2.0%
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The FY 22 Proposed sales tax Budget creates a conundrum for policy makers who may be contemplating changes to the budget now without having to wait for future surpluses to be moved to a Special Revenue Fund. Any change will be a policy decision. Understanding the realities and cognizant of the issues/decisions facing the Legislature, OLBR has calculated how the projected revenue base for FY 21 would be impacted at different growth rate assumptions in FY 22:

Table 1.2: Scenarios at Different Growth Rates

FY 21 Proposed Base (5% Remaining)			1,404.5
FY 22 Growth Rate	FY 22 Collections	FY 22 Budget Variance	*FY 22 Variance after deductions
3.0%	1,446.6	71.6	58.4
3.4%	1,452.3	77.3	64.1
4.0%	1,460.7	85.7	72.5
5.0%	1,474.7	99.7	86.5
6.0%	1,488.8	113.8	100.6

Figures in millions, with *deductions made for AIM and Distressed Provider Payment

In addition, the County has received \$192.5 million in ARPA (American Rescue Plan Act) funds this year, which is a first installment. A second equal installment is expected in May 2022. Per the Administration, these funds were not included in the proposed budget, and this could represent a major pickup for the County depending on how they are used while remaining compliant with the rules.

A review of the proposed budget reveals that it includes funding of approximately \$49.2 million for possible Collective Bargaining Agreements (CBA) with all the unions. In estimating the funding, the Administration states it modeled their projection based on similar terms to the CBAs that were entered into in FY 20 with the Police Detectives' Association (DAI) Inc. and the Superior Officers Association (SOA) Inc. There has been attempts to negotiate contracts with the outstanding unions and a recently proposed agreement with the PBA was rejected by the membership. Meanwhile, in attempting to negotiate remaining contracts, the County is still incurring costs as the Nassau Interim Finance Authority (NIFA) has retained a consultant and incurred approximately \$800,000 in charges. Depending on the timing and final terms, the CBA costs may differ from the amount anticipated above and even be unused if no contract is settled; however, it was prudent to earmark an amount in the FY 22 Proposed Budget. In addition to the \$49.2 million, the total value of the funded but vacant positions has been estimated to be approximately \$11.0 million. This number will be reduced when the Administration hires employees.

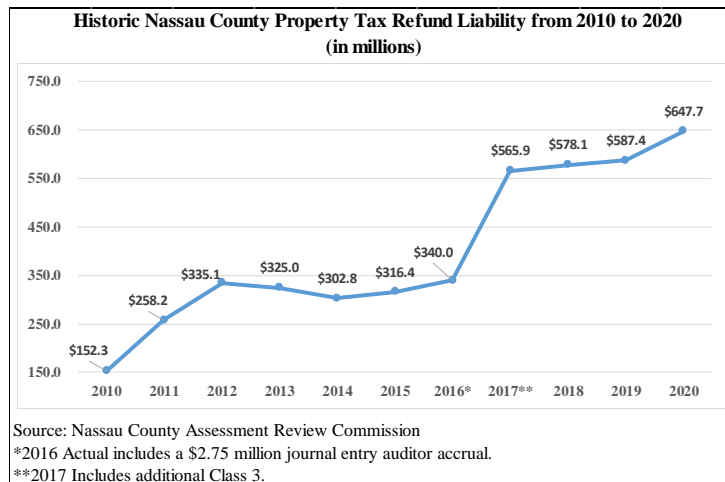
As previously mentioned, the proposed budget includes a property tax decrease of approximately \$70.0 million in the major operating funds including the Sewer Finance Authority Fund. Below is a breakdown of the tax levy by funds:

Table 1.3: Proposed Property Tax Levy by Fund

Property Tax Levy				
Fund	2021		Difference	
	Adopted	2022 Proposed	2021 vs 2022	% of FY 22 Total Levy
Fire Commission	19,120,319	22,254,372	3,134,053	2.9%
General	42,189,502	2,000,000	(40,189,502)	0.3%
Police District	389,296,771	409,795,032	20,498,261	54.3%
Police Headquarters	374,656,545	321,213,733	(53,442,812)	42.5%
Subtotal Major Funds	\$825,263,137	\$755,263,137	(\$70,000,000)	100.00%
Sewers (SFA)	154,559,286	154,559,286	0	
Total Major Funds & Sewers	\$979,822,423	\$909,822,423	(\$70,000,000)	
Environmental Bond	11,017,635	9,578,805	(1,438,830)	
College	52,206,883	52,206,883	0	
Grand Total	\$1,043,046,941	\$971,608,111	(\$71,438,830)	

As of December 31, 2020, the County’s estimated outstanding property tax liability was \$647.7 million which represented a significant increase of 10.3% from estimated prior year liability of \$587.4 million. The increase from 2016 to 2017 was due to the recognition in County reporting 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 liability in all classes except for class 1. The table below itemizes the annual change in property class liability, figures are in millions.

Table 1.4 Backlog by Class

Annual Nassau County Property Tax Refund Liability by Class				
	2019	2020	\$ Change	% Change
Class 1	35.5	32.5	-3.0	-8.4%
Class 2	33.1	44.0	11.0	33.1%
Class 3	242.9	249.1	6.2	2.6%
Class 4	275.9	322.0	46.1	16.7%
Total	587.4	647.7	60.3	10.3%

Source: Assessment Review Commission

The Proposed FY 22 Budget contains \$30.0 million for suits & damages in the Assessment Department and the County plans to levy \$40.0 million DAF charges for a total of \$70.0 million to pay for tax certiorari expenses. Additionally, the Office of Management and Budget (OMB) includes \$38.0 million for other suits and damages, which is \$8.0 million more than the prior year, and when combined with \$7.0 million in new costs for attorney fees, increases the expenses by \$15.0 million.

Table 1.5 below shows the expense and revenue components for the Sewer & Storm Water Resource District:

Table 1.5: Sewer & Storm Water Resource District Highlight (SSW)

Sewer & Storm Water Resource District			
	FY 21 NIFA Approved Budget	FY 22 Executive Budget	FY22 vs FY21
Expense			
Salaries	\$9,079,692	\$8,259,717	(\$819,975)
Fringe Benefits	11,659,270	12,189,615	530,345
Equipment	10,000	10,000	0
General Expenses	1,278,370	1,290,910	12,540
Contractual Services	73,004,033	73,303,650	299,617
Utility Costs	7,695,000	8,414,725	719,725
Interest	2,946,825	3,557,387	610,562
Principal	10,197,736	10,442,613	244,877
Interfund Charges	37,774,460	40,057,885	2,283,425
Other Expense	5,358,500	5,358,500	0
	\$159,003,886	\$162,885,002	\$3,881,116
Revenue			
Fund Balance	\$554,086	\$12,922,402	\$12,368,316
Permits & Licenses	627,500	750,000	\$122,500
Invest Income	100,000	80,000	(\$20,000)
Rents & Recoveries	0	2,999,826	\$2,999,826
Dept Revenues	1,271,000	1,253,000	(\$18,000)
Fed Aid-Reimb of Exp	0	0	\$0
Interfund Transfers	144,795,524	144,879,774	\$84,250
Debt Svc From Capital	11,655,776	0	(\$11,655,776)
	\$159,003,886	\$162,885,002	\$3,881,116

The biggest highlight in the Sewer & Storm Water Resource District is the planned use of \$12.9 million in fund balance in order to keep the Sewer Fund in balance. In addition, revenues include approximately \$3.0 million in rents and recoveries which will come from the Enterprise Fund recoveries. The prior year budget had zero allocation. Without those two revenue sources, the fund would be severely out of balance.

Budget Risks

In evaluating the preliminary risks to the Proposed FY 22 Budget, it is clear that the current economic recovery, funds made available through some Administration initiatives coupled with a cash influx from the state and federal government all played a major role in crafting the budget. However, there are additional opportunities that could be available to the County to offset the risks. It is important to keep in mind that these opportunities may dry up past FY 22.

OLBR has preliminarily identified approximately \$172.3 million of risks in the Proposed FY 22 Budget for the Major Funds. \$109.2 million of the risks is related to fee changes that are currently proposed and could impact the budget in its current format. For now, it is unclear if the changes will survive the legislative process and become permanent. The table below also lists possible offsets that may be considered by policy makers as they contemplate changes/amendments to the budget. Although not all of these opportunities are recurring in nature, in total they surpass the projected risks by \$95.3 million. A discussion of the items follows the table:

Table 1.6: FY 22 Major Funds Risks (millions)

<u>Risks (in millions)</u>	OLBR <u>Surplus/Risk</u>
Public Safety Fee	23.5
Clerk Mortgage & Deed Recording Fees	40.7
GIS Tax Map Verification Fee	45.0
Overtime	15.6
OTB Video Lottery Terminals	5.0
Cash Recoveries	10.0
Sale of County Property	5.6
Bus Stop Arm Camera	2.0
TPVA Fines	6.0
Boot & Tow	2.3
Provider Payments for Pre-school Education Services	3.0
Coliseum Rental	3.6
Annual Survey of Income & Expense	10.0
Total Risks	\$ 172.3
<u>Possible Offsets/Gap Closers</u>	
ARPA Funds	192.5
Vacancy Value	11.0
Sales tax on top of base difference @ 3.4% growth in FY 22	64.1
Total Of Possibilities	267.6
Net	95.3

The first three items are related to current fee changes that are being proposed by the Legislature and will have to withstand the legislative process. Since the outcome is unclear and will not happen until the future, OLBR has flagged these items for a total risk of \$109.2 million.

Achieving the overtime budget may be challenging but per OMB, the departments should be able to manage to the proposed budgets. In the Police Department and the Correctional Center, new classes of recruits are expected to lower the blended overtime rate. In addition, the Police Department has access to Grant and Asset Forfeiture funds that can be utilized to mitigate the impact to the Major Funds. Compared to the current FY 21 projections, the budget for Police falls short by \$11.3 million and the Correctional center by \$3.8 million, which are the largest variances.

The Proposed budget includes \$20.0 million for Video Lottery Terminals, an increase of \$15.0 million from the FY 21 Adopted Budget and \$9.3 million from the current projection. Year-to-date through September 18, 2021 the County has collected \$10.8 million from this revenue source. If the current payment trends continue, the County may be on track to finally have this revenue become more reliable.

The cash recovery line was new to the FY 21 budget; and according to the Administration represented capital project close out cash. The FY 22 cash recovery line is flat at the FY 21 \$10.0 million budgeted amount. Since no revenues have been collected year to date in FY 21, OLBR is risking \$10.0 million on this line in FY 22.

The sale of each County property is a lengthy process with multiple approval layers. As such until properties are approved and go through the Legislative process, this revenue is at risk.

The School Bus Stop Arm Camera, TPVA fines and the Boot and Tow initiative are all budgeted in the Traffic and Parking Violation Agency and were flagged for a total of \$10.3 million in risks. The Bus Stop Arm Camera is the Agency's new program initiative for FY 22 with a budget of \$2.0 million. The revenue is contingent on school districts opting to participate in the program and since the program has not yet gotten to that stage, the \$2.0 million budget could be a risk. The boot and tow fee budget are consistent with the prior year budget at \$2.3 million but current projections are zero. The remaining \$6.0 million of risks is based on current trends compared to the budget.

For Provider Payments, the projected \$3.0 million in risk is based off the current trends as well as the department's request compared to the proposed budget.

Due to COVID, the County has had to renegotiate the terms of the rental agreement for the Coliseum. As of FY 21 YTD, no revenues have been received and it is not clear if revenues will be received in FY 22.

In FY 22 revenues from the Income and Expense law are increasing \$5.0 million, budget to budget. These are penalties collected for non-compliance in submitting the Annual Survey of Income and Expense form (ASIE). The entire FY 22 \$10.0 million budget for these revenues is considered a risk due to pending litigation and none have been collected year to date in FY 21.

Conclusion

The current economic recovery coupled with some debt savings have allowed the County to present a budget that accomplishes some major priorities for the Administration. The FY 22 Proposed Budget includes unprecedented items such as a property tax levy cut of \$70.0 million, the repayment of previously deferred pension payments of \$153.9 million in addition to earmarking \$49.2 million for possible Collective Bargaining Agreements with Unions. These are no small accomplishments and the decision to repay previously deferred pension payments will save the County millions in future interest payments. In addition, it is unclear what NIFA's position will be on the proposed budget removing the property tax levy which is a recurring revenue. The FY 22 budget will nonetheless require close monitoring by the Administration to avoid cost overruns, react to revenue fluctuations and execute some of the goals presented in the proposed budget.

The same level of good fortune and management will be needed to address the out-years and OLBR agrees with NIFA in their assessment that the out-years beyond FY 22 will be more challenging if expenses and revenues are not better aligned leading to structural balance. When NIFA restructured/refinanced outstanding debt, the transaction was structured to provide significant savings in the first three years with the remaining years experiencing major cost increases. This is evident as the debt service expenses jump by \$154.8 million from FY 22 to FY 23. The Administration will have to show the willingness to undo some popular changes proposed in this year's budget such as increasing the Property Tax Levy as proposed in the MYP; this will be a property tax increase that will need to be approved by the Legislature. In addition, some revenue sources that have been very reliable may be eliminated and in need of replacement.

Proposed Expense Budget

The FY 22 Proposed Expense Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is \$3.3 billion, a \$332.7 million increase in expenses. A breakdown of the budget categories reveals that salaries, fringes and a transfer to Police Headquarters account for most of the increased expenses. Table 1.7 below shows the budget to budget variances by category:

Table 1.7: Major Funds’ Expenses FY 21 vs. FY 22
(\$’s in millions)

	FY 21 NIFA Approved	FY 22 Proposed	Variance
Expenses			
Salaries	\$873.8	\$934.9	\$61.1
Fringe Benefits	602.6	775.3	172.7
Workers Compensation	31.2	34.8	3.7
OTPS	311.9	349.8	37.9
Utilities	33.2	36.0	2.8
Transportation	46.3	46.8	0.5
Government Assistance	62.5	84.8	22.3
Interfund Charges	22.7	23.0	0.4
Direct Assistance	178.8	182.5	3.7
Early Intervention/Special Ed	139.6	144.8	5.2
Medicaid	234.9	236.5	1.6
Debt Service (Incl NIFA Set Aside)	286.3	179.8	(106.5)
Other Expenses	115.7	131.4	15.7
NIFA Expense	2.2	2.3	0.2
Sales Tax Transfer to PDH	0.0	111.5	111.5
Total Expenses¹	\$2,941.5	\$3,274.2	\$332.7
<small>1. Excludes interdepartmental charges and debt service chargebacks</small>			

The largest increase reflected in the expense table above is the Fringe Benefit budget which is \$775.3 million, representing an increase of \$172.7 million from the FY 21 NIFA Approved Budget. The majority of the increase, or \$153.9 million is due to paying off a significant portion of the outstanding liability from annually deferring the pension bill obligations from FY 12 through FY 21. Still within fringes, the remaining increase is due to growths in health insurance for active employees, Medicare reimbursement, as well as smaller increases in almost every other sub-object. The FY 22 health insurance budget also includes a \$22.4 million credit to reflect a possible health insurance contribution if labor agreements are negotiated with the unions that don’t have current contract agreements.

Salaries are increasing by \$61.1 million from the prior year budget. The FY 22 Proposed Budget includes approximately \$49.2 million in funding for anticipated labor agreements with the unions that don’t currently have contracts in place. It was prudent to earmark an amount in the FY 22 Proposed Budget for this purpose. In addition, the total value of the funded but vacant positions has been estimated to be approximately \$11.0 million. Finally, the salary line includes \$16.3 million more in overtime expenses than it included in the prior budget.

The Other Than Personal Services (OTPS) rollup shows an increase of \$37.9 million. This consists of an increase of \$2.9 million in equipment, \$6.5 million in general expenses and a much larger increase in contractual services of \$28.5 million. Below is a breakdown of the different components:

Table 1.8: OTPS

OTPS	FY 21 Approved	FY 22 Proposed	Difference
Equipment	\$ 3.0	\$ 5.9	\$ 2.9
General Expenses	37.2	43.7	6.5
Contractual Services	271.7	300.2	28.5
	311.9	349.8	\$ 37.9

The largest additional Contractual Services funding consists of increased monies of \$14.6 million in the Department of Public Works (DPW) and \$6.1 million in the Police Department.

- In DPW, Building and Maintenance services are decreasing by \$4.3 million and the bus contract is increasing by \$15.3 million budget to budget. With the latter adjustment, the expenses for the bus will be \$4.0 million above the amount that is being projected for this year. Per NICE, the amount that is projected for this year allows the bus service to reinstate routes that had been cut/reduced in the past and the proposed budget preserves the current level of service.
- In Police, miscellaneous contracts are increasing \$5.0 million for the Body Worn Camera program and other Police reform measures. In addition, the Radio & Communications line is increasing by \$1.2 million.

Expenses in the proposed budget include an interfund transfer to Police Headquarters of \$111.5 million. Due to the property tax decrease and levy shifts between funds, this \$111.5 million is a necessary transfer from sales tax revenue in order to support expenses in Police Headquarters. It is therefore an expense to the General Fund and a revenue to the Police Headquarter Fund in the same amount.

Debt service expenses are decreasing by \$106.5 million due to a decline of \$54.3 million in interest payments coupled with \$96.6 million less in principal payments. These savings are offset by a budgeted increase in NIFA set asides of \$44.3 million.

Proposed Revenue Budget

The FY 22 Proposed Revenue Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is \$3.3 billion, a \$332.7 million increase from the prior year budget. Table 1.9 below shows the revenue sources from a year to year budget perspective and the corresponding variances:

Table 1.9: Major Funds Revenue FY 21 vs. FY 22

(\$'s in millions)

	FY 21 NIFA Approved	FY 22 Proposed	Variance
Revenues			
Fund Balance	\$0	\$0	\$0
Department Revenues	215.2	245.3	30.1
Fines & Forfeits	107.0	106.5	(0.5)
Non-Tax Sources	388.6	380.5	(8.1)
Federal Aid	143.9	156.8	12.9
State Aid	207.7	225.1	17.4
Sales Tax	1,023.9	1,375.0	351.1
Property Tax	825.3	755.3	(70.0)
Other Taxes	29.9	29.8	(0.0)
Total Revenues¹	\$2,941.5	\$3,274.2	\$332.7
<small>1. Excludes interdepartmental revenue & debt service chargebacks</small>			

At the time the budget was presented last year, there were still many uncertainties regarding the direction of the economy and the impact it would have on County sales tax revenue. Nonetheless, the Legislature felt that this revenue source was understated and created a Special Revenue Fund where all sales tax revenue in excess of the budget would be deposited. The amount that will end up being transferred into the Special Revenue Fund is currently projected to be north of \$350.0 million.

The Administration, in drafting the FY 22 plan explained that to arrive at the FY 22 Proposed Budget it began by taking the FY 19 year-end sales tax revenue and then growing that base by 3.1% annually through FY 22. Comparing that estimate with the understated prior year budgeted amount yields the \$351.1 million variance.

Department revenues show an increase of \$30.1 million year over year. The departments with the highest revenue increases include \$11.8 million in the Assessment Department, \$10.2 million in the Clerk's office, \$3.1 million in the Parks Department and the Civil Service Department with \$2.8 million more.

- In Parks, the FY 22 Proposed Budget increases departmental revenues by \$3.1 million, mainly due to anticipated cabana rentals along with additional green fees in the Red and White courses.
- For Civil Service, the budgeted revenue is increasing by \$2.8 million budget to budget primarily due to the anticipated Police Officer exam fee revenue in FY 22.

- Revenues increased in the Clerk’s Office by \$10.2 million of which \$8.6 million is within Mortgage Fees and \$1.0 million in Deed recording fees. These two sources of revenue will be at risk should the Legislature adopt new rates/fees and they withstand the veto and override process.
- The Assessment Department budget augments the revenue from the Annual Survey of Income and Expenses (ASIE) to \$10.0 million, or \$5.0 million more than the previous budget which is all seen as a risk. In addition, the GIS tax map verification revenue increases to \$45.0 million, or \$6.8 million more than the prior budget. Regarding the latter, similar to the clerk fees, the Legislature has introduced a local law which would eliminate this fee and the entire amount is considered a risk until the entire legislative process has been exhausted.

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 1.10 below illustrates the different components of this category:

Table 1.10: Non-Tax Revenue Breakdown

	FY 21 Budget	FY 22 Proposed	Difference
Int Penalty On Tax	\$32.7	\$34.8	\$2.2
Permits & Licenses	18.6	18.4	(0.2)
Invest Income	3.7	2.3	(1.4)
Rents & Recoveries	45.9	41.4	(4.6)
Revenue Offset To Expense	20.7	20.5	(0.2)
Payment In Lieu Of Taxes	52.4	55.2	2.8
Capital Resources For Debt	135.3	1.5	(133.8)
OTB Profits	5.0	20.0	15.0
Interfund Charges Rev	74.4	74.9	0.5
Interfund Transfers	-	111.5	111.5
Total:	\$388.6	\$380.5	(\$8.1)

- The \$111.5 million interfund transfer represents the revenue offset entry made in the expense side to account for the sales tax transfer to the Police Headquarters Fund. As explained before, due to the property tax decrease and levy shifts between funds, this \$111.5 million is a necessary transfer from sales tax revenue in order to support expenses in Police Headquarters. It is an expense to the General Fund and a revenue to the Police Headquarter Fund in equal amount.
- In the prior year budget, the Capital Resources for Debt line was used as a place holder where the budget would account for the anticipated savings from the NIFA restructuring/refinancing.
- The OTB revenue line anticipates additional revenue from the prior year.

For Federal Aid, DPW budgeted \$22.1million in Federal Transportation Authority revenues which is \$16.5 million more than the prior year budget. Similarly, in State Aid, DPW included \$8.1 million more in STOA grant, directly supporting NICE bus operations.

The property tax decrease has been explained previously and represents an Administration initiative.

Multi-Year Plan (MYP)

Table 1.11 below details the Administration’s projected expenditures and revenues through FY 25. The budgetary gaps represent projected deficits if corrective actions aren’t taken.

Table 1.11: Multi-Year Plan Projections (Major Funds)
(\$’s in millions)

	2022 Proposed	2023 Plan	2024 Plan	2025 Plan
Expenses				
Salaries	\$934.9	\$951.6	\$990.6	\$1,031.7
Fringe Benefits	775.3	682.3	652.3	668.0
Workers Compensation	34.8	34.8	34.8	34.8
OTPS	349.8	352.9	355.8	358.7
Utilities	36.0	35.8	36.0	36.2
Transportation	46.8	47.6	48.4	49.2
Government Assistance	84.8	86.0	87.3	88.6
Interfund Charges	23.0	21.7	21.4	21.0
Direct Assistance	182.5	182.7	183.0	183.2
Early Intervention/Special Ed	144.8	147.3	148.8	150.3
Medicaid	236.5	245.2	241.7	242.5
Debt Service (Incl NIFA Set Aside)	179.8	334.6	358.0	353.1
Contingency Reserve	0.0	0.0	0.0	0.0
Other Expenses	131.4	131.6	132.1	132.7
NIFA Expense	2.3	2.1	2.1	2.2
Sales Tax Transfer to PDH	111.5	0.0	0.0	0.0
Total Expenses¹	\$3,274.2	\$3,256.1	\$3,292.1	\$3,352.2
1. Excludes interdepartmental charges and debt service chargebacks				
	2022 Proposed	2023 Plan	2024 Plan	2025 Plan
Revenues				
Fund Balance	\$0	\$0	\$0	\$0
Department Revenues	245.3	248.4	254.1	259.7
Fines & Forfeits	106.5	106.5	106.5	106.5
Non-Tax Sources	380.5	256.5	263.7	266.1
Federal Aid	156.8	140.3	140.2	140.0
State Aid	225.1	227.9	230.1	232.3
Sales Tax	1,375.0	1,422.1	1,443.8	1,465.7
Property Tax	755.3	785.3	800.3	810.3
Other Taxes	29.8	29.8	29.8	29.8
Total Revenues¹	\$3,274.2	\$3,216.9	\$3,268.3	\$3,310.3
1. Excludes interdepartmental revenue & debt service chargebacks				
Surplus/Gap Projections	\$0.0	(\$39.2)	(\$23.8)	(\$41.9)

Over the course of this MYP, total expenses are projected to grow by 2.4% while revenues increase at a rate of 1.1%. There are many uncertainties that can severely affect the proposed MYP. The economy has been improving however, there is a pending threat to economic activities with the new variant. Even without diving into the numbers, the plan as proposed by the Administration, does show imbalances between expenses and revenues. Total expenses are growing by approximately \$78.0 million while revenues in the plan are increasing by \$36.1 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 \$96.8 million, from a Proposed Budget of \$934.9 million in FY 22 to \$1,031.7 million in FY 25. The MYP does assume having new CBAs with all unions in the out-years the terms of which may impact the current projections. Negotiations are still ongoing with some unions and the exact terms are not yet known.
- Fringe benefits will decrease by \$107.3 million from the \$775.3 million in the FY 22 Proposed Budget to \$668.0 million in FY 25. The FY 22 budget of \$153.9 million is a one-time payment by the County to reduce the pension liability deferrals from prior years.
- Health insurance expenses for active and retired employees from FY 22 to FY 25 are projected to increase by \$31.8 million to \$374.8 million.
- The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 3.0% from FY 23 through FY 25. The MYP growth rate appears low compared to the historic five-year average of roughly 5.0% for active employees. However, it appears reasonable based on the historic five-year average composite of -1.5% for retirees. Since the FY 22 Proposed budget appears to be significantly overfunded for both active and retired employees, the projected growth into the out-years should be sustainable.
- Pension costs for ERS and PFRS are increasing minimally by \$2.9 million to \$182.3 million by FY 25. Since pension contribution rates are projected to decline in the out-years, the small rise appears reasonable to capture the growth in pensionable salaries. In addition, the MYP budgets an additional \$39.7 million to pay off the remaining outstanding liability from deferring the prior year's pension obligations.
- The FY 22 Proposed Budget for social security remains flat at \$62.2 million from FY 22 through FY 25. Since social security is a function of salaries, and with such a significant rise of \$61.1 million in out-year wage expense, it is unclear why social security is not rising.
- The MYP records County interest and principal costs increasing significantly from FY 22 through FY 25. When NIFA restructured/refinanced outstanding debt, it was structured to provide significant savings in the first three years of the transaction and adding cost to the out-years.
- All the years of the MYP include increase to the property tax line, however, even with the adjustments, the total tax line remains below the current level.
- The FY 22 sales tax budget is based on what the Administration deems to be the normalization of 2019 sales taxes by assuming 3.1% growth each year through FY 22 and inflating the remaining years of the MYP by 1.5%.

Gap Closing Measures

The Administration's MYP included various items that may reduce its projected out-year gaps. These items are illustrated in Table 1.12 below:

Table 1.12: Gap Closing Measures Detail FY 23 – FY 25 (millions)

	2023	2024	2025
Current Baseline Gap	(39.2)	(23.8)	(41.9)
<u>Expense/Revenue Actions</u>			
eFMAP Reconciliation	11.1	8.5	11.2
State Aid Mandated Cap	10.0	10.0	10.0
Building Consolidation	5.0	5.0	5.0
Sales Tax from Belmont	3.0	3.0	3.0
Sports Betting	1.0	2.0	3.0
Marijuana Sales	1.0	2.0	2.0
Efficiency Program	10.0	10.0	10.0
Energy Reduction Initiative	1.0	1.5	2.0
Total Gap Closing Initiatives	\$42.1	\$42.0	\$46.2
Projected Baseline After Gap Closing Actions	2.9	18.2	4.3

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 \$31.0 million.

State Aid Mandated Cap

The County pays vendors to provide preschool education for certain 0 to 5 year-olds. 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

The County will 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.

Sports Betting and Video Lottery Terminals

The County projects the anticipated legalization of online sports betting in NYS will result in an additional \$1.0 million of annual sales tax that will continue to increase over time. The County will be seeking authorization for additional Video Lottery Terminals (VLTs) beyond the allotted 1,000 for Nassau County OTB. This will stabilize the revenue collections from VLTs.

Marijuana Sales

The plan expects to realize \$1.0 million of additional annual sales tax with the legalization of recreational marijuana use under the NYS Cannabis/Marijuana Regulation & Taxation Act that is anticipated to increase over time.

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.

Energy Reduction Initiative

The County is finalizing a Master Cost Recovery Agreement with NYPA, that will allow the County to finance and realize savings from energy efficiency projects.

2. LABOR

In FY 20, the County entered into a Memorandum of Understanding (MOU) with the Police Detectives’ Association (DAI) Inc. and the Superior Officers Association (SOA) Inc. These were the first negotiated contracts that the County entered into since the expiration of all the County’s union contracts on December 31, 2017. The terms of these agreements follow the same pattern and cover the period starting January 1, 2018 through June 30, 2026. The MOUs provide 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.

Except for the DAI and SOA agreements, the Collective Bargaining Agreements (CBAs) 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 are in place. There has been attempts to negotiate contracts with the outstanding unions and a recently proposed agreement with the PBA was rejected by the membership. Meanwhile, in attempting to negotiate remaining contracts, the County is still incurring costs as the Nassau Interim Finance Authority (NIFA) has retained a consultant and incurred approximately \$800,000 in charges. 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 within the budget.

The Proposed FY 22 Budget includes funding of approximately \$49.2 million which has been earmarked for possible Collective Bargaining Agreements (CBAs) with unions. The amounts are reflected in the table below:

Table 2.0: Major Funds Funding

Payroll Adjustments	
	2022 Proposed
AAZRT - RETROACTIVE PAY	\$24,582,013
AAZRW - POLICE SWORN COLA	8,112,975
AAZRY - CSEA COLA	12,748,397
AAZZK - SHOA/COBA ADJUSTMENT	3,495,344
AAZZL - IPBA ADJUSTMENT	283,998
Total	\$49,222,727

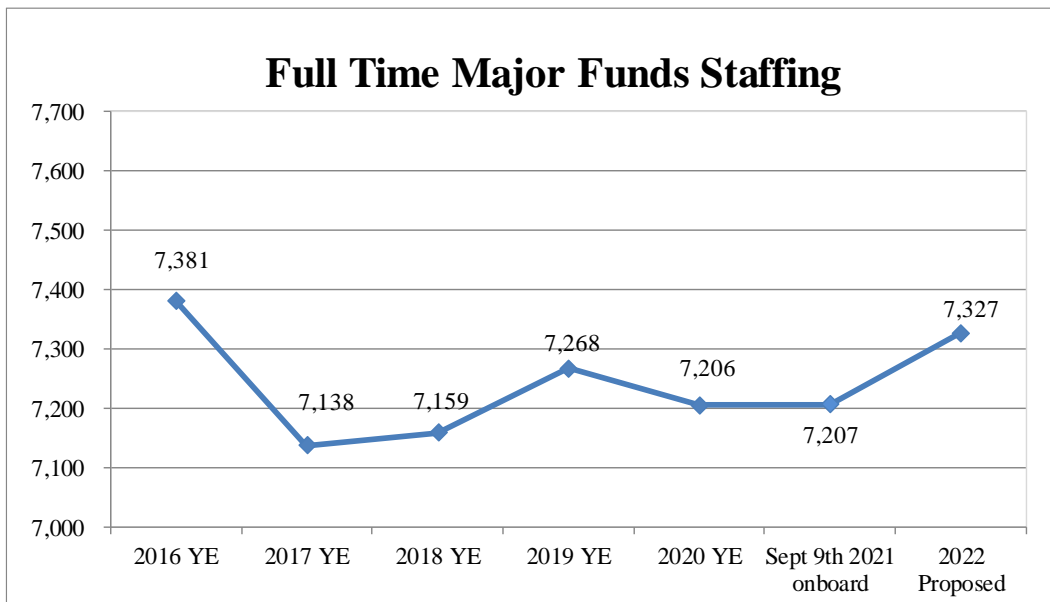
The \$49.2 million appropriation identified above will be first used to absorb the cost of possible union agreements. In estimating the cost, the Administration said it modeled their estimate based on the expectation that any agreement will have similar terms to the CBAs with the DAI and SOA. Depending 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 22 Proposed Budget. In addition, the total remaining value of the funded but vacant positions has been estimated to be approximately \$11.0 million. This number will be reduced as the Administration hires employees.

Headcount is currently at historical lows as the County continues to benefit from prior workforce management efforts and has managed to keep these positions unfilled, remaining at what it considers optimal staffing. The Administration’s Executive Summary highlights the addition of staff in departments where it is deemed necessary. The Proposed Budget funds 7,327 full time positions in the Major Operating

Funds which compared to the September 9, 2020 onboard headcount of 7,207 includes 120 funded vacant positions.

Chart 2.0 below, illustrates the historical, current and FY 22 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 for the entire year. 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 cover unforeseen costs.

The Major Funds overtime expense is budgeted at \$86.0 million in the Proposed FY 22 Budget which represents a \$16.3 million increase from the prior year budget but is still \$15.6 million shy of the FY 21 projections. The Police Department budgeted \$11.3 million less than the current projection and the department expects to manage to this budget by maximizing grants and Asset Forfeiture funds that can be used to offset overtime. In addition, the Police Department expects the impact of overtime to be mitigated in FY 22 as they hire new recruits which should bring down the blended overtime rate. The department is planning to hire two classes in FY 22 to stay ahead of attrition.

In the Correctional Center, the FY 22 Proposed Budget for overtime is \$3.8 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. In addition, the department is planning on adding two recruit classes in FY 22.

Table 2.1: Major Funds Overtime Trends

OVERTIME TRENDS				
	2020 YE	2021 Projection	2022 Proposed	2022 Prop vs. 2021 Proj Variance
Police District	27,549,583	29,150,000	23,200,000	(5,950,000)
Police Headquarters	32,063,654	32,150,000	26,800,000	(5,350,000)
Total	59,613,237	61,300,000	50,000,000	(11,300,000)
Corrections	21,608,934	25,258,446	21,508,446	(3,750,000)
Police & Corrections	81,222,171	86,558,446	71,508,446	(15,050,000)
Others	10,940,050	15,055,335	14,466,697	(588,638)
TOTAL:	92,162,221	101,613,781	85,975,143	(15,638,638)

Headcount

Table 2.2 on the next page shows the FY 21 Adopted Budget, the FY 22 full-time Major Funds budget including Sewer & Storm Water positions which is compared to the current on-board headcount by department:

Table 2.2: Staffing Comparison

Full Time Major Funds Staffing Comparison						
Department	2021 NIFA Adopted Headcount	2021 Sept Onboard Headcount	2021 Sept Onboard Salaries	2022 Proposed Headcount	2022 Proposed Salaries	Variance 2022 Proposed vs. 2021 Sept Onboard
Assessment	154	156	10,868,452	162	11,333,530	6
Asian American Affairs	4	3	243,000	6	395,000	3
Assessment Review Commission	63	64	4,806,755	70	5,309,478	6
Board of Elections	161	141	10,863,109	160	12,943,779	19
Civil Service	45	44	3,513,868	45	3,758,937	1
Office of Crime Victims Advocate	6	4	337,500	7	545,625	3
Comptroller	84	77	6,626,603	84	6,871,063	7
Constituent Affairs	15	15	1,438,470	15	1,438,470	0
Consumer Affairs	25	22	1,468,876	26	1,740,999	4
Correctional Center	922	879	74,640,412	930	81,548,719	51
County Attorney	88	85	7,542,479	93	8,049,717	8
County Clerk	89	82	5,004,200	90	5,433,138	8
County Executive	13	13	1,523,675	13	1,523,675	0
District Attorney	448	410	39,343,103	459	44,056,266	49
Emergency Management	8	8	794,849	9	890,139	1
Health	180	158	12,828,367	181	13,689,220	23
Housing & Intergovernmental Affairs	14	13	910,000	14	1,048,500	1
Human Resources	8	8	683,080	9	731,080	1
Human Rights	5	5	374,656	6	450,972	1
Human Services	61	58	4,741,093	59	4,714,499	1
Information Technology	115	107	8,533,084	117	9,329,807	10
Labor Relations	5	5	464,000	6	520,250	1
Legislature	98	93	7,736,456	99	8,297,179	6
Medical Examiner	85	86	8,020,404	91	8,658,384	5
Office of Hispanic Affairs	6	3	215,000	6	425,000	3
Office of Minority Affairs	8	8	671,100	11	883,925	3
Office of Management and Budget	28	28	3,068,441	28	3,143,441	0
Parks, Recreation and Museums	144	143	8,416,811	149	8,841,307	6
Probation	184	175	15,430,618	201	16,740,649	26
Public Administrator	6	5	455,934	7	534,032	2
Public Works Department	391	370	26,206,424	405	28,527,237	35
Shared Services	12	12	1,016,691	12	987,513	0
Records Management	11	8	534,136	10	649,224	2
Social Services	555	506	35,926,911	555	38,948,627	49
Traffic & Parking Violations	43	42	2,605,544	45	2,640,505	3
Treasurer	29	25	1,661,145	27	1,799,935	2
Veterans' Services Agency	8	7	451,686	9	558,176	2
Savings from Initiative & Adjustment	(268)	0	0	(300)	(10,000,000)	(300)
General Fund Total	3,853	3,868	309,966,933	3,916	327,957,997	48
Fire Commission	91	82	6,333,862	98	7,270,234	16
Police District	1,738	1,783	149,187,973	1,731	158,645,946	(52)
Police Headquarters	1,547	1,474	151,052,154	1,582	153,407,545	108
Total Major Funds	7,229	7,207	616,540,922	7,327	647,281,722	120
Sewer & Storm Water (SSW)	91	78	5,381,435	93	5,916,191	15
Total including Sewers*	7,320	7,285	621,922,357	7,420	653,197,913	135

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

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	2022 Proposed	2023 Plan	2024 Plan	2025 Plan
Assessment Review Commission	5,895,269	5,925,998	6,082,654	6,267,753
Assessment Department	12,820,092	12,842,476	13,259,443	13,697,141
Asian American Affairs	504,750	504,750	504,750	504,750
County Attorney	8,895,581	8,901,329	9,000,044	9,116,474
Office of Management and Budget	7,194,152	7,194,152	7,194,152	7,194,152
Office of Consumer Affairs	2,063,915	2,075,015	2,161,904	2,238,651
Correctional Center	119,565,266	120,300,693	124,585,174	129,703,062
County Executive	1,671,018	1,671,018	1,671,018	1,671,018
Office of Constituent Affairs	1,642,734	1,642,734	1,642,734	1,642,734
Clerk	6,816,382	6,855,944	7,068,097	7,307,082
County Comptroller	7,772,472	7,846,596	8,160,341	8,495,337
Civil Service	5,234,054	5,252,629	5,421,894	5,614,263
Office of Crime Victims Advocate	576,375	576,375	576,375	576,375
District Attorney	49,521,061	49,605,211	50,364,128	51,168,009
Board of Elections	22,181,015	22,199,177	22,471,103	22,774,965
Emergency Management	1,172,790	1,173,649	1,185,743	1,199,258
Fire Commission	11,873,985	11,984,632	12,327,495	12,708,917
Health Department	16,796,107	16,803,184	17,370,661	18,010,938
Housing & Intergovernmental Affairs	1,110,925	1,110,925	1,110,925	1,110,925
Commission on Human Rights	504,750	512,483	522,886	530,683
Department of Human Services	5,217,469	5,223,359	5,402,245	5,588,367
Information Technology	10,916,692	11,053,445	11,456,677	12,039,698
County Legislature	8,888,079	8,888,079	8,888,079	8,888,079
Office of Labor Relations	566,400	566,400	566,400	566,400
Office of Minority Affairs	1,056,945	1,056,945	1,056,945	1,056,945
Medical Examiner	10,368,472	10,459,923	10,834,531	11,311,396
Public Administrator	650,323	651,998	660,483	671,215
Probation	21,710,867	21,777,386	22,541,903	23,327,713
Police Department	487,158,482	501,325,753	526,501,837	551,663,903
Department of Human Resources	947,537	947,537	947,537	947,537
Parks, Recreation and Museums	19,556,364	19,558,782	19,936,076	20,368,739
Shared Services	1,255,172	1,262,878	1,321,836	1,363,357
Public Works Department	35,696,100	35,782,146	36,948,931	38,190,488
Records Management	1,040,857	1,043,638	1,072,563	1,101,243
Office of Hispanic Affairs	504,750	504,750	504,750	504,750
Social Services	48,988,622	49,133,287	50,767,236	52,845,117
County Treasurer	2,076,162	2,078,141	2,129,631	2,200,819
Traffic & Parking Violations Agency	3,821,101	3,822,672	3,937,568	4,064,115
Veterans Services Agency	657,651	659,593	673,099	690,545
Office of Management and Budget - Attrition	(10,000,000)	(9,205,000)	(8,205,000)	(7,205,000)
Grand Total	934,890,738	951,570,681	990,624,848	1,031,717,913

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.

Since 2012, the County has consistently deferred the maximum amount of pension payments under the State's Stabilization program. From the inception of the program, the total deferred pension costs have been estimated to be \$365.9 million. The FY 22 Proposed budget will be the first time the County stops this practice of deferring the expense. The Administration not only plans to pay the majority of the pension obligation in FY 22, but budgets to pay-off most of the outstanding liability from prior year's deferrals. OLBR estimates that the current outstanding liability to be roughly \$195.6 million, which includes \$39.2 million from installments that are included in the FY 22 pension bill and \$156.4 million in outstanding liability from future payments, prior to interest accumulating. Paying off this liability, is good governmental practice since it will save the County millions from paying future interest payments.

The FY 22 Fringe Benefit budget for the Major Funds is \$775.3 million, which is an increase of \$172.7 million from the FY 21 NIFA Approved Budget. Compared to the FY 21 projection, expenses are increasing by \$188.5 million, which is mostly due to paying off a significant portion of the outstanding liability from the prior years of pension deferrals. This is followed by increases in health insurance for active employees, Medicare reimbursement as well as smaller increases in almost every other sub-object. The FY 22 health insurance budget also includes a \$22.4 million credit, to reflect a possible health insurance contribution if labor agreements are negotiated with the unions that currently do not have contracts in place.

Overall, OLBR believes that there is a roughly a \$21.0 million opportunity within the health insurance and Medicare Reimbursement budgets, however since the \$22.4 million credit for the health insurance contribution is a risk, this opportunity becomes eroded.

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 21 Budget	OLBR FY 21 Projection	FY 22 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 21 Proj.
Fire Commission	Fringe Benefits	6,419,389	6,272,076	9,268,921	\$2,849,532	\$2,996,845
General Fund	Courts	832,948	768,784	850,115	17,167	81,331
	Fringe Benefits	259,052,076	252,034,668	378,101,701	119,049,625	126,067,033
	OMB	24,666,209	24,666,352	24,869,620	203,411	203,268
Police District	Fringe Benefits	145,750,544	142,201,081	149,006,884	3,256,340	6,805,803
Police Headquarters	Fringe Benefits	165,841,028	160,802,523	213,173,194	47,332,166	52,370,671
Total		602,562,194	586,745,485	775,270,435	\$172,708,241	\$188,524,950

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 21 Budget	OLBR FY 21 Projection	FY 22 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 21 Proj.
08F - NYS Police Retirement	92,300,000	92,160,287	92,300,000	-	139,713
10F - Fringe Benefits	-	-	4,000,000	4,000,000	4,000,000
11F - State Retirement Systems	86,010,662	85,938,141	87,115,000	1,104,338	1,176,859
13F - Social Security Contribution	61,046,635	60,191,750	62,150,000	1,103,365	1,958,250
14C -Employee C	-	(169,466)	0	-	169,466
14F - Health Insurance	156,702,108	153,987,282	177,017,577	20,315,469	23,030,295
16G - County Exp	-	4,274	10,000	10,000	5,726
17F - Optical Plan	946,602	768,638	1,027,620	81,018	258,982
19F - NYS Unemployment	900,000	900,000	910,000	10,000	10,000
20F - Dental Insurance	4,952,531	3,907,046	5,560,615	608,084	1,653,569
22F - Medicare Reimbursement	25,752,737	27,922,866	37,060,000	11,307,263	9,137,134
22S - Medicare Reimbursement Surcharge	2,000,000	2,889,106	3,665,000	1,665,000	775,894
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	-	-
29F - Pension Repayment	-	-	153,859,953	153,859,953	153,859,953
35F - MTA Mobility Tax	3,345,754	3,338,150	3,444,500	98,746	106,350
40F - CSEA Legal Plan	460,500	532,750	482,000	21,500	(50,750)
41F - COBA Legal Plan	105,375	90,625	105,000	(375)	14,375
45F - Disability Insurance	54,000	54,000	54,000	-	-
75F - Health Insurance For Retirees	165,405,116	151,353,074	165,976,595	571,479	14,623,521
76F - Employees Optical - Retirees	480,174	776,962	826,000	345,826	49,038
ZZF - Fringe Savings	-	-	(22,393,425)	(22,393,425)	(22,393,425)
Grand Total	602,562,194	586,745,485	775,270,435	172,708,241	188,524,950

08F Pension for the Police and Fire Retirement System, 11F Employee Retirement System & 29F Pension Repayment

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. The Administration hasn't yet decided on whether the bill will be paid in February or December; if the payment is made in December, the County will realize the pre-payment discounted savings of approximately \$1.7 million.

Table 3.2 on the next page provides the FY 21 and FY 22 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. Except for the Police District Fund, the FY 22 Proposed Budget has been crafted to pay most of the pension obligation and not defer the current bill. As shown in the chart on the next page, the total pension invoice is increasing by \$23.0 million. However, the actual increase compared to last year is a greater amount, since last year the County amortized the maximum amortization allowed.

Please note, that 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.

Table 3.2: FY21-FY22

Pension Invoices

Pension Payments Based on December & February Schedules			
December			
	2021 invoice	2022 Invoice	2022 vs. 2021
<u>Total Pension Bill Excluding Amortization</u>			
ERS	104,658,997	114,523,439	9,864,442
PFRS	96,750,276	109,935,172	13,184,896
	\$201,409,273	\$224,458,611	23,049,338
February			
	2021 invoice	2022 Invoice	2022 vs. 2021
<u>Total Pension Bill Excluding Amortization</u>			
ERS	105,426,721	115,366,265	9,939,544
PFRS	97,491,530	110,782,255	13,290,725
	202,918,251	226,148,520	23,230,269
Savings From December Pre-payment	1,508,978	1,689,909	

* 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 based on both the December and February payment dates. As previously mentioned, if the Administration makes the payment in February, the discounted savings of \$1.7 million will be eliminated. The February invoice of \$226.1 million includes \$115.4 million billed for (ERS) and \$110.8 million billed for (PFRS). The significant increase can be due to rising pension contribution rates as well as pensionable salaries. Furthermore, the County includes a new budget line (AB29F) to pay off the outstanding liability from the prior year deferrals.

Table 3.3 below details the outstanding liability from deferring a portion of the pension obligations since FY 12. The chart provides figures based on both December and February payment dates.

Table 3.3: Amortization

Pension Amortizations		
	December Liability	February Liability
Total Amortization Liability from 21-21 Deferrals	\$365.9	\$367.4
Remaining Liability (Not including 2022 Bill Installments)	156.4	157.0
Installments due on 2022 Pension Bill (With Interest)	39.2	39.4
Total Outstanding Liability	\$195.6	\$196.4

As previously mentioned, the County has deferred a total \$365.9 million, which does not include the interest the County already paid from prior annual installments. Of the total \$195.6 liability, the payment of the FY 22 pension bill includes approximately \$39.2 million in this year's pension bill from the prior

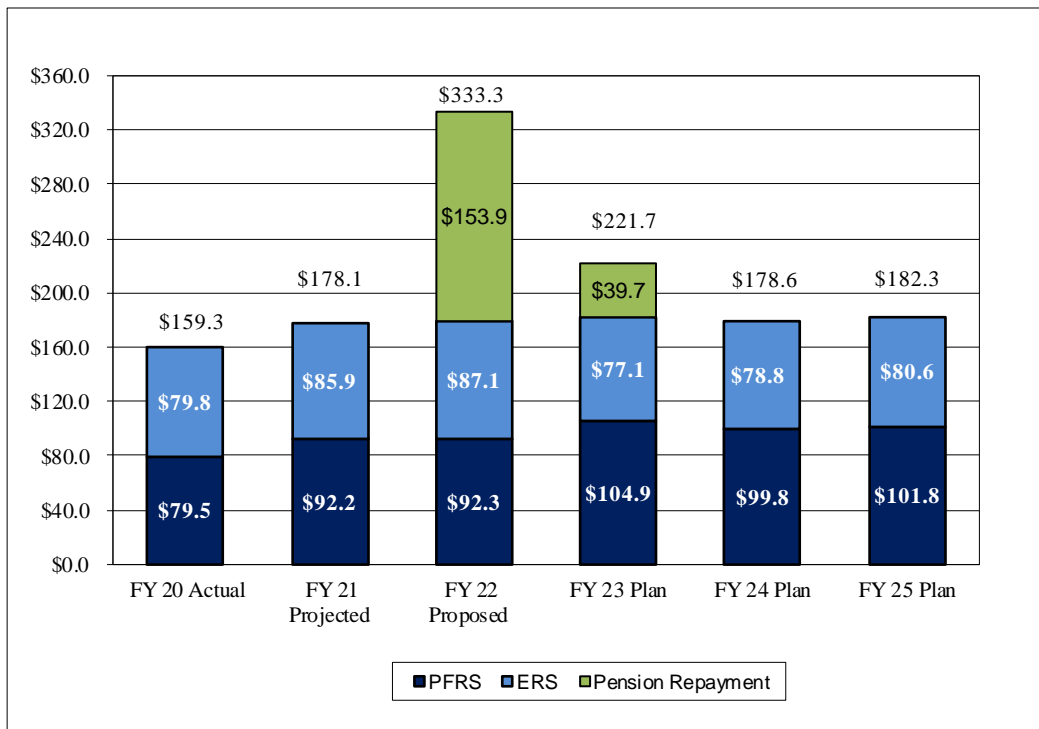
years. After deducting the installments that will be paid in the SFY 22 bill, OLBOR estimates the total outstanding liability to be approximately \$156.4 million, prior to interest accruing. The projected liabilities are based on the amortization schedules provided by the State.

By paying off the outstanding liability, the County will save from owing millions in interest in future years. For example, the County is paying \$6.1 million in additional interest in FY 22 from the installments that will be paid on the principal amount of \$33.1 million that was deferred (from prior years).

The FY 22 Proposed Budget includes an additional \$153.9 million budgeted to pay off the remaining liability under the new subject code labeled (AB29F). According to the FY 22 Budget Summary book, this sub-object includes a budget to pay off 75% of the outstanding liability for the Major Funds, and the entire liability for the SSW, NCC and Grant Funds. A portion of the PDD allocation, \$39.7 million is budgeted in the MYP to be paid in FY 23.

Chart 3.0 below details the historical pension obligation from FY 20 actual through FY 25 (the out-years of the MYP) for **the Major Funds**. The Administration’s FY 22 Proposed Budget includes the pension expense of \$92.3 million for PFRS and \$87.1 million for ERS for a total budget of roughly \$179.4 million. If the \$153.9 million is added to the total pension obligation, the pension budget represents total of **\$333.3 million** in payments.

Chart 3.0: FY 20 to FY 25 Pension Costs for the Major Funds (in millions)



The New York State Comptroller recently announced reductions in Employer Contribution rates for both ERS and PFRS Systems. The adjusted rates will impact payments next State Fiscal Year 2022-23. “The estimated average employer contribution rate for ERS will be lowered from 16.2% to 11.6% of payroll;

and the estimated average employer contribution rate for PFRS will be reduced from 28.3% to 27% of payroll. This marks the fourth time that DiNapoli has lowered the state pension fund’s assumed rate of return as economic and demographic conditions have changed.¹”

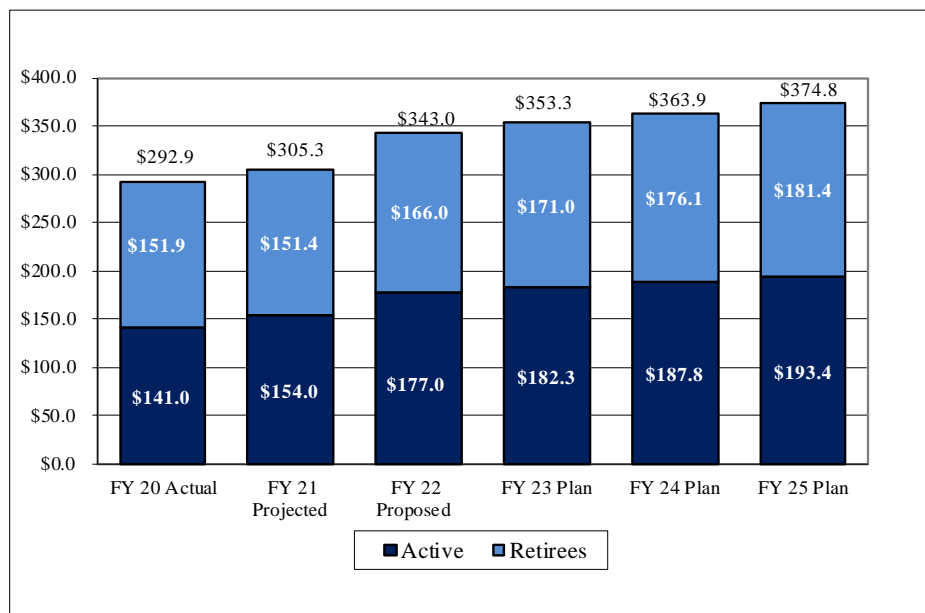
The significant decline in pension rates, should mitigate future costs. Including (AB29F), the Multi-Year Plan (MYP) projects costs to be \$221.7 million in FY 23, \$178.6 million in FY 24 and \$182.3 million in FY 25. The MYP is reflected at the end of this report. FY 23 contains an additional \$39.7 million to pay off the remaining outstanding liability that is related to the PDD fund, from prior year’s deferrals. After FY 23, the outstanding liabilities payments will be made.

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

In FY 21, The New York State Health Insurance Plan (NYSHIP) Empire individual and family premium plans, which most County workers carry, increased by 4.2% and 2.7%, respectively. According to the Office of Management and Budget (OMB), the FY 22 Proposed Budget is based on a growth rate assumption of 3.0%.

The FY 22 Proposed Budget for active and retiree health insurance is increasing by \$20.9 million compared to the FY 21 NIFA Approved Budget, however it is increasing by \$37.7 million compared to the FY 21 projection (which is discussed below).

Chart 3.1: FY 20 to FY 25 Health Insurance Costs (in Millions)



The FY 22 Proposed Budget includes \$343.0 million for active and retiree health insurance costs. The \$20.9 million increased compared to the FY 21 NIFA Approved Budget is due to an overfunded budget, a rise in the health insurance growth rate and an increase in headcount.

Compared to the **FY 21 projection**, the FY 22 budget is increasing by \$23.0 million for active employees and \$14.6 million for retired employees, for a total of \$37.7 million. The FY 22 budget increases the budgeted headcount by an additional 120 full-time heads and incorporates a growth rate assumption of

¹ Office of New York State Comptroller, “DiNapoli Announces Reduction in Employer Contribution Rates for Retirement System.” August 25, 2021

3.0%. The Administration's growth rate assumption seems low compared to an independent analysis conducted by the New York Stat consultant, AON Empower Results.

According to this analysis, AON Empower Results projects an overall blended growth of 10.7% for the entire region, however based on guidance received from the State, a better reference would be to calculate the projected trend based on the growth in claims incurred for Medical, Hospital, Behavioral, and prescription drugs insurance. The calculated average increase in claims for these categories is roughly 7.0%. Based on projecting the 7.0% growth rate assumptions by the budgeted headcount, the health insurance budget appears overfunded both for actives and employees up to roughly \$15.5 million.

ZZF Fringe Savings

As previously mentioned, the health insurance budget also includes a credit, which lowers the overall cost, to reflect a possible health insurance contribution if labor agreements are negotiated with the CSEA, PBA and COBA, similar to the terms that were settled in the recently settled contracts with SOA and DAI. This budget is at risk if the unions do not settle contracts in FY 22.

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 \$142,800 which is an increase of \$5,100 from the \$137,700 in 2020. Medicare has no maximum. In FY 22, social security could get the biggest cost of living increase in 40 years. Preliminary estimates project the wage base to rise significantly by 5.9% to 6.1%, due to COVID-19 related spikes in inflation.² Rising prices in 2021 are the driving force behind the higher estimates with energy prices causing havoc.

The FY 22 Proposed Budget for social security is increasing by \$1.1 million or 1.8%, compared to the FY 21 NIFA Approved Budget and by \$2.0 million, or 3.3% compared to the FY 21 projection. With a rise in wages, social security costs are expected to increase.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. The current contract with Healtplex has previously expired. According to Human Resources, the County has initiated a RFQ for this benefit and a committee which includes representatives from the unions has been meeting regularly to review each vendor proposal. Once a vendor is selected, the County will initiate new contracts.

The current annual per capita premium is \$110.40. The FY 22 Proposed Budget is increasing by \$81,018 compared to the FY 21 NIFA Approved Budget and by \$258,982 compared to the FY 21 projection. Based on the FY 22 Proposed budgeted headcount of 7,327 the budget appears to be more than sufficient.

²“Social Security Could get biggest cost of living increase in 40 years amid COVID-19 related inflation surge.” [USA Today](#), September 17, 2021.

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 22 Proposed Budget is increasing by \$10,000 compared to the FY 21 NIFA Approved Budget, and the projection. Since the current FY 21 projection is roughly \$900,000, the FY 22 Proposed budget appears to be sufficient.

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. According to Human Resources, the County has initiated a RFQ and formed a committee which includes representatives from the unions, who have been meeting regularly to review each vendor proposal. Once a vendor is selected, the County will initiate new contracts.

The FY 22 Proposed Budget is increasing by \$608,084 compared to the FY 21 budget and significantly by \$1.7 million compared to the FY 21 current projection. The budget assumes rates will remain unchanged with a new contract and accommodates the increase in headcount. The FY 22 Proposed Budget is more than sufficient to cover the full-time budgeted headcount in the proposal.

22F Medicare Reimbursement

The County provides quarterly payments to cover premium costs related to Medicare coverage for retired employees. The Proposed FY 22 Budget is increasing significantly by \$11.3 million, or 43.9%, compared to the FY 21 NIFA Approved Budget and by \$9.1 million compared to the projection.

In FY 21, standard Medicare Part B premiums are \$148.50 per month for individual salaries up to \$88,000 and joint salaries up to \$176,000. The monthly Part B premiums that include income-related adjustments will range from \$207.90 up to \$504.90, depending on the extent to which an individual beneficiary's modified adjusted gross income exceeds \$88,000 (or \$176,000 for a married couple).³ The standard Medicare Part B premium is expected to have the highest single year increase since the transition from 2015-2016, with an estimate of \$158.50 per month, an additional \$10 per month.⁴

Even with projected increase in Part B rates and the current projected deficit of \$2.2 million in the current year, it is unclear why the FY 22 budget is increasing so significantly. There is a potential for up to a \$5.5 million surplus within this budget.

22S Medicare Reimbursement Surcharge

The FY 22 Proposed Budget for the Medicare Reimbursement surcharge is increasing by \$1.7 million to \$3.7 million, compared to the FY 21 Adopted Budget, and by \$775,894 compared to the current projection.

³ "Medicare Part B Costs," Medicare.Gov; <https://www.medicare.gov/your-medicare-costs/part-b-costs>

⁴ "2022 Medicare Premium and Deductible Estimates Announced" EINPresswire, September, 6, 2021.

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 22 Proposed budget remains flat at \$2.1 million. The FY 22 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 22 budget is \$3.4 million, which is a minimal increase of \$98,746 from the FY 21 NIFA Approved Budget and by \$106,350 compared to the projection.

40F CSEA Legal Plan

The FY 22 budget includes \$482,000 for the CSEA legal plan, which is an increase of \$21,500, or 4.7% budget to budget, however it is a reduction of \$50,750 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 22 Proposed Budget may be understated since the current FY 21 projection is greater than the budget.

41F COBA Legal Plan

The FY 22 budget includes \$105,000 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which is an increase of \$14,375 compared to the FY 21 projection.

45F Disability Insurance

The FY 22 Proposed Budget includes \$54,000 for providing New York State disability insurance to CSEA unit members; which remains unchanged compared to the current year's 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 \$110.40 per person. The FY 22 Proposed Budget of \$826,000 is increasing by \$345,826 from the FY 21 NIFA Approved budget and by \$49,038 compared to the FY 21 projection. Based on the current projection, the budget appears to be more than adequately funded.

Multi-Year Plan

Table 3.4: FY 22 Proposed-FY 25 Multi-Year Plan

SubObject & Description	2022 Proposed Budget	2023 Plan	2024 Plan	2025 Plan
AB08F - NYS Police Retirement	92,300,000	104,939,217	99,758,362	101,753,529
AB10F - Fringe Benefits	4,000,000	4,500,000	6,000,000	6,000,000
AB11F - State Retirement Systems	87,115,000	77,069,516	78,803,577	80,572,319
AB13F - Social Security Contributions	62,150,000	62,150,000	62,150,000	62,150,000
AB14F - Health Insurance	177,017,577	182,328,104	187,797,947	193,431,886
AB16G - County Exp	10,000	10,000	10,000	10,000
AB17F - Optical Plan	1,027,620	1,058,449	1,090,202	1,122,908
AB19F - New York State Unemployment	910,000	910,000	910,000	910,000
AB20F - Dental Insurance	5,560,615	5,727,433	5,899,256	6,076,234
AB22F - Medicare Reimbursement	37,060,000	38,171,800	39,316,954	40,496,463
AB22S - Medicare Reimbursement Surcharge	3,665,000	3,665,000	3,665,000	3,665,000
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB29F - Pension Repayment	153,859,953	39,717,786	0	0
AB35F - MTA Mobility Tax	3,444,500	3,513,390	3,583,658	3,655,331
AB40F - CSEA Legal Plan	482,000	491,640	501,473	511,502
AB41F - COBA Legal Plan	105,000	107,100	109,242	111,427
AB45F - Disability Insurance	54,000	55,080	56,182	57,305
AB75F - Health Insurance for Retirees	165,976,595	170,955,893	176,084,570	181,367,107
AB76F - Employees Optical for Retirees	826,000	850,780	876,303	902,593
ABZZF - Fringe Savings	(22,393,425)	(15,980,682)	(16,420,565)	(16,913,182)
Grand Total	775,270,435	\$682,340,506	\$652,292,160	\$667,980,421

Fringe benefits will decrease by \$107.3 million, or 13.8%, from the \$775.3 million in the FY 22 Proposed Budget to \$668.0 million in FY 25.

- Health insurance expenses for active and retired employees from FY 22 to FY 25 are projected to increase by \$31.8 million to \$374.8 million.
 - The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 3.0% from FY 23 through FY 25. The MYP growth rate appears low compared to the historic five-year average of roughly 5.0% for active employees. However, it appears reasonable based on the historic five-year average composite 1.5% for retirees. Since the FY 22 Proposed budget appear to be significantly funded for both active and retired employees, the projected growth into the outyears should be sustainable.
- Pension costs for ERS and PFRS are increasing minimally by \$2.9 million to \$182.3 million by FY 25. Since pension contribution rates are projected to decline in the out-years, the small rise appears reasonable to capture the growth in pensionable salaries. In addition, the MYP budgets an additional \$39.7 million to pay off the remaining outstanding liability from the deferring the prior year’s pension obligations.
- The FY 22 Proposed Budget for social security remains flat at \$62.2 million from FY 22 through FY 25. Since social security is a function of salaries, and with such a significant rise of \$61.1 million in the Major Funds out-year wage expense, it is unclear why social security is not rising.

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 22 the incorporated villages are allocated a lump sum amount of \$1,250,000 to be divided on a per capita basis.

The sales tax revenue has been impacted by the coronavirus which has made predicting this revenue very volatile. Nonetheless, when the prior year budget was drafted it was seen as being very anemic which prompted the Legislature to create a Special Revenue Fund where all sales tax revenue in excess of the budget shall be deposited. Currently in FY 21, the amount that is projected to end up being transferred into the Special Revenue Fund is expected to exceed \$350.0 million. Understanding the proposed sales tax revenue for FY 22 has become primordial as it supports many operations in the County.

Year-to-date collections, through the September 10, 2021 sale tax check, are up 30.3% from this time last year, shown in Table 4.0.

Table 4.0: Current Sales Check Percentage Growth

2021 Year-to-Date Sales Tax Receipts

(figures in millions)

	2020	2021	Variance \$	Variance %
Gross YTD Sales Tax	\$648.3	\$844.6	\$196.2	30.3%

With so much riding on this revenue source, OLBR has compiled the illustration below to help the Legislature understand how the Administration arrived at its budget and facilitate policy decisions. The proposed sales tax revenue in the FY 22 Executive Budget, including the deferred piece, is \$1,375.0 million. According to the Administration, the FY 22 budget reflects a 3.1% growth rate annually from FY 19 to FY 22 starting with the year-end FY 19 figure **with deferrals**. However, to get to the 1.5% referenced in the out years, the FY 22 budget has to exclude the deferral.

Table 4.1 below illustrates how OMB calculated the FY 22 Proposed Budget, which shows a 3.1% growth rate annually from the FY 19 year-end actual and the out years of the plan which contain 1.5% growth rates. These numbers are the ones referenced in the Administration’s Executive summary.

Table 4.1: Proposed Sales Tax Budget, Calculations, and Plan

2019 Year-End Actual with Deferrals	2020 Adjusted	2021 Adjusted	2022 Budget with Deferrals	2022 Budget without Deferrals	2023 Budget no deferrals	2024 Budget no deferrals	2025 Budget no deferrals
1,254.7	1,293.6	1,333.7	1,375.0	1,400.8	1,422.1	1,443.8	1,465.7
	3.1%	3.1%	3.1%		1.5%	1.5%	1.5%
OMB's Calculations and Proposed Budget							

Since the County has experienced growth rates that have exceeded the economic forecasts, OLBR uses the actual collections as a starting base, then grows the remaining checks by a percentage. Using this methodology and growing the FY 21 remaining checks by 5.0%, sales tax collections would exceed the FY 22 Proposed sales tax budget, meaning that no growth would be necessary to meet the FY 22 budget. Using the 5% growth rate on remaining checks and after deducting the AIM, Distressed Provider and Part B payments overage, sales tax collections for FY 21 would end up at roughly \$1,376.3 million which is close to the total FY 22 Proposed sales tax budget with deferrals of \$1,375.0 million.

As mentioned previously, with 5% growth on all remaining FY 21 checks, no growth is required in FY 22 to achieve the sales tax budget. However, recent economic forecasts and indicators point to a continued positive economic growth for Nassau County in FY 21 and FY 22. A survey of current US Gross Domestic Product (GDP) and regional Gross County Product (GCP) forecasts reveals that the US economy is expected to grow 4.9% on average in the fourth quarter of 2021, 3.4% in 2022, and 2.4% in 2023. Table 4.2 displays the current forecasts.

Table 4.2: Survey of Current US GDP Forecasts

Current Real US GDP 2021 Forecasts, August 2021			
	Q4 2021	2022	2023
Fannie Mae	5.9%	3.2%	
Mortgage Bankers Association	6.0%	3.0%	1.7%
The Conference Board	2.9%	4.0%	3.0%
Average US GDP Forecast	4.9%	3.4%	2.4%

Moody's, Regional GCP	9.1%	6.1%	2.0%
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Although the Moody's regional GCP is more aggressive, the scenario of all remaining FY 21 sales tax checks containing approximately 5.0% growth, is in-line with the fourth quarter FY 21 US GDP forecast. Table 4.3 shows the **gross** revenue in FY 21 at a 5.0% increase on remaining checks and the resultant FY 22 net sales tax for various rates of growth in FY 22.

Table 4.3: FY 22 Net with Various FY 22 growth, 5% growth on Remaining FY 21 checks

FY 21 Proposed Base (5% Remaining)		1,404.5	
FY 22 Growth Rate	FY 22 Collections	FY 22 Budget Variance	*FY 22 Variance after deductions
3.0%	1,446.6	71.6	58.4
3.4%	1,452.3	77.3	64.1
4.0%	1,460.7	85.7	72.5
5.0%	1,474.7	99.7	86.5
6.0%	1,488.8	113.8	100.6

Figures in millions, with *deductions made for AIM and Distressed Provider Payment

No FY 22 growth is necessary to achieve the sales tax budget if all remaining FY 21 checks grow by 5.0%. It is expected that the next few checks will have growth rates that exceed 5.0% with the ensuing one having a lesser growth. With 5.0% FY 21 growth and 3.4% growth in FY 22, equal to the national average US GDP growth forecast for FY 22, the County would record a \$64.1 million sales tax surplus after the AIM and Distressed Provider payments. With 5.0% FY 21 growth and 6.0% FY 22 growth, the County would record a \$100.6 million sales tax surplus after the AIM and Distressed Provider payments. However, as previously mentioned, projecting growth has been very volatile given the many factors that can affect the economic situation. In FY 22, attaining the budgeted sales tax revenue will not require any economic growth, however changes and or adjustments to the current budget will be a matter of policy to be considered by the Legislature.

According to the New York State Comptroller's Office, the final County sales tax withholding for the Distressed Provider payments will be in February 2022 in the amount of \$1.8 million.

On October 12, 2021, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection of where FY 21 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 18 through FY 20, along with a projection of the FY 21 and FY 22 current appropriations/usages. All figures are shown on a **budgetary** basis.

Table 5.0: Budgetary Basis Year End Balance 2018 to 2020 & Office of Management and Budget (OMB) Projected Year-End 2021-2022 figures

Budgetary Basis Year End Fund Balance, 2018 to 2020 actuals, 2021 projection & 2022 Appropriation in thousands							
	2018	2019	2020	2021 Usage	2021 Projected	2022 Usage	2022 Projected
General Fund	122,077	201,624	214,067	0	214,067	0	214,067
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	81	83	83	0	83	0	83
Open Space Fund	1,809	1,809	1,785	0	1,785	0	1,785
Employee Benefit Fund	13,230	13,401	13,620	0	13,620	0	13,620
Litigation Fund	14,434	29,709	29,642	0	29,642	0	29,642
Retirement Contribution Fund	51	52	52	0	52	0	52
Bonded Indebtedness Fund	697	0	0	0	0	0	0
Nassau County Power Utility Authority	(41)	(41)	(41)	0	(41)	0	(41)
Total General Fund	152,338	246,636	259,208	0	259,208	0	259,208
Police District	24,922	47,284	110,195	0	110,195	0	110,195
Sewer	14,343	10,653	34,431	1,023	35,454	(12,922)	22,532
Total Operating Funds Budget Balance	191,602	304,573	403,834	1,023	404,857	(12,922)	391,935

The projections in the above table take the FY 20 year-end as a starting point and then add or subtract FY 21 and FY 22 appropriated uses incorporated in the July 2021 OMB projections, updated Multi-Year Plan, and proposed budget.

The County ended FY 20 with a balance of \$259.2 million in Total General Fund balance. This was a \$12.6 million budgetary increase from FY 19. From a Major Fund perspective (General, Debt Service, Fire Commission, Police Headquarters and Police District), the County ended FY 20 with a balance of \$324.3 million, an increase of \$75.4 million from FY 19.

In FY 21, the July OMB projection reflects the addition of \$1.0 million in the Sewer Fund. No other Fund Balance changes are anticipated in FY 21. In FY 22, the Proposed Budget reflects the usage of \$12.9

million in the Sewer Fund as well as the use of \$0.10 million in the Environmental Bond Fund, which is not shown on the Table 5.0.

Additionally, the County is required to report its annual financial results on a Generally Accepted Accounting Principles Basis (GAAP basis). The County’s year-end GAAP results are reflected in the Comptroller’s annual CAFR report. Moreover, per Governmental Accounting Standards Board (GASB) statement number 54, the reserved and unreserved classifications of fund balance were eliminated and replaced with five new classifications, non-spendable, restricted, committed, assigned, and unassigned.

The definition for each category is summarized below:

- The non-spendable balance reflects amounts that can’t be spent because they are either not in a spendable form, will not convert to cash within the current period, or are legally or contractually required to be maintained intact.
- The restricted balances are restricted to specific purposes by external parties.
- The committed funds are constrained for specific purposes pursuant to formal action by the government’s highest level of authority, the County’s Legislature. The funds may not be used for any other purpose unless the constraint is changed by a similar action passed by the Legislature (Ordinance / Resolution).
- The assigned funds are constrained by the government’s intent to be used for a specific purpose. The County Legislature may assign fund balance via approval of the annual budget. The assignment generally only exists temporarily, and no additional action is required for the removal of an assignment.
- The unassigned funds show the residual classification for the General Fund.

The table below displays these GAAP based financial results from 2018 through 2020.

Total Gov't GAAP by Type, Exhibit X-14 Note 16, thousands	2020	2019	2018	2020 vs. 2019
Non-Spendable	\$9,721	\$53,461	\$54,154	(\$43,740)
Spendable:	0	0	0	0
Restricted	116,228	110,914	122,167	5,314
Committed	221,911	339,265	303,646	(117,354)
Assigned	202,101	2,357	9,410	199,744
Unassigned	84,152	112,176	(21,950)	(28,024)
Total Gov't GAAP	\$634,113	\$618,173	\$467,427	\$15,940

Source: Nassau County CAFR

The Comptroller reports that the County ended FY 20 with a positive \$84.2 million **unassigned** Fund Balance. Although compared to the FY 19 year-end balance, the Total Governmental GAAP unassigned fund balance fell by \$28.0 million in FY 20. The positive number represents the flexibility that could be tapped should the County need to and is also viewed positively by rating agencies.