

# OFFICE OF THE NASSAU COUNTY COMPTROLLER

**Nassau County Proposed 2022 Budget**

***Review of Risks & Opportunities***

***September 29, 2021***



**JACK SCHNIRMAN  
NASSAU COUNTY COMPTROLLER**



## **OFFICE OF THE NASSAU COUNTY COMPTROLLER**

**JACK SCHNIRMAN**

**NASSAU COUNTY COMPTROLLER**

**Kim G. Brandeau**

*Deputy Comptroller for Administration & Operations*

**Jeffrey R. Schoen**

*Deputy Comptroller/Chief Counsel*

**John Marafino**

*Deputy Comptroller*

**Lisa S. Tsikouras, CPA**

*County Director of Accounting*

**Tolulope Agosu**

*Deputy County Director of Accounting*

### **Financial Analysis Staff**

**Kenia Bonilla**

*Inspector Comptroller*

**Pina Ruperto, CPA**

*Accounting Executive*

**Khaleda Malique**

*Accounting System Specialist*

**Deepa Menachery**

*Financial Analyst*

**Terri Troici**

*Accountant II*

This report is also available on our website at: [nassaucountyny.gov/4517/Financial-Reports](http://nassaucountyny.gov/4517/Financial-Reports)



**Hon. Jack Schnirman**  
*Nassau County Comptroller*



**OFFICE OF THE NASSAU COUNTY COMPTROLLER**  
240 Old Country Road  
Mineola, New York 11501  
Tel: (516) 571-2386 Fax: (516) 571-5900  
[nccomptroller@nassaucountyny.gov](mailto:nccomptroller@nassaucountyny.gov)

**September 29, 2021**

On behalf of the entire staff of the Office of the Nassau County Comptroller, I am proud to present this administration's review of the risks and opportunities in the County Executive's Proposed Operating Budget for the ensuing year.

Modernization has been a key focus of my administration in the Comptroller's Office. As discussed in prior years, the County's current financial system, which cannot efficiently produce GAAP compliant financial statements, has been previously classified as a "material weakness" by the County's external auditors. As the Government Accounting Standards Board (GASB) continues to issue new governmental accounting standards to standardize and improve the reporting of government financial statements, over the past few years, the complexity and effort required for the County to continue to comply with GAAP reporting has increased exponentially. The County must prioritize the effort to upgrade its current financial system to keep up with the ever-increasing reporting requirements.

Upgrading the County's financial system and modernizing the Comptroller's Office capabilities has been a priority to ensure continued compliance with governmental accounting standards, timely financial statements, and enhanced public transparency. In addition, upgrading and modernizing the financial system will increase operational and reporting efficiencies that will ultimately save taxpayer dollars.

The Comptroller's Office, in collaboration with the County Executive, has taken steps towards a project to upgrade the County's outdated financial system. This project will take several years to complete. In 2019, the County Legislature passed a capital plan which included initial funding to solicit proposals from qualified entities to provide for pre-implementation services, as well as project management and quality assurance services, to ensure proper oversight and ongoing monitoring with financial based enterprise resource planning ("ERP") migration as the County seeks to replace its current financial mainframe system, the Nassau Integrated Financial System ("NIFS"). I want to thank and acknowledge the members of this Legislature for supporting that critical initiative.



With the recent RFP selections for ERP pre-implementation services and project management quality assurance, the County anticipates beginning the initial phase of the ERP in the fourth quarter of 2021.

In addition to supporting modernizations to our financial system, our critical priorities are focused on modernizing the County's finances through using data-driven processes to provide thorough analyses and identifying efficiencies to save taxpayers money.

Over the past three years, we have created a way for County government and residents to transparently view the County's finances just like they can with their own personal finances, with the 2019 launch of the [Open Nassau Transparency Portal](#). Not only does the Open Nassau Transparency Portal feature Open Checkbook, which allows the public to see how County money is being spent, but since then, the Comptroller's Office has leveraged the platform to provide a host of financial data in a user-friendly interface, including:

- Open Budget;
- Open Payroll;
- Open Finance; and
- Cash Receipts.

In addition, the *Comptroller's Scorecard*, available on *Open Nassau*, displays 12 key indicators used to measure the County's fiscal health so that our financial data is accessible to all in an easy-to-understand way. Altogether, these platforms comprise holistic transparency and financial data-sharing initiatives that the County Executive and Comptroller's Offices are undertaking, visualizing expenditures through the *Open Checkbook* and *Open Payroll*, and showing revenues coming in and their sources through *Cash Receipts*.

Furthermore, the Comptroller's Office believes that reforming the County's contracting and procurement process involves increasing participation of Minority and Women-Owned Business Enterprises ("MWBEs") and Service Disabled Veteran Owned Businesses ("SDVOBs") so that we can diversify and increase the number of vendors that do business with the County, while encouraging competition and good value for our residents. To that end, the Comptroller's Office is proud of its work on advocating for a Disparity Study, which is currently underway. The Disparity Study will produce and analyze the data necessary to determine underutilization. With the completed Disparity Study and the determination of underutilization, the County can set MWBE goals, the Office of Minority Affairs will then be able to enforce MWBE goals and the County Comptroller, in collaboration with the County Executive's Office, can track data to determine if goals are being met, leading to increased MWBE participation.

## **2020 Year-End Results – Moving in the Right Direction**

Consistent financial reporting is a key component in the effort to lift the County out of a fiscal crisis. Leaders cannot be expected to fix problems if they cannot be properly diagnosed in the first place. The onset of the Coronavirus (“COVID-19”) pandemic upended that trajectory in 2020 with negative impacts to sales tax, fines, fees, and other economically sensitive revenues. However, we also saw corresponding positive impacts such as significant positive spikes to our local housing market, resulting in increases to other revenues such as Mortgage Recording Fees and other related revenues.

As we recently highlighted in the County’s Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2020, positive economic trends had supported stronger sales tax receipts than expected in the fourth quarter of 2020.

At 2020 year-end, the County’s operating surplus was \$128.1 million for the three Primary Operating Funds, demonstrating that the County weathered the unprecedented fiscal storm through the effective use of Federal monies, debt management, and higher than expected sales tax receipts, as well as lower expenditures resulting from salary and fringe costs. The 2020 financial results show the County moving in the right direction.

## **2021 Outlook – On Track for Positive Results**

As we head into the end of 2021, COVID-19 and emerging variants of the virus may continue to affect the economy and economically sensitive revenues resulting in negative impacts on County finances. Regardless, Federal revenue relief, support for local business, and smart governance continue to be critical for the County to maintain liquidity and take steps to close long-term structural gaps in our budgets as well as equity gaps in our communities.

The passage of the American Rescue Plan Act (ARPA) infused trillions of dollars into state and local governments to combat the lingering economic effects of COVID-19. The Comptroller’s Office released a report entitled *“Guiding Principles: Making Smart Investments with Stimulus Funding.”* which recommended smart, innovative options for Nassau County to use ARPA funding. Nassau County’s government is receiving \$385 million over two years in ARPA funding. The report highlights the need for governments to approach the moment responsibly, with an eye toward strategic sustainability, and avoid pitfalls that can exacerbate long-term operating deficits.

We all know that smart investments can make transformative progress and ensure that structural gaps are narrowed and closed. There are various ways local governments can make smart decisions to improve municipal finances, and we wanted to offer perspective to this conversation. An economic recovery that helps people will lead to a more sustainable recovery for our County government’s finances.

---

The report highlights the direct impact of COVID-19 fiscal recovery funds:

- \$385 million allocated to Nassau County;
- \$774.2 million for non-entitlement units - towns and villages within Nassau County are expected to receive recovery funds from the non-entitlement unit tranche;
- \$12.7 billion in direct assistance to the New York State government; and
- \$350 billion in total aid to state and local governments.

The report also highlights “smart tips” that will ensure that Nassau County can seize the moment with transformative investments, including:

1. Investing Money to Reduce Operating Costs – Highlighting the need to invest in Nassau’s deferred infrastructure investments;
2. Making Overdue Investments in Technology Infrastructure – Highlighting the need to invest in and utilize technology more while reducing operating costs and increasing ease of residents interfacing with government; and
3. Making Investments in Our Residents – Highlighting the need to provide relief for the middle class as well as increasing access to childcare. Some help is on the way; more is needed.

Finally, the report highlights Best Practices around the country to embrace opportunity and limit risk, including:

1. Providing accountability by sharing data on the use and impact of Federal funds;
2. Investing in workforce development;
3. Investing in closing equity gaps; and
4. Supporting temporary and targeted efforts that address hardships of the pandemic and focus on areas not supported by Federal and State programs.

I urge you all not to approach this moment with a short-term focus. This influx of funds, if used responsibly for maximum impact, can pay dividends for years to come. This money can positively shape the future of our County in a way that makes it an attractive place to live for future generations.

The infusion of \$385 million of Federal Funds to Nassau County in a short time frame presents an unprecedented opportunity for the County to improve the lives of our residents and to move towards long-term financial stability. We look forward to seeing and monitoring the good work that can be done with these funds.

## 2022 Proposed Budget and 2022 Outlook

The County's financial outlook is progressing positively:

- The 2017 year-end GAAP deficit of \$122.4 million in the Primary Operating Funds improved to a GAAP deficit of \$27.5 million in 2018, to a GAAP surplus of \$145.2 in 2019 and finally to a \$128.1 million GAAP surplus in 2020<sup>1</sup>. This progression reflects important steps on the path to fiscal sustainability.
- Our 2021 Mid-Year Report estimated a \$79.8 million GAAP surplus in the three Primary Operating Funds, positive results given the impacts of the pandemic.
- The Office of the State Comptroller (“OSC”) recently released the Fiscal Stress Score, meant to keep the public informed about the factors impacting local government’s financial health, which has improved from the *Significant Fiscal Stress* category in 2017, to just 0.1 point away from *No Designation of Financial Stress* for the 2020 audited financial year.
- Sales Tax has rebounded from the major decrease seen in 2020, the lowest level of Sales Tax revenues the County has received in a decade, to amounts which exceed pre-pandemic levels.
- The restructuring of outstanding debt to alleviate debt service costs completed in 2021 resulted in the issuance of over \$1 billion in Nassau County Interim Finance Authority (“NIFA”) bonds, producing debt service costs savings of \$202.7 million in 2021 and \$172.8 million in 2022.

We must approach this moment thoughtfully if we are to continue to progress towards and ultimately achieve long-term fiscal sustainability. The 2022 Proposed Budget includes some prudent fiscal steps, such as paying off the majority of the amortized pension liability which has accumulated over a decade. This Proposed Budget benefits from the recent debt restructuring with a savings of \$172.8 million. The Proposed Budget also includes funds for potential settlement of collective bargaining agreements. At the same time, the Proposed Budget also reduces recurring revenues, with a multi-year Property Tax reduction that reduces General Fund property taxes in the years 2022 through 2025 by 95% from the 2021 level each year.

As a result, the 2022 Proposed Budget further shifts the percentage of overall County revenues more to Sales Tax than any other revenue source, which, while potentially advantageous to the taxpayer, can create financial risk to County finances going forward. While Sales Tax has been booming, it remains an extraordinarily economically sensitive revenue stream. Business economists have warned that a slower economic growth this year is possible in part due to the

---

<sup>1</sup> “Primary Operating Funds” include the total General Fund, Police District Fund, and Sewer and Storm Water District Fund. In accordance with GAAP, the General Fund is comprised of the following County funds: General; Police Headquarters; Fire Commission; Debt Service; Open Space; Technology; Litigation; Employee Accrued Benefit Liability Reserve; Retirement Contribution Reserve; and Bond Indebtedness Reserve.

---

COVID-19 variants. Thus, it would be best if shifting the budget's reliance in this fashion is also coupled with healthy reserve fund options and using the special revenue fund to stabilize taxes to prevent potential future increased fiscal stress resulting from economic downturns.

The County needs to approach the fiscal choices ahead carefully. We do not have a crystal ball to see what may happen to the economy and we do not know if additional dangerous variants of COVID-19 may arise, but we should seek to maintain flexibility and maximize opportunities to achieve sustainability, so that should Sales Tax dip, we do not have to again contemplate unpleasant and avoidable choices, such as large tax increases, fees, employee layoffs, or painful service reductions. The path to sustainability and to ending the NIFA control period lies in the choices we make right now.

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

Sincerely,



Jack Schnirman  
Nassau County Comptroller



**TABLE OF CONTENTS**

**INTRODUCTORY NOTES**..... 10

**Key Highlights: 2022 Proposed Operating Budget– Risks and Opportunities Drivers** ..... 12

**STATE OF THE ECONOMY**..... 12

**FISCAL STRESS SCORE** ..... 18

**REVENUE DISCUSSION**..... 21

**Major Funds Revenue Composition** ..... 21

**Revenues Variances** ..... 22

**Sales Tax** ..... 22

**OBLIGATIONS DISCUSSION**..... 43

**Major Funds Expenditure Composition**..... 43

**Obligations Variances**..... 43

**Salaries, Fringe Benefits and Workers’ Compensation - Budget Opportunity \$65.0 Million** ..... 44

**Long Term Obligations and Borrowing Trends** ..... 58



## INTRODUCTORY NOTES

### PURPOSE

The Nassau County Charter §402 (8) requires that in connection with the proposed County Budget for each fiscal year, on or before the date of the annual budget hearing (required by §304 of the Nassau County Charter), the Office of the Nassau County Comptroller render an opinion as to the reasonableness of the estimates contained in the proposed budget relating to non-real property tax revenues.

### REPORT NOTE

Over the last decade, the Budget Hearing for the Proposed Budget has been held in mid-October. This year's Proposed Budget Hearing has been scheduled for the last week of September, compressing the timeline for the various fiscal monitors to analyze the budget prior to the hearing.

The contents of this report have shifted slightly this year to accommodate the shortened review window, providing analysis on major items contained in the 2022 Proposed Budget. The forecasts and estimates made in this report are based upon the best information available at this time.

### PROPERTY TAXES

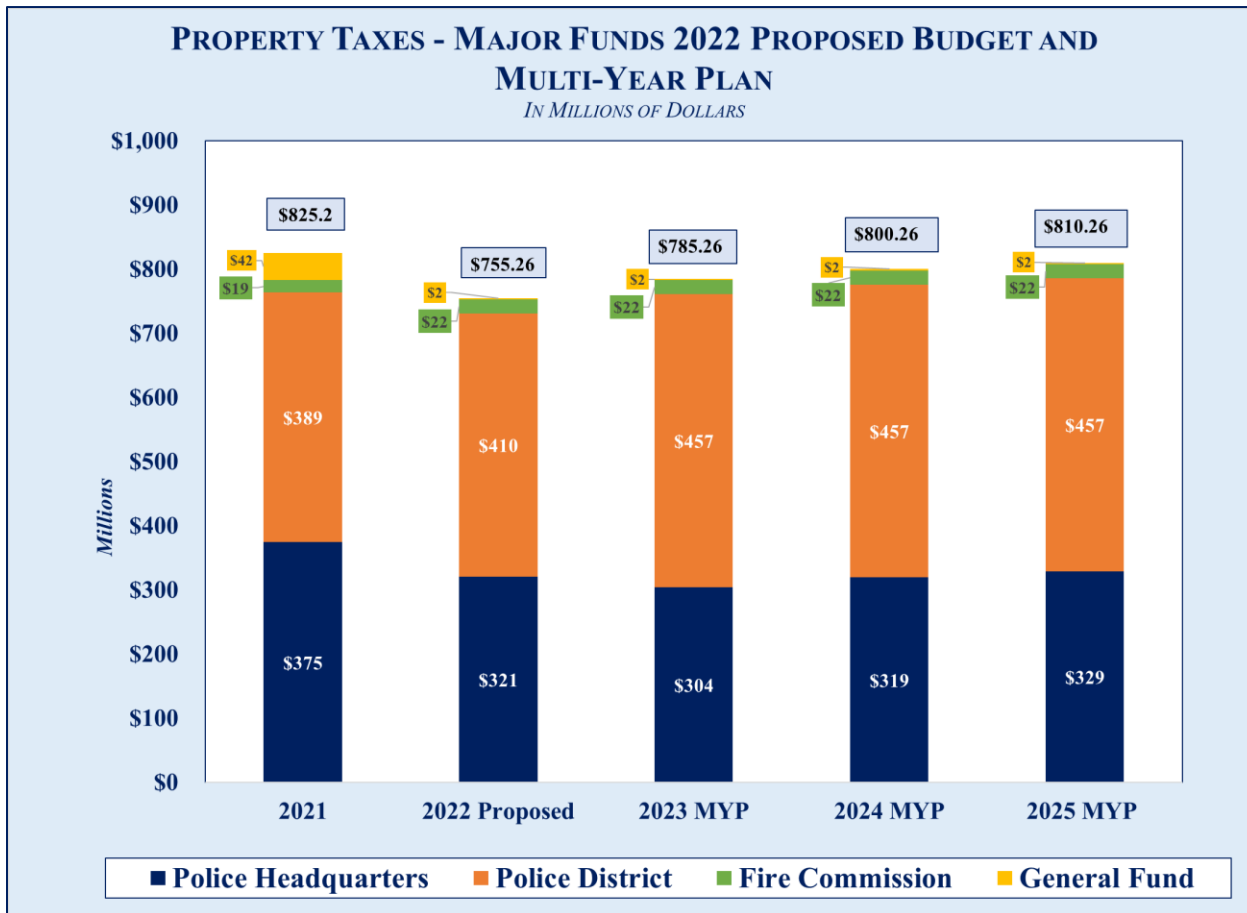
The 2022 Proposed Budget reduces Real Property Taxes in the primary operating funds by \$70 million in 2022 as compared to the 2021 Adopted Budget. While the Charter does not require a review of Property Taxes, we are providing the following analysis for informational purposes.

The Primary Operating Fund Property Tax budget lines for 2021 and 2022 as Proposed are shown below. Overall, there is an 8.5% reduction in Property Taxes for these funds in 2022 as compared to 2021:



Real Property Taxes - Major Funds as included in the 2022 Proposed Budget as Compared to 2021				
Real Property Taxes	2021 Adopted	2022 Proposed	\$ Change 2022 Proposed - 2021 Adopted	% Change 2022 Proposed - 2021 Adopted
General Fund	\$42,189,502	\$2,000,000	(\$40,189,502)	-95.3%
Police Headquarters	\$374,656,545	\$321,213,733	(\$53,442,812)	-14.3%
Police District	\$389,296,771	\$409,795,032	\$20,498,261	5.3%
Fire Commission	\$19,120,319	\$22,254,372	\$3,134,053	16.4%
<b>TOTALS:</b>	<b>\$825,263,137</b>	<b>\$755,263,137</b>	<b>(\$70,000,000)</b>	<b>-8.5%</b>

The Administration has stated that Property Taxes in the out-years of the financial plan are planned to gradually return to previous levels, from \$755.3 million in the Proposed 2022 Budget to \$810.3 million in the 2025 Multi-Year Plan, as indicated below.

Real Property Taxes - Major Funds as included in the 2022 Proposed Budget and Multi-Year Plan					
Real Property Taxes	2021	2022 Proposed	2023 MYP	2024 MYP	2025 MYP
General Fund*	\$42,189,502	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Police Headquarters	\$374,656,545	\$321,213,733	\$304,495,947	\$319,495,947	\$329,495,947
Police District	\$389,296,771	\$409,795,032	\$456,512,818	\$456,512,818	\$456,512,818
Fire Commission	\$19,120,319	\$22,254,372	\$22,254,372	\$22,254,372	\$22,254,372
<b>TOTALS:</b>	<b>\$825,263,137</b>	<b>\$755,263,137</b>	<b>\$785,263,137</b>	<b>\$800,263,137</b>	<b>\$810,263,137</b>
\$ Change from Prior Year		(\$70,000,000)	\$30,000,000	\$15,000,000	
% Change from Prior Year		-8.5%	4.0%	1.9%	



**Key Highlights: 2022 Proposed Operating Budget– Risks and Opportunities Drivers**

<b>Key Highlights: 2022 Proposed Budget Risks and Opportunities Drivers</b>		
<b>Positive “Opportunity” Key Drivers</b> 		
<b>Payroll and Fringe Benefits Savings</b>	+ \$65.0 million	Savings of \$44.9 million in Payroll Savings and \$20.1 million in Fringe Benefits Savings primarily due to the exclusion of assumptions for collective bargaining agreements not yet negotiated
<b>Sales Tax Revenues</b>	+ \$17.5 million	Higher projected sales tax based on higher base of 2021.
<b>Interest Penalty on Taxes</b>	+ \$8.1 million	Primarily the result of the delay in tax lien sales projected for 2021
<b>Debt Service</b>	+ \$5.6 million	Lower debt service costs projected than Proposed Budget
<b>Judgments and Settlements</b>	+ \$5.4 million	Lower projected costs in the Sewer and Storm Water District Fund related to Judgments and Settlements
<b>Social Services</b>	+ \$3.1 million	Lower expenditures projected in Purchased Services (\$1.7 million) and Emergency Vendor Payments (\$1.4 million)
<b>Unfavorable “Risk” Key Drivers</b> 		
<b>Rents and Recoveries</b>	- \$24.2 million	Primarily due to risks in Sale of County Property, Recovery of Prior Year Appropriations and \$10.0 million in capital close-outs
<b>Use of Fund Balance</b>	- \$12.9 million	Use of Fund Balance for Sewer and Storm Water District Fund is risked as we project the fund will not have residual fund balance
<b>Departmental Revenue</b>	- \$11.2 million	Primarily due to risks related to the Income and Expense Law (\$10.0 million) and Police Ambulance Fees (\$1.2 million)
<b>Fines and Forfeitures</b>	- \$10.7 million	Primarily due to risks in Traffic and Parking Violations fees, including Red Light Cameras and Boot and Tow.
<b>Early Intervention</b>	- \$3.0 million	Primarily due to risks associated with a lower budget than the Department requested

**STATE OF THE ECONOMY**

Communities across the Country have been and continue to be financially impacted by



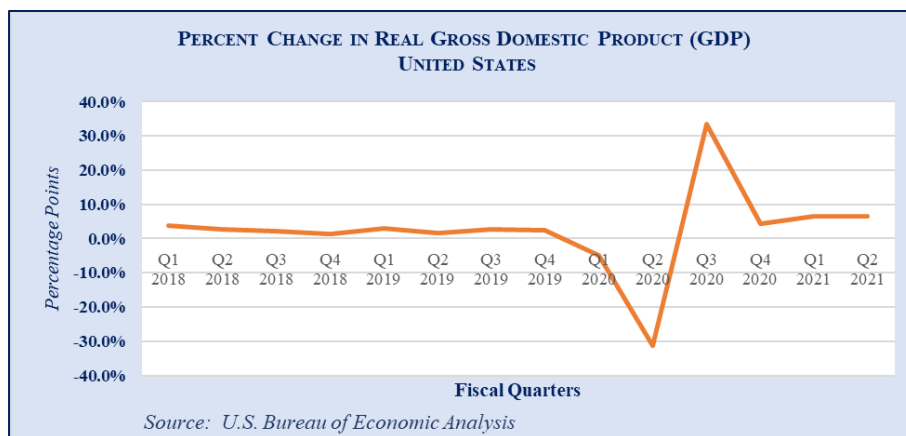
the unprecedented COVID-19 pandemic. According to the National Bureau of Economic Research, the U.S. entered a recession in February 2020<sup>2</sup>. The pandemic resulted in the worst economic downturn since the end of the second World War, exceeding the Great Recession of the late 2000s. The U.S. economy shrunk by 3.5% overall, a number not seen in decades<sup>3</sup>.

Successful vaccination drives as well as direct payments to millions of Americans have helped the country and our economy take steps to keep the economy running. Numerous economic indicators are available to monitor the health and well-being of our economy. Gross domestic product (GDP), unemployment rates, consumer price index (CPI) and the real estate market, which are highlighted within this report, are several indicators that demonstrate the conditions affecting the Nassau County economy.

**GROSS DOMESTIC PRODUCT (GDP)**

Measuring GDP provides insight into the overall health of both global and national economies. There exist vast ranges in estimates of the pandemic’s impact on the nation’s GDP. As of June 2021, the Federal Reserve estimated an increase in GDP ranging between a low of 6.3% to a high of 7.8%<sup>4</sup>, while the Federal Reserve Bank of New York estimated an increase in GDP at 7.84% for 2021<sup>5</sup>.

In August 2021, the United States Department of Commerce reported that gross domestic product increased at a seasonally and inflation adjusted 6.6% annual rate in the second quarter, or a 0.3% increase compared with the prior quarter<sup>6</sup>, reflecting relatively strong consumer confidence and stronger business investment.



<sup>2</sup> The National Bureau of Economic Research, June 8, 2020, <https://www.nber.org/cycles/june2020.html>

<sup>3</sup> Martin, Crutsinger, AP News, January 28, 2021, <https://apnews.com/article/us-economy-shrink-in-2020-b59f9be06dcf1da924f64afde2ce094c>

<sup>4</sup> Federal Reserve, June 16, 2021, <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20210616.htm>

<sup>5</sup> Federal Reserve Bank of New York, June 25, 2021, <https://www.newyorkfed.org/research/policy/weekly-economic-index>

<sup>6</sup> Bureau of Economic Analysis, U.S. Department of Commerce, August 26, 2021, <https://www.bea.gov/news/2021/gross-domestic-product-2nd-quarter-2021-second-estimate-corporate-profits-2nd-quarter>

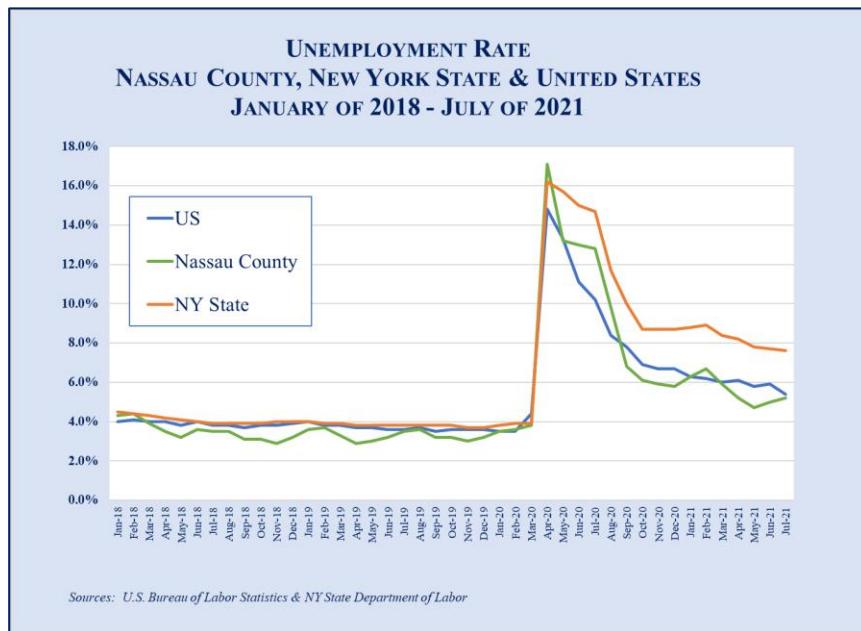


**UNEMPLOYMENT**

As of the end of 2019, Nassau County’s unemployment rate was 3.6% and has been steadily under 5% since early 2015. In April 2020, the County’s unemployment rate skyrocketed to 16.1%<sup>7</sup>. A recent study conducted by HR&A Advisors, Inc. (HR&A) for the Nassau County and Suffolk County Industrial Development Agencies indicated that early in the COVID-19 crisis, Long Island lost jobs at a faster rate when compared to New York City and surrounding suburbs<sup>8</sup>.

According to the U.S Bureau of Labor Statistics, the Nassau/Suffolk region’s total change in unemployment rates (non-farm and seasonally adjusted) for February and April hit an all-time high of -21.9%, with New York State and the rest of the Country at -19.8% and -14.5%, respectively for the same time period. This equated to an initial loss of 270,000 jobs for the region with the hospitality and retail industries, some of the hardest hit industry sectors.

As of July 2021, the unemployment rate for Nassau County was at 5.2%, the State of New York at 7.6% (down from 15.3% in April of 2020), and the U.S. unemployment rate at 5.4% (down from 14.7% in April of 2020)<sup>9</sup>. Unemployment rates are trending more positively, providing minor areas of relief to the workforce as the economy continues to move ahead in the face of challenges posed by Coronavirus variants.



<sup>7</sup> U.S. Bureau of Labor Statistics, April 2020 update, [https://www.bls.gov/eag/eag.ny\\_nassau\\_md.htm#eag\\_ny\\_nassau\\_md.f.1](https://www.bls.gov/eag/eag.ny_nassau_md.htm#eag_ny_nassau_md.f.1)

<sup>8</sup> HR&A, Nassau & Suffolk COVID-19 Economic Impact Final Report, July 8, 2020, <http://www.nassaucountyny.gov/EconomicImpact>

<sup>9</sup> U.S. Bureau of Labor Statistics, March-August 2021 updates, <https://www.bls.gov/eag/home.htm>

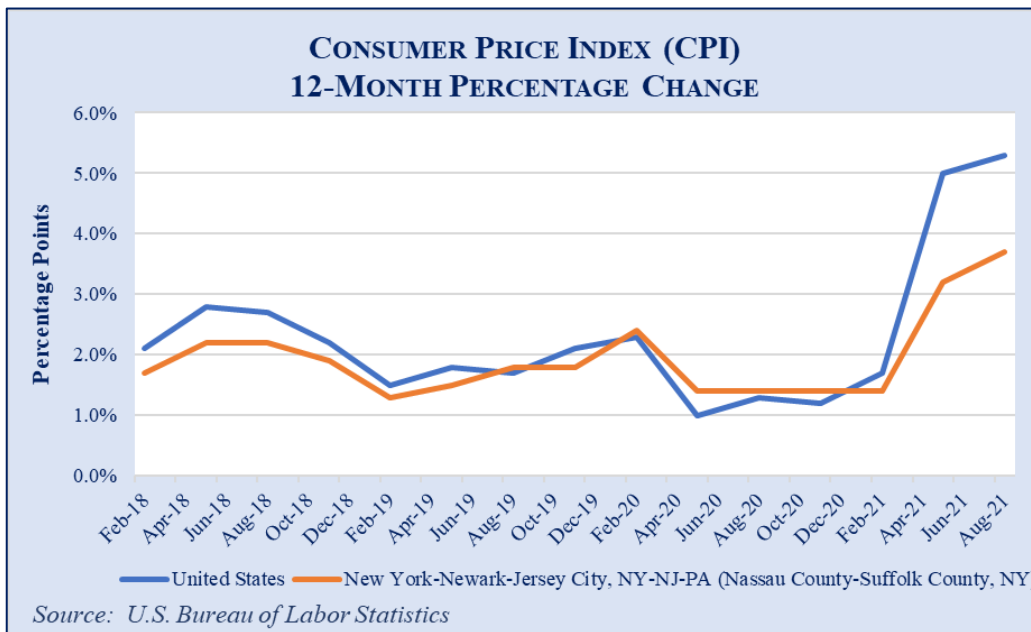


**CONSUMER PRICE INDEX (CPI)**

According to the U.S. Bureau of Labor Statistics, CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI is an indicator to help measure inflation/deflation, the effectiveness of governmental policies, and impact cost of living adjustments.

The national CPI for all urban consumers increased 5.3% in August 2021 as compared to the previous year (before seasonal adjustment). Index variations existed between sectors, and the increase in the energy index was mainly due to a 2.8% increase in the gasoline index. The food at home index experienced a rise of 3.0% over the past 12 months<sup>10</sup>.

For perspective, the CPI for Nassau and Suffolk County increased approximately 3.7% compared to the previous year (before seasonal adjustment)<sup>11</sup>.



<sup>10</sup> U.S. Bureau of Labor Statistics, September 14, 2021, <https://www.bls.gov/news.release/pdf/cpi.pdf>

<sup>11</sup> U.S. Bureau of Labor Statistics, September 17, 2021 [https://www.bls.gov/eag/eag.ny\\_nassau\\_md.htm](https://www.bls.gov/eag/eag.ny_nassau_md.htm)

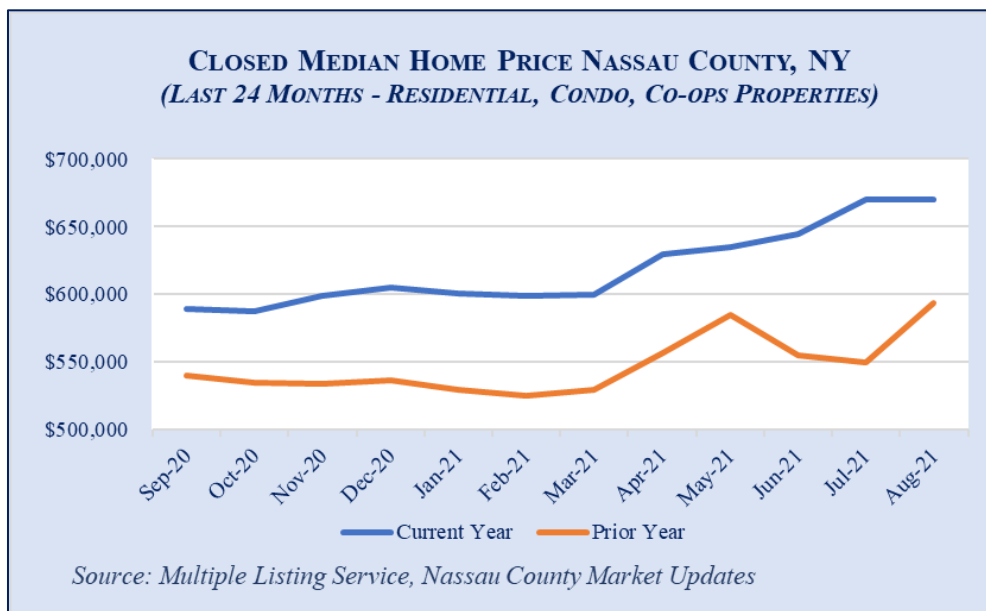


**REAL ESTATE MARKET**

The Real Estate market has boomed this past year:

- As of August 2021, the closed median home price in the Long Island Real Estate Market Report, which included Nassau, Suffolk, and Queens’ housing data, rose to \$610,000, representing a 16.6% increase from the previous year<sup>12</sup>. Specifically, Nassau County reported a closed median home price of \$670,000, representing an increase of 12.9% over \$593,597 from the previous year, as reported by Multiple Listing Service (“MLS”)<sup>13</sup>.
- MLS also reports that for August 2021, Long Island listed the total number of available residential listings at 13,042<sup>14</sup>. For Nassau County, the total number of residential properties sold was 1,573, an increase of 51.5% as compared to the previous year, and the total number of pending sales was down 18.3% as compared to the previous year<sup>15</sup>.

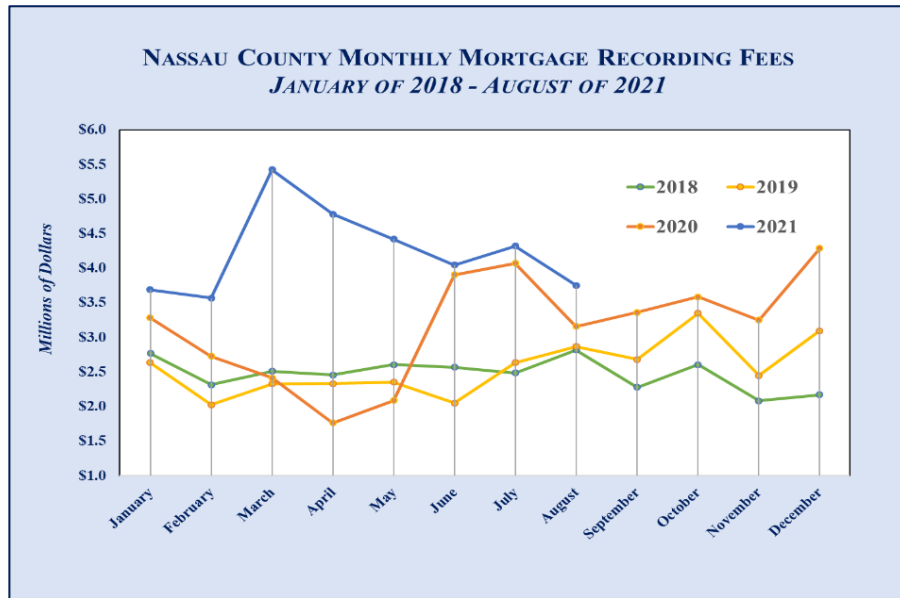
Although the County is considered developed with limited vacant parcels, transit-oriented housing development and re-development can serve to attract young professionals and add great value to the existing traditional housing stock.



<sup>12</sup> Multiple Listing Service, Long Island Market Data, September 8, 2021, <http://links.mlsstratus.com/actrep/Current/highlight.pdf>  
<sup>13</sup> Multiple Listing Service, Long Island Market Data, September 8, 2021, <http://links.mlsstratus.com/actrep/Current/highlight.pdf>  
<sup>14</sup> Multiple Listing Service, Long Island Market Data, September 8, 2021, <http://links.mlsstratus.com/actrep/Current/highlight.pdf>  
<sup>15</sup> Multiple Listing Service, Nassau County Market Updates, September 8, 2021, <file:///C:/Users/HYao/Downloads/2021%2008%20Nassau%20County.pdf>



Nassau County has benefited from the boosted real estate market, through increased Mortgage and Deed recording fees. The chart below shows monthly revenues received by Nassau County for Mortgage Recording Fees from January of 2018 through August of 2021, illustrating an increase in revenues received in 2021 year-to-date.



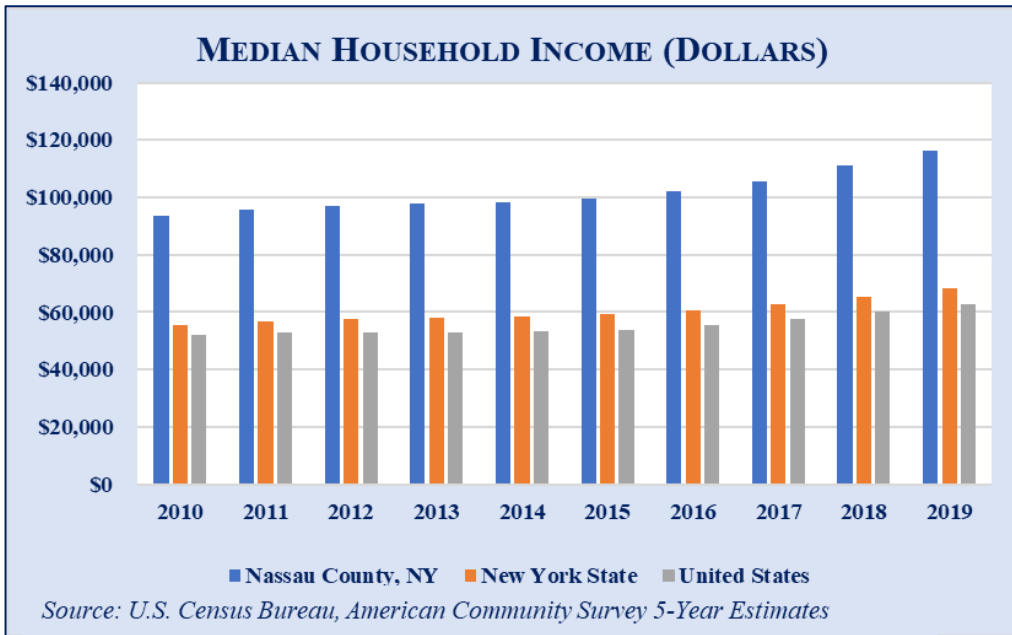
**MEDIAN HOUSEHOLD INCOME**

Median household incomes in the County are significantly above the national average and the New York State average. According to the 2019 American Community Survey, the County’s median household income totals \$116,110, as compared to the State and national median family income of \$68,486 and \$62,843, respectively<sup>16</sup>.

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

<sup>16</sup> U.S. Census Bureau, Income in the Past 12 Months (in 2019 Inflation-Adjusted Dollars), American Community Survey, 2019 ACS 5-Year Estimates, data.census.gov





### FISCAL STRESS SCORE

The Office of the New York State Comptroller (“OSC”) created and implemented the “Fiscal Stress Monitoring System” in 2013 to “keep the public informed about the factor impacting local government’s financial health.”<sup>17</sup> The scores are issued to counties, cities, towns, villages and school districts and use a scoring system to evaluate major fiscal indicators.

The scores as calculated are broken into four categories of fiscal stress, with a score of 100 being the highest, and the most fiscally stressed score. The scoring blocks are:

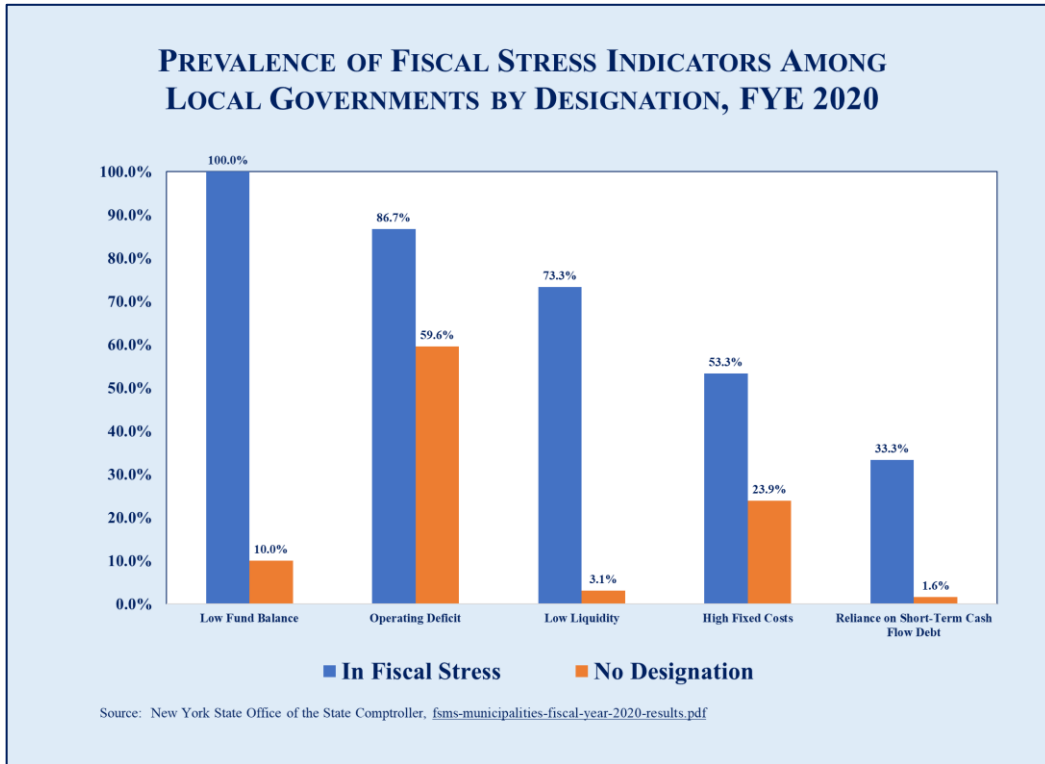
- Significant Fiscal Stress: 65 points to 100 points;
- Moderate Fiscal Stress: 55 points to 64.9 points;
- Susceptible to Fiscal Stress: 45 points to 54.9 points;
- No Designation of Fiscal Stress: 0 points to 44.9 points.

The indicators used to assess fiscal stress include fund balances, operating deficits, liquidity, fixed costs and reliance on short-term cash flow and debt. By obtaining this fiscal information from municipalities filed financial statements (Annual Update Documents and audited financial statements), New York State can compare fiscal health consistently across state municipalities.

<sup>17</sup> <https://www.osc.state.ny.us/press/releases/2021/09/dinapoli-announces-fiscal-stress-scores>



Most of the entities designated with fiscal stress in 2020 have issues with liquidity, indicating they might not have enough cash on hand to cover operating costs. The chart below with information provided by OSC, illustrates the percent of governments in fiscal stress exhibiting certain fiscal conditions.



### Nassau County’s Fiscal Stress Score

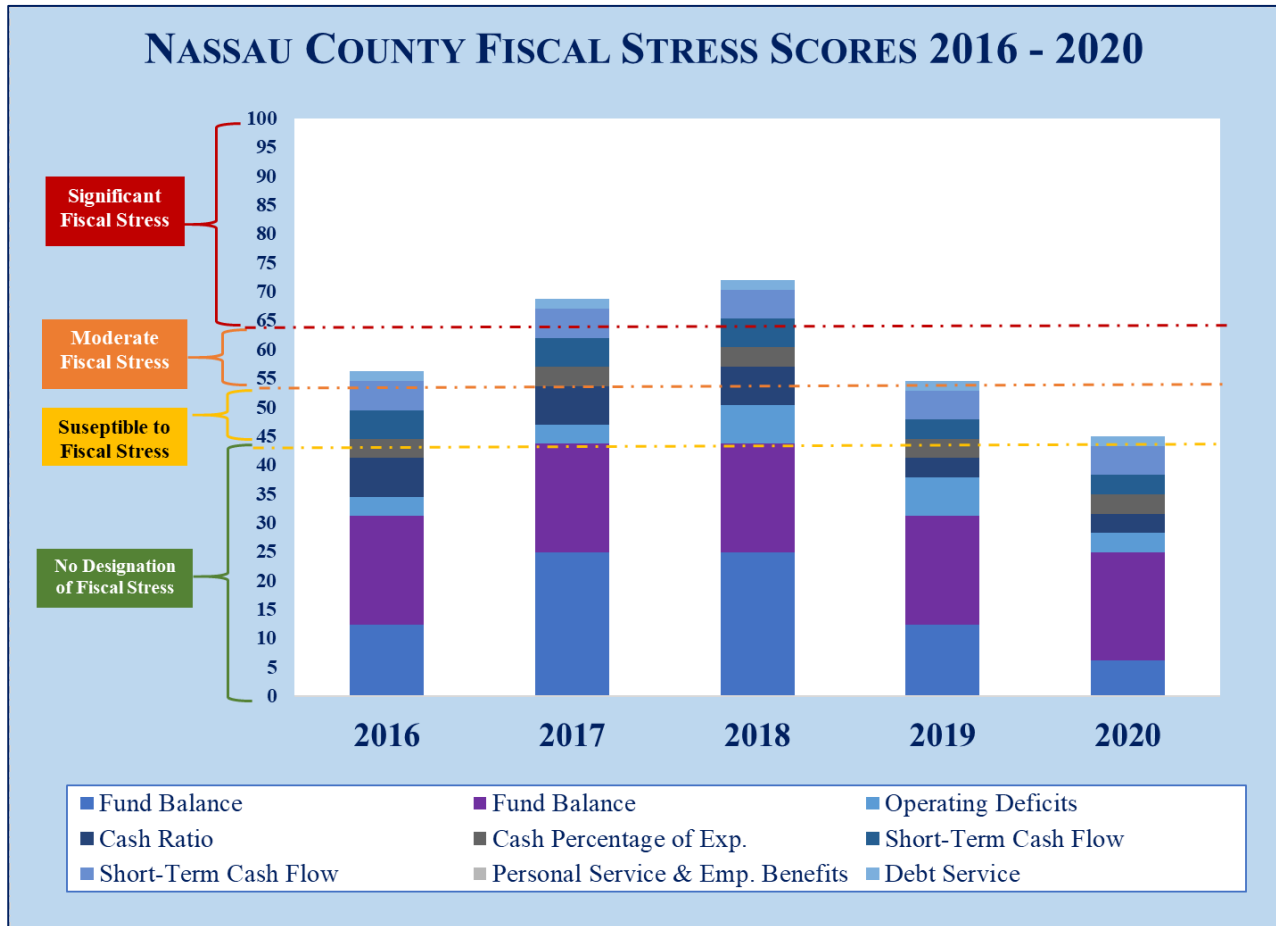
- Nassau County’s Fiscal Stress Score has improved since 2016 when it was in the *Moderate Fiscal Stress* category with a score of 56.3 points.
- For 2017 and 2018, the score rose to the *Significant Fiscal Stress* level, with scores of 68.8 points and 72.1 points, respectively.
- For 2019, the score improved to the *Susceptible to Fiscal Stress* level with a score of 54.6 points.
- For 2020, the most recent scoring, which was released by the State Comptroller in September of 2021, **the County’s score dropped to 45 points**, which is still in the *Susceptible to Fiscal Stress* level but **is only 0.1 point away from the *No Designation of Fiscal Stress* category.**

The most recent Fiscal Stress Score shows that Nassau County’s finances are continuing to move in the right direction. The County’s Fiscal Stress Score is one of the major fiscal indicators which is tracked by the Comptroller’s Scorecard, which displays the key indicators we use to measure



Nassau County's fiscal health, making our financial data easily accessible on the Open Nassau Transparency Portal.<sup>18</sup>

The chart below illustrates the County’s fiscal stress scores between 2016 to 2020, by major designation and fiscal indicator.



<sup>18</sup> <https://open Nassau.nassaucountyny.gov/stories/s/8ust-4hew>



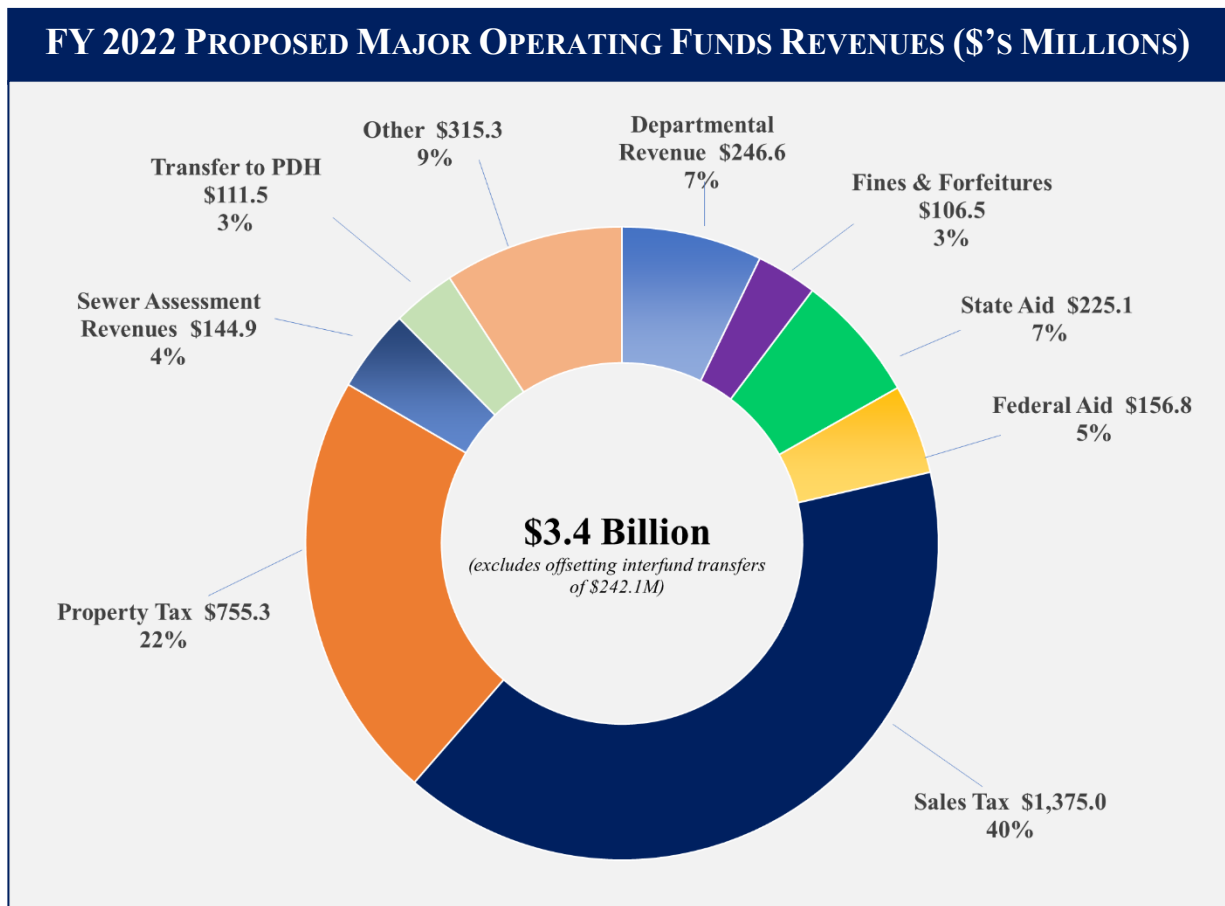
**REVENUE DISCUSSION**

**Major Funds Revenue Composition**

Sales Tax is the major revenue source of Nassau County, accounting for over \$1 billion, or 40% of all revenue included in the 2022 Proposed Budget. Other major sources of revenue are:

- Property Tax, \$755.3 million or 22% of all 2022 Proposed revenue;
- State and Federal Aid, \$381.9 million, or 11% of all 2022 Proposed revenue; and
- Departmental Revenue, \$246.6 million, or 7% of all 2022 Proposed revenue.

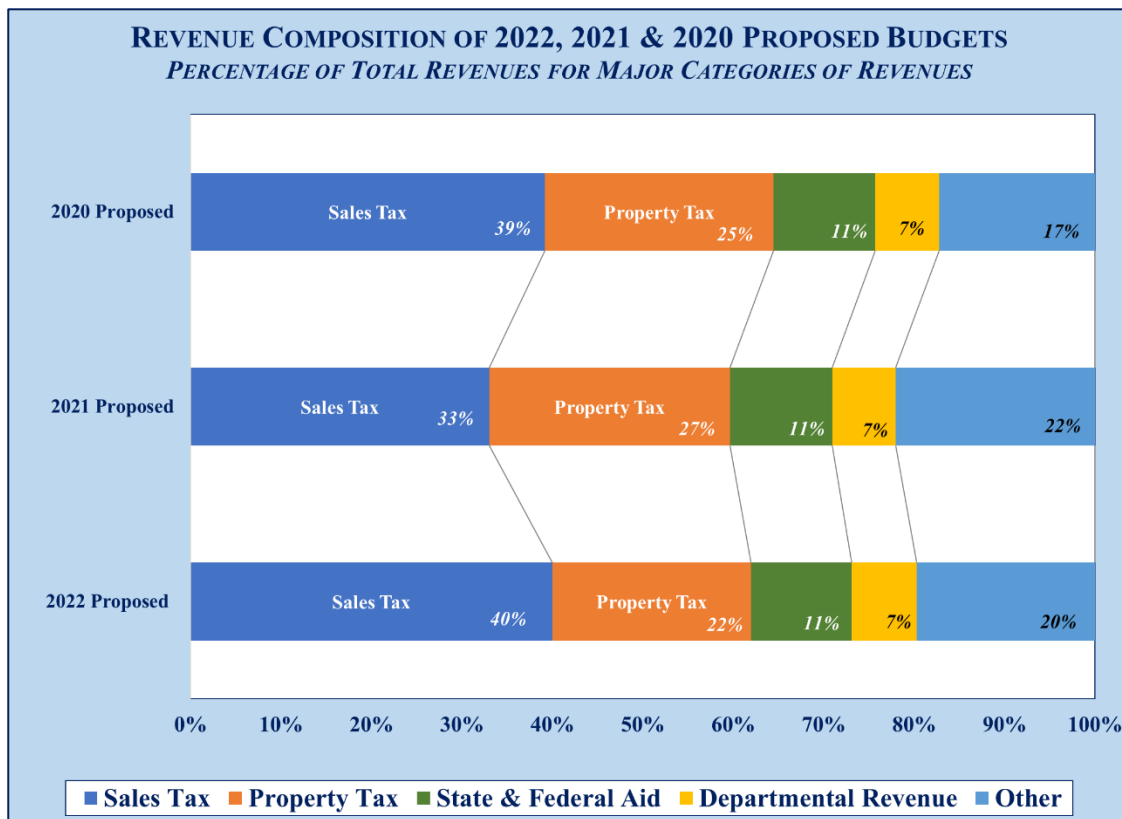
The chart below illustrates the amounts of major revenues sources included in the 2022 Proposed Budget and the percentage of total revenues.



\*Note: Other includes: Net Interfund Revenues (\$74.9 million), PILOTS (\$55.2 million), Rents and Recoveries (\$44.4 million), Interest Penalties on Taxes (\$34.8 million), Special Taxes and OTB 5% (\$29.8 million), Revenue Offsets of Expense (\$20.5 million), OTB VLT Profits (\$20 million), Permits and Licenses (\$19.1 million), Use of Fund Balance (\$12.9 million), Investment Income (\$2.4 million) and other (\$1.3 million).



While these categories and percentages have remained relatively constant in recent years, the percentages have shifted somewhat in the 2022 Proposed Budget as compared to the 2021 Proposed Budget as Property Tax has been reduced by \$70 million in 2022 and Sales Tax has been increased by \$351 million in 2022. The chart below illustrates the percentage shifts of major revenue categories for the 2022, 2021, and 2020 Proposed Budgets:



The increase in the amount of Sales Tax proposed in 2022 is due in part to a lower amount included in the 2021 Proposed Budget due to the impacts of the COVID-19 pandemic on the local economy.

**Revenues Variances**

This section discusses major funds revenue risks and opportunities presented in the fiscal year 2022 Proposed Budget.

**Sales Tax**

Sales tax is the historically the largest source of revenue for the County.

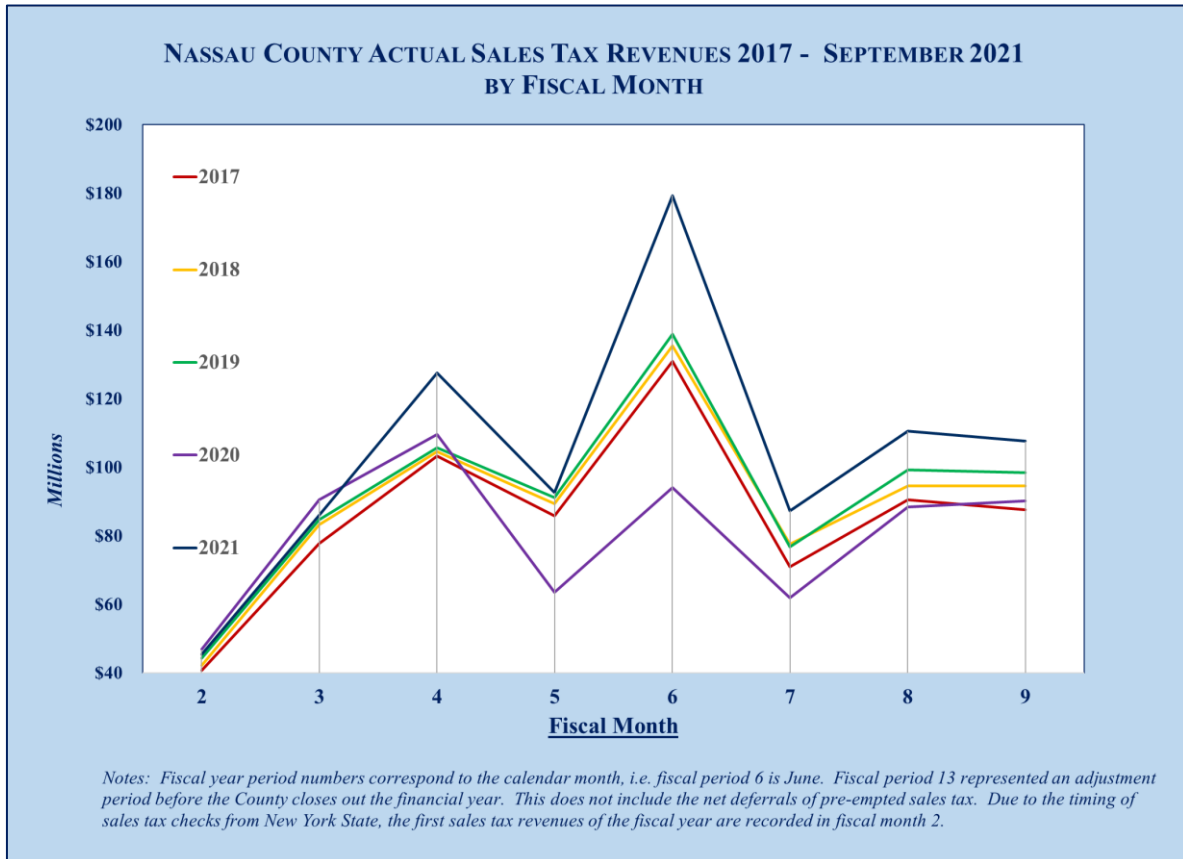
Sales tax revenues had shown an upward trend between 2014 and 2019. That ended in 2020, when actual County sales tax revenues were 8.26% less, or \$105.5 million less, than the 2020 Adopted Budget. This was the largest single year decline in sales tax revenues for at least the last ten years (see chart below), but it was not as drastic a decline as could have materialized.



The 2021 Adopted Operating Budget included a very conservative estimate for sales tax, which was based on the trajectory of sales tax seen in the third and start of the fourth quarter of 2020 when the budget was adopted.

2021 actual sales tax revenues have been coming in higher than in previous years.

- On a monthly basis, sales tax revenues for 2021 have been consistently higher than the previous four years as illustrated in the chart below.



- The strength of the sales tax results in the second quarter of 2021 may be the result of pent-up consumer demand and purchases related to recent spikes in home sales.
- The improvements seen in sales tax revenue collections have been fueled by recent changes that required many out-of-state vendors to collect and remit State and local sales taxes. Recent New York State data shows that for the 2020-2021 Sales Tax Year, 5.2% of Nassau County's sale tax revenues were generated from new enhanced internet sales tax policies.
- **According to OSC data, Nassau County's August 2021 sales tax collections were 19.3% higher than August of 2020 and 9.3% higher than August of 2019.<sup>19</sup> For the first eight months of 2021, Nassau County's sales tax revenues were 26.5% higher than the same months of 2020, and 13.3% more than the same months of 2019.**

- On an overall Statewide level, local sales tax collections grew more than 15% in August of 2021. This is the fifth consecutive month of collections exceeding 2020 collections, and were also higher than pre-pandemic 2019 sales tax revenues.
- New York State Comptroller Thomas DiNapoli recently noted: “...it remains uncertain how recent increases in statewide infection rates will impact the economy. Local governments must continue to monitor changing economic conditions and maintain vigilance when it comes to their finances.”<sup>20</sup>

*This trend is encouraging. County fiscal leaders, however, must approach these increased revenues carefully as Sales Tax is extraordinarily sensitive to changes in the local and national economy, and can be less predictable.*

### 2021 Forecast for Sales Tax Revenues

Our Mid-Year Report on Nassau County’s Financial Condition (7/31/21)<sup>21</sup> provided three updated sales tax forecasts for 2021 based on year-to-date receipts and our sales tax modeling tool, which takes into account updated industry modifiers data, seasonality, and 13 years of actual trend data analysis. The scenarios generated by the model vary assumptions to reflect higher and lower levels of consumer activity across a myriad of industry sub-sectors. The forecasts made in our Mid-Year Report are shown below, in addition to our updated forecasts based on current data:

2021 Sales Tax Forecasts - Comptroller's Office Millions of Dollars			
	Mid-Year Report (7/31/21)	Comptroller's Updated 2021 Forecast	\$ Difference
Optimistic	\$1,471.0	\$1,513.2	\$42.2
Mid-Range	\$1,336.8	\$1,375.6	\$38.8
Conservative	\$1,203.0	\$1,238.0	\$35.0

Our 2021 projection for the County’s sales tax revenues has been increased based on strong actual year-to-date collections over both 2020 and 2019. Of note:

- **As of the last sales check (9/10/2021), the County’s year-to-date collections are 29.7% and 13.1% higher than the same period in 2020 and 2019, respectively, even after State**

<sup>19</sup><https://www.osc.state.ny.us/press/releases/2021/09/dinapoli-local-sales-tax-collections-august-grew-more-15-percent> “September 15, 2021 These comparisons are included in the OSC report and do not reflect the withholding for AIM and DPA.

<sup>20</sup> Ibid

<sup>21</sup> <https://www.nassaucountyny.gov/DocumentCenter/View/33852/2021-Mid-Year-Report-on-Nassau-Countys-Financial-Condition>

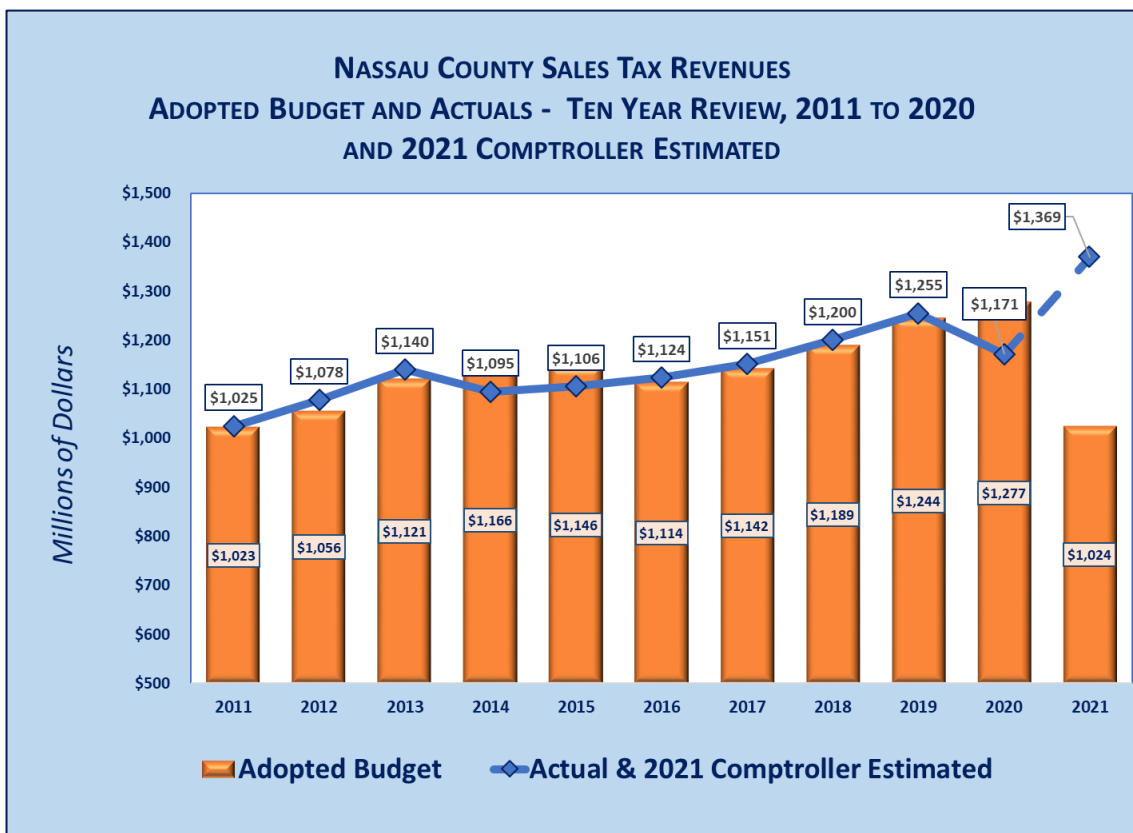


withholdings for Aid and Incentives for Municipalities (“AIM”) and Distressed Provider Assistance (“DPA”).

- The trend in the collections has begun to slow and our projections for the remainder of 2021 use a conservative 3.9% growth rate, taking into consideration the discontinuing of stimulus unemployment checks, the uncertainty of the effect of COVID-19 variants on consumer spending, and an uptick in inflation.

**Overall, we project 2021 Countywide and Part County sales tax revenues (excluding part county deferred) to reach \$1,375.6 million, an increase of \$38.8 million from our projection in the 2021 Mid-Year Report.**

The chart below shows a ten-year trend of Sales Tax revenues as adopted in the budget each year, and what was actually received. As detailed above, the strength of 2021 Sales Tax revenues received year to date indicate that *the County may realize almost \$345 million more than budgeted.*



### Special Revenue Fund – 2021 Sales Tax Revenues

At the end of 2020, Nassau County adopted Local Law 12-2020, which created a special revenue fund to commence concurrently with the 2021 Adopted Budget. Pursuant to this Local Law:

- Sales Tax revenues in excess of the Adopted Budget and any budgeted funds that become surplus as a result of the receipt of Federal Aid to address the COVID-19 pandemic shall be deposited into the fund.
- Sales tax revenues shall be deposited by the County Treasurer in the special revenue fund as follows:
  - Sales tax revenues that exceed \$511,939,917 as of June 30, 2021 shall be deposited in the special revenue fund;
  - Sales Tax revenues that exceed \$1,023,879,834 as of November 30, 2021 shall be deposited into the special revenue fund;
  - Upon the final closure of the 2021 fiscal year, the balance of such funds (in excess of the 2021 Adopted Budget) will be deposited into the special revenue fund.
- The basis to assess the amounts of sales tax are the Monthly County Budget Reports for the periods ending June 30, 2021 and November 30, 2021.
- The use of the monies in the special revenue fund can only be to:
  - fully or partially fund tax certiorari settlements and judgments;
  - fund principal and interest payments on debt issued in 2021 or later to pay tax certiorari settlements and judgments;
  - pay claims against the County by the Nassau Health Care Corporation;
  - pay claims relating to the Fair Labor Standards Act;
  - fund expenses due to loss of budgeted State Aid; and
  - pay for unbudgeted COVID-19 response costs in the event that no Federal COVID-19 assistance funds remain available.

As of the writing of this report, no funds have been transferred into the special revenue fund. After funds are deposited into the account, any use of those funds will require supplemental appropriating resolutions adopted by the County Legislature.

**It is important to note that the surplus of sales tax revenues we are forecasting for 2021 will not impact the overall results of the County's three primary operating funds. As revenues in excess of the Budget will be transferred into the special revenue fund and used for specific purposes as designated in Local Law 12-2020, they will not contribute to end-of-year fund balance in the County's primary operating funds.**

**2022 Projected Sales Tax Revenues**

Using the sales tax modeling tool developed by our Office, we have generated three 2022 sales tax forecasts, which use our revised 2021 estimated sales tax revenues as the base.

2022 Sales Tax Forecasts - Comptroller's Office Millions of Dollars	
Optimistic	\$1,560.2
Mid-Range	\$1,418.4
Conservative	\$1,276.5

*Note: Forecasts above do not include Deferred Part County Revenues*

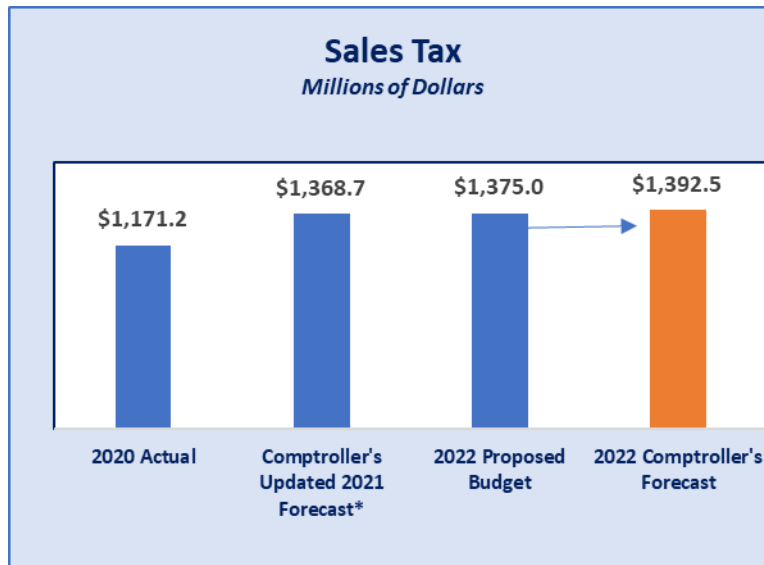
**For the purposes of our report, we are projecting 2022 sales tax revenues using the Mid-Range model. This forecast is 3.1% higher than included in the Proposed Budget, or \$1.418.4 million, an increase of \$42.8 million over our 2021 projections. Adjusted for deferred Part County Sales Tax, the estimate for 2022 is \$1,392.5 billion as detailed below:**

**Sales Tax - Millions of Dollars**

Category	2020 Actual	Comptroller's Updated 2021 Forecast*	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity**
Countywide Sales Tax	\$1,081.6	\$1,278.7	\$1,280.1	\$1,316.3	\$36.2
Part County Sales Tax Receipts	\$82.6	\$96.9	\$120.7	\$102.0	(\$18.7)
Net Part County Sales Tax (Net of Prior Years Deferral)	\$7.0	(\$6.9)	(\$25.8)	(\$25.8)	\$0.0
<b>Total Sales Tax</b>	<b>\$1,171.2</b>	<b>\$1,368.7</b>	<b>\$1,375.0</b>	<b>\$1,392.5</b>	<b>\$17.5</b>

\* 2021 Comptroller Forecast does not reflect any potential transfer into the Special Revenue Fund created pursuant to Local Law 12-2020.

\*\*Budget (Risk) Opportunity Excludes NIFA year to date adjustments



### Part County Sales Tax:

As shown in the table above, we project an *opportunity* of \$36.2 million in Countywide sales tax revenue and a *shortfall* of \$18.7 million in Part County sales tax revenue:

- The 2022 Proposed Budget anticipates Part County Sales Tax of \$120.7 million, \$18.7 million higher than our projections of \$102.0 million.
- The amount budgeted for Part County (excluding the deferred part county) represents the estimated credit applied to the property tax levy of the County's three Towns (Hempstead, North Hempstead, and Oyster Bay) and the City of Glen Cove in accordance with New York State Tax Law §1262-d.
- The Law provides cities and towns a share of certain sales taxes related to hotel occupancy, restaurants and other retail establishments. This law gives cities a choice to receive their share of sales tax revenues directly or to receive them as a credit to their County property tax levies. The towns may only receive the revenues via a credit to the property tax levies.
- Thus, the 2022 Proposed Budget assumes that a credit of \$120.7 million would be applied to the tax levies. However, the calculation of the net property tax levy (what is budgeted for property taxes) includes an amount of \$94.8 million as the credit, not \$120.7 million.

The 2022 Proposed Budget also includes a negative \$25.8 million that was deferred from 2020 because actual collections were lower than the estimated part county credit given to the Towns and City of Glen Cove in 2020. This amount must be recouped in the tax levy for 2022. The calculation of the tax levy includes this additional \$25.8 million as required.

---

**Therefore, the \$120.7 million in the 2022 Proposed Budget should be reduced to \$94.8 million to ensure that the proper credit is applied to the tax levies of the towns and the City of Glen Cove.**

### Current Variables of Sales Tax Forecasting

There are a number of variables other than economic conditions and some specific to Nassau County, which must be factored into Nassau County's sales tax forecasts. The section below provides a summary of these factors for informational purposes.

- Part County Sales Tax

- New York State Tax Law §1262-d, provides cities and towns a share of certain sales taxes related to hotel occupancy, restaurants and other retail establishments. This law gives cities a choice to receive their share of sales tax revenues directly or to receive them as a credit to their County property tax levies. The towns may only receive the revenues via a credit to the property tax levies.
- Nassau County contains two cities and three towns. The City of Glen Cove elected to receive their share of sales taxes as a credit to their property tax levies, while the City of Long Beach receives a direct distribution of these sales taxes from New York State. All three towns (Hempstead, North Hempstead and Oyster Bay) receive the revenues via a credit to their property tax levies.
- The portion of sales tax revenues that the three towns and the City of Glen Cove are entitled to are budgeted and recorded separately from other sales taxes and are referred to as "Part County" sales tax. This segregation ensures that the property tax bills for the three towns and the City of Glen Cove properly reflect an equal reduction in what would otherwise have been County property taxes owed.
- As Part County Sales Taxes offset the payment of County property taxes by the three towns and the City of Glen Cove, actual collections can only be recognized up to the amount budgeted each year, or to the actual collections, should the actual collections be less than budgeted.
- Variances of actual sales tax received as compared to what is included in the annual adopted budget must be either credited or collected in a subsequent year. Because of the timing of when the operating budget is adopted and when the County's books are closed, any variance to budget for Part County Sales Tax is delayed for two years. This is called a "Prior Year Deferral."
  - If the actual amount of sales tax collected is *greater* than budgeted, the County effectively collected too much in property taxes from the City and towns. The County must credit this difference through the Prior Year Deferral.
  - If the actual amount of sales tax collected is *less* than budgeted, the County effectively collected too little in property taxes from the City and towns. The County must collect this difference through the Prior Year Deferral.

- 
- The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.
    - For 2020, because sales tax received was lower than budgeted, the City of Glen Cove and three towns received too large a credit on their property tax levies. This amount of \$25.8 million will be reflected in the calculation of the County's 2022 tax levies.
    - For 2021, we estimate sales tax will be higher than budgeted, therefore it is likely the County did not provide enough of a credit to the City and towns property tax levies. This amount will be reflected in the calculation of the County's 2023 property tax levies.
  - Aid and Incentives for Municipalities (“AIM”)
    - The Aid and Incentives for Municipalities (“AIM”) program provides State Aid to New York's cities (other than New York City), and 141 towns and villages.
    - The 2019-20 Enacted New York State Budget established that AIM-Related payments would be made by the Office of the State Comptroller (OSC) by withholding certain County sales tax revenues, paid in December and May each year, pursuant to Chapter 59 of the Laws of 2019.
    - Officials from the Nassau County Interim Finance Authority are required to return to OSC the amount of sales tax distribution needed to make AIM-Related payments to towns and villages in Nassau County.
    - The amount of AIM withheld from Nassau County is approximately \$11.4 million for each State fiscal year.
  - Distressed Provider Assistance (“DPA”)
    - Part ZZ of Chapter 56 of the Laws of 2020 amends New York State Tax Law Section 1261 to direct the Office of the State Comptroller (OSC) to withhold sales tax collections in the aggregate amount of \$50 million from counties outside of New York City and \$200 million from New York City and place them into a New York Agency Trust Fund, Distressed Provider Assistance Account, annually, for two years.
    - These funds will be used to provide support to financially distressed hospitals and nursing homes throughout the State.
    - Under the new law, OSC determines each county's annual percentage share of the total amount of local sales tax collections.
    - In the first year, OSC deferred the four quarterly withholdings (April 15<sup>th</sup>, July 15<sup>th</sup>, and October 15<sup>th</sup>, 2020, and January 15<sup>th</sup>, 2021) until January 15<sup>th</sup>, 2021.
    - In the second year, OSC has continued to withhold from each county's local sales tax collections an amount equal to each county's share of \$50 million, in four

quarterly installments on April 15<sup>th</sup>, July 15<sup>th</sup>, and October 15<sup>th</sup> in 2021 and January 15<sup>th</sup> in 2022.

- Nassau County’s share of the DPA is \$7.3 million annually for the two-year period of 2020 and 2021.

- **NIFA Set-Aside:**

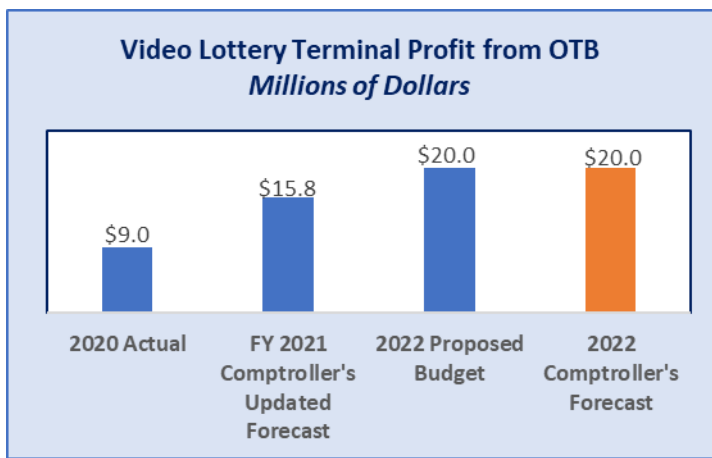
- The Nassau Interim Finance Authority (NIFA) intercepts and withholds a portion of the County’s sales tax collections in an amount equal to the debt service costs it pays on its debt. The County reports its sales tax collections on a gross basis with the offset, the amount withheld by NIFA, reported as debt service on a budgetary basis.
- Due to timing differences with the receipt of sales tax and NIFA’s due dates for debt service payments, the amounts withheld from sales tax may differ from the debt service reported by NIFA in the financial statements.

**Video Lottery Terminals Profits from OTB (OTB Profits)**

The 2022 Proposed Budget includes \$20.0 million for Video Lottery Terminals (VLTs) profit. Based on the most recent payment received on September 10, 2021, our 2021 projection for VLT profits has been increased to \$15.8 million, resulting in an additional opportunity of \$4.0 million from our 2021 mid-year projections.

**Video Lottery Terminals Profit from OTB - Millions of Dollars**

2020 Actual	FY 2021 Comptroller's Updated Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	2022 Budget (Risk) Opportunity
\$9.0	\$15.8	\$20.0	\$20.0	\$0.0



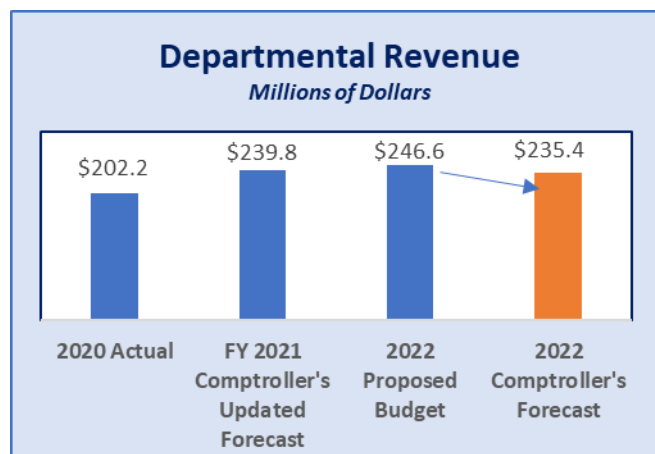
**Departmental Revenue**

The 2022 Proposed Budget includes \$11.2 million of estimated risk in Departmental Revenues primarily comprised of the following:

- **General Fund - \$10.0 million:**  
Assessment Department revenue from the Income and Expense Law is projected to have a risk of \$10.0 million. The litigation surrounding these fees remains unadjudicated, therefore we are risking the entire amount.
- **Police Department Fund - \$1.2 million:**  
Ambulance revenues primarily due to one County village migrating its ambulance service to a health care provider.

**Departmental Revenue - Millions of Dollars**

2020 Actual	FY 2021 Comptroller's Updated Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	2022 Budget (Risk) Opportunity
\$202.2	\$239.8	\$246.6	\$235.4	(\$11.2)



**Proposed Fee Change Legislation:**

- The Nassau County Legislature is considering legislation<sup>22</sup> which will affect real estate revenues reported in Departmental Revenues, including GIS Tax Map Verification Fees, Mortgage Recording Fees and Deed Recording Fees. The Legislation:
  - Eliminates the Tax Map Verification Fee of \$355 charged by the Department of

<sup>22</sup> Nassau County Legislative Resolutions 344-21, 345-21, 346-21, & 347-21.





---

Assessment for the verification of the section, block and lot information contained in any deeds, mortgages or satisfactions, or any modifications or consolidations that are presented for recording;

- Reduces the per block Recording Fee of \$300 to \$50, which is charged by the County for the recording and indexing of deeds, mortgages, etc.; and
  - Eliminates the current \$55 Public Safety Fee (*see Fines and Forfeitures section of this report for more information*).
- The sponsors of the legislation estimate this will in total reduce fees by \$96 million.<sup>23</sup>
  - It is assumed that the fee changes will take effect immediately after final adoption and approval.
  - At the time of the writing of this report, the legislation has not been adopted by the Nassau County Legislature, therefore the fee changes have not been identified as a Risk or Opportunity in our analysis.
  - The 2022 Proposed Budget does not include these proposed fee changes, or the offsetting expenditure/revenue changes required to provide a balanced budget for adoption. Our review of the proposed fee changes based on limited information available indicates that a total of approximately \$104 million may be impacted in the 2022 Proposed Budget if the changes are adopted with no offsets made.
  - If the fee changes become effective immediately upon full execution of the legislation, fourth quarter 2021 estimated revenues may also be impacted by this legislation.
  - Reducing recurring fees by approximately \$100 million annually has the potential of creating a recurring revenue risk in the 2022 Proposed Budget and Multi-Year Plan.

### **Fines and Forfeitures**

Fines and Forfeitures, as included in the 2022 Proposed Budget, show a risk of \$10.7 million:

- Based upon the pre-pandemic historical trend and 2022 departmental request, we are projecting the combined revenues for Red Light Camera and Red Light Camera Administrative Fees will have a risk of \$1.8 million. We project additional risk in Other Fines and Administrative Fees in the County's Traffic and Violations Bureau of \$5.1 million.
- We are risking the full amount budgeted of \$2 million for the School Bus Stop Arm Camera program as there are no definitive contracts with local School Districts to implement the program at the time of this report.
- We are projecting additional risk in the General Fund and Police District Fund of \$1.8 million: \$1.3 million is attributed to fines in multiple departments across the General Fund; and \$0.5 million is in alarm permits. These risks are based on historical trends.

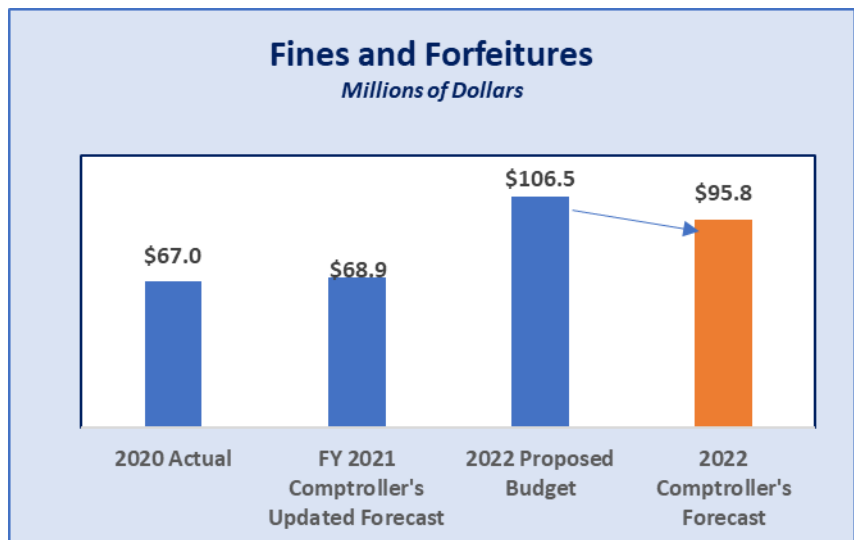
---

<sup>23</sup> <https://www.nassaucountyny.gov/CivicAlerts.aspx?AID=9478>

**Fines and Forfeitures - Millions of Dollars**

2020 Actual	FY 2021 Comptroller's Updated Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	2022 Budget (Risk) Opportunity
\$67.0	\$68.9	\$106.5	\$95.8	(\$10.7)

It should be noted that the 2022 Proposed Budget includes \$23.5 million of revenues for Public Safety Fees related to the Red Light Camera program. Legislation is currently being considered to eliminate this \$55 fee. In the event that the fee is eliminated, there may be an additional risk of \$23.5 million for this category.



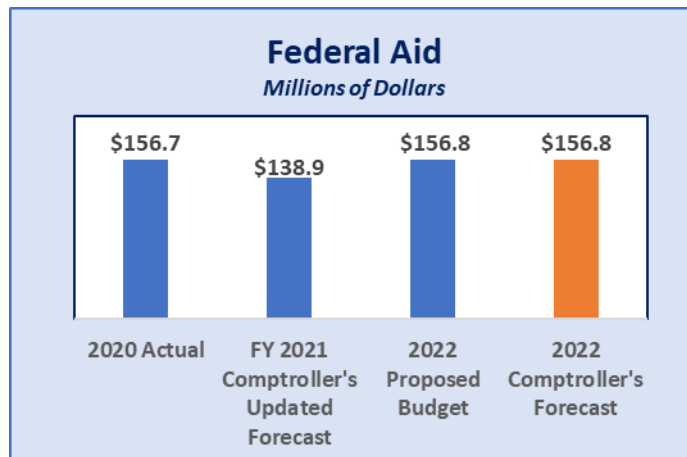
**Federal Aid**

The 2022 Proposed Budget includes revenue of \$16.5 million related to funding from the Federal Transportation Administration which has been approved. This anticipated funding is related to the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) signed into law December of 2020 and the funds have been federally appropriated but not yet awarded. These funds will be used for the County bus system. We are not risking this funding.

We are updating our 2021 projections by an additional opportunity of \$2.0 million in Temporary Assistance for Needy Families (TANF) as we are expecting that the reimbursement on this assistance program may increase due to the uncertainty surrounding the economy.

**Federal Aid - Millions of Dollars**

2020 Actual	FY 2021 Comptroller's Updated Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	2022 Budget (Risk) Opportunity
\$156.7	\$138.9	\$156.8	\$156.8	\$0.0



**State Aid**

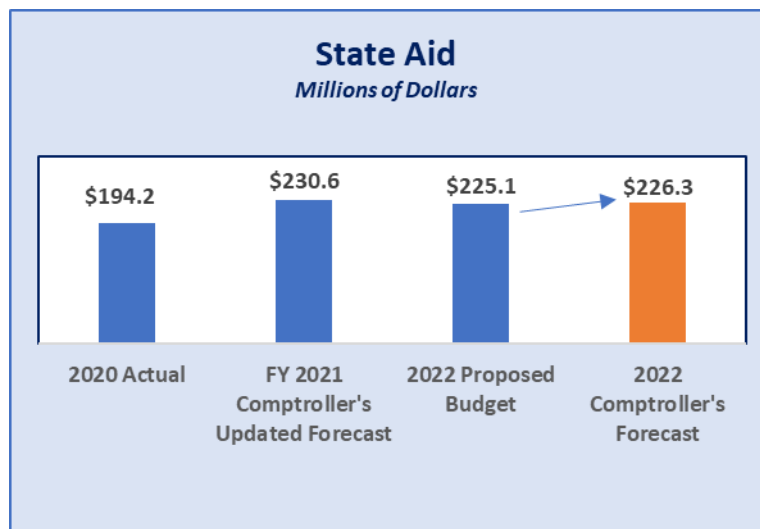
State Aid is projected to be \$1.2 million higher than the 2022 Proposed Budget. This opportunity is related to State Aid for Early Intervention /Pre-School services, due to the projected increase in expenditures of \$3.0 million in this program. *(See the Early Intervention/Pre-School expenditures section of this report for more information.)*

In addition, the 2022 Proposed Budget includes \$77.3 million of State Operating Assistance (“STOA”) funding for the County’s bus service. Our 2021 Mid-Year projections forecasted this revenue at \$91.7 million due to additional funding received for the prior year. Excluding the prior year revenue received in 2021, the 2021 STOA funding is expected to be \$75.8 million, therefore we are projecting to budget.

Our 2021 projections for Safety Net Assistance (SNA) have increased by \$1.0 million in anticipation of the reimbursement for these assistance program increasing due to the uncertainty of the economy.

**State Aid - Millions of Dollars**

2020 Actual	FY 2021 Comptroller's Updated Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	2022 Budget (Risk) Opportunity
\$194.2	\$230.6	\$225.1	\$226.3	\$1.2

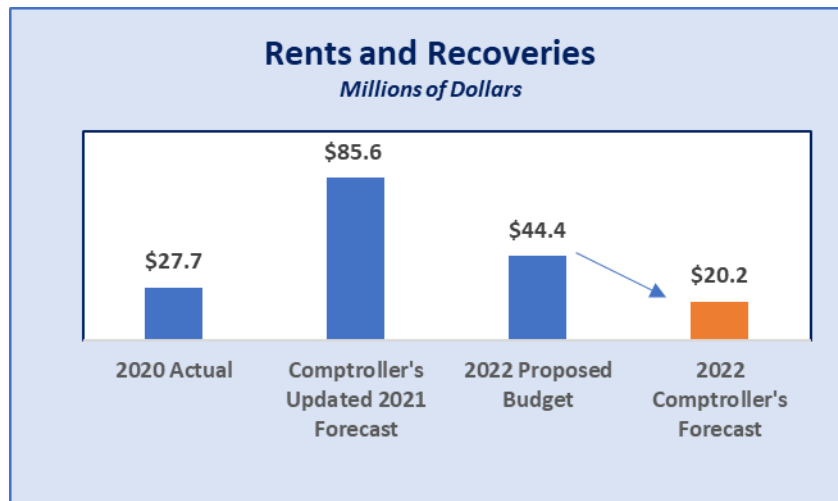


**Rents and Recoveries**

The 2022 Proposed Budget includes a risk of \$24.2 million in Rents and Recoveries. \$5.7 million is budgeted for the Sale of County property. However, at the time of this report, we are not aware of any closing dates for any specific properties for sale in fiscal year 2022. \$8.5 million is budgeted as revenue for disencumbrances, which is not considered revenue on a GAAP basis and thus is risked. In addition, we have risked \$10.0 million budgeted as cash recoveries for capital project closeouts. We support the efforts to close-out finished capital projects but have not yet been provided with documentation to support the projected amount.

**Rents and Recoveries - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Comptroller (Risk) Opportunity
\$27.7	\$85.6	\$44.4	\$20.2	(\$24.2)



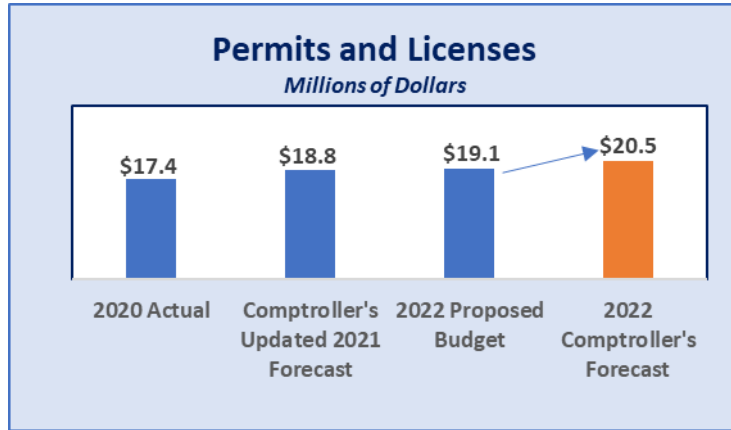
**Permits and Licenses**

Permits and License fees are projected to be \$1.4 million more than the 2022 Proposed Budget. This opportunity is primarily the result of higher revenues projected than budgeted of \$0.9 million in the Health Department, with the majority being in Food Establishment Permits and the Hazardous Material Registration Fees, due to historical trends. The remaining opportunity is in Consumer Affairs and Public Works based on historical trends.



**Permits and Licenses - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Comptroller (Risk) Opportunity
\$17.4	\$18.8	\$19.1	\$20.5	\$1.4



**Interest and Penalties on Taxes**

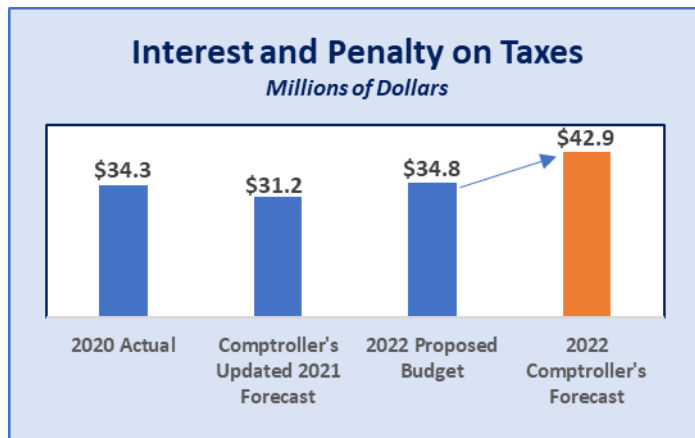
Interest and penalties on late or delinquent property taxes are projected to be \$8.1 million more than estimated in the 2022 Proposed Budget primarily due to the delay in the 2021 Annual Tax Lien sale. Due to the COVID-19 pandemic, the 2021 Annual Tax Lien sale of 2020 tax liens has been postponed twice and we are anticipating that the 2021 annual sale may be postponed until 2022.

The 2022 Proposed Budget appears to reflect only one year’s lien sale revenue rather than two years. We are therefore projecting an additional opportunity of \$6.9 million attributed to the sale of the 2020 tax liens. Our projections for 2021 have been updated to include an additional opportunity of \$1.2 million, primarily in penalty on delinquent taxes due to increased delinquency volume.



**Interest and Penalty on Taxes - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Comptroller (Risk) Opportunity
\$34.3	\$31.2	\$34.8	\$42.9	\$8.1



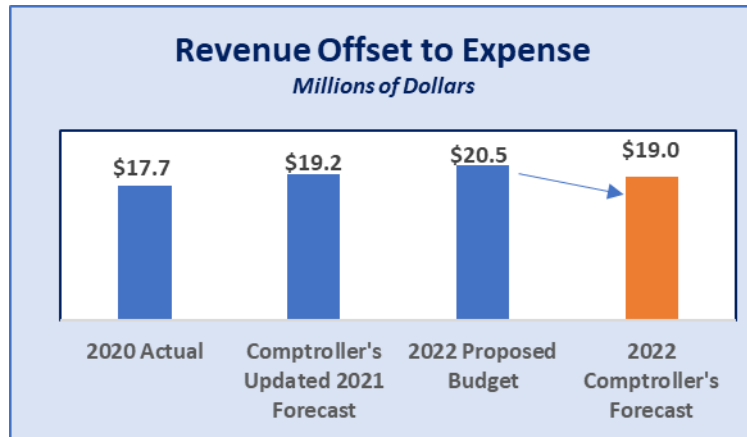
**Revenue Offset to Expense**

We project a risk in Revenue Offset to Expense category of \$1.5 million primarily in college tuition reimbursements. Based on historical trends, we are projecting that the revenues in this category will have a shortfall of \$1.1 million against the 2022 Proposed Budget. The remaining risk is attributed to various other departments based on historical trends. We are also updating our 2021 projections by an additional opportunity of \$1.3 million as we anticipate that the 2021 reimbursements will catch-up later in the year as schools return to in person learning which results in more enrollment than what we saw earlier in the pandemic. Note: all risks and opportunities related to college tuition reimbursements have offsetting risks and opportunities in other expenses.

**Revenue Offset to Expense - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$17.7	\$19.2	\$20.5	\$19.0	(\$1.5)



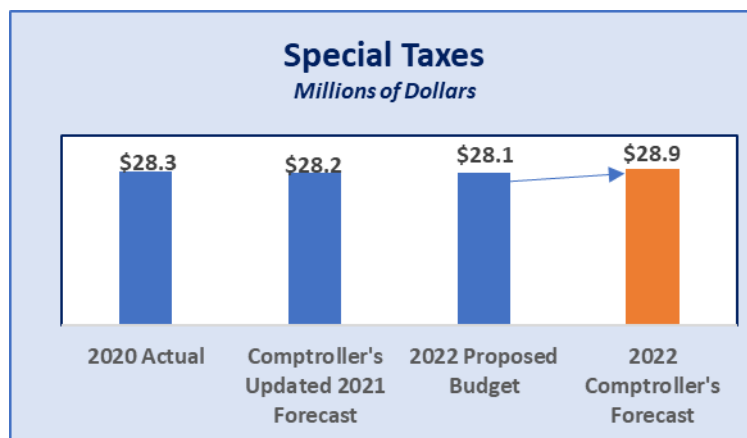


**Special Taxes**

We project an opportunity of \$0.8 million in Special Taxes primarily in Motor Vehicle Registration and Hotel/Motel Room Tax due to businesses and public areas returning to normality from pandemic restrictions.

**Special Taxes - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$28.3	\$28.2	\$28.1	\$28.9	\$0.8



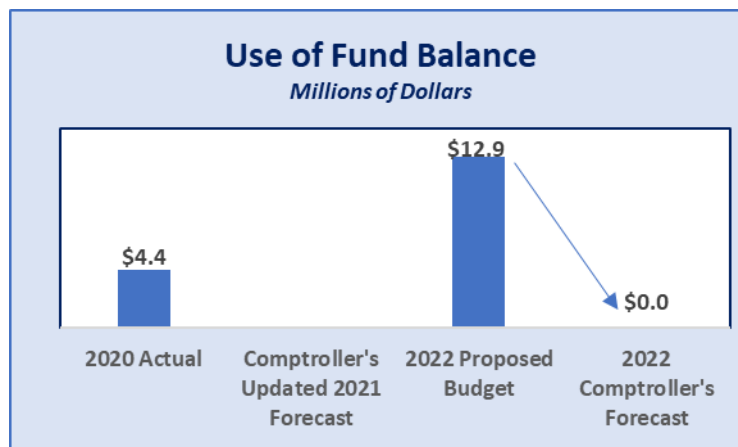


**Use of Fund Balance**

The 2022 Proposed Budget includes projected use of fund balance of approximately \$12.9 million attributed to the Sewer and Storm Water District Fund. Use of fund balance was budgeted to cover a portion of the \$30 million increase in expenditures proposed for 2022. Since use of fund balance is not a revenue stream, we have projected this as a risk.

**Use of Fund Balance - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$4.4	(\$0.6)	\$12.9	\$0.0	(\$12.9)



**Interfund Transfers In**

The 2022 Proposed Budget includes two Interfund Transfers In; a Transfer In from the Sewer Finance Authority (SFA) to the Sewer and Storm Water District Fund of \$144.9 million representing the net sewer assessment fees after SFA debt service and expenditures were withheld and an Interfund Transfer In into the Police Headquarters Fund from the General Fund. Since the General and Police Headquarters funds are consolidated for reporting purposes and would be eliminated in that consolidation for financial statement purposes, we are showing the Transfer In and the Transfer Out grossed up on both sides to illustrate the risk in the Proposed Budget's amount.

The budgeted Interfund Transfer between the two funds of \$111.5 million represents funding needed by the Police Headquarters to make up for the reduction of Property Tax revenues (\$53.5



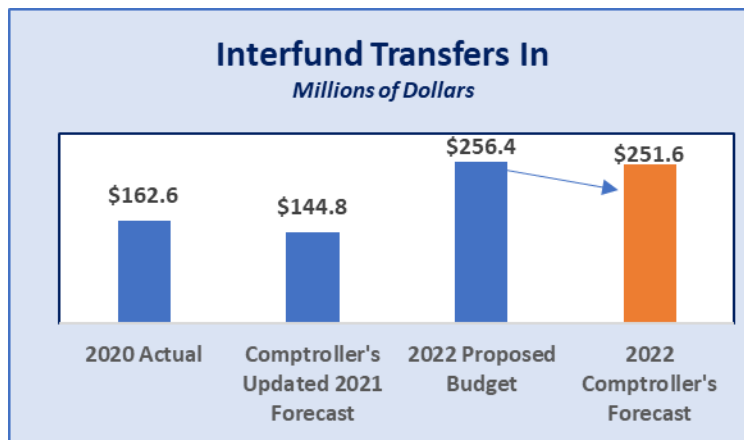
million) and higher budgeted salary and fringe benefit costs (\$54.1 million) over the 2021 Adopted Budget in that fund.

Our projections include a risk of \$4.8 million in this category as we estimate that only \$106.7 million will be required to bring the Police Headquarters Fund into balance in 2020.

There is an equal Interfund Transfer Out budgeted in the General Fund. See the Interfund Transfers Out section.

**Interfund Transfers In - Millions of Dollars**

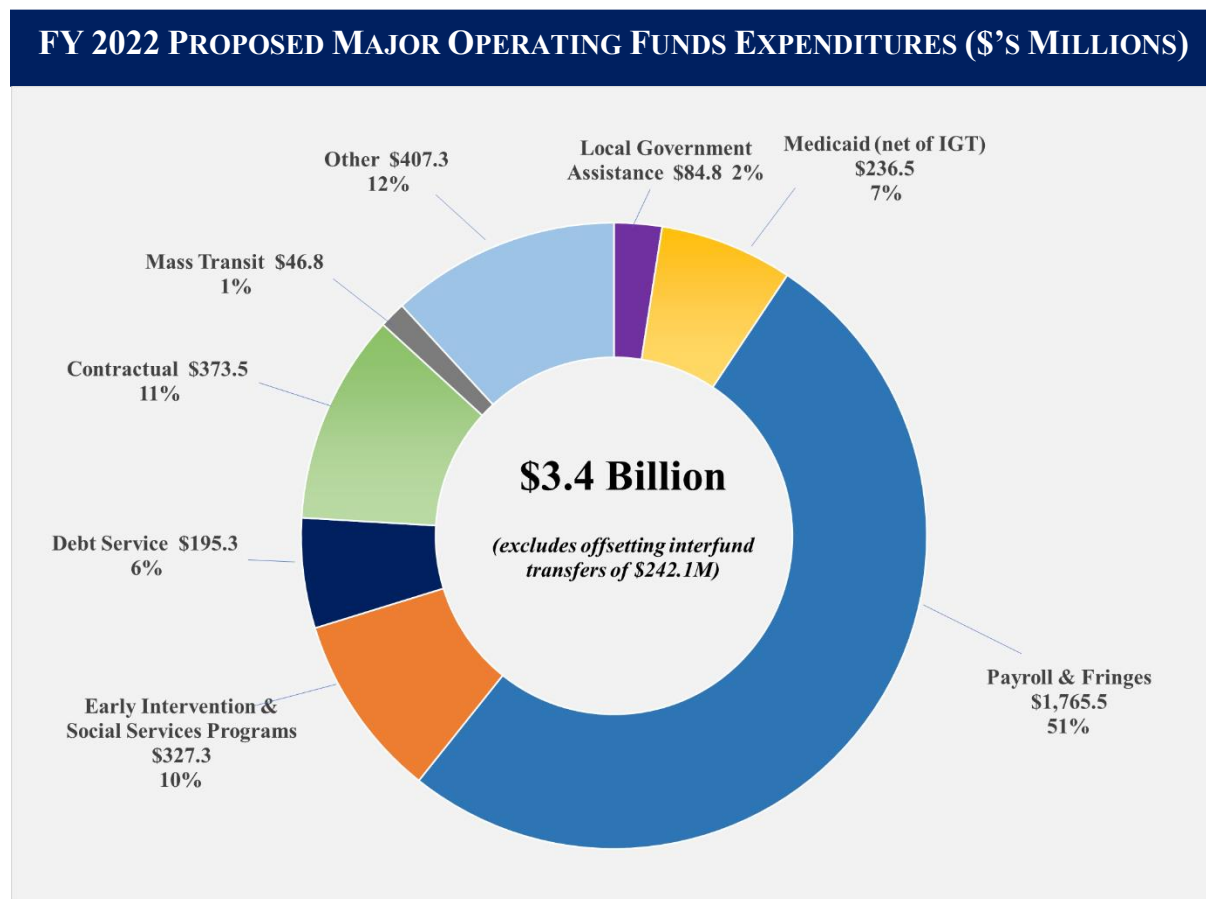
2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$162.6	\$144.8	\$256.4	\$251.6	(\$4.8)



## OBLIGATIONS DISCUSSION

### Major Funds Expenditure Composition

Payroll and fringe benefits, at 51%, or \$1.76 billion is the County’s greatest major fund expenditure, followed by Contractual Services at 11% or \$373.5 million, Early Intervention and Social Services Programs at \$327.3 million or 10%, Medicaid at \$236.5 million or 7% and Debt Service at \$195.3 million or 6%.



Note: Other includes: Interfund Charges (\$63.1 million), Judgments & Claims (\$50.4 million), General Expenditures (\$45 million), Utilities (\$44.4 million), Tax Cert Payments (\$30 million), Rent Expense (\$14.8 million), and Other (\$159.6 million).

### Obligations Variances

This section discusses significant major funds expenditure risks and opportunities presented in the fiscal year 2022 Proposed Budget.



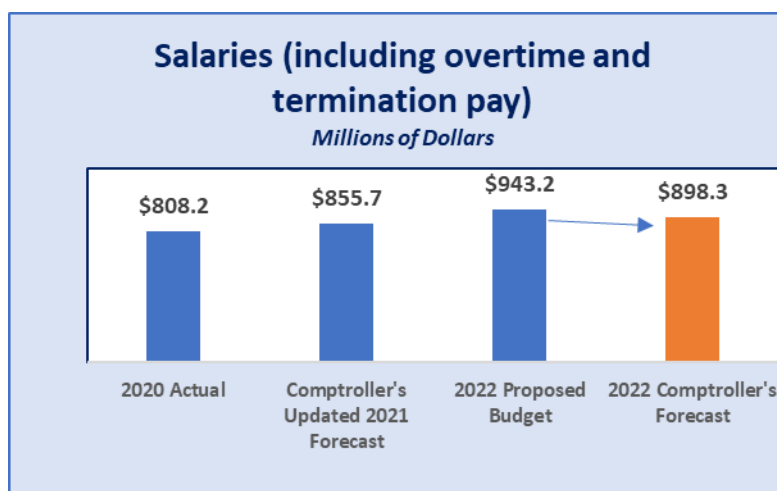
**Salaries, Fringe Benefits and Workers’ Compensation - Budget Opportunity \$65.0 Million**

The 2022 Proposed Budget assumes a full-time headcount of 7,420, an increase of 1.7% or 126 personnel from the current on-board headcount of 7,294 as of August 26, 2021. We are utilizing the headcount as included in the 2022 Proposed Budget in our projections.

This increase in headcount year-over-year includes funding for additional staffing primarily in areas of Public Safety, which include the Sheriff’s Department, the Office of the District Attorney, the Probation Department, Police Department, and the Correctional Center. Classes of new Police and Corrections officers are proposed to offset attrition, assist in mitigating future overtime costs and manage the impact of recent Criminal Justice Reform passed by New York State on the County. Other areas requiring an increase in headcount are the Health, Human Services and Social Services Departments, primarily due to the impact of COVID-19 and the increased use of these services by County residents. We project 2022 salaries (including termination pay and overtime), fringe benefits and workers’ compensation expenditures to have a combined potential positive variance of \$65.0 million.

**Salaries (including Overtime and Termination Pay)  
Millions of Dollars**

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
GEN	\$608.1	\$621.8	\$689.9	\$653.5	\$36.4
PDD	\$191.6	\$225.7	\$245.0	\$237.5	\$7.5
SSW	\$8.5	\$8.2	\$8.3	\$7.3	\$1.0
<b>Total</b>	<b>\$808.2</b>	<b>\$855.7</b>	<b>\$943.2</b>	<b>\$898.3</b>	<b>\$44.9</b>



---

## Major Assumptions:

### Collective Bargaining Agreements (CBAs):

- Collective bargaining agreements for the County’s major labor unions expired at the end of 2017. Of the six labor unions, two unions, Police Detectives Association Inc. (DAI) and Superior Officers Association (SOA), have current agreements. The other four labor unions are:
  - Civil Service Employees Association (CSEA);
  - Police Benevolent Association (PBA);
  - Correction Officers Benevolent Association (COBA); and
  - Investigator Police Benevolent Association (IPBA).
- Our projections include costs related to the settled Police Detectives Association, Inc. (DAI) agreement settled in 2019 and the Superior Officers Association (SOA) agreements settled in 2020 which are effective through 2026.
- We have not included any risk related to these pending labor agreements in the 2022 Comptroller’s forecast because they have not been settled and any signed agreements would require union ratification and both legislative and NIFA approval before becoming effective.

### Step Increases and Salary Adjustments:

- The 2022 Proposed Budget includes both scheduled step increases and salary adjustments (COLAs) consistent with the County’s bargaining position in current contract negotiations.
- The Comptroller’s forecast only includes scheduled employee step increases as union contracts (excluding DAI and SOA) are still in negotiations and any signed contracts would require both County Legislative and NIFA approvals to become effective.

### Funds for Collective Bargaining

- According to the 2022 Proposed Budget Summary Book: *“The 2022 Proposed Budget includes the estimated impact of collective bargaining. The estimated impact is consistent with the pattern established under the two ratified agreements and includes adjustments retroactive to the expiration of the previous contracts.”*<sup>24</sup>
- A total of \$49.9 million has been identified in various funds in the 2022 Proposed Budget for salary costs associated with potential collective bargaining agreements.

---

<sup>24</sup> <https://www.nassaucountyny.gov/DocumentCenter/View/34817/2022-Proposed-Final-Summary-Book?bidId=>

Payroll Expense (Excluding Overtime and Termination)

The Comptroller’s Office forecasts a \$58.8 million positive variance in salaries excluding termination pay and overtime costs.

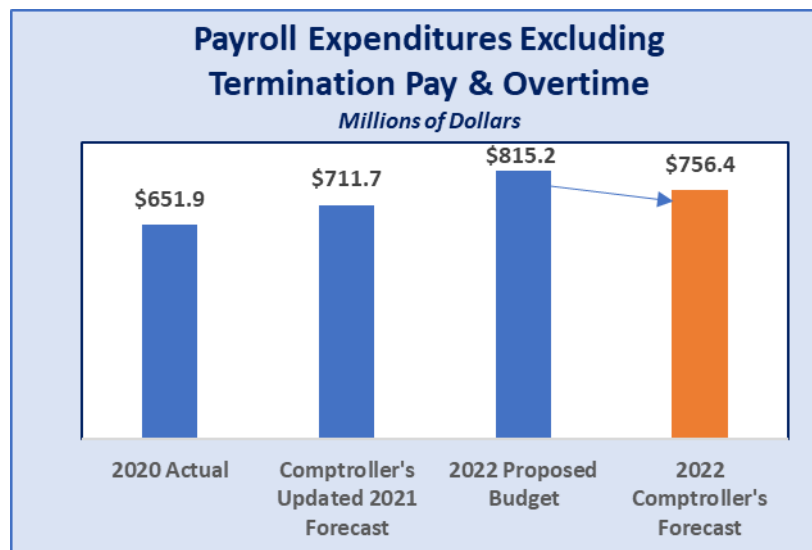
The 2022 Proposed Budget has included funding related to labor negotiations consistent with the pattern established under the two ratified agreements (DAI & SOA). This includes salary increases, cost of living adjustments and adjustments retroactive to the expiration of the previous contracts. A potential salary related savings has been identified of up to \$49.9 million depending on the timing and terms of the pending contracts.

Potential savings have also been identified in part-time/seasonal employees of \$11.5 million for the General Fund that also includes budgetary increases not supported by current trends and anticipated increases in headcounts.

These savings are offset by overages of \$2.6 million in other smaller payroll categories. Savings can also be achieved if budgeted positions remain vacant or there are delays in hiring into the year.

**Payroll Expenditures excluding Termination Pay and Overtime - Millions of Dollars**

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
GEN	\$499.6	\$520.7	\$595.7	\$550.8	\$44.9
PDD	\$144.7	\$183.5	\$212.3	\$199.0	\$13.3
SSW	\$7.6	\$7.5	\$7.2	\$6.6	\$0.6
<b>Total</b>	<b>\$651.9</b>	<b>\$711.7</b>	<b>\$815.2</b>	<b>\$756.4</b>	<b>\$58.8</b>



---

### Fringe Benefits

Fringe benefits for the 2022 Proposed Budget total \$787.5 million.

The Comptroller's Office is forecasting a total of \$767.4 million for this category resulting in a surplus of \$20.1 million when compared to the 2022 Proposed Budget. Potential fringe benefit savings have been identified in the following categories:

- \$6.0 million related to FICA expense;
- \$9.8 million in health insurance costs for active employees;
- \$5.9 million related to health insurance for retirees;
- \$4.1 million in pension costs based on the current 2022 estimated invoices (no prepayment discount or amortization deduction included for 2022); and
- \$9.8 million connected to Medicare reimbursement costs anticipated to increase in 2022, however the proportional increase to the budget year-over-year is not supported by the current trends and expected growth rate.

A 3% growth rate was used for calculations related to health insurance for 2022. There is a risk for this category of higher health insurance expenses for the year should the actual growth rate come in higher - current estimates range up to 6.5% increase for 2022.

Also included in the Proposed Budget for 2022 is \$4.0 million of potential additional expense related to pending labor arbitration if settled in 2022 and \$22.6 million in potential contractual fringe benefits savings as it pertains to labor agreements currently being negotiated. It is our understanding that the \$22.6 million of potential savings is based on a 2% employee contribution to health insurance beginning in 2022. Both this potential cost and savings have not been included in the Comptroller's forecast for 2022 as none of the agreements have been approved. All agreements require both Legislative and NIFA approvals as of 2023.

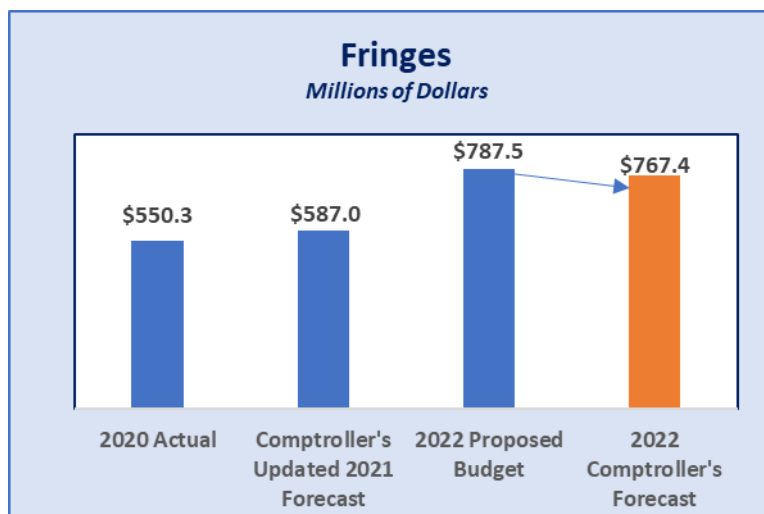
The Administration has included in the 2022 Proposed Budget a partial repayment of the deferred pension expense of \$155.6 million with the intention of paying off the remaining balance in 2023 and eliminate the annual installment payments.

New York State Retirement allows local municipalities to elect to "amortize" a portion of their annual invoice and pay via annual installments over 10 or 12 years (depending on the year the deferral was elected). The anticipated 2021 deferral is the maximum deferral (amortization) allowed under the State's Contribution Stabilization Program (over 12 years). Fiscal year 2022 calculations for pension expense do not include a deferral for the Employee Retirement System (ERS) and the Police and Fire Retirement System (PFRS) as in the past years since the program began.

Similar to the 2022 Proposed Budget, the forecasted pension expense for 2022 does not assume the discount applicable for prepayment of the pension obligation amount due in February 2022, which would have resulted in a savings of approximately \$1.7 million for fiscal year 2022.

**Fringes - Millions of Dollars**

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
GEN	\$420.9	\$439.6	\$626.3	\$609.9	\$16.4
PDD	\$121.7	\$139.2	\$149.0	\$147.7	\$1.3
SSW	\$7.7	\$8.2	\$12.2	\$9.8	\$2.4
<b>Total</b>	<b>\$550.3</b>	<b>\$587.0</b>	<b>\$787.5</b>	<b>\$767.4</b>	<b>\$20.1</b>



Workers' Compensation

The Comptroller's Office forecast agrees with the 2022 Proposed Budget for Workers' Compensation totaling \$34.8 million, for the Primary Operating Funds combined. The main driver for the increase projected in this category is caused by higher Medical and Indemnity payments to beneficiaries, 8.1% increase over the prior year.

§15-8 of the WCL created a Special Disability Fund from which the County was entitled to seek reimbursement from the New York State Workers' Compensation Board for all such employees with a pre-existing permanent physical or mental impairment (which hinders employment potential) who have a subsequent injury arising out of and, in the course of, employment. In 2007, the Special Disability Fund was closed for any injuries/illnesses that occurred on or after 7/1/2007. Subsequently, the State offered the County a discounted upfront payment of the State's estimated liability if the County agreed to assume that long-term liability, which was established to pay the injured employees over a span of approximately 20 years. The County received a lump sum of

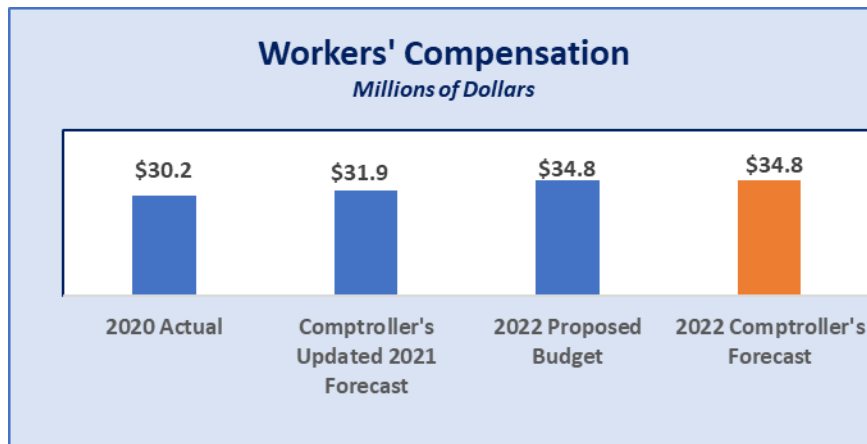




\$15 million as the discounted value of the long-term liability, which the State estimated at \$19 million. The \$15 million is reported in the Litigation Fund, a component of the General Fund. A total of \$14.8 million is still available for use by the Administration to manage worker’s compensation expense in 2021 and upcoming years.

### Workers' Compensation - Millions of Dollars

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
GEN	\$21.8	\$23.0	\$25.6	\$25.6	\$0.0
PDD	\$8.4	\$8.9	\$9.2	\$9.2	\$0.0
SSW	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total</b>	<b>\$30.2</b>	<b>\$31.9</b>	<b>\$34.8</b>	<b>\$34.8</b>	<b>\$0.0</b>



#### Termination Pay

The 2022 Proposed Budget will fund termination pay for approximately 120 sworn officers totaling \$29.5 million for the two police funds, \$9.5 million in Police District and \$20.0 million in Police Headquarters.

The Comptroller’s Office is also projecting up to 120 sworn officers retiring in 2022, totaling approximately \$35.9 million (PDH & PDD). The total amount being projected for 2022 termination pay related to all funds is \$47.4 million with a total risk of \$6.4 million, primarily

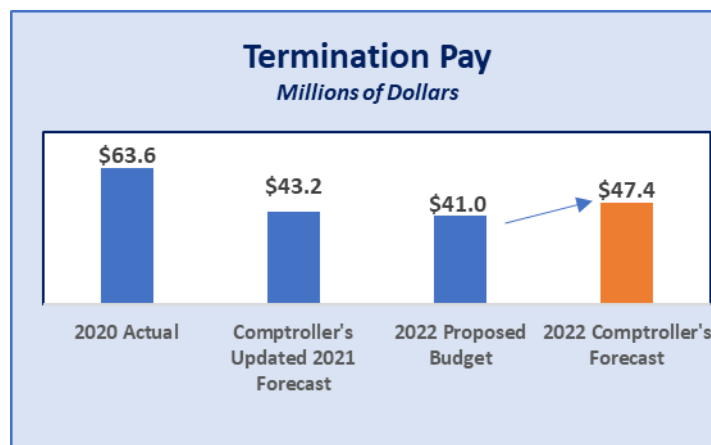


due to uncertainty surrounding current labor negotiations and the large number of sworn officers currently eligible for retirement.

The County has funded a contingency in the Employee Benefit Accrued Liability Reserve fund to address possible shortages in termination pay. The balance in the reserve fund is currently \$13.4 million and can only be used to cover termination pay in the Police District. As in previous years, any underfunding related to the Police Headquarters would have to be absorbed by the General Fund.

### Termination Pay - Millions of Dollars

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
PDD	\$19.3	\$12.7	\$9.5	\$13.5	(\$4.0)
PDH	\$33.4	\$20.2	\$20.0	\$22.4	(\$2.4)
Other	\$10.9	\$10.3	\$11.5	\$11.5	\$0.0
<b>Total</b>	<b>\$63.6</b>	<b>\$43.2</b>	<b>\$41.0</b>	<b>\$47.4</b>	<b>(\$6.4)</b>



#### Overtime Expenditures

The 2022 Proposed Budget assumes the hiring of new police officers to maintain a targeted headcount of approximately 2,500 sworn officers and to keep up with anticipated attrition. A class for the Police Academy is expected to begin in November 2021 which will include up to 100 new officers. Another two police classes of 75 recruits each are anticipated in FY2022 and funded within the 2022 Proposed Budget. This additional headcount is included in our 2021 and 2022



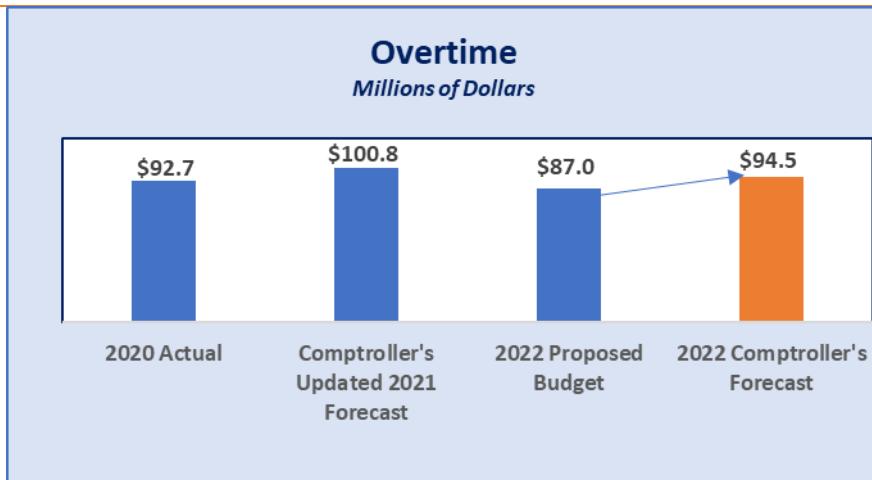
forecasts. The lower average salary of the new police officers and the new initiatives by the Police Commissioner, have resulted in consistent control of overtime in the two police funds.

The 2022 Proposed Budget also funds classes for the Correctional Center of up to 40 new correctional officers within two classes planned in March and September of 2022. This is expected to further reduce overtime costs in the current and future years. Beginning in 2020, the County began to see a decrease in inmate population, a reduction of over 40% when compared to August 2019 (pre-pandemic). This significant decline in inmate population is related to recent Criminal Justice Reform that eliminated cash bail for many types of misdemeanor and non-violent felonies and the Raise the Age. The hiring of the new classes along with the decline in inmate population have resulted in a decline in overtime expense that is expected to continue in upcoming years. The County is also expecting to implement a jail building consolidation plan that may further assist in managing future overtime costs.

The total proposed budgeted overtime expense for 2022 for the three operating funds combined totals \$87.0 million. We project overtime expenses for 2022 at \$94.5 million. Notwithstanding the controls mentioned above, we still anticipate a combined shortfall of approximately \$7.5 million in overtime expenditures, of which \$3.5 million is related to the Correctional Center, \$3.2 million for the Police Headquarters Fund and \$1.8 million for the Police District Fund. This is offset by positive variances for overtime expenses in other funds.

### Overtime - Millions of Dollars

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
PDD	\$27.6	\$29.5	\$23.2	\$25.0	(\$1.8)
PDH	\$32.1	\$30.9	\$26.8	\$30.0	(\$3.2)
Other	\$33.0	\$40.4	\$37.0	\$39.5	(\$2.5)
<b>Total</b>	<b>\$92.7</b>	<b>\$100.8</b>	<b>\$87.0</b>	<b>\$94.5</b>	<b>(\$7.5)</b>



**Judgments and Settlements**

The 2021 Adopted Budget, and our 2021 projections in the Mid-Year Report included a settlement of \$5.4 million related to the Sewer and Storm Water Fund. The Administration is projecting this settlement in 2022 and has included it in the 2022 Proposed Budget. We are risking this amount as no settlement is currently pending.

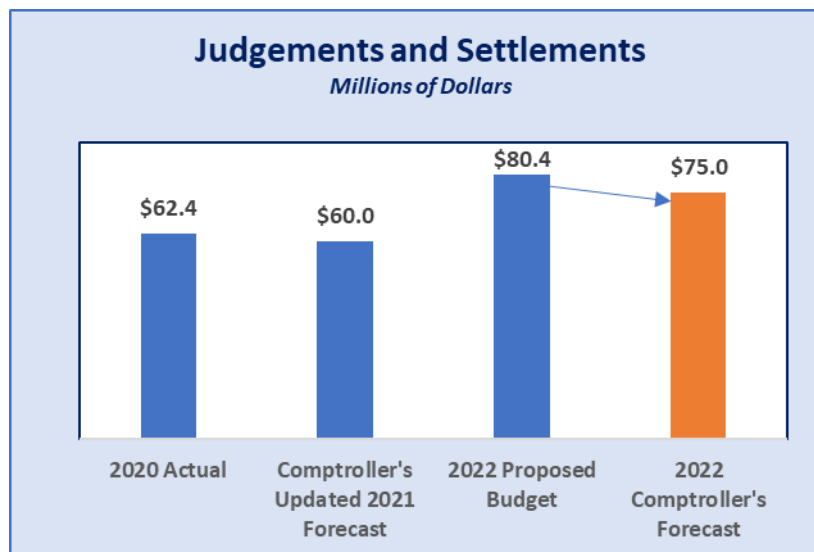
The increase in the 2022 Proposed Budget for Judgements and Settlements is primarily due to the settlement of outstanding litigation. We are not risking those projections.

We are projecting tax certiorari refunds and other judgments and settlements to be on budget. As detailed in the Sales Tax Revenue portion of this report, a new special revenue fund was established in 2020 pursuant to Local Law 12-2020, to be funded with sales tax revenues in excess of specified amounts and any budget line that becomes surplus as a result of the receipt of Federal Aid to address the COVID-19 pandemic. Funds transferred to this special revenue fund may be used to fully or partially pay tax certiorari settlements and judgments. There is also approximately \$8.6 million of fund balance in the Litigation Fund (which is reported as part of the General Fund), that could be used to pay judgments and settlements. This could result in budgetary relief that is not currently reflected in our projections, should the fund balance in the Litigation Fund be used.



**Judgments and Settlements - Millions of Dollars**

Fund	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
Property Tax Refunds	\$23.4	\$30.0	\$30.0	\$30.0	\$0.0
Other Judgments and Settlements	\$39.0	\$30.0	\$50.4	\$45.0	(\$5.4)
<b>Total</b>	<b>\$62.4</b>	<b>\$60.0</b>	<b>\$80.4</b>	<b>\$75.0</b>	<b>(\$5.4)</b>



**Debt Service**

In the 2022 Proposed Budget, the Administration has projected debt service of \$195.3 million an increase of \$34.8 million over the \$160.5 million forecasted in the Comptroller’s 2021 Mid-Year Report. The Proposed Budget amount of \$195.3 million is significantly less than the 2020 Actual debt service due to the debt restructuring completed in 2021 (*see section Borrowing Trends for more details*).

According to the Administration, the projected debt service costs include the 2021 Series A Bond of \$155.1 million, as well as 2021 projected capital borrowings of \$200.0 million for general improvement capital projects and \$50.0 million for sewer related capital projects. County future borrowings must be approved by the Legislature and NIFA.

Note: of the \$195.3 million debt service costs budgeted for 2022, approximately 46.3%, or \$139.8 million, represents debt service costs for bonds that were issued in prior years to pay operating expenditures, such as tax certiorari payments, judgments and settlements and termination pay to

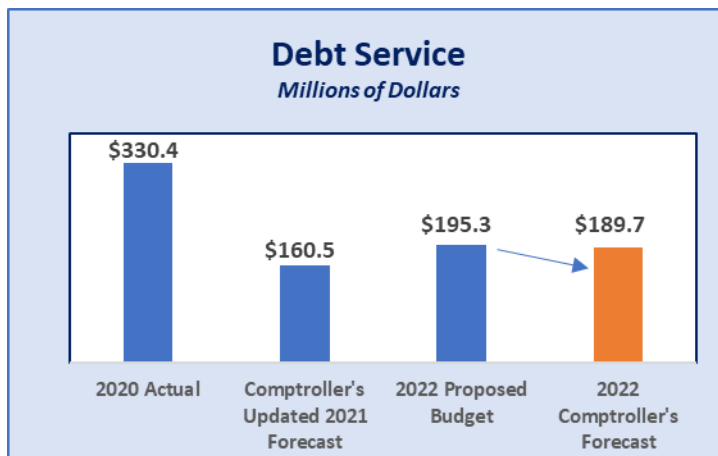


employees. The remainder is primarily attributed to capital projects, such as infrastructure and sewer related projects.

We are projecting an opportunity of \$5.6 million due to lower than projected principal payments on estimated future borrowings and lower than projected debt service. Of the \$5.6 million, \$3.0 million is attributed to the Sewer and Storm Water Fund and is related to the Environmental Facilities Corporation bonds.

**Debt Service - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$330.4	\$160.5	\$195.3	\$189.7	\$5.6



**Social Services Programs**

We are forecasting a positive variance to the 2022 Proposed Budget of \$3.1 million in expenditures related to Social Services programs. The primary components of this variance are a projected positive variance of \$1.7 million in Purchased Services and a positive variance of \$1.4 million in Emergency Vendor Payments.

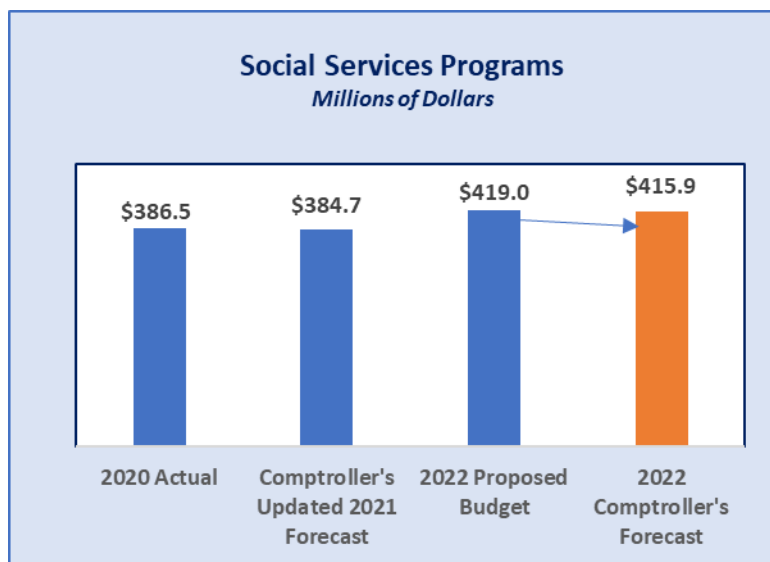
Recipient Grants - We are updating our 2021 projections for Temporary Assistance for Needy Families (TANF) and Safety Net Assistance to \$47.2 million, which is an additional shortfall of \$7.3 million. We anticipate there will be an increase in expenditures in these assistance program due to the decline in support.



Purchased Services and Emergency Vendor Payments - These projected savings are primarily a result of less demand for services than what was budgeted and historical trends. The primary component of Emergency Vendor Payments are direct payments to vendors and the primary component of Purchased Services is day care services. We updated the 2021 projections for Emergency Vendor Payment from \$58.2 million to \$59 million, an additional shortfall to the budget due to an increase in payments to shelter care.

### Recipient Grants and Purchased Services - Millions of Dollars

Category	2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
Recipient Grants	\$42.9	\$47.2	\$50.9	\$50.9	\$0.0
Purchased Services	\$64.0	\$68.1	\$70.5	\$68.8	\$1.7
Medicaid	\$228.5	\$210.4	\$236.5	\$236.5	\$0.0
Emergency Vendor Payments	\$51.1	\$59.0	\$61.1	\$59.7	\$1.4
<b>Total</b>	<b>\$386.5</b>	<b>\$384.7</b>	<b>\$419.0</b>	<b>\$415.9</b>	<b>\$3.1</b>



### Early Intervention

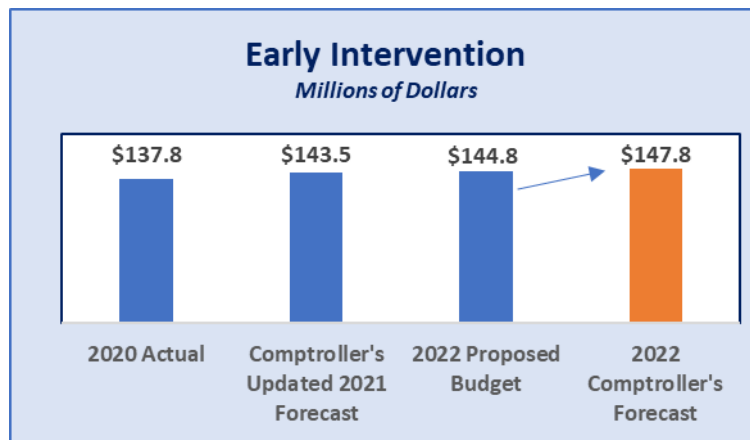
The 2022 Proposed Budget includes a risk of \$3.0 million in Early Intervention/Pre-School Program expenses. Based on the Health Department’s request for funding in 2022, the Proposed Budget will not include enough funding to cover anticipated expenditures in the area of Pre-School



program (3-5 years). These costs are partially offset by \$1.2 million in additional State Aid Reimbursements (See State Aid section of this report).

**Early Intervention - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$137.8	\$143.5	\$144.8	\$147.8	(\$3.0)



**Local Government Assistance**

Nassau County is required by New York State Tax Law to distribute sales tax collections to the towns and cities within the County. The County makes these distributions through the Local Government Assistant Program. The County shares a portion of sales tax (3/4% of Nassau County collections) with the County’s three towns, the City of Glen Cove, and the villages within the County.

We project that the Local Government Assistance Program will have a shortfall of \$0.6 million based on our projections of sales tax revenues for 2022. Based on our updated sales tax projections for 2021, we are now projecting a \$20.8 million shortfall in Local Government Assistance for 2021, an increase over our projected shortfall in the 2021 Mid-Year Report of \$16.3 million.

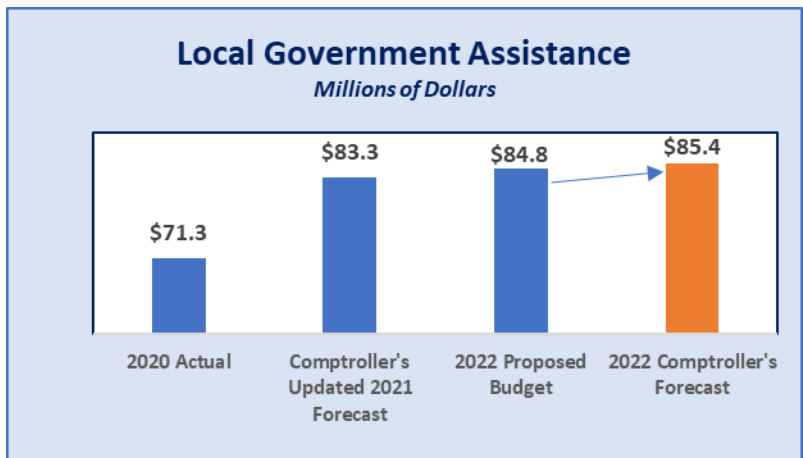
It should be noted that the Local Government Assistance that is shared is computed on base collections prior to any AIM or DPA withholding by the State.





**Local Government Assistance - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$71.3	\$83.3	\$84.8	\$85.4	(\$0.6)



**Interfund Transfers Out**

This is the offset to the Interfund Transfers In described earlier in this report. As previously mentioned, the 2022 Proposed Budget includes an Interfund Transfer between the General Fund and the Police Headquarters Fund. Since the General and Police Headquarters funds are consolidated for reporting purposes and would be eliminated in that consolidation for financial statement purposes, we are showing the Transfer In and the Transfer Out grossed up on both sides to illustrate the risk in the Proposed Budget’s amount.

The budgeted Interfund Transfer between the two funds of \$111.5 million represents funding needed by the Police Headquarters to make up for the reduction of Property Tax revenues (\$53.5 million) and higher budgeted salary and fringe benefit costs (\$54.1 million) over the 2021 Adopted Budget in that fund. The General Fund provides the funding for any shortfalls in the Police Headquarters Fund.

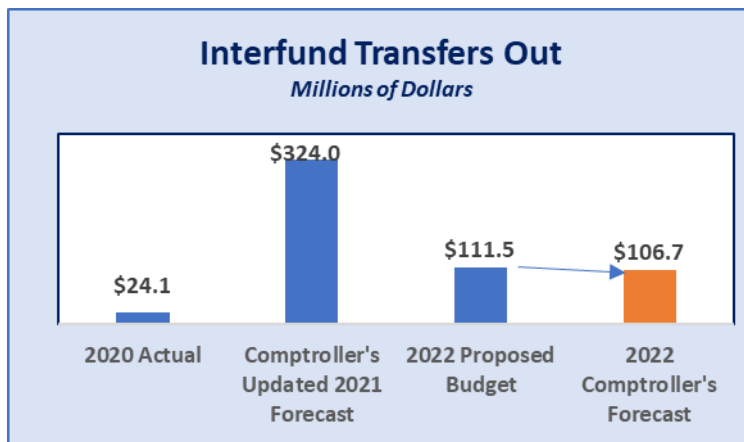
Our projections include an opportunity of \$4.8 million in this category as we estimate that only \$106.7 million will be required from the General Fund, not the \$111.5 budgeted, to bring the Police Headquarters Fund into balance in 2020.

See the Interfund Transfers In section for the offsetting risk in the revenues.



**Interfund Transfers Out - Millions of Dollars**

2020 Actual	Comptroller's Updated 2021 Forecast	2022 Proposed Budget	2022 Comptroller's Forecast	Budget (Risk) Opportunity
\$24.1	\$324.0	\$111.5	\$106.7	\$4.8



**Long Term Obligations and Borrowing Trends**

**Property Tax Refunds (Tax Certiorari)**

As of December 31, 2020, the total property tax certiorari liability was estimated to be \$648.7 million, comprised of:

- \$510.5 million in long-term liabilities:
- \$31.4 million representing liabilities accrued for as of year-end 2020 and expected to be paid in 2021; and
- an estimated \$106.8 million related to the Disputed Assessment Fund (DAF).

The increase over the prior year was primarily due to a higher long-term liability in the government-wide statements and an increase in property tax refunds estimated for commercial property owners, which is expected to be funded through the DAF charges collected from those property owners.



As detailed in the Sales Tax Revenue portion of this report, a new special revenue fund was established in 2020 pursuant to Local Law 12-2020, to be funded with sales tax revenues in excess of specified amounts and any budget line that becomes surplus as a result of the receipt of Federal aid to address the COVID-19 pandemic. Funds transferred to this special revenue account may be used to fully or partially fund tax certiorari settlements and judgments.

The 2022 Proposed Budget includes \$30.0 million for tax certiorari expenditures to be paid for in the General Fund; at this time, there is no reason to anticipate that the County will exceed this appropriation in 2022 considering that the surplus sales tax in the new special revenue fund may be used to pay for any shortfall to General Fund tax certiorari appropriations..

As of September 27, 2021, tax certiorari payments per the County’s financial system, were as follows:

General Fund	\$13.9 Million
DAF Fund	\$88.4 Million
<b>Total Payments</b>	<b>\$102.3 Million</b>

*Source: Nassau Integrated Financial System*

Additional refunds are expected to be recorded in 2021. At this time, we cannot estimate the DAF charge revenue that may be transferred to the County’s General Fund for grievances lost by taxpayers related to 2017 and 2018 collections.

### **Deferred Pension Expense Amortization Liability**

The Employer Contribution Stabilization Program (Chapter 57, Laws of 2010) and the Alternate Contribution Stabilization Program (Chapter 57, Laws of 2013) allowed employers who participate in the NYS and Local Retirement Systems (the Systems) to amortize a portion of the annual pension cost. The Office of the State Comptroller permits municipalities to opt into an “amortization” amount on each of the pension invoices (for the ERS and the PFRS pension systems).

- The amortized amount is to be paid in equal installments over a 10-year or 12-year period, depending upon which program was selected.
- Beginning with the NYS retirement invoices due on February 1, 2012 (for the State fiscal year 4/1/2011 to 3/31/2012), the County has opted to defer and amortize a portion of its annual pension bill each year.

- As of December 31, 2020, the County's liability to the Systems for the deferral of annual pension expense totaled \$194 million.

The Administration has included in its 2022 Proposed Budget an expenditure of \$155.0 million representing the pre-payment of a majority of the deferred pension expense that has been accumulating since 2011. Since 2011, the County has elected to amortize the full amount allowable with each invoice. According to the County's 2020 Comprehensive Annual Financial Report (henceforth to be known as the Annual Comprehensive Financial Report), the liability as of December 31, 2020 was \$194.2 million. Note that this amount excludes the portion of the liability, approximately \$4.0 million, from the 2021 invoices, that is reportable in 2021.

Due to the deferral of the County's pension expenditures opted since the February 2012 invoices, the County is paying more today in pension costs due to the required installment payments for the amounts amortized in the previous years. For example, in the 2020 fiscal year, the County incurred \$30.4 million more expense due to installment payments related to the pension costs deferred in the prior years.

The 2022 Proposed budget assumes that the 2022 pension invoices will be paid in February 2022 (not prepaid in December), however, we were not able to discern whether any of the amortizations afforded the County in these invoices would be elected by the Administration.

While the deletions to the liability, which represent the installment payments on the previous amortizations taken, are estimated at over \$30 million, due to the economic effects of the COVID-19 pandemic on the markets, the State increased the amount that could be amortized by double the amounts in 2020, thus potentially adding to the projected liability, should any or all of the amortization amounts are elected.

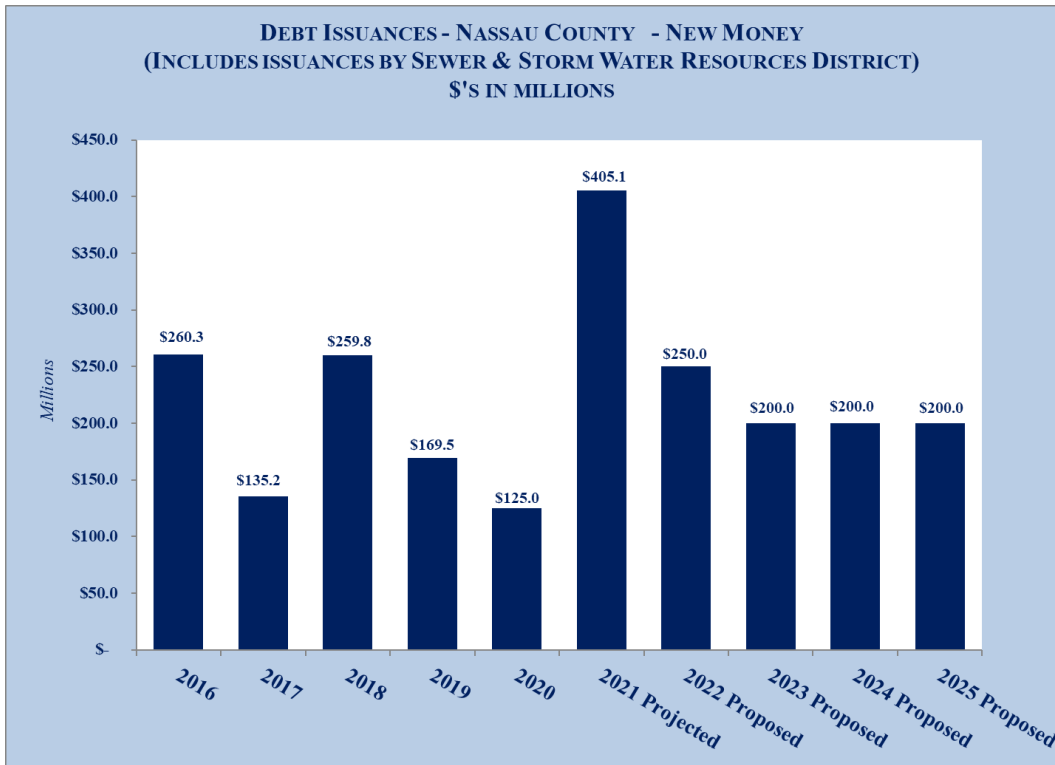
We are encouraged by the Administration's intent to pay off pension expenses which were amortized over the last decade. Using surplus revenues to generate recurring expenditure savings for the County helps with the long-term sustainability of the County's positive fiscal position.

While we were not able to independently verify the Administration's calculation of the \$155 million repayment, or the possibility of amortization election in the 2022 invoices, we are not risking this expenditure in our projection of risks and opportunities to the 2022 Proposed Budget. Repaying this long-term liability will provide annual savings to the County and reduce the County's long-term obligations as reported in the annual financial statements. Therefore, we are not projecting an amount for the deferred pension liability as of December 31, 2022 since there are a number of variables that remain unknown at this time.

**Borrowing Trends**

The 2022 Proposed Budget projects long-term borrowings of \$250.0 million, which will require NIFA approval, subject to Legislative (supermajority) approval. The Administration expects to issue long-term bonds of \$250.0 million to pay for capital projects, which include borrowing of \$50.0 million for sewer related projects and \$200.0 million for general improvement projects.

The Administration’s proposed capital borrowings in years 2023, 2024, and 2025 include \$200.0 million for each year; \$150.0 million in general improvement capital projects and \$50.0 million in sewer related projects each year. The chart below illustrates the County’s historical and new proposed debt issuances.



The Table below illustrates projected long-term debt issued through December 31, 2022 by the County (including SSW District), Nassau Community College, NIFA, Sewer and Storm Water Finance Authority (SFA), and Nassau County Tobacco Settlement Corporation (NCTSC).

At 2020 year-end, the total of the County’s general obligation bonds and its component units’ long-term bonds outstanding was approximately \$3.3 billion (including serial bonds and accreted interest of the NCTSC, both of which the County has no recourse). The 2021 and 2022 anticipated borrowings will increase the total long-term bonds outstanding from \$3.3 billion at



year-end 2020 to approximately \$3.8 billion at year-end 2022 after reductions of maturing debt, for a net increase of 14.1% (see table below).

<b>Total Projected Long-Term Borrowings *</b>							
(\$'s in millions)							
	As of December 31, 2020 Actual	2021 Projected Additions	2021 Projected Reductions	As of December 31, 2021 Estimated	2022 Projected Additions	2022 Projected Reductions	As of December 31, 2022 Estimated
County w/SSW (a)	\$ 2,361.7	\$ 405.1	\$ 908.7	\$ 1,858.1	\$ 250.0	\$ 39.4	\$ 2,068.7
NIFA	369.7	1,110.1	331.6	1,148.2	-	0.5	1,147.7
Sewer and Storm Water Finance Authority (SFA) (b)	99.7	-	12.4	87.3	-	12.9	74.4
Tobacco Settlement Corp (NCTSC) (c)	492.9	9.2	10.9	491.2	9.8	-	501.0
<b>Total</b>	<b>\$ 3,324.0</b>	<b>\$ 1,524.4</b>	<b>\$ 1,263.6</b>	<b>\$ 3,584.8</b>	<b>\$ 259.8</b>	<b>\$ 52.8</b>	<b>\$ 3,791.8</b>

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt  
(b) Assume no additional borrowings for SFA  
(c) December 31, 2020 includes accumulated accreted interest of \$93.7 million; projected additions for 2021 and 2022 represent accreted interest

\* 2021 Projected Additions and Deletions include NIFA and County restructuring

### NIFA Refunding

As a measure to address the economic impacts of the COVID-19 pandemic, the County and NIFA restructured outstanding debt to alleviate debt service demands on the County. The goal of refunding was to achieve up to \$435 million of budgetary savings in County fiscal years 2021 and 2022, as well as refund bonds for present value savings.

In February 2021, NIFA issued \$1.11 billion of bonds as follows:

- \$553.1 million in Series 2021 A bonds; and
- \$557.0 million in Series 2021 B taxable bonds.

The 2021 Series A and B bonds refunded \$856.8 million of County bonds. This transaction produced significant debt service savings for the County, in particular, in years 2021 and 2022 to help alleviate the financial stress of the pandemic. The Series A and Series B bonds were structured to significantly lower debt service in the early years, while increasing debt service in later years.

Of the \$1.3 billion par and premium sources of funds:

- \$331.2 million was NIFA refunded bonds;
- \$856.8 million was County refunded bonds;

- 
- \$103.8 million refunded interest; and
  - \$15.9 million costs of issuance (which includes \$11.01 million swap termination fee).

The County's debt service savings for 2021 and 2022 are \$202.7 million and \$172.8 million respectively. The total change in debt service to the County from the restructuring is a cost of \$3.9 million over 15 years.

