Nassau County

Proposed 2023 Budget and Multi-Year Financial Plan

Review of Risks & Opportunities

Office of Nassau County Comptroller Elaine Phillips

October 2022

Elaine Phillips
Comptroller

Elizabeth Hill
Deputy Comptroller for Accounting

Beaumont Jefferson
Deputy Comptroller

Jeffrey R. Schoen
Deputy Comptroller

Charles J. Casolaro, Esq.
Chief Counsel to the Comptroller

Lisa S. Tsikouras
County Director of Accounting

Tolulope Agosu
Deputy County Director of Accounting

Financial Analysis Staff

Kenia Bonilla
Inspector Comptroller

Pina Ruperto
Accounting Executive

Khaleda Malique
Accounting System Specialist

Deepa Menachery
Financial Analyst

Janet Garone
Accountant II

Table of Contents

Proposed Nassau County 2023 Budget & Multi-Year Financial Plan: Comments on the Risks and Opportunities

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

Hon. Elaine Phillips
Nassau County Comptroller

October 2022

On behalf of the Office of the Nassau County Comptroller, I am proud to present my administration's review of the risks and opportunities in the County Executive's Proposed Operating Budget for 2023 and Multi-Year Plan, as required by the Nassau County Charter.

A budget is the primary instrument for implementing fiscal policy. It is not possible to predict the future, but thoughtful planning, and reasonable projections lay the foundation for good government that can efficiently, effectively, and diligently provide essential services to our residents.

My expert team and I have reviewed the major revenue sources and major categories of expenditures contained in the County Executive's proposed 2023 budget and multi-year plan. As expected, my Office has identified risks and opportunities that could affect the results for 2023. Nonetheless, I am confident that this budget and multi-year plan meet the criteria of responsible budgeting, without raising budgeted property taxes.

Nassau County will go into 2023 in a strong fiscal position as evidenced by our multiple consecutive year surpluses including a projected surplus for 2022, responsible management of reserves, and the high endorsements of independent rating agencies. Despite the perennial threat of global and regional variables that may affect Nassau County and our economy, the proposed 2023 Budget and Multi-Year Plan positions the County to build on its success and rise to challenges that may occur.

In the Proposed Budget for 2023 and Multi-Year Plan, Nassau County once again demonstrates sound fiscal planning and management, further validating the case for an end to the unwarranted NIFA Control Period.

Sincerely,

Elaine Phillips
Nassau County Comptroller

EXECUTIVE SUMMARY

PURPOSE

The Nassau County Charter requires that the Nassau County Comptroller render an opinion as to the reasonableness of the estimates contained in such proposed budget relating to non-real property tax revenues. This report has been prepared pursuant to §402 (8) of the County Charter.

FINANCIAL REPORTING

Fund Accounting

The Government Accounting Standards Board (GASB) is an independent, private sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

GAAP refers to a common set of accepted accounting principles, standards, and procedures for financial reporting. GAAP enables the County to comparatively track its performance relative to other municipalities.

Government entities normally derive their income from taxes, user fees, grants or intergovernmental transfers. Fund accounting allows a governing body to achieve fiscal accountability objectives, such as establishing and monitoring how resources are allocated and spent and setting and managing spending limits.

Three Primary Operating Funds

This report by the Office of the Comptroller analyzes the proposed 2023 Budget and Multi-Year Financial Plan (MYP) for the "three primary operating funds." The three primary operating funds are analyzed to identify potential risks and opportunities to the proposed budget and MYP. The three primary operating funds include the total General Fund[1], the Police District Fund, and the Sewer and Storm Water District Fund.

The governmental funds that *were not* reviewed for this report are considered non-operating and are:

- The Grant, COVID, ARPA and FEMA Funds, which are almost 100% funded with State

[1] In accordance with GASB Statement No. 54, several funds that were reported as separate special revenues funds in the County's financial reporting, were consolidated into the General Fund beginning in fiscal year 2011. The reconstituted General Fund is more comprehensive than the pre-2011 General Fund.

and Federal aid,

- The debt service and the general funds of the three blended component units (Nassau County Interim Finance Authority, the Sewer Finance Authority, and the Tobacco Settlement Corporation).
- The County's capital fund which is primarily funded with bond proceeds and grant monies; and
- Other non-operating funds such as:
    - o the Disputed Assessment Fund (DAF), which is fully funded with the DAF charge; and
    - o the Environmental Protection Fund, which is fully funded by property taxes that pay for debt service chargebacks. There is typically no other activity in this fund.

Major Budget Revenues and Expenditures

This report reviews the County's revenue sources in the three primary operating funds[2], with particular focus on major revenue sources, such as Sales Tax, State and Federal Aid, and Departmental Revenues. These categories have remained relatively constant as a percentage in relation to total revenues in recent years.

Similarly, the report reviews the County's expenditures of the three primary operating funds, with particular focus on the largest categories of expenditures, including Payroll and Fringe Benefits, Debt Service, Contractual Services, Early Intervention, and Social Service Programs.

STATE OF THE ECONOMY

The measures for economic growth in the U.S. decreased in two successive quarters in 2022 which normally would result in a declaration of a recession in the United States. (GDP decreased by 1.6% in the first quarter and 0.6% in the second quarter). However, due to very low unemployment it is not clear that the conditions warrant such a declaration, nor will such a declaration occur for several months. If a recession occurs, it will likely be experienced unevenly throughout the economy and the population.

[2] In accordance with GAAP, the General Fund is comprised of the following County funds: General; Police Headquarters; Fire Prevention, Safety, Communication and Education; Debt Service; Open Space; Technology; Litigation; Employee Accrued Benefit Liability Reserve; Retirement Contribution Reserve; Bond Indebtedness Reserve; Excess Sales Tax Special Revenue Fund; and Opioid Litigation Settlement Fund.

Perhaps not widely known, the Federal Reserve uses the Personal Consumption Expenditures Price Index (PCE)[3], rather than the Consumer Price Index (CPI), as its primary measure of inflation. The following chart demonstrate changes in consumer spending as measured by the CPI, Core CPI and Core PCE. Core CPI and Core PCE exclude food and energy due to the price volatility of these purchases. The numbers below were accurate on October 7, 2022 but PCE is often retroactively updated.

Year-Over-Year Change in Consumer Spending in the U.S. 2021 - 2022								
	Jan 2021-22	**Feb 2021-22**	**March 2021-22**	**April 2021-22**	**May 2021-22**	**June 2021-22**	**July 2021-22**	**August 2021-22**
CPI	7.5%	7.9%	8.6%	8.2%	8.5%	9.0%	8.5%	8.2%
Core PCE	5.2%	5.4%	5.4%	5.0%	4.9%	5.0%	4.7%	4.9%
Core CPI	6.0%	6.4%	6.4%	6.1%	6.0%	5.9%	5.9%	6.3%

The high and increasing rate of inflation remains the major concern for the Federal Reserve Bank (The Fed). The Fed significantly raised interest rates by a total of 3% in 2022. The Effective Federal Funds Rate (EFFR) has gone from 0.08% in January to 3.08% currently, which means higher borrowing costs which in turn should slow spending by consumers and businesses alike. The Federal Reserve remains focused on attempting to curb inflation to 2% through higher interest rates.[4]

In 2021, Nassau County was the 7th richest county in the U.S. based on median household income.[5] Not only is the Nassau County median household income high, but unemployment is low as compared to the U.S. and New York State. The Nassau County unemployment rate in August 2022 was estimated at 3.3%, a decrease from 4.4% one year prior.[6]

Sales tax collections remain strong in 2022, at a level exceeding prior years. If a recession occurs, and if unemployment increases in Nassau County, sales tax collections could be affected. However, the currently strong employment and wealth levels in Nassau County, as well as the limited decline in sales tax collections in the Great Recession, do NOT portend a significant risk of decline in sales tax collections for the County.

There is no expectation that if a recession occurs, it will be nearly as drastic or last as long as the 2007-2009 Great Recession, the longest of any recession since World War II. During the Great Recession, the County experienced a decline of 1% in sales tax in the year after the recession began and a 5%

[3] While the CPI data is sourced from consumers, the PCE is sourced from businesses. For example, CPI only tracks out-of-pocket consumer medical expenditures, but PCE also tracks expenditures made for consumers, thus including employer contributions.
[4] Federal Reserve press release, Implementation Note issued September 21, 2022
[5] s1903 - Census Bureau Tables - median household income, for Nassau County click "Geos"
[6] Bureau of Labor Statistics Data (bls.gov) – Unemployment rate for U.S.
https://www.bls.gov/eag/eag.ny_nassau_md.htm

decline again in the following year, when GDP recovery began. The year after the 5% decline, sales tax collections were back to 98% of the pre-recession level and exceeded the pre-recession levels the following year.

Details of the effect of the Great Recession effect on sales tax collections are provided below:

Nassau County			
Year	Sales Tax Collections	% Change	Notes
2006	$991	4%	
2007	$1,012	2%	Great Recession begins Dec 2007
2008	$1,003	-1%	NC sales tax decrease by 1%
2009	$951	-5%	NC sales tax decrease by 5%. GDP recovery begins and recession ends June 2009
2010	$992	4%	NC sales tax increase by 4% to 98% of the pre-recession amount
2011	$1,028	4%	NC sales tax exceed pre-crisis level. GDP reaches pre-crisis peak in September 2011
2012	$1,070	4%	

PROPOSED FISCAL YEAR 2023 BUDGET RISKS/OPPORTUNITIES

Based on the review performed, the Comptroller's Office estimates that the 2023 Proposed Budget contains approximately $60.4 million of opportunity on a GAAP basis, noting the following key assumptions:

- The 2023 Proposed Budget includes $74.9 million of budgeted costs for the collective bargaining agreements not yet negotiated with the County's four labor unions. The projections in this report do not include this estimate as final agreements may vary to the budgeted amounts and the timing of when new collective bargaining agreements will take effect is not known. Collective bargaining agreements require legislative and Nassau County Interim Finance Authority (NIFA) approval, as well as ratification by union members. It would not be prudent at this time to assume the result of these decisions.
- The 2023 Proposed Budget includes an estimated $21.4 million budgeted for the 335 vacant positions in the County. The projections in this report do not include a cost for these vacant positions as the methodology used by the Comptroller's Office is to project using current on-board headcount adjusted for additional police and correctional classes and related attrition.

The 2023 Proposed Budget does not include an adopted budget for some of the reserve and other funds that are consolidated into the General Fund. As such, and based on discussions with the Budget Office, the projections in this report do not include expenditures in the following funds: Bond Indebtedness Fund (BIF), Employee Accrued Benefit Liability Fund (EBF), Retirement Contribution Fund (RCF), Technology Fund (TCF), Open Space Fund (OSF), and the Excess Sales Tax Special Revenue Fund (EST).

The projections do include expenditures in the:

- Litigation Fund (LIT), even though there is no adopted budget proposed for 2023, because it is expected that tax certiorari payments, litigation costs and longevity payments to employees, will be paid from this fund in 2023.
- Opioid Litigation Settlement Fund (OLS), which is included in the 2023 Proposed Budget, accounts for use of fund balance for contractual costs.

The risks and opportunities are shown in Table 1 and Table 2 below, excluding eliminating interfunds and net of transfers in and out.

Table 1: (Risks) / Opportunities to the 2023 Proposed Budget

($ millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
REVENUES				
Sales Tax	$ 37.0	$ -	$ -	$ 37.0
Use of Fund Balance	(15.0)		(13.9)	(28.9)
Interest Penalty on Tax	1.0			1.0
Permits and Licenses	0.6	(1.5)	0.0	(0.9)
Fines and Forfeitures	(20.2)	(0.4)	0.0	(20.6)
Departmental Revenues	(12.5)	0.0	0.0	(12.5)
Federal Aid	(5.6)	0.0	0.0	(5.6)
State Aid	1.0	0.0	0.0	1.0
Rents and Recoveries	(16.9)	0.0	0.0	(16.9)
All Other (primarily Special Taxes)	1.2	0.2	0.0	1.4
Total Revenues	**($29.4)**	**($1.7)**	**($13.9)**	**($45.0)**
EXPENDITURES				
Payroll, Fringes & Workers' Compensation	$105.5	$33.0	$2.1	$140.6
Early Intervention	($1.8)			($1.8)
Social Services	$15.5			$15.5
Contractual Expense	$2.0	$0.0	$2.4	$4.4
Local Government Assistance	($1.9)			($1.9)
Property Tax Refunds	($75.0)			($75.0)
Judgments and Settlements	($10.0)			($10.0)
Utilities	$1.7	$0.0	$0.0	$1.7
General Expenditures	($1.2)	$0.0	$0.0	($1.2)
Contingency	$25.0			$25.0
Total Expenditures	**$59.8**	**$33.0**	**$4.5**	**$97.3**
Net Transfers In/Out	$0.0	$0.0	$0.6	$0.6
Total (Risks)/Opportunities	**$30.4**	**$31.3**	**($8.8)**	**$52.9**
Total GAAP Adjustments	$17.3	($7.8)	($2.0)	$7.5
Total (Risks)/Opportunities GAAP Basis	**$47.7**	**$23.5**	**($10.8)**	**$60.4**

Table 2: Estimated GAAP Adjustments for FY 2023

2023 Estimated GAAP Adjustments * $ in millions	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
Projected Results on a Budgetary Basis	$30.4	$31.3	($8.8)	$52.9
Period of availability adjustments**	($4.0)	$0.0	($3.2)	($7.2)
Pension expenditure adjustment	($1.6)	($2.8)	$0.0	($4.4)
Use of Fund Balance	$0.0	$0.0	$0.0	$0.0
Sale of Mitchel Field Leases	$1.3			$1.3
NCC adjustment for termination pay	($0.9)			($0.9)
Effect of encumbrances adjustment **	$12.5	$0.0	$1.2	$13.7
Other GAAP adjustments	$5.0	($5.0)		$0.0
Reversal of prior year GAAP adjustments for timing	$5.0			$5.0
NET CHANGE IN FUND BALANCE (DEFICIT)	$47.7	$23.5	($10.8)	$60.4

** GAAP adjustments can significantly fluctuate until finalized in the year-end financial statements primarily due to the effects of encumbrances; the value of unspent encumbrances as of year-end and the expenditures paid after year-end but incurred during the fiscal year are difficult to predict. Thus these adjustments are estimates at this point in time. See Appendix A. for further information.*

*** Because these cannot be estimated at this time, 2021 actual GAAP adjustments are being used.*

The projected ending GAAP fund balance for the three primary operating funds is estimated at $1,093.8 million. Note that GAAP results can change significantly at fiscal year-end. See Appendix A for further clarification.

Table 3: Projected Ending GAAP Fund Balance FY 2023

2023 Projected Total Ending GAAP Fund Balance *$ in millions*	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
2022 Projected Ending Fund Balance				
Total Fund Balance (Deficit) as of 12/31/2022 projected	$899.0	$97.1	$37.3	$1,033.4
Total Projected Change in Fund Balance (Deficit) FY 2023	$47.7	$23.5	($10.8)	$60.4
2023 Projected Ending Fund Balance				
Total Projected Fund Balance at 12/31/2023 projected	$946.7	$120.6	$26.5	$1,093.8

Further Analysis of the individual risks and opportunities can be found beginning on page 12.

Items of Note:

Sales Tax Revenue

Sales tax revenue in 2023 is projected to be $37.0 million higher than the proposed budget. The 2023 projections include a 2% growth factor in collections on the updated 2022 sales tax projections (further explained below). The growth factor takes into account rising interest rates, inflation and the possibility of a recession. 2021 sales tax collections received were net of Aid and Incentives to Municipalities (AIM) and Distressed Provider Assistance (DPA). The County gas sales tax holiday became effected June 1 and is set to expire in December. Based on these factors, the projection of 2% is reasonable and conservative. However, since sales tax may be volatile due to economic factors, results may vary significantly should 2022 collections differ from the projection.

The Comptroller's Office will continue to monitor sales tax collections and communicate regularly with the State and the New York State Association of Counties (NYSAC) for status updates on trends or State legislative actions affecting the County's sales tax. Sales tax revenue accounts for 41% of the 2023 Proposed Budget's revenue and its performance is correlated to current economic conditions.

Collective Bargaining Agreements

Collective bargaining agreements for the County's major labor unions expired at the end of 2017. Two of the six labor unions have negotiated new contracts, however, four remain unsettled. The Comptroller's Office projections have not included any financial impact related to the unsettled labor agreements. While often when there are multiple agreements with various terms, there is some degree of a pattern to new arrangements, we cannot speculate as to what the settled terms of these contracts would be in a manner that would allow for a productive analysis given the multitude of variables in these agreements.

Vacant Positions

The 2023 Proposed Budget continues to fund approximately 335 vacant positions estimated at $21.4 million for the primary operating funds combined. There continues to be a budgetary opportunity here for savings should the funded positions remain vacant or there are delays in hiring into the year.

Property Tax Refunds (Tax Certiorari)

The Comptroller's Office projections include estimated expenditures paid from the Litigation Fund for property tax refunds (tax certiorari), using available fund balance. Because there is no 2023 proposed budget for these expenditures, the resulting variance appears large.

UPDATED 2022 MID-YEAR PROJECTIONS

The Comptroller's 2022 Mid-Year Report projected that the County would end the current year with a **$38.2 million operating surplus** and **ending fund balance of $951.7 million** in the primary operating funds under GAAP.

The Comptroller's Office revised projections for 2022 result in an operating **surplus of $120.0** million for the three primary operating funds on a GAAP basis, and a projected **ending fund balance of a $1,033.4 million** for the primary operating funds under GAAP. The main drivers of the improvement in the projected results is an increase in our projected sales tax revenues for 2022.

The year-end projections have been updated to account for the following items:

Additional Opportunities

- **Sales Tax**: +*$33.5 million* - Sales Tax collections have come in higher than previously forecasted in our 2022 Mid-Year Report for the first nine months of fiscal year 2022, therefore, the projections have been revised to increase projected Sales Tax Revenue by $33.5 million from $1,460.8 million to $1,494.3 million.

  Year-to-date[7], the County's sales tax collections are 7.9% higher than last year[8], and the projections assume that the remaining 2022 checks will be 3% higher than last year, resulting in a full year change over 2021 sales tax revenue of approximately 6.0%. The 2022 projected sales tax revenue is the base for computing the 2023 projection for sales tax revenue.

  It is important to note that inflation and a potential recession continues to impact the economy and since sales tax is very economically sensitive, sales tax revenues could fluctuate significantly in 2022. See the Sales Tax section of this report for further analysis and sales tax scenarios.

  Since the projected 2022 sales tax revenues are the base for which we project 2023, any significant change to the assumptions, particularly the growth rate, may have a significant impact to 2023.

- **Payroll and Fringe**: *$20.6 million* additional opportunity due primarily to a reduction in headcount, 259 projected full-time positions remain vacant in 2022;
- **Departmental Revenues**: *$1.7 million* additional opportunity is comprised of several differences in multiple departments due to actual activity or trend;
- **Investment Income**: *$4.5 million* additional opportunity as a result of the County's cash levels and the rise in interest rates;

7 Year-to-date through the check received on October 6, 2022 net of the AIM withheld in May 2022.
8 2021 sales tax collected year-to-date were reduced by $8.9 million of AIM and DPA withholdings.

- **Interest Penalty on Tax**: *$1.7 million* additional opportunity due primarily to the trend in actuals for interest on taxes and listing fees;
- **Other Revenue items**: *$1.6 million* additional opportunity due primarily to the trend in actuals, including Transfers In ($0.6 million), Rents and Recoveries ($0.9 million) and other ($0.1 million);
- **Social Services Programs**: *$8.2 million* additional opportunity due primarily to an expected reduction in the County's weekly required contribution to the Medicaid program;
- **Property Tax Refunds**: *$13.6 million* additional opportunity due primarily to payments made in the General Fund having been reclassified to the Litigation Fund;
- **Judgments and Settlements**: *$1.4 million* additional opportunity due primarily to a reduction in the Sewer and Storm Water Fund of $5.4 million offset by a projected increase in the Litigation Fund of $4.0 million based on actuals; and
- **Changes to the GAAP adjustments:** *$17.9 million* more opportunity due to a decrease in the projected pension expense in the most recent invoice, the result of the County's decision to prepay the majority of the deferred pension liability earlier this fiscal year.

Additional Risks

- **Fine and Forfeitures**: *$5.9 million* more risk due primarily to the trend in actuals in other Traffic and Parking Violations fines offset by Public Safety fee revenues trending higher;
- **Contractual Expenditures**: *$15.0 million* additional risk due to pending contractual costs in 2022 in the Opioid Litigation Settlement Fund, a component of the General Fund; and
- **Local Government Assistance**: *$2.0 million* more risk than the previous 2022 projections due to the projected increase in the distribution of sales tax revenues to the local municipalities.

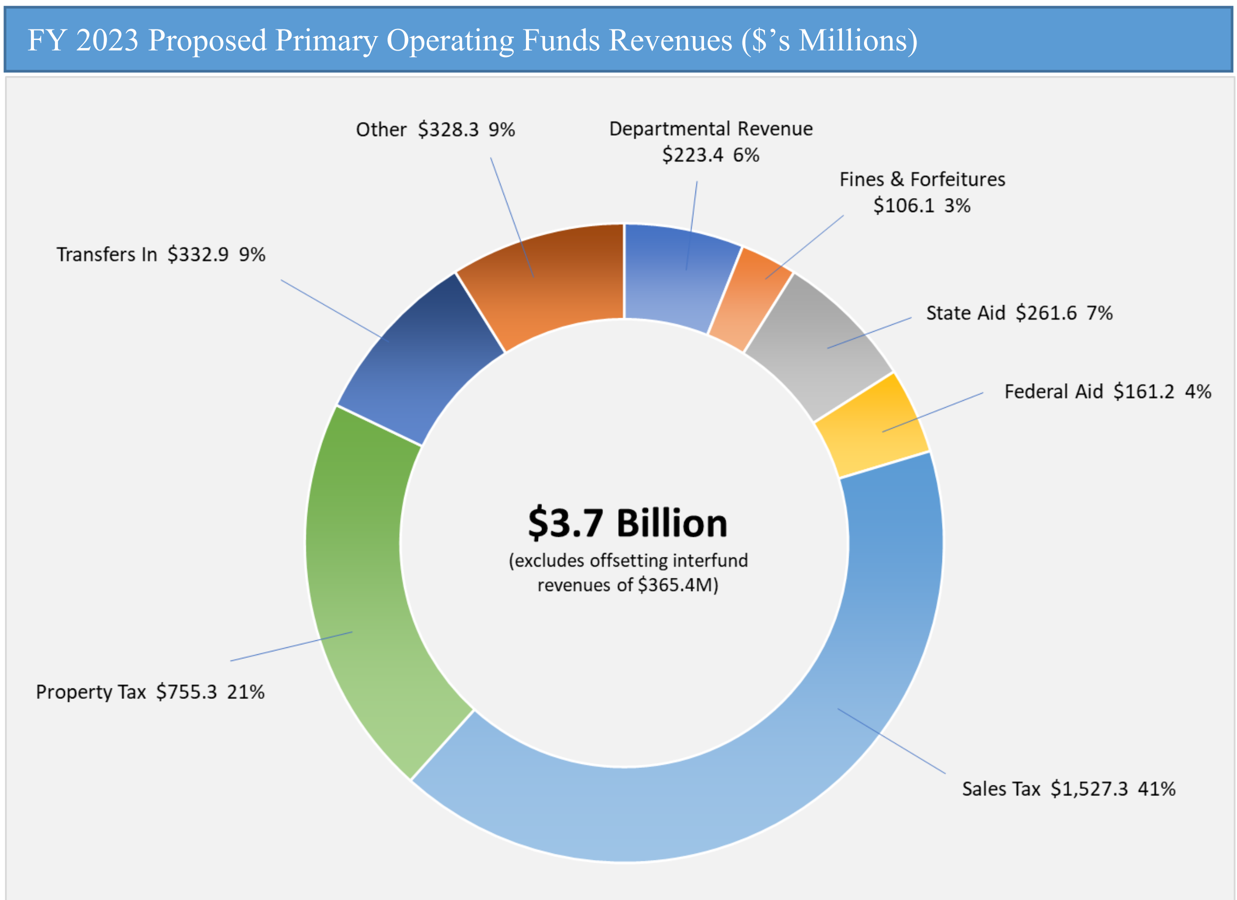
DISCUSSION OF REVENUES: (RISKS) / OPPORTUNITIES

This section discusses significant revenue risks and opportunities presented in the fiscal year 2023 Proposed Budget.

PRIMARY FUNDS REVENUE COMPOSITION

Sales Tax is the major revenue source for Nassau County, accounting for $1.5 billion or 41% of revenue, followed by Property Tax at $755.3 million or 21%, State and Federal Aid at $422.8 million or 11% and Departmental Revenues at $223.4 million or 6%.

Chart 1: Proposed Primary Operating Funds Revenues



***Note:**
Other includes: Non-offsetting Interfund Revenues ($75.9 million), Use of Fund Balance ($28.9 million), PILOTs ($53.4 million), Rents and Recoveries ($36.8 million), Interest Penalties on Taxes ($34.8 million), Special Taxes ($31.4 million), Permits and Licenses ($19.2 million), OTB Video Lottery Terminals ($20.0 million), Revenue Offsets of Expense ($20.5 million), Investment Income ($6.3 million), and Capital Resources ($1.1 million).

Sales Tax | Budget Opportunity $37.0 million– ON CLOSE WATCH

The Comptroller's Office projects a $37.0 million opportunity for Sales Tax revenue in the 2023 Proposed Budget.

Sales Tax, at 41% of 2023 budgeted revenues (net of offsetting interfund revenues), is the County's largest revenue source and is highly correlated to economic conditions.

Table 4: Sales Tax ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$1,409.2	$1,494.3	$1,527.3	$1,564.3	$37.0

UPDATED 2022 SALES TAX PROJECTIONS

The projections for 2022 sales tax revenue have been revised from $1,460.8 million as reported in the Comptroller's Office 2022 Mid-Year Report, to $1,494.3 million, an increase of $33.5 million, primarily due to more favorable sales tax receipts received in August and September than originally projected and the continuing positive trend over 2021. The 2022 sales tax projections are based on year-to-date actual collections through the October 6, 2022 check, and a 3% growth forecasted for the remaining checks over the same period in 2021.

Sales Tax collections[9], prior to the withholdings for AIM or DPA[10], increased over 2021 by 14.0%, 4.4% and 5.3% during the first, second and third quarters of the fiscal year, respectively. Because the growth rate has declined from the first quarter, the projection of a 3% growth on the remaining checks for 2022 (10 in total) was deemed a reasonable yet conservative rate.

Nevertheless, due to the continued inflationary pressure on consumers and since sales tax revenues are very economically sensitive, the table below outlines several scenarios showing the potential effect on sales tax revenues if the remaining checks trend higher by 5 % and 3%, or lower by 2% than the same period in 2021, as well as flat to the remaining checks in 2021. Yet, in all scenarios, a surplus in sales tax revenues is projected against the 2022 Adopted Budget.

[9] Collections represent the sales tax received by the County prior to recognizing any deferral of Part County sales tax. Revenues represent the amounts after the recognition of the deferrals. See Appendix B for a discussion of Part County sales tax and the deferrals.
[10] See Appendix B for further information of AIM and DPA.

Table 5: 2022 Sales Tax Forecast ($ Millions)

in $ millions **2022 Sales Tax Forecast**	2022 OMB August Projection	Actual* + -2%	Actual* + Flat to 2021	FORECAST Actual* + +3%	Actual* + +5%
2022 Budget	$ 1,375.0	$ 1,375.0	$ 1,375.0	**$ 1,375.0**	$ 1,375.0
Projected Total Sales Tax**	$ 1,454.8	$ 1,473.0	$ 1,481.5	**$ 1,494.3**	$ 1,502.8
Difference from Budget	$ 79.8	$ 98.0	$ 106.5	**$ 119.3**	$ 127.8
% Difference from Budget	5.8%	7.1%	7.7%	**8.7%**	9.3%

** Actual = actual sales tax receipts in 2022 year-to-date through the 10/6/2022 check*
*** Includes Countywide + Part County - Net Deferrals*

Since the projected 2022 sales tax receipts are the base on which 2023 is projected, any significant change in receipts from what has been forecasted, may have a significant impact to the 2023 projections.

2023 SALES TAX PROJECTIONS

Looking ahead to 2023, the Comptroller's Office projects an opportunity of $37.0 million in sales tax revenue against the Proposed Budgeted revenue of $1,527.3 million.

The Comptroller's Office projections factor a 2% growth rate in sales tax collections over the updated 2022 projection for collections of $1,518.4 million, and a 4.7% increase in total sales tax revenues over the updated 2022 projection of $1,494.3 million. The higher growth rate in 2023 sales tax revenue versus sales tax collections is attributed to the prior year Part County deferred amount that will be recognized in 2023. For further information on Part County sales tax, please see Appendix B.

The 2023 Proposed Budget projects $1,506.0 million of sales tax collections, or a 3.52% growth over the 2022 projected sales tax collections reported in the Administration's August 2022 Financial Report. The Comptroller's Office projects sales tax collections of $1,548.7 million, or a 2.0% growth over the 2022 projections revised from the 2022 Mid-Year Report.

It is important to note that sales tax collections are what the County receives from the State. County sales tax revenue is reported as collections net of adjustments for Part County deferred revenue. Although the projection for 2023 is based on a growth rate in collections of 2.0%, sales tax revenue projected in 2023 is projected to grow 4.7% over the revised 2022 sales tax projections due to a net $15.6 million of projected deferred Part County sales tax. Because there was a large Part County deferral in 2021, the total sales tax revenue projected is higher than collections by the net of the 2021 deferral and the projected deferral for 2023.[11]

Table 6 below illustrates the differences between sales tax collections and sales tax revenue.

Table 6: Sales Tax by Collections and Revenue ($ Millions)

	FY 2021	FY 2022	FY2022	FY 2023		
	Actual	Comptroller's Updated Forecast	OMB August Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
Sales Tax Collections	$1,428.6	$1,518.4	$1,454.8	$1,506.0	$1,548.7	$42.7
Prior Year Part County	$1.9	$0.0	$0.0	$21.3	$21.3	$0.0
Less: Current Year Part County	($21.3)	($24.1)	$0.0	$0.0	($5.7)	($5.7)
Total Sales Tax Revenue	$1,409.2	$1,494.3	$1,454.8	$1,527.3	$1,564.3	$37.0

While the growth rate on 2023 total sales tax collections assumed by the County's Administration is higher than the Comptroller's Office (3.52% and 2.0%, respectively), the 2022 base projected by the Comptroller's Office is greater than what is forecasted by the Administration, resulting in a higher projection as noted in this report.

A Moody's Analytics report issued in August 2022 projects a higher growth year-over-year of 2.92% in collections and a higher projection of sales tax receipts. The Comptroller's Office has projected a modest 2.0% growth in collections primarily as uncertainty surrounding the economic factors related to inflation and a possible recession, and their effect on consumer confidence as we approach the fourth quarter. The growth rate used correlates with the Federal Reserve's 2% inflation target.

The table below illustrates the varying projections and growth rates for the 2022 and 2023 projected sales tax collections as projected by Moody's, the Comptroller's Office and the County Administration.

[11] For further information on Part County Sales Tax, please see Appendix B.

		2022		2023
Moody's analytics projections*				
Sales Tax collections projections ($ millions)	$	1,530.3	$	1,575.0
Sales tax collections growth rate over prior year		5.67%		2.92%
Comptroller's Office projections**				
Sales Tax collections projections ($ millions)	$	1,518.4	$	1,548.7
Sales tax collections growth rate over prior year		6.29%		2.00%
County Administration projections				
Sales Tax collections projections ($ millions)	$	1,454.8	$	1,506.0
Sales tax collections growth rate over prior year		1.83%		3.52%

** Moody's analytics projections and growth rates include collections prior to AIM and DPA withholdings.*

***Comptroller's Office projections and growth rates are net of AIM withholdings for 2022*

Because sales tax revenue is very economically sensitive, Table 7 below outlines several scenarios based on varying growth rates over the 2022 sales tax projections. The projection for 2023 sales tax revenue in this report is denoted in the shaded column "2022 Projection + +2% growth".

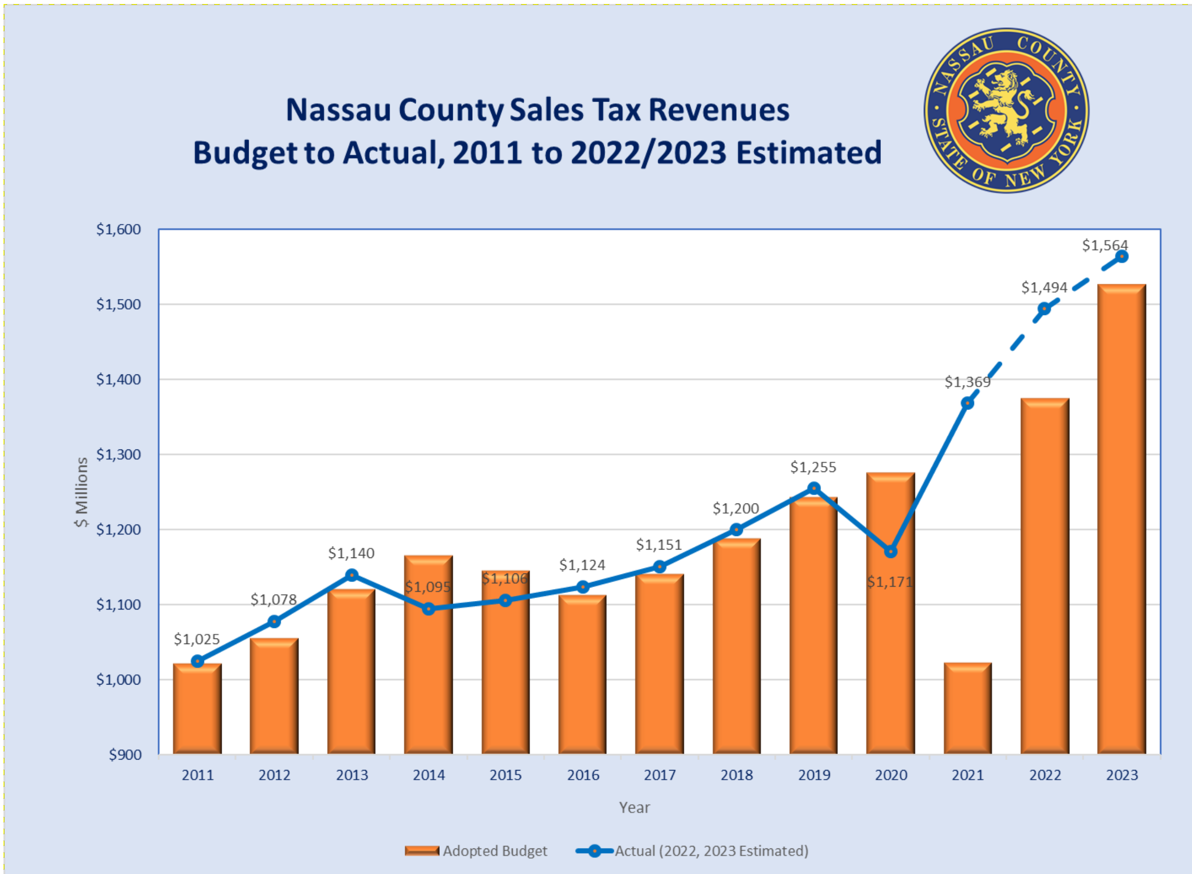
Table 7: 2023 Sales Tax Revenue Scenarios – ($ Millions)

in $ millions 2023 Sales Tax Scenarios*	2022 Projection + -5% growth	2022 Projection + -3% growth	2022 Projection + -2% growth	2022 Projection + -0% growth - FLAT	2022 Projection + +2% growth	2022 Projection + +3% growth	2022 Projection + +5% growth	2022 Projection + +7% growth
2023 Budget	$ 1,527.3	$ 1,527.3	$ 1,527.3	$ 1,527.3	$ 1,527.3	$ 1,527.3	$ 1,527.3	$ 1,527.3
Projected Total Sales Tax**	$ 1,466.3	$ 1,494.3	$ 1,508.3	$ 1,536.3	$ 1,564.3	$ 1,578.3	$ 1,606.3	$ 1,634.3
Difference from Budget	$ (61.0)	$ (33.0)	$ (19.0)	$ 9.0	$ 37.0	$ 51.0	$ 79.0	$ 107.0
% Difference from Budget	-4.0%	-2.2%	-1.2%	0.6%	2.4%	3.3%	5.2%	7.0%

**assumes YTD Actual through 10/6/2022 check + 3% growth on remaining checks over same checks in 2021 +/- growth rate in scenario*
*** Includes Countywide + Part County - Net Deferrals*

The Chart below depicts, by fiscal year beginning in 2011, actual sales tax revenue reported and the adopted budget, with projections for 2022 and 2023 actual revenues, and the 2023 Proposed Budget.

Chart 2: Sales Tax Collections ($ Millions) – Actuals & Projected



Use of Fund Balance | Budget Risk $(28.9) million – GAAP impact $0.0

The Comptroller's Office projects Use of Fund Balance with a risk of $28.9 million, $15.0 million in the Opioid Litigation Settlement Fund (a component of the General Fund) and $13.9 million in the Sewer and Storm Water District Fund. Since Use of Fund Balance is not a revenue source, it has been excluded from the projections in this report.

Note: On a GAAP basis, use of fund balance is not a revenue source and thus, it has no effect on GAAP results.

Table 8: Use of Fund Balance ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$0.6	$0.0	$28.9	$0.0	($28.9)

Interest Penalties on Taxes | Budget Opportunity $1.0 million

The Comptroller's Office projects a $1.0 million opportunity for interest and penalties on late and delinquent tax revenues in the 2023 Proposed Budget. Based on the current trend, it is anticipated that the revenues for interest penalties on taxes will exceed the 2023 Proposed Budget.

Table 9: Interest Penalties on Taxes ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$35.1	$44.6	$34.8	$35.8	$1.0

Permits and Licenses | Budget Risk ($0.9) million

The Comptroller's Office projects approximately $1.5 million of risk in the Police District Fund for Alarm Permits revenue as they are trending lower in the current year than what had been budgeted. The projections anticipate this continued trend. This risk is offset by $0.6 million of opportunities in the Health Department for food permit fees, the Department of Consumer Affairs Weights and Measure Fees, and Road Openings in the Department of Public Works.

Table 10: Permits and Licenses – ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$19.6	$19.0	$19.2	$18.3	($0.9)

Fines and Forfeitures | Budget Risk ($20.6) million

The projections for Fines and Forfeitures anticipates a risk of $20.6 million. This risk is primarily attributed to $10.7 million of risk in the Traffic and Parking Violations Bureau

(TPVA), related to TPVA Fines and traffic violation administrative fees, and a $4.6 million risk for Red-Light Camera fines and Red-Light Camera Administrative Fees. This risk is offset by an opportunity of $1.9 million in Public Safety fees.

There are additional risks of $3.0 million for Boot & Tow fines since the reinstatement of the Ticket Reconciliation Program (TRP) requires the County Executive rescind a prior Executive Order, and $3.0 million risked for the new proposed School Bus Camera revenues, because at the time of this report, the County was in the process of negotiating a memorandum of agreement with the three Towns and two Cities for the implementation of the program. Other areas of risk include $0.9 million for fines in Consumer Affairs and $0.4 million in the Police District Fund for alarm permit fines.

Table 11: Fines and Forfeitures – ($ Millions)

	FY 2021	FY 2022	FY 2023		
Category	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk)/ Opportunity**
Red Light Camera & Admin	$35.9	$41.4	$48.1	$43.5	($4.6)
Public Safety	$23.4	$24.2	$23.5	$25.4	$1.9
Fines	$7.3	$8.0	$14.5	$8.4	($6.1)
TVPA Administrative Fee	$4.0	$4.8	$9.7	$5.1	($4.6)
Boot & Tow	$0.0	$0.0	$3.0	$0.0	($3.0)
School Bus Camera	$0.0	$0.0	$3.0	$0.0	($3.0)
Other Fines and Forfeitures	$1.7	$3.1	$4.4	$3.1	($1.3)
Total Fines and Forfeitures	**$72.3**	**$81.5**	**$106.2**	**$85.5**	**($20.6)**

Departmental Revenue | Budget Risk ($12.5) million

The 2023 Proposed Budget includes $12.5 million of estimated risk in Departmental Revenues primarily comprised of the following:

- Assessment Department revenue from the Income and Expense Law of $5.0 million. The litigation surrounding these fees remains unadjudicated, therefore, the total estimated in the Proposed Budget is being risked;
- GIS map verification fees in the County Department of Assessment are projected to be lower than estimated in the 2023 Proposed Budget ($5.0 million), primarily due to the current real estate market and mortgage rates that have been affected by interest rate hikes that have been set by the Federal Reserves in 2022.
- The remaining shortfall is comprised of various department related fees due to year-to-date collection trends and projecting those shortfalls forward to 2023.

Table 12: Departmental Revenues – ($ Millions)

	FY 2021	FY 2022	FY 2023		
Category	Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
GIS Tax Map Verification Fees	$57.5	$41.5	$45.0	$40.0	($5.0)
Mortgage & Deed Recording Fees	$60.6	$45.1	$39.0	$39.0	$0.0
Bus Farebox	$24.4	$29.0	$30.6	$30.6	$0.0
Revenue from Income and Expense Law	$0.0	$0.0	$5.0	$0.0	($5.0)
Ambulance Fees	$20.3	$22.0	$24.0	$24.0	$0.0
Other Departmental Revenue	$81.0	$78.0	$79.8	$77.3	($2.5)
Total Departmental Revenue	**$243.8**	**$215.5**	**$223.4**	**$210.9**	**($12.5)**

Federal Aid | Budget Risk ($5.6) million

The Comptroller's Office projects a risk of $5.6 million in Federal Aid. The risk is comprised of the following:

- Based on the historical trend, Temporary Assistance for Needy Families (TANF) caseloads have declined resulting in lower reimbursements in Aid to Dependent Children Assistance; the trend has been applied to the projections for 2023.
- A potential risk of $3.8 million is projected for funding from the Federal Transportation Authority (FTA) due to the surplus identified between the revenues and expenditures related to the operations of the County's NICE bus. Funding sources for the operations of the bus system, which include Federal Aid, is meant to cover the expenditures of operations, thus, the excess has been risked.

Table 13: Federal Aid ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$136.1	$152.2	$161.2	$155.6	($5.6)

State Aid | Budget Opportunity $1.0 million

The Comptroller's Office projects State Aid to be $1.0 million higher than the 2023 Proposed Budget. This opportunity is related to the State Aid reimbursement for Pre-School services, due to the projected increase in expenditures of $1.8 million in this program. The County's State Aid reimbursement for special education, related services, evaluations and transportation of pre-school services is approximately 59.5% of eligible expenditures. (See the Early Intervention/Pre-School expenditures section of this report for more information.)

Table 14: State Aid ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$234.2	$255.6	$261.6	$262.6	$1.0

Rents and Recoveries - Sale of County Property | Budget Risk ($16.9) million

The 2023 Proposed Budget includes a risk of $16.9 million in Rents and Recoveries. The 2023 Proposed Budget includes $3.5 million 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 2023. The recovery of prior year disencumbrances is projected to be lower than budgeted ($7.0 million). Recoveries of prior year encumbrances have the effect of generating revenue on a budgetary basis; however, under GAAP, encumbrances are not actual expenditures and these revenues are removed from the GAAP results when converting from budgetary reporting to GAAP reporting. There is an additional risk of $5.0 million for cash recoveries for capital project closeouts. Efforts to close-out finished capital projects is fully supported by this Office, however, documentation to support the projected amount has not been provided and therefore the revenues are risked. The projections include a risk of $1.4 million associated with rental income of County property due to abatement work performed at that location.

Table 15: Rents and Recoveries and Sale of County Property– ($ Millions)

	FY 2021	FY 2022	FY 2023		
Category	Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
Sale of County Property	$0.0	$3.8	$3.5	$0.0	($3.5)
Recovery of Prior Year Appropriation:					
Disencumbrances	$15.5	$8.5	$7.0		($7.0)
Other Recoveries	$7.9	$0.3	$1.2	$1.2	$0.0
Cash Recoveries	$0.0	$0.8	$5.7	$0.7	($5.0)
Rental Income	$0.4	$0.0	$1.4	$0.0	($1.4)
Other Rents and Recoveries	$15.6	$14.6	$18.0	$18.0	($0.0)
Total Rents and Recoveries	**$39.4**	**$28.0**	**$36.8**	**$19.9**	**($16.9)**

Special Taxes | Budget Opportunity $1.5 million

The Comptroller's Office projects an opportunity of $1.5 million in Special Taxes primarily in Motor Vehicle Registration, Cell/Emergency phone surcharge due to historical trends and Hotel/Motel Room Tax due to businesses and public areas returning to normalcy from pandemic restrictions**.**

Table 16: Special Taxes ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$30.1	$31.6	$29.8	$31.3	$1.5

DISCUSSION OF EXPENDITURES: (RISKS) / OPPORTUNITIES

This section discusses significant expenditure risks and opportunities presented in the fiscal year 2023 Proposed Budget.

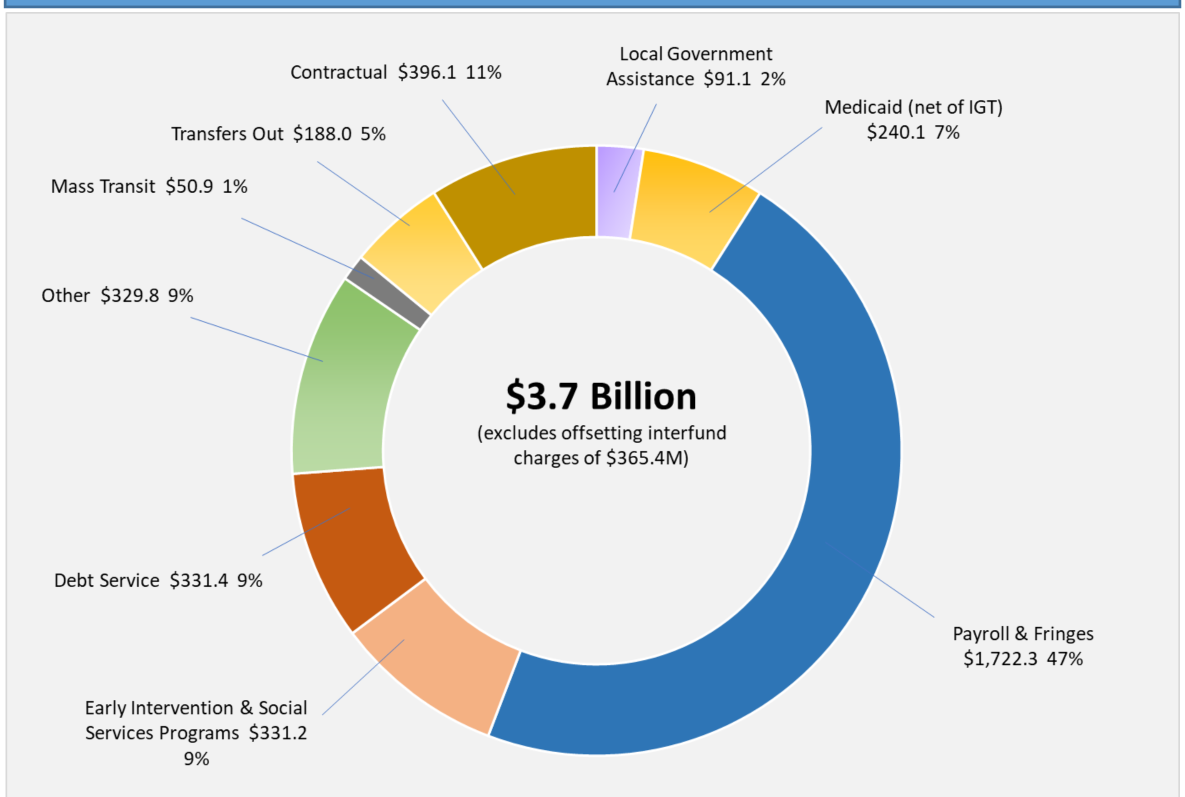
PRIMARY FUNDS EXPENDITURE COMPOSITION

Major Expenditure Categories

Payroll and fringe benefits, at 47% or $1.7 billion is the County's greatest expenditure, followed by total Debt Service at 9% or $331.4 million, Contractual Services at 11% or $396.1 million, Early Intervention and Social Service Programs at $331.2 million or 9% and Medicaid at $240.1 million or 7%.

Chart 3: Proposed Primary Operating Funds Expenditures

FY 2023 Proposed Primary Operating Fund Expenditures ($'s Millions)



***Note: Other includes**: Non-offsetting interfund charges ($65.3 million), Utilities ($47.4 million), Claims and Judgments ($45.4 million), Property Tax Refunds ($30.0 million), General Expenditures ($51.3 million), Rental Expenditures ($15.6 million), Contingency reserve ($25.0 million), FIT and Non-Resident Tuition ($16.8 million), Legal Aid Society ($8.9 million), Bar Association ($8.1 million), Variable Direct Expenses ($5.4 million), Equipment purchases ($6.9 million), NIFA expenditures ($2.1 million), Cost of Issuance ($1.1 million) and various other ($0.5 million).

Payroll, Fringe Benefits and Workers' Compensation | Budget Opportunity $140.6 million

Payroll, fringe benefits, and workers' compensation expenditures are projected to have a combined surplus of $140.6 million when compared to the 2023 Proposed Budget.

The 2023 Proposed Budget includes a total of $1,722.3 million related to payroll, fringe benefits and workers' compensation expenses combined. Variances to the Comptroller's Office 2023 projections are detailed below:

Table 17: Payroll, Fringe Benefits and Workers' Compensation ($ Millions)

	FY 2021	FY 2022	FY 2023		
	Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
Payroll excluding OT & Termination Pay	$718.9	$773.3	$874.8	$755.7	$119.1
Overtime	$112.9	$108.4	$79.3	$101.9	($22.6)
Termination Pay	$41.6	$42.4	$44.1	$42.7	$1.4
Total Payroll	*$873.4*	*$924.1*	*$998.2*	*$900.3*	*$97.9*
Fringe Benefits	$577.2	$755.8	$686.9	$644.2	$42.7
Workers' Compensation	$34.7	$35.8	$37.2	$37.2	$0.0
Total Payroll, Fringe Benefits and Workers' Compensation	$1,485.3	$1,715.7	$1,722.3	$1,581.7	$140.6

The 2023 Proposed Budget assumes a full-time headcount of 7,496, an increase of 4.7% or 335 personnel from the current on-board headcount of 7,161 as of September 8, 2022.

The increase in budgeted headcount year-over-year includes funding for additional staffing primarily in areas of Public Safety, which include the Sheriff's Department, the District Attorney, the Police, Correctional and Probation Departments. Classes of new police and correctional officers are included to offset attrition, assist in mitigating future overtime costs, and manage the impact of Criminal Justice Reform passed by New York State, on the County. Other areas requiring increases in headcount include Social Services, Health Department and Human Services due to the increase of these services resulting from the pandemic.

Major Assumptions:

Collective Bargaining Agreements (CBAs): The collective bargaining agreements with four of the County's major labor unions, which expired at the end of 2017, remain unsettled. This includes the Civil Service Employees Association (CSEA), the Police Benevolent Association (PBA), the Correction Officers Benevolent Association (COBA), and the Investigator Police Benevolent Association (IPBA). The Police Detectives Association, Inc. (DAI) agreement was settled in 2019 and the Superior Officers Association (SOA) agreement was settled in 2020 and are effective for the period of 2018-2026. Negotiations continue with the remaining labor unions to secure contracts.

The Comptroller's Office 2022 and 2023 projections include costs related to the two settled agreements with DAI and SOA. The Comptroller's Office forecast does not include any costs related to the pending labor contracts as the timing and terms of any agreements reached with the unions can vary greatly. Collective bargaining agreements are still in negotiations and any signed agreements would require union ratification and both legislative and NIFA approval before becoming effective.

Step Increases and Cost of Living Adjustments: The 2023 Proposed Budget includes both scheduled step increases and Cost of Living Adjustments (COLAs) consistent with the County's bargaining position in current contract negotiations. The Comptroller's Office 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.

Workers' Compensation: In 2019, New York State eliminated its workers' compensation (second injury) long-term liability to the County, which estimated the cost of reimbursing the County for certain categories of injured workers. Instead, the State offered, and the County accepted, a discounted upfront payment of its estimated liability when 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 Administration began using the $15 million in 2020 to settle current workers' compensation claims. The County may also use a portion of these proceeds to settle an additional number of long-term claims at a reduced cost. The $15 million is being reported in the Litigation Fund, a component fund of the General Fund, however, the projections do not include any expenditures paid using these funds.

FUNDING FOR PENDING COLLECTIVE BARGAINING AGREEMENTS

Depicted in the following table are the net payroll expenditures and fringe savings that have been included in the 2021 and 2022 Adopted Budgets and the 2023 Proposed Budget related to the unsettled union contracts. This calculation of the estimated growth factor of raises provided to union members and a reduction to health insurance based on the potential employee contribution of 2%, was provided by the Administration.

Table 18: Annual Budgeted Impact of Union Contracts ($ Millions)

Annual Impact of Union Contracts as Budgeted				
$ in millions	FY 2021	FY 2022	Proposed FY	Total Budget*
PAYROLL				
Retroactive pay		$ 24.9	$ 49.9	$ 74.8
Police COLA		8.1	13.6	21.7
CSEA COLA		13.1	19.2	32.3
COBA COLA		3.5	5.1	8.6
IPBA COLA		0.3	0.4	0.7
Subtotal	26.6	49.9	88.3	164.8
FRINGE BENEFITS				
2% employee contribution	(10.8)	(22.6)	(13.3)	(46.8)
TOTAL FUNDED	**$ 15.8**	**$ 27.3**	**$74.9**	**$118.0**

* Breakout was not provided for 2021 Total Budget amounts, therefore only incuded in total of $164.8 million

The 2021 and 2022 Adopted Budgets included funding for the unsettled union contracts; $15.8 million and $27.3 million, respectively. Because these contracts are still in negotiations, the funding for 2021 became a part of the County's fund balance. If contracts are not signed in 2022, the $27.3 million of potential costs funded within the 2022 Adopted Budget would also become a part of the County's surplus and added to the fund balance, which may be appropriated in future years when contracts are finalized and become effective.

If the 2023 budget is adopted as proposed, a total of $118.0 million will have been appropriated over the three years to cover future costs associated with these pending collective bargaining agreements. The County should not budget for the same funds for the same purpose twice and manage the related expenditures using the funds collected for this purpose in 2021, 2022 and now 2023.

PAYROLL EXPENSE (EXCLUDING OVERTIME AND TERMINATION)

The Comptroller's Office projects a surplus in payroll of $119.1 million excluding termination pay and overtime costs. Potential savings identified in this category include:

- Labor contract assumptions which have been included in the 2023 Proposed Budget for $88.3 million (include retroactive pay and COLA payments for each union) have not been included in the Comptroller's forecast as these contracts are still in negotiations and not final.

- The 2023 Proposed Budget continues to fund approximately 335 vacant positions estimated at $21.4 million for all the County's primary operating funds. Savings can also be achieved if budgeted positions remain vacant or there are delays in hiring into the year.
- Potential savings of $11.0 million have been identified in Part time / Seasonal personnel in the General Fund which includes budgetary increases not supported by current trends and anticipated increases in headcount.

In April 2022, the Nassau County Legislature approved a Memorandum of Agreement and Stipulation of Settlement (Settlement) by and between the County and the following unions; COBA, CSEA, DAI, PBA and SOA. This Settlement arranged to pay an agreed upon amount to current and former employees who were eligible for longevity payments between 2018-2021. The Settlement also agreed to replace the then existing contractual longevity schedule with a new one effective January 1, 2022. As of September 2022, a total of $45.3 million of retroactive and 2022 longevity payments to both active employees and retirees, including related FICA expenses, have been made by the County related to this Settlement. These payments have been included in the Comptroller's Office forecast for 2022. The full cost of the retroactive longevity Settlement is estimated to be approximately $50 million.

In 2022, the Administration reserved $100 million in the County's Litigation Fund (a component of the General Fund) to absorb the current year retroactive longevity payments related to the 2022 Settlement. The remaining funds reserved in the Litigation Fund are expected to be use by the Administration in 2023 and in the multi-year plan to alleviate longevity expenses until the full amount reserved has been depleted. Although the County has funded this reserve in the Litigation Fund, the 2023 Proposed Budget continues to include funding of over $7 million for longevity expenses in 2023 for the three primary operating funds combined.

Table 19: Payroll Expenditures excluding Termination Pay and Overtime ($ Millions)

	FY 2021	FY 2022	FY 2023		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
General Fund					
General Fund	$ 335.1	$ 332.9	$ 412.5	$ 345.6	$ 66.9
Police Headquarters Fund	185.4	192.9	218.4	194.8	23.6
Fire Commission Fund	7.7	7.9	10.9	8.2	2.7
Litigation Fund	-	40.0	-	-	-
TOTAL GENERAL FUND	**$ 528.2**	**$ 573.7**	**$ 641.8**	**$ 548.6**	**$ 93.2**
Police District Fund	183.3	192.5	225.3	200.8	24.5
Sewer & Storm Water Fund	7.4	7.0	7.7	6.3	1.4
Total	**$ 718.9**	**$ 773.2**	**$ 874.8**	**$ 755.7**	**$ 119.1**

FRINGE BENEFITS

The Comptroller's Office projects a positive variance of $42.7 million in fringe benefits when compared to the 2023 Proposed Budget total of $686.9 million for this expenditure category.

The Comptrollers' Office is projecting a total of $644.2 million for this category resulting in a surplus of $42.7 million when compared to the 2023 Proposed Budget. Fringe benefit savings have been identified in the following categories:

- $12.8 million in Medicare reimbursement costs;
- $10.1 million related to FICA expense;
- $1.8 million pertaining to pension expense; and
- $20.0 million health insurance for active employees and $10.2 million in health insurance for retirees due to the potential range in health insurance rates projected for 2023 and vacant positions.

Also included in the 2023 Proposed Budget is $13.3 million in potential savings related to the pending union contracts that is calculated as a 2% employee contribution to health insurance. These savings would only be realized if the union contracts currently under negotiations become effective in the 2023 fiscal year.

The health insurance rate used for the 2023 Proposed Budget is 6.7%. When compared to year over year rate increases since 2019, this rate for health insurance is considered conservative. There is a risk for this category for higher health insurance expenses for 2023 if rates were to surge much higher than the 6.7% budgeted. Contributing to these rising health care costs are the rising prices for medical services and prescription drugs, greater utilization due to care that was deferred early in the pandemic, and government taxes and assessments on insurance.

The New York State Retirement System (the pension system) 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). Beginning in 2011, the County had elected to amortize the full amount allowable with each invoice, resulting in a total liability (including Nassau Community College) of $165.8 million as of December 31, 2021.

In 2022, the County made a payment of $122.9 million to the New York State Retirement System as a partial payment of the deferred pension amortization related to both the Employee Retirement System (ERS) and the Police and Fire Retirement System (PFRS); the ERS payment included Nassau Community College's portion of the obligation. The 2023 Proposed Budget includes an additional expense of $30.2 million in the Police District Fund to pay off the remaining balance of the deferred pension amortization in 2023 and eliminate the annual installment payments going forward. The County has not elected to defer pension contributions beginning with the 2022 pension invoice.

Table 20: Fringe Expenditures ($ Millions)

	FY 2021	FY 2022	FY 2023		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
General Fund					
General Fund	$267.4	$365.8	$ 295.7	$ 273.0	$ 22.7
Police Headquarters Fund	157.8	213.8	178.7	172.5	6.2
Fire Commission Fund	6.0	8.8	7.3	7.4	(0.1)
Litigation Fund	-	5.3	0.0	0.0	0.0
TOTAL GENERAL FUND	**$431.2**	**$593.7**	**$ 481.7**	**$ 452.9**	**$28.8**
Police District Fund	138.7	152.4	197.7	184.4	13.3
Sewer & Storm Water Fund	7.3	9.7	7.5	6.9	0.6
Total	**$577.2**	**$755.8**	**$686.9**	**$644.2**	**$42.7**

WORKERS' COMPENSATION

The Comptroller's Office projections agree that there is adequate funding provided in the 2023 Proposed Budget for workers' compensation expenditures in 2023 totaling $37.2 million, for all the primary operating funds combined. Maximum weekly indemnity payments calculated by the New York State Department of Labor have increased almost 6% over the previous year. The increase to the 2023 Proposed Budget reflects the impact of the growth rate.

Of the $15 million received from New York state (Second Injury Fund Settlement) which eliminated the cost of reimbursing the County for certain categories of injured workers, $14.8 million is still available for use by the Administration to manage workers' compensation expense in 2023 and future years.

TERMINATION PAY

The 2023 budget as proposed adequately funds the County's anticipated termination expense at a total of $44.1 million for the three primary operating funds combined. The 2023 Proposed Budget will fund termination pay for up to approximately 120 sworn officers totaling $29.8 million for the two police funds, $10.8 million in Police District and $19.0 million in Police Headquarters. The Comptroller's Office is also forecasting up to 120 sworn officers retiring in 2023.

Within the Employee Benefit Accrued Liability Reserve Fund the County has funded a contingency to address possible shortages in termination pay. The reserve fund currently has $13.1 million reserved specifically for termination costs within the Police District.

Table 21: Termination Pay ($ Millions)

	FY 2021	FY 2022	FY 2023		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
Police District Fund	$14.1	$11.0	$10.8	$11.0	($0.2)
Police Headquarters Fund	15.0	18.9	19.0	18.9	0.1
Other	12.5	12.5	14.3	12.8	1.5
Total	**$41.6**	**$42.4**	**$44.1**	**$42.7**	**$1.4**

OVERTIME EXPENDITURES

Based on current expenditure trends, overtime for the operating funds is expected to be underfunded by potentially $22.6 million when compared to the 2023 Proposed Budget.

Keeping in line with the Administration's targeted headcount of approximately 2,500 sworn officers within Police District and Police Headquarters, the 2023 Proposed Budget includes funding for two additional classes to begin the Police Academy in 2023 of up to 75 recruits each.

Classes have also been included in the Comptroller's Office 2023 projections for the Correctional Center in line with the 2023 Proposed Budget, two classes of up to 30 correctional officers each. Beginning in 2020, the County began to see a decrease in inmate population. This decline in inmate population is related to recent Criminal Justice Reform passed by New York State that eliminated cash bail for many types of misdemeanor and non-violent felonies and referred inmates awaiting trial to the Probation Department for electronic bracelet monitoring until they appear in court. The hiring of the new classes along with the decline in inmate population should result in a decline in overtime expense that is expected beginning in 2023. The County's Administration is also expecting to implement a jail building consolidation plan that may further assist in managing future overtime costs.

Overtime expense budgeted for 2023 for the primary operating funds combined totals $79.3 million. The Comptroller's Office forecasts overtime expenses for 2023 at $101.9 million. Notwithstanding the initiatives mentioned above, the projections still anticipate a combined shortfall of approximately $22.6 million in overtime expenditures, of which $4.6 million is projected for the Police District Fund, $4.2 million in the Police Headquarters Fund, $0.9 million in the Fire Commission Fund, and up to $14.9 million for the Correctional Center, offset by potential savings projected of $2.0 million for other departments within the General Fund.

Table 22: Overtime ($ Millions)

	FY 2021	FY 2022	FY 2023		
Fund	Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
Police District Fund	$33.8	$27.6	$22.4	$27.0	($4.6)
Police Headquarters Fund	33.2	32.1	26.8	31.0	(4.2)
Other	45.9	48.7	30.1	43.9	(13.8)
Total	**$112.9**	**$108.4**	**$79.3**	**$101.9**	**($22.6)**

Early Intervention – Pre-School Programs | Budget Risk ($1.8) million

The Comptroller's Office projects a risk of $1.8 million in the 2023 Proposed Budget in the category of Early Intervention/Pre-School program expenses. Due to the anticipated increase in rates by State Education Department and based on historical trend, the 2023 Proposed Budget is projected not to have enough funding to cover expenditures in the area of Pre-School education category.

Table 23: Early Intervention/Pre-School Programs ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$137.4	$155.8	$150.0	$151.8	($1.8)

Social Services Programs | Budget Opportunity $15.5 million

The Comptroller's Office projects an opportunity of $15.5 million in the 2023 Proposed Budget for the combined Social Services Programs; in Recipient Services and Medicaid.

Recipient Services: Budget Opportunity of $1.9 million

The Comptroller's Office projects an opportunity of $1.9 million in the 2023 Proposed Budget in the category of Temporary Assistance for Needy Families (TANF) primarily due to lower caseloads resulting in lower expenditures. Due to the savings in the expenditures, there will be an offsetting reduction in Federal Aid reimbursement under the Aid to Dependent Children Assistance program.

Medicaid: Budget Opportunity of $13.6 million

The Comptroller's Office projects an opportunity of $13.6 million for Medicaid in the 2023 Proposed Budget. A potential savings of $11.4 million is projected in the County's share of the weekly payments due to New York State. Additional savings of $2.2 million is projected in the Indigent Care category as the quarterly payments are expected to be lower than the 2023 Proposed Budget.

The projections for 2022 Medicaid expenditures have been revised from $214.9 million as reported in the Comptroller's Office 2022 Mid-Year Report, to $208.2 million, a decrease of $6.7 million.

In August 2022, the New York State Health Department notified the County that, beginning in September 2022, the County's weekly required contribution to the Medicaid program for the State fiscal year 2022-23, has been adjusted resulting in an additional savings of $6.7 million for fiscal period ending 2022.

Table 24: Social Services Programs ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$363.4	$382.8	$421.3	$405.8	$15.5

Contractual Expenditures | Budget Opportunity $4.4 million

The Comptroller's Office projects an opportunity of $4.4 million in contractual expenditures. Based on the forecasted analysis, a potential savings of $2.4 million is projected in the monthly payments due to the operator of the County's sewer system, and a potential opportunity of $2.0 million related to the projection of an lower revenue in Red-Light Camera fines and thus lower payments to the vendor.

Table 25: Contractual Expenditures ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$348.3	$396.1	$411.1	$406.7	$4.4

Local Government Assistance | Budget Risk ($1.9) million

Due to the projected opportunity in sales tax revenue, there is a projected risk of $1.9 million in Local Government Assistance. This assistance is a prorated portion of sales tax receipts and as that revenue increases, the County's expenditure in this category also increases.

Table 26: Local Government Assistance ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$85.6	$90.6	$91.1	$93.0	($1.9)

Property Tax Refunds | Budget Risk ($75.0) million

The Comptroller's Office projects a risk of $75.0 million in Property Tax refunds in the 2023 Proposed Budget. The 2023 Proposed Budget includes $30.0 million in property tax refunds (tax certiorari) budgeted in the General Fund. The $30.0 million budgeted in the General Fund is overbudgeted as the Litigation Fund, a component of the General Fund, has ample appropriations and fund balance to pay for the budgeted property tax refunds. The projections include $100 million estimated to be paid from the Litigation Fund in 2023.

The Litigation Fund had appropriations of $208.0 million in 2022 to pay property tax refunds. As of September 2022, the fund had $164.9 million of appropriations available.

The Comptroller's Office 2022 projection for property tax refunds has been decreased from $118.6 million to $105.0 million to reflect the reduction of $13.6 million in the General Fund as payments made in the first half of the year were reclassified to the Litigation Fund.

Table 27: Property Tax Refunds ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$9.1	$105.0	$30.0	$105.0	($75.0)

Judgments and Settlements | Budget Risk ($10.0) million

The Comptroller's Office projects a risk of $10.0 million in Property Tax payments. The 2023 Proposed Budget includes $45.4 million in judgments and settlements, of which $45.0 million is budgeted in the General Fund and $0.4 million in the Sewer and Storm Water Fund.

The Comptroller's Office 2022 projection has been decreased from $56.4 million to $55.0 million to reflect:

- the reduction of $5.4 million of judgments and settlements in the Sewer and Storm Water Fund; this same amount was budgeted in 2021 with no actual and there are no current costs.
- The increase of $4.0 million of judgments and settlements in the Litigation Fund for actual payments through September.

Table 28: Judgments and Settlements ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$35.1	$55.0	$45.4	$55.4	($10.0)

Utilities | Budget Opportunity $1.7 million

The Comptroller's Office projects an opportunity of $1.7 million in the 2023 Proposed Budget in the category of utility expenditures due to lower utility usage based on current 2022 trends.

Table 29: Utilities ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$39.3	$44.8	$47.4	$45.7	$1.7

General Expenses | Budget Risk ($1.2) million

The Comptroller's Office projects a risk of $1.2 million in general expenditures. The increase is mainly driven by increased commodity costs. Based on the Comptroller's Office analysis, the total general expenditures are projected to be higher than the 2023 Proposed Budget primarily in the gasoline category.

Table 30: General Expenses ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$35.0	$48.5	$51.3	$52.5	($1.2)

Contingency | Budget Opportunity $25.0 million

The Comptroller's Office projects an opportunity of $25.0 million in the Contingency line. The 2023 Proposed Budget includes a $25.0 million contingency expenditure. At the time of this report and based on the projections in this report, there is no event that has been identified requiring this contingent amount. Therefore, it is not included in the projections.

Table 31: Contingency Expenditures ($ Millions)

FY 2021	FY 2022	FY 2023		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$0.0	$0.0	$25.0	$0.0	$25.0

THE MULTI-YEAR FINANCIAL PLAN

As shown in Table 32 below, the Administration's Multi-Year Financial Plan (MYP) projects budget baseline gaps for the three primary operating funds of $3.0 million in 2024, $3.8 million in 2025, and $2.2 million in 2026. **Based on the Comptroller's Office projected risks and opportunities, base-line gaps are estimated to be of $110.4 million in 2024, $80.1 million in 2025 and $49.2 million in 2026.**

Projected risks and opportunities identified in the MYP include:

- Payroll, Fringe and Workers' Compensation: The total net opportunity in Payroll, Fringe and Workers' Compensation costs are $100.6 million, $118.6 million and $115.6 million, respectively. Of this opportunity, payroll costs account for $59.3 million, $69.2 million and $68.8 million for 2024, 2025 and 2026, respectively. Fringe benefit expenditures account for $41.3 million, $49.4 million and $47.5 million of the opportunity for 2024-2026, respectively. Workers' Compensation has a small risk, $0.7 million, in 2026 based on forecasted trends. These large variances are mainly due to assumptions related to labor agreements currently being negotiated by the County and the current vacancies.
    - Collective Bargaining Agreements: The MYP includes the following assumption: the MYP is consistent with the bargaining positions the County has taken at the bargaining table, which support a sustainable budget. For purposes of the Comptroller's Office projections, no savings related to possible labor agreements has been projected.
    - Overtime: Years 2024-2026 of the MYP include a potential risk of underfunding in overtime; $22.7 million for 2024, $25.2 million for 2025 and $27.7 for 2026. The Correctional Center overtime is projected to be underfunded by up to $14.9 million, the Police District ranging between $4.6 and $6.9 million, and for Police Headquarters a range between $4.2 and $6.9 million.
- Sales Tax: Projecting a conservative 2% growth rate for the out years using 2023 sales tax collections as the base for sales tax revenue and, as a result, the following opportunities are projected: $43.2 million, $46.3 million and $38.0 million, for 2024-2026, respectively.
- Interest Penalties on Tax: The Comptroller's Office projects a 2% out year increase for interest penalties on taxes, differential lien interest and penalty on delinquent taxes versus the MYP assumption of flat to the 2023 Proposed Budget; this results in a projected opportunity of $1.6 million in 2024, $2.2 million in 2025, and $2.9 million in 2026.
- Permits & Licenses: The Comptroller's Office projects a risk of $5.0 million for the new revenue program Overweight Vehicle registration, which is budgeted in the 2026 MYP. The potential risk in the out years is based on the uncertainty of when this new initiative will be implemented and approved by the County Legislature.

- Capital Resources: The Comptroller's Office projects a risk of $2.0 million for each of the years 2024-2026 for sewer related capital project close-outs, which are unknown at this time.

- Fines & Forfeitures: Projecting a risk of $18.6 million, $18.6 million and $17.7 million for 2024-2026, respectively. Boot & Tow and School Bus Camera revenues are risked at $3.0 million for each program and each year in the MYP; the Boot & Tow program requires a previous Executive Order to be rescinded. The County is currently negotiating with the three Towns and two Cities to implement the School Bus Camera program and that agreement requires County legislative approval. In addition, based on the current trends and forecasting the trends forward, the remainder of the risk is primarily in the Traffic and Parking Violation Bureau's fines, administration fees and Red-Light Camera Fees.

- Federal Aid: Projecting risks of $12.6 million, $12.3 million and $17.1 million in 2024-2026, respectively. The risks are due to a shortfall in Federal Aid reimbursements as a result of a decline in TANF caseloads with projected risks of $1.6 million, $1.3 million and $1.1 million for 2024-2026, respectively. There is also a potential risk for Federal stimulus revenue in the Sewer and Storm Water Fund as proposed in the MYP resulting in an expected risk of $11.0 million for 2024 and 2025, and $16.0 million for 2026. The MYP expects to use ARPA funding for sewer infrastructure and management costs. It is unknown at this time if this funding is needed in the Sewer and Storm Water Fund.

- State Aid: Due to a projected increase in Pre-School, Early Intervention and Safety Net Assistance (SNA) expenditures in the out years, the projects forecast a surplus in State Aid reimbursements as follows: $1.6 million, $2.6 million and $3.5 million for 2024-2026, respectively.

- Departmental Revenues: Given historical trends, the current real estate market and mortgage rates, there is a projected risk in 2024-2026 in Departmental Revenues. The risks projected are $12.4 million in 2024, and $22.4 million in 2025 and 2026. The risks identified in the 2023 Proposed Budget are carried through the MYP. The increase in risk in 2025 and 2026 is driven by the increase of revenues budgeted for the Income and Expense Law that may not be legally available, which increased from $5.0 million in 2024 to $15.0 million in 2025 and 2026.

- Rents and Recoveries: Projected risks in the MYP for total rents and recoveries are: $17.7 million in 2024 and 2025, and $24.8 million in 2026.

    - Sale of County Property accounts for $5.7 million of potential risk in each of the out years as closing dates and specific properties have not been identified. Until sales are closed, the revenue is at risk.

    - Recoveries of Prior Year Appropriations account for $7.0 million of risk in 2024 and 2025, and $9.1 million in 2026.

- Cash Recoveries (capital project close-outs) account for $5.0 million of risk in 2024 and 2025, and $10.0 million in 2026.

- Use of Fund Balance: Projected risk in 2024-2026 to be $6.1 million, $11.8 million and $10.0 million, respectively. The MYP has projected use of fund balance for the Sewer and Storm Water Fund only. Use of fund balance is not a revenue and thus it is risked in each year.

- Early Intervention: Using a 2% growth rate year-over-year on the 2022 base, the Comptroller's Office projects the amount proposed in the out years for Early Intervention and Pre-School spending will not be sufficient and projects the following risks: $2.8 million, $4.4 million and $6.0 million for 2024-2026, respectively.

- Social Services Programs: Projected opportunities in the MYP are $14.8 million, $5.4 million and $1.3 million in 2024-2026, respectively. The variances are comprised of the following:

  - Medicaid: Based on the historical trend, allocating 1% growth rate for the out years keeping 2023 as the base year, the Medicaid expenditures are projected to have the following opportunities: $15.7 million, $9.1 million and $6.8 million for 2024-2026, respectively.

  - Recipient Grants: Given the historical trend, the Comptroller's Office projects a 2% growth rate year-over-year from projected 2023 for Temporary Assistance for Needy Families (TANF) and Safety Net Assistance (SNA) spending may result in a savings of $1.1 million in 2024, $0.3 million in 2025, followed by risk of $0.5 million for 2026.

  - Purchased Services: Based on the historical trend and applying 2% and 4% growth rates year-over-year on the projected 2022 costs for Family and Group Day Care expenditure categories, respectively, results in projections of the following potential risks: $2.0 million, $4.0 million and $5.0 million for 2024-2026, respectively.

- Debt Service: Projected opportunities of $0.6 million in 2024, $1.1 million in 2025, and $1.3 million in 2026. This is due to differences in principal and interest amounts.

- Contractual Expenditures: Projected opportunities of $1.8 million, $1.9 million and $1.7 million in 2024-2026, respectively, due to the potential risks projected in Red-Light Camera fines. The savings in contractual costs is because the vendor would receive less in fees due to lower fines collected.

- Property Tax Refunds: Projections assume a risk in 2024 of $8.0 million related to the remaining available funding in the Litigation Fund (a component of the General Fund) for property tax refunds as this fund is not included in the MYP.

- Judgments and Settlements: Projections assume a risk of $10.0 million in each year of the

MYP related to litigation expenditures projected to be paid from the Litigation Fund (a component of the General Fund) as this fund is not included in the MYP.

- Local Government Assistance: Projected risk of $3.2 million in 2024, $3.3 million in 2025, and $2.9 million in 2026. This is due to the projected opportunities in Sales Tax revenues; as sales tax revenues increase, the amount of local government assistance to be distributed increases as well.

- Contingency: The Comptroller's Office is projecting an opportunity of $35.0 million in 2024 for the contingency item included in the MYP. Since there is no known event forecast at this time, the additional expenditure is not included in the projections in this report.

- Other net risks and opportunities: The net risk in Other consists of various small variances, both positive and negative, to PILOTs, Special Taxes, OTB 5%, and Utilities. These projected net risks and opportunities are based on historical trends and growth rate assumptions.

Table 32: Multi-Year Plan Baseline Gap and Projected Risks and Opportunities

PROPOSED NASSAU COUNTY 2024-2026
MULTI-YEAR FINANCIAL PLAN
3 PRIMARY FUNDS*
SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES
($'s Millions)

	2024	2025	2026
Baseline Gap per Financial Plan (before Gap Closing Measures)	**$ 3.0**	**$ 3.8**	**$ 2.2**
Items included in Baseline Gap that are risks/opportunites			
Sales Tax	43.2	46.3	38.0
Departmental Revenue	(12.4)	(22.4)	(22.4)
Fines & Forfeitures	(18.6)	(18.6)	(17.7)
Rents and Recoveries	(17.7)	(17.7)	(24.8)
Capital Resources	(2.0)	(2.0)	(2.0)
Use of Fund Balance	(6.1)	(11.8)	(10.0)
Federal Aid	(12.6)	(12.3)	(17.1)
State Aid	1.6	2.6	3.5
Permits and Licenses			(5.0)
Interest Penalty on Taxes	1.6	2.2	2.9
Payroll & Fringe	100.6	118.6	115.6
Early Intervention	(2.8)	(4.4)	(6.0)
Social Services	14.8	5.4	1.3
Debt Service	0.6	1.1	1.3
Contractuals	1.8	1.9	1.7
Local Government Assistance	(3.2)	(3.3)	(2.9)
Judgments and Settlements	(10.0)	(10.0)	(10.0)
Property Tax Refunds	(8.0)		
Contingency	35.0		
Other	1.6	0.7	0.6
Baseline Gap Per Comptroller's Office	**$ 110.4**	**$ 80.1**	**$ 49.2**

**** Consolidated General Fund, Police District Fund and Sewer and Storm Water Fund***

LONG-TERM OBLIGATIONS AND BORROWING TRENDS

Property Tax Refunds (Tax Certiorari)

The Comptroller's Office projects a risk in the budgeted tax certiorari expenditures, as no budget was provided for the Litigation Fund, which has $164.9 million of remaining appropriations available for tax certiorari payments as of September 27, 2022. See the Property Tax Refunds section in the discussion of expenditures.

As of December 31, 2021, the total property tax certiorari liability was estimated to be $707.3 million, comprising:

- $632.2 million in long-term liabilities:
- $9.5 million of liabilities accrued for as of year-end 2021; and
- an estimated $65.6 million related to the (DAF).

At year-end 2021, the total liability had increased to $707.3 million from $647.7 million and $587.4 million, as of 2020 and 2019 fiscal year-end, respectively. Of the $707.3 million balance, $255.0 million representing a tax certiorari claim for Long Island Power Authority and National Grid was settled in March 2022.

The County has funds reserved in the Litigation Fund for property tax payments and in the DAF Fund for the payment of property tax refunds related to commercial properties. Since there is no budget for the DAF Fund payments or the Litigation Fund, and since the total liability is computed at year-end based on input from the County's Assessment Review Commission and the County's Treasurer's Office, it is not feasible to project what the 2022 or future years' year-end liability will be.

As of September 2022, approximately $41.1 million of property tax refunds have been made from the DAF Fund and $44.4 million from the Litigation Fund.

Borrowing Trends

The 2023 Proposed Budget projects long-term borrowings of $180.0 million, which will require NIFA approval, subject to Legislative (supermajority) approval. The Administration expects to issue long-term bonds of $180.0 million to pay for capital projects, which include borrowing of $40.0 million for sewer related projects and $140.0 million for general improvement projects.

The Administration's proposed capital borrowings in year 2024 include $140.0 million in general improvement capital projects and $40.0 million in sewer related projects. In years 2025 and 2026, the Administration is proposing $150.0 million in general improvement capital projects and $50.0 million in sewer related capital projects. Chart 4 below illustrates the County's historical and new proposed debt issuances.

Chart 4: Nassau County Historical and New Debt Issuances

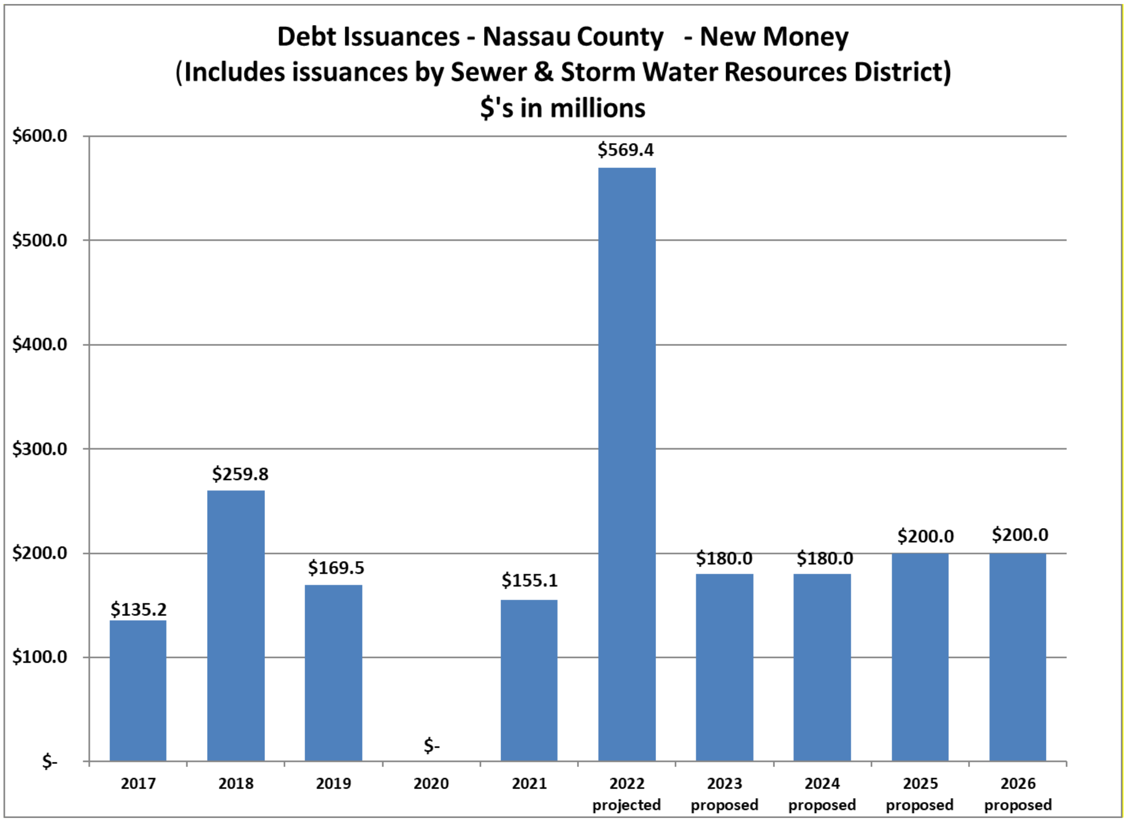


Table 33 below illustrates projected long-term debt issued through December 31, 2023 by the County including SSW District, Nassau Community College, NIFA, Sewer and Storm Water Finance Authority (SFA), and Nassau County Tobacco Settlement Corporation (NCTSC).

At 2021 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 have no recourse to the County. The 2022 and 2023 anticipated borrowings will increase the total long-term bonds outstanding from $3.3 billion at year-end 2021 to approximately $3.8 billion at year-end 2023 after reductions of maturing debt, for a net increase of 15.36% (see table below). The $569.4 in 2022 projected additions is made up of the following: 2022 Series A bonds of $268.4 million; projected additional long term borrowing of $125.0 million; and EFC notes of $176.0 million converting into long term bonds. Projected reductions are increasing from 2022 to 2023. The County's debt service in years 2021 and 2022 were lowered as a result of the 2021 refunding. Beginning in 2023, debt service expenditures will be increasing as demonstrated in Table 33 below.

Table 33: Total Projected Long-Term Borrowings

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

	As of December 31, 2021 Actual	2022 Projected Additions	2022 Projected Reductions	As of December 31, 2022 Estimated	2023 Projected Additions	2023 Projected Reductions	As of December 31, 2023 Estimated
County w/SSW (a)	$ 1,610.8	$ 569.4	$ 34.0	$ 2,146.2	$ 180.0	$ 128.3	$ 2,197.9
NIFA	1,148.2	-	0.5	1,147.7	-	67.9	1,079.8
Sewer and Storm Water Finance Authority (SFA) (b)	87.4	-	12.9	74.5	-	13.4	61.1
Tobacco Settlement Corp (NCTSC) (c)	491.3	9.8	-	501.1	10.5	-	511.6
Total	**$ 3,337.7**	**$ 579.2**	**$ 47.4**	**$ 3,869.5**	**$ 190.5**	**$ 209.6**	**$ 3,850.4**

(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 31,2021 includes accumulated accreted interest of $102.9 million; projected additions for 2022 and 2023 represent accreted interest

NASSAU COUNTY INTERIM FINANCE AUTHORITY ("NIFA") ACT

Since its enactment in 2000, the Nassau County Interim Finance Authority (NIFA) provides State oversight of the County's finances. NIFA was created pursuant to the NIFA Act (the Act) codified as Title I of Article 10-D of the New York State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition for the composition or adjustment of municipal indebtedness without the approval of NIFA and the New York State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2035. The NIFA Act was amended on April 3, 2020, as part of New York State's 2021 budget, which was passed on April 3, 2021. Included in the legislation for the State's budget for the 2021 fiscal year were modifications to the NIFA Act that allowed NIFA to issue up to an additional $400 million of bonds for tax certiorari refunds and an unlimited amount of bonds for other financeable costs through December 31, 2021, allowing any bonds issued by NIFA to mature no later than January 31, 2051. This change enabled the 2021 NIFA cashflow refunding.

Control Period Calculation

NIFA has certain powers under the Act to monitor and oversee the County's finances and upon the declaration of a "control period," additional oversight authority. On January 26, 2011, NIFA adopted a resolution which imposed a control period on the County pursuant to the Act. It determined that the County's proposed fiscal 2011 budget reflected a substantial likelihood that the budget would produce a deficit in excess of one percent of the aggregate result of operations in the major operating funds.

During a Control Period, NIFA has the authority to:

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

The Control Period Calculation requirement was agreed to by NIFA and the County in 2011. The Control Period Calculation is computed beginning with the budgetary results of the County's "5 major funds" comprised of the General Fund[12], the Fire Commission Fund, the Police Headquarters Fund, the Police District Fund, and the Debt Service Fund, then converting

[12] NIFA uses the pre-GASB Statement No. 54 definition of General Fund. GASB Statement No. 54 was adopted by Nassau County in FY 2011.

those results to GAAP (modified accrual basis). Then, adjustments are made to remove the effect of other financing sources that are derived from the issuance of bonds. These include bond proceeds and premiums used to pay for operational expenditures.

The chart below presents the Control Period Calculation that is used by NIFA to determine whether a deficit of more than one percent of the aggregate result of operations in the five major funds (as defined above) exists, thereby triggering a NIFA Control Period.

The projected Control Period Calculation results for fiscal year 2023 are $191.2 million.

Table 34 below presents the Control Period Calculation results as projected by the Comptroller's Office. NIFA projects the Control Period Calculation results to determine whether a deficit of more than one percent of the aggregate result of operations in the operating funds (as defined above) exists, there by triggering a NIFA Control Period.

Table 34: Proposed 2023 Budget Control Period Calculation

Revenue and Obligations Risks/Opportunities - 2023 Proposed Budget Reconciled to the Control Period Calculation*
($'s millions)

Estimated Results on a Budgetary Basis *	**$186.7**
Adjustments to reconcile to Modified Accrual Basis	
Net adjustments to remove the effect of encumbrances	12.5
Use of Fund Balance	-
Net adjustment to record pension expense on a modified accrual basis	(4.4)
Adjustment for cash receipts outside period of availability	(4.0)
Sale of Mitchel Field Leases	1.3
Reversal of prior year on-top GAAP adjustments	5.0
Other Estimated GAAP Adjustments	(5.9)
Net Change in Fund Balance on a Modified Accrual Basis	**191.2**
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense	-
Operating expense paid with bond proceeds	-
Control Period Calculation Results	**$191.2**

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

The historical Control Period Calculation results for the fiscal years 2018-2021 and projected 2022 and 2023 are presented below. The 2022 projections have been updated from the 2022 Mid-Year Report. The projected Control Period Calculation for the 2022 fiscal year is $272.4 million, up from $178.3 million as projected in the 2022 Mid-Year Report.

Table 35: Historical Control Period Calculation 2018-2021 Actuals with 2022 and 2023 Projections

Control Period Calculation 2018 - 2021 Actuals and 2022/2023 (projected)*

($'s millions)	2023 (projected)	2022 (projected)	2021	2020	2019	2018
Net Change in Fund Balance - modified accrual basis	$191.2	$272.4	$27.2	$103.1	$138.9	($17.4)
Less: adjustments included in other financing sources						
Premium on bonds						2.0
Borrowed funds to pay Property Tax Refunds					61.1	38.5
Borrowed funds to pay Other Judgments						
Borrowed funds to pay Termination Pay						
Borrowed funds to pay Other Operating Costs					0.2	3.1
Transfer of revenue from other funds to offset debt expense	0.0	0.0	0.0	12.5	0.8	0.2
Total other financing sources/uses to be eliminated	0.0	0.0	0.0	12.5	62.1	43.8
Control Period Calculation Results	**$191.2**	**$272.4**	**$27.2**	**$90.6**	**$76.8**	**($61.2)**

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

APPENDIX A: GAAP ADJUSTMENTS AND THE EFFECT OF ENCUMBRANCES

GAAP adjustments, which are estimated to arrive at a projected ending GAAP fund balance, can vary significantly at year-end primarily due to the effect that encumbrances have the County's financial results. Encumbrances are a budgeting control tool which allows governments to set aside budgeted appropriations for obligations that have not yet been spent. This ensures that appropriations authorized by the government's governing board (the County Legislature in the case of the County) are not exceeded. Since unspent encumbrances are not actual expenditures, unspent encumbrances are added back to budgetary results because they have been included when computing those results. Further, expenditures that are paid subsequent to year-end but were part of the unspent encumbrances, are added back as expenditures to arrive at the GAAP results. Encumbrances that are no longer needed prior to year-end are disencumbered; those that originated in a prior fiscal year generate a budgetary revenue because it is the recovery of a prior year's appropriation that was included in a previous year's budgetary surplus or deficit. Disencumbrances that result in a budgetary revenue are excluded from GAAP results. At the time of the Mid-Year Report and this report, these GAAP adjustments have been estimated based on the information available at this time, using averages computed prior year balances or using balances from the prior year. Therefore, these estimates can significantly change depending on how many encumbrances remain unspent, how many encumbrances are spent in the ensuing fiscal year, and what adjustments are necessary for the County to report its financial results in accordance with GAAP.

APPENDIX B: SALES TAX VARIABLES AND TERMINOLOGY

There are several variables other than economic conditions and some specific to Nassau County that are considered in Nassau County's sales tax forecasts. The section below provides a summary of these factors for informational purposes.

NIFA Set-Aside

- The Nassau County Interim Finance Authority (NIFA) intercepts and withholds a portion of the County's sales tax collections in an amount equal to the NIFA operating costs and 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 issues 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.

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 otherwise would 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.
- 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 from the City and towns.
- The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.
- For 2022, Part County sales tax is estimated to be higher than budgeted. 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 2024 property tax levies.

- For 2021, because Part County sales tax received was higher than budgeted, the City of Glen Cove and the three towns did not receive enough credit on their property tax levies. This amount of $21.3 million is reflected in the calculation of the County's 2023 tax levies.

Aid and Incentives for Municipalities ("AIM")

- In the 2022-2023 Enacted New York State Budget, AIM-Related payments would continue to the cities and villages, however, the funding for those payments would no longer be withheld from County sales tax collections.
- As a result of these changes, the County will report $7.5 million more of sales tax collections in 2022 than in the prior year.
- The Aid and Incentives for Municipalities (AIM) program provides State aid to all of 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.
- In accordance with State law, AIM was withheld from County collections for the fiscal years 2019 ($7.6 million), 2020 ($11.4 million), 2021 ($11.4 million) and the first quarter (County fiscal year) of 2022 ($3.9 million).

Distressed Provider Assistance ("DPA")

- These funds will be used to provide support to financially distressed hospitals and nursing homes throughout the State.
- In accordance with State law, DPA withholdings expired and are no longer withheld from County sales tax collections, resulting in an additional $7.3 million of sales tax revenue to the County in 2022.

Gas Sales Tax Holiday

- The NYS Legislature and the County Legislature both enacted sales tax "holidays" to help alleviate the burden on residents of rising gasoline prices. Effective June 1st, taxes on motor fuel and diesel fuel in Nassau County has been suspended.
- As a result of the legislation passed by the State, the County Legislature approved a 6-month sales tax holiday, which would suspend the collection of County sales tax on gasoline or diesel fuel purchases that exceed $3.00 a gallon, regardless of the price per gallon. The holiday is set to expire on December 31, 2022.
- NYS excise and state sales tax on motor fuel or diesel fuel will not be collected.

NYS Tax Law enacted to allow local governments the ability to suspend collection of sales tax on motor fuel and diesel fuel authorizes counties and cities to change their percentage rate sales tax to a cents-per-gallon method or stay with a percentage rate method. Effective June 1, 2022, Nassau County elected to change its method of computing local sales tax on motor fuel, highway diesel motor fuel, and B20 biodiesel sold as qualified fuel. Beginning June 1 through December 31, the County's local sales tax on fuel will no longer be computed using a percentage rate method and will instead be computed on a cents-per-gallon basis.[13]

The County's administration estimated that the loss of sales tax to the County as a result of the sales tax holiday would amount to $8.0 million to $10.0 million for the fiscal year 2022.

[13] https://www.tax.ny.gov/pdf/publications/sales/pub718f.pdf