Nassau County Legislature
Office of Legislative Budget Review

Fiscal Year 2007 Outlook &
Review of the Updated Multi-Year Plan

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Inter-Departmental Memo

To: Hon. Lisanne Altmann, Chairperson
All Members of the Budget Review Committee

From: Eric C. Naughton, Director
Legislative Budget Review

Date: May 29, 2007

Re: FY 07 Outlook and Review of the Updated Multi-Year Plan

Attached is OLBR's FY 07 Outlook and Review of the Updated Multi-Year Plan. If you need any information regarding any departments for the First Quarter Budget Hearing please let me know.

Although the Nassau County Legislature does not have to take action on the Updated Multi-Year Plan (MYP), the Office of Legislative Budget Review (OLBR) has analyzed it along with the County's first quarter financials.

The County's 2007 Adopted Budget contained numerous risky items. Many of those items remain at risk and some have materialized. For example, the budget included $4.1 million in State aid reimbursement for payments the County makes to Fashion Institute of Technology in New York City (FIT) for Nassau County residents who attend the Institute. Since the funding for the FIT Reimbursement initiative was not included in the Adopted State 2007 – 2008 Budget, OMB has removed the associated $4.1 million in revenue from its 2007 projections. In addition, OMB dropped its 2007 sales tax growth projection to 3.5 percent. The net impact of this more conservative forecast is a reduction of $5.1 million in sales tax receipts. Furthermore, the budget includes $1.5 million from Lighthouse Development Group, but due to the terms in the approved MOU, the annual payment is treated as deferred revenue, not as current year operating revenue.

OMB is projecting a break-even position for year end, and without any actions, OLBR is projecting a deficit of $5.0 million as demonstrated in Table 1. OLBR has taken a more conservative approach to sales tax, which accounts for a difference of $3.4 million between the two projections. Furthermore, OLBR expects less Parks revenue and additional expenses related to Labor Relations. However, we assume that the Administration will take the necessary steps to end the year with a small surplus. In addition, after we receive the results of the PBA arbitration award the projections may be significantly revised.

Table 1

Adopted Budget vs. Projections

	Adopted Budget	OMB Projections[1]	OLBR Projections
Revenues			
Fund Balance	$13,075,000	$13,075,000	$40,075,000
Non-Tax Sources	351,117,192	355,725,701	348,554,500
Federal Aid	111,556,435	110,433,672	109,644,931
State Aid	195,480,912	193,070,378	192,891,856
Sales Tax	1,030,913,922	1,025,765,068	1,022,405,780
Property Tax	758,371,054	761,775,290	761,775,290
Other Taxes	33,924,745	33,924,745	33,842,687
Total Revenues	**$2,494,439,260**	**$2,493,769,854**	**$2,509,190,044**
Expenses			
PS	1,260,384,267	$1,252,757,976	$1,243,003,483
OTPS	407,206,944	417,147,760	447,529,557
Direct Assistance	526,970,241	526,287,848	526,276,989
Debt Service	299,877,808	297,404,948	297,404,948
Total Expenses	**$2,494,439,260**	**$2,493,598,532**	**$2,514,214,977**
Surplus/Gap Projection	**$0**	**$171,321**	**($5,024,933)**

1. Based on 1st quarter report

The OMB and the OLBR projections vary for fund balance and OTPS because the OLBR projection reflects the use of fund balance ($25 million) to partially fund tax certiorari payments and the funding of the parks and roads transfer agreement with the Town of North Hempstead. These two items do not have an impact on the bottom line and will probably be reflected in subsequent OMB projections.

Some items that remain at risk since October are:

- Savings from labor agreements with the PBA and DAI. When the budget was adopted the timing of the savings was in question, but subsequently the County and the PBA agreed to binding arbitration, with an expected decision in June. Now the sole risk is the magnitude of the savings.
- The Administration reduced the Correctional Center's budget request by $4.5 million for the subsidy cost associated with medical/psychiatric services. The County and NHCC do not have an approved successor agreement. As a result, the stabilization agreement has been extended, which includes the 21% subsidy charge for services provided to inmates.
- The Administration included various increased fees prior to seeking approval from the Legislature. The majority of those increases have subsequently been rejected by the Legislature.
- There also appears to be a shortfall in the Correctional Center's overtime budget by at least $1.0 million based on the Administration's baseline assumptions for salary increases and depending on the success of their overtime management initiative. Also the inmate population is 8.5% higher than last year's average.
- The revenue from Consumer Affairs has an estimated risk of $2.5 million. The premise is that with additional personnel the agency will be able to increase its revenue, along with seeking State approval for additional consumer protection legislation. The budget includes vacant positions, and until the staffing is actually increased and trained, increased revenue based on the existing approved laws is not reasonable.

To offset some of these risks, the County will utilize savings from fringe benefits, debt service, mandated day care and foster care expenses. In addition, the Administration has identified contingency resources/opportunities in the 2007 Budget that it is prepared to utilize and implement should real and quantifiable threats to the financial performance of the County materialize.

The OMB FY 07 fringe projection of $428.2 million produces a surplus of $5.2 million when compared to the FY 07 adopted budget of $433.4 million. OLBR is projecting a larger surplus of $8.8 million compared to the FY 07 budget. Compared to OMB's projection, OLBR's surplus is larger in health insurance for active employees, Medicare reimbursement, dental insurance and optical costs. The overall surplus is mostly attributed to FY 07 health insurance rates and Medicare reimbursement rates that were finalized lower than budgeted. In addition, there are 327 full-time vacancies in the four major funds as of May 1st, which is also contributing to the surplus.

Salaries

OLBR projects a salary surplus of $8.5 million in the General Fund (Attachment A). However, this is offset by a projected deficit of $14.0 million in Police District. The contingency that OMB includes in Fringe for $12.0 million is not factored into this deficit. This contingency is being moved to the Police salary budget in the out-years. This projection is based on the May 1st actual on board full-time headcount and does not include attrition savings except for the Police Department and the Correctional Center. Our projected salaries do not include increases or contract savings where no union contract exists.

The General Fund surplus is largely due to the 188 vacant positions as of May 1, 2007. The two departments that have the largest projected surpluses are Social Services and Public Works.

The Department of Social Services (DSS) has 30 vacant positions and is projected to be $2.7 million under budget assuming the May 1st actual headcount. The Department's budgeted headcount has increased from FY 06 by 42 positions. Of these positions, DSS will receive 100% reimbursement for 25 Social Welfare Examiner I's, three Social Welfare Examiner I's, Bi-Lingual and five Caseworker I's. All but four of the additional examiners are associated with the Medicaid program, and their costs are included in the County's Medicaid cap amount. The remaining four examiners will be paid with New York State TANF funding. The caseworkers will be utilized in the Child Protective Services and Services to Children divisions.

In the Department of Public Works, seven of the 19 vacancies are clerical positions (five Clerk Stenographers and two Clerks). The department is currently canvassing the civil service lists to select entry level clerks. For the other vacancies, the Civil Service lists are being canvassed, and interviews are being conducted for various maintenance and professional personnel. At the current level of staffing a $1.6 million surplus is projected.

There are also certain risks related to the Correctional Center budget. The Sheriff Officers Association (ShOA) contractual impasse could pose a financial risk of $9.3 million. If a contract is reached which includes cost of living adjustment (COLA) increases, 3.5%, 3.7% and 3.6% will be applied to FY 05, FY 06 and mid-year FY 07, respectively. The FY 07 budget also includes $5.1 million in savings contingent on the execution of the ShOA agreement. A fact-finder has been appointed by PERB and the first hearing dates have been scheduled for June 2007. After the fact-finder reaches his conclusion, a non-binding recommendation will be issued. Unrelated to the ShOA impasse, the department is hoping to hire a class of 25 correctional officer recruits in FY 07 which could result in an additional cost of $0.4 million. Finally, there is a possibility that officers hired after January 1, 2005 may be owed an additional $0.6 million due to a provision in the expired contract that includes a one-year start step.

The May 1, 2007 Police District headcount is 1,755, a decrease of 64 when compared to the January headcount of 1,819. This equates to 83 vacancies compared to the 2007 budget of 1,838, including the retirement of 28 sworn personnel (22 police officer and six superior officers). Even with the current vacancies, OLBR projects a salary shortfall of approximately $14.0 million in the Police District, $3.5 million of which is due to COLAs for those police officers hired in 2005. There is also a budgeted savings of $14.8 million which is not included in OLBR's projection.

OLBR projects a surplus of $1.9 million in salaries in Police Headquarters. The May headcount of 1,720 for Police Headquarters has declined by two when compared to January headcount of 1,722.

When compared to the 2007 Headquarters' headcount budget, vacancies are 49 and include 26 retired uniform members, (eight police officers, 13 detectives and five superior officers).

A PBA contract is expected to be issued by an arbitration panel by June 15th per a MOA entered into between the union and the County. At that time we should have a much clearer picture of the Police Salary costs and savings. The DAI is currently in mediation with the County and if no agreement is reached an interest arbitration panel will be selected which will issue a binding decision on a successor contract.

The Administration has stated that any deficits may be covered with contingencies including a $10.1 million General Fund contingency reserve and a $16.6 million Police Funds contingency reserve of which $12.0 million can only be utilized in the Police District Fund. The Administration has also indicated that $1.5 million from an OTPS freeze has been identified and that targeted hiring freeze and attrition savings are available.

The Sewer and Storm Water Resource District has a full-time budget of 384 with 294 filled as of May 1, 2007, and a projected surplus of $4.0 million. DPW is actively recruiting for and hiring Equipment Operator I's, Plant Maintenance Mechanic Trainees, Sewage Treatment Operator Trainees, and Power Plant Operator Trainees. Additionally, the department is restructuring the laboratory at Cedar Creek, and will be looking to backfill positions vacated by retirement, but with a different structure of titles. Since January 1st, SSW has a net gain of two additional positions.

Updated MYP

The out-year gaps estimated by the Administration have been reduced since the MYP was adopted. The gaps as illustrated in Table 2 are $142.0 million in FY 08, $196.3 million in FY 09 and $241.0 million in FY 10.

Table 2: Changes to Adopted FY 07 – FY 10 MYP
($'s in millions)

	2008	2009	2010
Adopted Surplus/Gap Projection	($164.8)	($209.2)	($256.2)
Revenues			
Non-Tax Sources	(7.4)	(7.6)	(8.1)
Federal Aid	3.9	4.0	4.4
State Aid	6.3	10.2	14.4
Sales Tax	(3.5)	(5.5)	(5.7)
Other Taxes	(1.2)	(2.4)	(3.7)
Total Revenues	**($1.9)**	**($1.3)**	**$1.2**
Expenses			
Salaries & Fringe Benefits	($9.9)	($18.6)	($18.7)
OTPS	(3.2)	(1.0)	1.6
Direct Assistance	1.4	1.5	1.7
Debt Service	(13.1)	3.9	1.5
Total Expenses	**($24.7)**	**($14.2)**	**($13.9)**
Updated Surplus/Gap Projection	**($142.0)**	**($196.3)**	**($241.0)**

Fringes

The Updated MYP projects fringe benefits of $426.6 million in FY 08, $454.0 million in FY 09 and $483.9 million in FY 10.

Table 3: Adopted MYP Fringe vs. Updated MYP Fringe

	FY 08 Plan	FY 09 Plan	FY 10 Plan
Adopted Multi-Year Plan	450,689,393	483,983,109	516,717,851
Changes to the Plan	**(24,091,233)**	**(30,009,939)**	**(32,781,143)**
April Multi-Year Plan	426,598,160	453,973,169	483,936,708

The fringe benefits costs have been reduced from the Adopted Multi-Year Plan by $24.1 million in FY 08, $30.0 million in FY 09 and $32.8 million in FY 10 as reflected in Table 3. The reductions in the MYP mostly result from health insurance rates that were finalized lower than budgeted. The FY 07 budget for health insurance costs was based on an increase of 9.0% for individual and family health insurance plans and a blended 9.5% increase for retirees. New York State rates were finalized at an increase of 6.6% for individual and 6.4% for family. Health insurance rates for retirees were finalized at a decrease of 1.7% for individual MediPrime, an increase of 3.3% for Family 1 MediPrime and a decrease of 3.8% for Family 2 MediPrime.

The Adopted Multi-Year Plan assumed a baseline inflator of 9.5% for active health insurance and 10.0% for retired health insurance costs. The Updated Multi-Year Plan has reduced the baseline inflator to 8.0% for both active and retired health insurance. The inflator reductions result in lower active health insurance costs of $3.9 million in 2008, $6.0 million in 2009 and $8.5 million in FY 10. Retiree health insurance costs have been reduced by $9.1 million in FY 08, $12.1 million in FY 09 and $15.6 million in FY 10.

The Updated Multi-Year Plan reduces Medicare reimbursement costs by $2.2 million in FY 08, $2.7 million in FY 09 and $3.3 million in FY 10. The reduction is due to a lower monthly premium rate than had been budgeted. In the Fall of FY 06, the Federal Government announced that Part B premiums were expected to increase by $10.30 in FY 06. However, the national premium was finalized at an increase of $5.00 from $88.50 in 2006 to $93.50 in 2007.

As previously stated, from FY 08 thru FY 10, the Updated MYP has removed $16.6 million in Police Retirement Contingency Funds and $2.2 million in recurring fringe savings from the Fringe budget. The revised labor contingency has been budgeted under Police salaries. The Administration did not remove off-setting recurring fringe savings from the plan, inadvertently increasing Police fringe by $2.2 million.

Fringe savings represents the fringe savings portion of the labor concessions. The savings have been increased by $460,000 in FY 08, $953,000 in FY 09 and $1.5 million in FY 10.

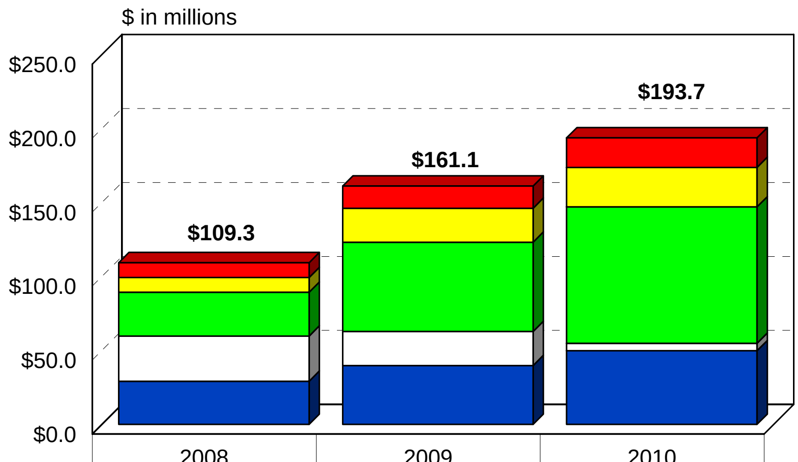
Following are the other major changes in assumptions shown in Table 2:

- Non-tax sources is decreasing because the College will no longer pay the County for utility expenses, which is offset by a reduction in OTPS expenditures. In addition, anticipated revenue from Consumer Affairs has been reduced.
- Federal Aid is increasing because an anticipated reduction to Flexible Fund for Family Services has been removed. In addition, the out-years' salary budget for Social Services has been increased, which results in increased reimbursement revenue.
- State Aid is increasing to reflect reimbursements from the expected increase in costs for pre-school center based programs. In addition, the Adopted MYP did not include an inflator for Health Department revenue, although the expenses were increasing throughout the time period of the MYP.
- Sales tax revenue is less than the Adopted MYP because the FY 06 baseline revenue was lower than projected. The growth rate needed to achieve the Adopted MYP is higher than what has been achieved in recent years.
- Other Taxes is decreasing because the Administration has removed the annual 5% inflator that was included in the estimates for motor vehicle registration, emergency phone surcharge, and E-911 cell phone surcharge.

- The change in OTPS expenditures reflects the decrease in utility expense coupled with increased expenditures for tax certiorari. The Adopted Plan assumed that the County would pay the College's utility expenses and then receive a revenue chargeback. However, the Administration has now decided to let the College pay its expenses directly. The tax certiorari projection includes an inflator, which was not included in the Adopted MYP.
- Direct Assistance will increase due to the understating of the cost for pre-school rate increases for center based program expenses by over $5.0 million annually. The impact of this increase is partially offset by reducing the estimated cost for group daycare and homemaking services.
- The changes to Debt Service reflect changes to the timing and sizing of debt issues. In addition, the out-years include debt related to the Environmental Bond Act.

The County Executive has proposed five major items to help reduce the projected out-years' gap. The plan encompasses a two-pronged approach. The first part is illustrated in Chart 1.

Chart 1: Updated Gap Closing Measures 2008 -2010



	2008	2009	2010
Functional Consolidation	$10.0	$15.0	$20.0
Initiatives	$10.0	$23.0	$26.7
Property Tax	$29.6	$60.3	$92.2
Tobacco Proceeds/Reserves	$30.5	$23.0	$5.0
Labor Savings	$29.2	$39.8	$49.8

The out-years of the Multi-Year Financial Plan are predicated on a 3.5% annual growth rate in sales tax revenues. Any annual sales tax growth rate greater than 3.5% would generate additional unbudgeted funds that could be used to help close the projected out-years' deficit. The Adopted MYP included as a gap closing measure, an additional $5.1 million in 2008, $10.7 million in 2009, and $16.6 million in 2010 if sales tax revenues actually grow by 4.0% in each out-year. However, in an effort to be more conservative, the Administration has removed the attainment of 4% sales growth as a gap closing item in the updated MYP.

The largest component is **Property Tax,** with a value of $92.2 million in FY 10. The property taxes revenue is based on an annual CPI-related increase of 3.9% in the total property tax levy of the Major Funds in each year of the Plan. This is consistent with the Adopted MYP.

The second largest gap closing component of the Plan comes from **Labor Savings**. The Administration is estimating $23.4 million in savings from labor concessions and $5.8 million from workforce management and turnover savings, for a total labor savings of $29.2 million in FY 08. These savings escalate to $24.3 million and $15.5 million for a total of $39.8 million in FY 09. In FY 10 the savings are $25.2 million and $24.6 million, for a total of $49.8 million. The labor concessions do not include the $25.8 million in savings expected from the PBA and DAI in 2007 because those savings are included in the Adopted Budget. Their existing agreements expired December 31, 2006. In addition, $5.1 million in savings from ShOA is assumed in the Correctional Center budget. The County has existing agreements with the Civil Service Employees Association (CSEA), and the Superior Officers Association (SOA). Savings start in FY 08 for SOA and CSEA because their labor agreements do not expire until the end of 2007. Table 4 illustrates the targeted "savings" for those unions.

Table 4: Labor Concessions

Union	FY08	FY09	FY10
CSEA	$14.0	$14.4	$14.8
SOA	9.4	9.9	10.4
Total	**$23.4**	**$24.3**	**$25.2**

The Administration expects to achieve workforce management savings by "exerting control on total staffing levels." The workforce management savings in FY 08 is $3.0 million less than the Adopted MYP, but $4.5 million more in FY 10. The MYP maintains current budgeted staffing levels in all unions, and turnover savings appear achievable given historical turnover rates.

With the Management, Budget & Finance Vertical (MB&F) reorganized to address operational and performance issues, MB&F will drive several countywide operational improvement and efficiency initiatives throughout 2007 and beyond. Efforts are expected to yield 1) improved constituent service/outcomes, 2) reduced expenditures, and/or 3) enhanced revenue. As in the Adopted MYP, the Administration expects to yield $10 million in FY 08, $15 million in FY 09 and $20 million in FY 10 from what it has titled **Functional Consolidation** to help close the projected gap. While it is very important to continue to seek operational efficiencies, the estimated financial benefit is difficult to quantify. Also the savings/revenue would have to be in addition to the savings that the Administration is seeking from Workforce Management, Labor Concessions and initiatives such as HHS Administrative Consolidation and Grants Fund Reimbursement.

There is probably an opportunity for some enhanced revenue as early as 2008 from revenue maximization and grant sourcing. A revenue maximization initiative has been established to identify and pursue projects to optimize revenue management and collections. As such, the Office of Management and Budget will proactively identify opportunities to draw down federal and state funding to support operations. This unit will serve as a countywide resource and knowledge base and will also provide expertise in assessing any potential changes that in the future may impact the continuity of funding.

The operational improvements will be beneficial to the long-term financial success of the County. They should reduce the need for additional employees in the future and allow the Administration to reduce the anticipated level of backfilling. The magnitude of the projected impact over the time-span of the MYP is very questionable.

Another gap closing measure is the utilization of the final $51 million in tobacco securitization proceeds. The County would use $23 million in FY 08, $23 million in FY 09 and $5 million in FY 10. However, it should be noted that approximately $12 million of tobacco proceeds may not be available when the County plans on using those funds. This revenue is contingent on the outcome of arbitration and litigation between the States (including New York) and the cigarette companies regarding the market share level of the non-participating manufacturers (NPMs) and NY State's enforcement of its model statute regarding NPMs. In addition to the tobacco funds, the County will draw down from the **Pension Contribution Reserve Fund** $7.5 million in 2008.

The value of the **Smart Government Initiatives** is in addition to the revenue/savings levels incorporated into the FY 07 budget. Smart Government Initiatives have a value of $10.0 million in FY 08, $23.0 million in FY 09 and $26.7 million in FY 10 as shown in Table 5. This represents a decrease of approximately $1.5 million compared to the Adopted MYP. The highlighted initiatives have been modified since the Adopted MYP. This includes one new initiative titled, ADAPT.

Table 5: Smart Government Initiatives

Responsible Dept.	Initiative Name	2008	2009	2010
Bus. Dev. Unit	New York Stae Empire Zones Program	$0	$2,000,000	$4,000,000
County Attorney	Commercial Tax Grievance Filing Fee	0	3,400,000	3,400,000
HHS Vertical	HHS Administrative Consolidation	800,000	1,200,000	1,200,000
IT	Automated Time & Leave System	1,700,000	1,700,000	1,700,000
IT	**ADAPT**	**0**	**0**	**257,069**
OMB	Risk Management	1,625,373	3,994,607	5,973,786
OMB	Contractual Services Review	1,000,000	1,000,000	1,000,000
OMB	Revenue Options	1,840,254	3,431,383	3,433,096
OMB	Grants Funds Reimbursement	500,000	500,000	500,000
OMB	Energy Efficiency	460,000	2,128,260	1,092,255
Parks/DPW	Advertising Market Based Revenue	500,000	1,000,000	1,500,000
Social Services	Persons in Need of Supervision (PINS)	50,343	103,204	158,708
SS/SC/YB	Program Reductions	0	1,000,000	1,000,000
TPVA	Ticket Processing Surcharge	1,500,000	1,500,000	1,500,000
	Total 2007 Initiatives	**$9,975,970**	**$22,957,454**	**$26,714,914**

The smart government initiatives only include two proposals that will require approval from the State. They are the commercial tax grievance filing fee and the ticket processing surcharge.

<u>NYS Empire Zone Program</u>

In 2007, Nassau County adopted a local law to participate in the NYS Empire Zone program. The legislation provides tax incentives to businesses that locate or expand in targeted areas in Nassau County. The objective of the program is to attract businesses and encourage expansion which should stimulate the economy in Nassau County.

The updated MYP projects incremental revenue of $2.0 and $4.0 million in FY 09 and FY 10 respectively. The Adopted MYP assumed that the revenue would start in FY 08. The Administration has cited a delay in the recognition of benefits as a reason for the decrease.

However, it is important to note that studies have shown that many businesses in the program have not met expectations. Therefore it is questionable whether the projected incremental revenue will be obtained.

ADAPT

The County seeks to deploy an integrated countywide Real Property Assessment Administration, Appeals, Tax Billing, Collection and Refunds solution known as ADAPT. The Administration estimates that in 2010, the first year ADAPT is in production there will be savings of $257,069. The Lightspeed Software will be terminated with a savings of $3,319. The retirement of the Wang system will eliminate the need for the Getronics maintenance agreement; saving $50,250 and the need for a contracted programmer, an additional $130,000 in savings. This system will reduce overtime cost of County personnel by $37,500 and save $36,000 in supplemental staffing costs.

In the long run, it is anticipated that the establishment of the ADAPT system will save Nassau County approximately $7.0 million yearly. There would be a greater output driven by higher tax management capacity of $1.2 million, avoided tax refund payment of $4.0 million, improved cycle time benefits of data analysis and management of $725,000. There would also be personnel efficiencies, such as reduced overtime of $100,000, reduced temporary clerical services of $120,000, Getronics Programmer & supplement staffing of $220,813. This system will improve quality of services resulting in fewer defects and less rework, fewer customer services issues causing less reprocessing, and tax and billing software functionality and limitations with a savings of $450,000. In addition, implementing ADAPT would result in a $475,000 annual saving in interest paid by the Treasurer.

Risk Management

The County has a statutory responsibility to provide workers' compensation benefits, including medical treatment and loss of wages due to related disability to employees who sustain occupational injuries and illnesses. The savings is based on an expected reduction in claim submissions, an increased claims closure and reduced auto and general liability judgment and settlement expenses after netting out salary and fringe expenses of the new risk management staff. Through the introduction of a case management program the Administration anticipates reducing the number of claims submitted by 10%, 8% and 5% in FY 08, FY 09 and FY 10, respectively as a result of newly implemented safety measures. They also expect to close more claims by 8%, 7% and 6% from 2008 thru 2010. The percentages are based on OMB's judgment. The case management program will utilize a Nurse Case Manager to assist employees in obtaining proper medical treatment and accelerate their return to work.

It is also important to note that in early 2007 New York State made amendments to the Workers' Compensation Law that should impact the County's future Workers' Compensation expenses. The amendment may have a negative impact on the County finances. However the Administration did not include all of the amendments in their savings estimate since it is currently uncertain how exactly it will affect the County.

Due to the uncertainty surrounding the percentages used in computing savings and the impact of the new worker's compensation law it is unknown whether the Administration can reach its estimated savings for the initiative, especially in the out-years.

Program Reductions

The savings for program reductions have been pushed back one year in the Updated Multi-Year Plan. The plan includes savings of $1.0 million in FY 09 and $1.0 million in FY 10. The initiative has been identified as a potential place to reduce costs only if necessary. The Administration is hoping that the cut in funding will not be required. This initiative intends to save funds by reducing the contract expenses in Senior Citizen Affairs, Youth Board and Social Services Department. The reduction could be made up of cuts from three Social Services programs, one Community Center closure and two Title III-B contracts in the amounts of $890,000 from DSS, $60,000 from Senior Citizen Affairs and $50,000 from the Youth Board.

The Administration will continue to use the MYP to demonstrate its commitment to gradually include the payment for ordinary judgments and settlements in the operating budget. As shown in Table 6, the County will allocate $5 million in 2008, $10 million in 2009 and $15 million in 2010 for judgments and settlements. After this action, coupled with the gap closing measures, the County is left with a gap of $37.7 million in 2008, $45.2 million in 2009 and $62.3 million in 2010. The Administration plans to address this remaining gap with the options listed in Table 6. Several of the options have previously been components of the County's MYP.

Table 6: Options to Close Remaining Gap

($'s in millions)

	2008	2009	2010
Estimated Baseline Gap (Table 3)	**($142.0)**	**($196.3)**	**($241.0)**
Total Gap Closing Measures (Figure 2)	109.3	161.1	193.7
PAYGO Judgments & Settlements	(5.0)	(10.0)	(15.0)
Deficit After Gap Closing Measures	**($37.7)**	**($45.2)**	**($62.3)**
Options to Close Remaining Gap			
Video Lottery Terminals	20.0	20.0	20.0
Cigarette Tax	28.4	28.4	28.4
3rd Party Administrator - Health Insurance	0.0	13.2	14.3
Red Light Cameras	7.0	7.0	7.0
Discretionary Programming Reductions	7.5	7.5	7.5
Residential Energy Tax	0.0	46.1	57.0
Total Options	**$62.9**	**$122.2**	**$134.2**
Surplus/(Deficit) if All Successful	**$25.2**	**$77.0**	**$71.9**

If all the options could be successfully implemented the County would have a surplus of $25.2 million in 2008, $77 million in 2009 and $71.9 million in 2010. While even the Administration does not expect this to happen, it is very questionable if any of them will materialize.

Video Lottery Terminals

The Administration has estimated that the County could receive $20 million annually starting in 2008 from the installation of video lottery terminals at Belmont Raceway. At this time it is unknown if this will be approved by the State and if it would generate the estimated amounts.

Cigarette Tax

The Administration has included $28.4 million annually, starting in 2008 from the imposition of a $2 per pack cigarette tax. This item requires State approval which the County has sought unsuccessfully in the past. Of the various municipalities in New York, only New York City has been approved for a tax, none of the counties. Therefore this option would appear to be very optimistic. The estimate has been reduced from the $50 million ($1.50 per pack) projection in the Adopted MYP because of updated consumption data and the fact that New York City shares 46% of their revenue with the State.

Third Party Administrator- Health Insurance

The Administration has estimated that the County can save $13.2 million in FY 09, growing to $14.3 million in FY 10 from the selection of a third-party administrator for the County's health insurance coverage.

Red Light Cameras

Revenue projected for red light cameras depends directly on State authorization. Nassau County could supplement its law enforcement capacity by installing a red light camera system to identify vehicles that run red lights. New York City has had this system in operation since 1994. This item was included as an initiative in the last MYP submitted by the previous County Executive in September 2001. However, there is a proposed bill in the State Senate (S4296) and Assembly (A7181) that would empower the County to install and operate traffic-control signal photo violation-monitoring devices at no more than 50 intersections within the County. While the Administration is promoting this measure as a public safety initiative, it is estimating that the County will earn $7.0 million annually in net revenue.

Discretionary Programming Reductions

The only item that is in the sole control of the County Executive is discretionary programming reductions, which is valued at $7.5 million annually.

Residential Energy Tax

In recent plans the Administration has suggested implementing a residential energy tax of 3.5% to 4.25% as an alternative to the County seeking State approval for a 0.25% increase in the County's sales tax rate. In the FY 05 - FY 08 MYP the Administration dropped the idea of the sales tax increase and only included the residential energy tax as a method to close the projected 2006 gap, but it was not pursued. The Adopted MYP included as an option the residential energy tax, starting in FY 08. The updated MYP has revised this option to $0 in FY 08, $46.1 million in FY 09 and $57 million in FY 10.

Conclusion

The 2007 budget that was adopted in October 2006 was flawed. It strayed from the conservatism that was prevalent in the past. Not only was it built on aggressive revenue and labor savings, but included drawing down a significant percentage of the County's reserves. The former conservative budgeting practices provided a cushion against unforeseen expenses or revenue shortfalls, while helping to generate budget surpluses each year. If appropriate actions are taken by the Administration throughout the year, the County will probably finish the year with a small surplus despite the optimistic assumptions in the budget.

The ability to achieve the gap closing measures in the out-years is very questionable. Some answers will be provided soon from the union agreements and whatever actions the State takes regarding the County's legislative agenda. Ultimately the success of the County will require a fundamental change in what services are provided and how they are provided to the citizens. The County cannot continue to fund its expenses with the limited growth in revenues.

FY 07 Salary Analysis										
Department	2007 Budgeted Full-Time Headcount	January 1st Headcount	May 1st Headcount	Change Since January 1st	May 1st vs. Budget	% +/-	2007 Budgeted Salaries	May 2007 Projected Salaries	Projection vs. Budget	% +/-
Assessment[1]	254	259	261	2	(7)	-2.8%	13,102,659	13,565,308	(462,649)	-3.5%
Assessment Review Commissio	47	46	45	(1)	2	4.3%	3,693,610	3,611,505	82,105	2.2%
Behavioral Services	92	82	87	5	5	5.4%	6,752,365	6,317,728	434,637	6.4%
Board of Elections	109	107	109	2	0	0.0%	9,662,602	9,639,660	22,942	0.2%
C.A.S.A.	8	7	6	(1)	2	25.0%	437,780	368,849	68,931	15.7%
Civil Service[3]	65	63	60	(3)	5	7.7%	5,052,063	4,632,535	419,528	8.3%
Comptroller	98	87	84	(3)	14	14.3%	7,093,092	6,466,865	626,227	8.8%
Constituent Affairs	57	56	56	0	1	1.8%	3,158,919	3,205,006	(46,087)	-1.5%
Consumer Affairs	48	41	39	(2)	9	18.8%	2,466,823	2,494,496	(27,673)	-1.1%
Correctional Center	1,246	1,243	1,234	(9)	12	1.0%	113,879,445	114,657,765	(778,320)	-0.7%
County Attorney	148	153	159	6	(11)	-7.4%	10,701,766	11,046,102	(344,336)	-3.2%
County Executive	44	47	38	(9)	6	13.6%	3,982,874	3,677,080	305,794	7.7%
County Clerk	102	99	99	0	3	2.9%	5,425,383	5,241,042	184,341	3.4%
District Attorney[4]	377	364	364	0	13	3.4%	28,249,955	27,914,963	334,992	1.2%
Emergency Management	5	4	6	2	(1)	-20.0%	464,837	477,621	(12,784)	-2.8%
Health	249	238	232	(6)	17	6.8%	17,837,184	16,989,392	847,792	4.8%
Housing and Inter-gov't Affairs	11	11	11	0	0	0.0%	1,071,146	1,104,453	(33,307)	-3.1%
Human Resources	14	12	13	1	1	7.1%	833,169	798,335	34,834	4.2%
Human Rights	10	10	10	0	0	0.0%	811,220	753,779	57,441	7.1%
Information Technology	104	100	102	2	2	1.9%	9,192,419	9,184,335	8,084	0.1%
Investigations	5	5	2	(3)	3	60.0%	388,304	225,498	162,806	41.9%
Labor Relations	6	6	6	0	0	0.0%	467,824	546,163	(78,339)	-16.7%
Legislature	94	85	87	2	7	7.4%	6,307,143	5,481,852	825,291	13.1%
Medical Examiner	55	52	55	3	0	0.0%	5,264,006	5,219,743	44,263	0.8%
Minority Affairs, Office of	10	10	10	0	0	0.0%	664,684	687,774	(23,090)	-3.5%
Office of Management and Bud	38	33	40	7	(2)	-5.3%	3,014,764	3,374,367	(359,603)	-11.9%
Parks, Recreation and Museums	280	274	267	(7)	13	4.6%	20,832,083	20,464,293	367,790	1.8%
Physically Challenged	7	7	7	0	0	0.0%	354,326	367,718	(13,392)	-3.8%
Planning	24	20	19	(1)	5	20.8%	1,886,354	1,582,871	303,483	16.1%
Probation	247	243	236	(7)	11	4.5%	19,131,223	18,562,300	568,923	3.0%
Public Administrator	7	7	7	0	0	0.0%	430,084	479,098	(49,014)	-11.4%
Public Works Department	533	510	514	4	19	3.6%	36,054,577	34,442,840	1,611,737	4.5%
Purchasing	24	23	23	0	1	4.2%	1,634,329	1,554,556	79,773	4.9%
Real Estate	11	10	9	(1)	2	18.2%	906,291	845,175	61,116	6.7%

FY 07 Salary Analysis										
Department	**2007 Budgeted Full-Time Headcount**	**January 1st Headcount**	**May 1st Headcount**	**Change Since January 1st**	**May 1st vs. Budget**	**% +/-**	**2007 Budgeted Salaries**	**May 2007 Projected Salaries**	**Projection vs. Budget**	**% +/-**
Records Management	**13**	**9**	**9**	**0**	**4**	30.8%	754,076	**640,531**	**113,545**	15.1%
Senior Citizens Affairs	**40**	**35**	**35**	**0**	**5**	12.5%	2,549,930	**2,354,896**	**195,034**	7.6%
Social Services	**915**	**865**	**885**	**20**	**30**	3.3%	53,750,837	**51,090,259**	**2,660,578**	4.9%
Traffic & Parking Violations[5]	**50**	**36**	**39**	**3**	**11**	22.0%	2,829,914	**2,812,456**	**17,458**	0.6%
Traffic Safety Board	**2**	**2**	**2**	**0**	**0**	0.0%	191,847	**197,717**	**(5,870)**	-3.1%
Treasurer	**45**	**45**	**45**	**0**	**0**	0.0%	2,674,614	**2,587,684**	**86,930**	3.3%
Veterans' Services Agency	**10**	**9**	**9**	**0**	**1**	10.0%	644,137	**612,143**	**31,994**	5.0%
Youth Board	**10**	**5**	**5**	**0**	**5**	50.0%	610,757	**411,729**	**199,028**	32.6%
General Fund Total	**5,514**	**5,320**	**5,326**	**6**	**188**	**3.4%**	**405,211,415**	**396,688,481**	**8,522,934**	2.1%
Fire Commission (FCF)	**115**	**110**	**108**	**(2)**	**7**	6.1%	9,973,957	10,042,981	**(69,024)**	-0.7%
Police District Fund (PDD)	**1,838**	**1,819**	**1,755**	**(64)**	**83**	4.5%	205,902,271	219,857,492	**(13,955,221)**	-6.8%
Police Headquarters (PDH)	**1,769**	**1,722**	**1,720**	**(2)**	**49**	2.8%	201,771,928	199,913,401	**1,858,527**	0.9%
Subtotal Major Funds	**9,236**	**8,971**	**8,909**	**(62)**	**327**	**3.5%**	**822,859,571**	**826,502,355**	**(3,642,784)**	-0.4%
Sewer & StormWater (SSW)	**384**	**292**	**294**	**2**	**90**	23.4%	23,823,370	19,832,184	**3,991,186**	16.8%
Grand Total	**9,620**	**9,263**	**9,203**	**(60)**	**417**	**4.3%**	**846,682,941**	**846,334,539**	**348,402**	0.0%

1) Assessment - The full-time budget for Assessment has been adjusted for 3 additional heads for Board Member. These positions have been labeled part-time in the Budget Book.

2) Assessment Review Commission - The full-time budget has been adjusted for 4 additional heads for Board Members. These positions have been labeled part-time in the Budget Book.

3) Civil Service - The full-time budget has been adjusted for an additional 3 full time positions for Civil Service Board Members.

4) District Attorney - The full-time budget has been adjusted for 21 additional positions for Temporary District Attorney Law Assistants.

5) Traffic and Parking Violations - The 11 vacancies are utilized to pay for 10 Part-time Traffic Prosecutors.