

NASSAU COUNTY NEW YORK



2024 Mid-Year Report on Nassau County's Financial Condition

July 31, 2024

ELAINE PHILLIPS

Nassau County Comptroller



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July 31, 2024

On behalf of the Office of the Nassau County Comptroller, I am proud to present my administration's third Mid-Year report, as required by the Nassau County Charter. This report provides our projections for the 2024 fiscal year measured against the 2024 Adopted Budget, which was adopted and approved by the Nassau County Legislature and the Nassau County Interim Finance Authority (NIFA) in 2023. This report is based upon year-to-date financial data and our analysis is based on current variables, factors, trends and known events affecting the County's finances as of mid-fiscal year 2024. Not all actions of the Administration or other events in the remainder of the year can be predicted and included in this analysis.

This report is presented in accordance with Generally Accepted Accounting Principles (GAAP), the national standard for governmental accounting, as promulgated by the Governmental Accounting Standards Board (GASB) and is consistent with the reporting in the County's audited financial statements, the *Annual Comprehensive Financial Report*.

I look forward to responding to any questions as our Nassau County stakeholders have the chance to review our findings.

Sincerely,

A handwritten signature in black ink that reads "Elaine Phillips". The signature is written in a cursive, flowing style.

Elaine Phillips
Nassau County Comptroller

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EXECUTIVE SUMMARY

Purpose

According to the Nassau County Charter §402 (9) “The Comptroller shall on or before the thirty-first day of July of each year commencing July thirty-first, two thousand three, prepare a report on the status of the budget for the first six months of the current fiscal year, which shall include an opinion, for such period, as to whether a surplus or deficit shall exist.”

Financial Reporting

Fund Accounting

The Comptroller’s financial reporting is presented in accordance with Generally Accepted Accounting Principles (GAAP). These principles, standards, and procedures for financial reporting enable the County to comparatively track its performance relative to other municipalities.

A basic principle of governmental GAAP is fund accounting. Given the diverse nature of governmental operations and the numerous legal and fiscal constraints under which those operations must be conducted, it is impossible to record all governmental financial transactions and balances in a single accounting entity. Therefore, unlike a private business which is accounted for as a single entity, a governmental unit is accounted for through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts.

The Governmental Accounting Standards Board (GASB) issues GAAP standards for governments to follow to ensure consistent reporting among municipalities and enable comparisons.

Three Primary Operating Funds

This report analyzes the County’s actual budgetary financial results for the first six months of the year and projects budgetary and GAAP results for the remainder of 2024. The full year projections are compared against the 2024 Adopted Budget for the “three primary operating funds” to identify potential risks and opportunities to the fiscal year’s adopted budget. The three primary operating funds are:

- the total General Fund¹;
- the Police District Fund; and
- the Sewer and Storm Water District Fund.

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

¹ GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* was adopted by Nassau County in fiscal year 2011. GASB Statement No. 54 clarified the definition of General Fund, which caused the County to reconstitute the General Fund to include funds that are not defined as Special Revenue Funds. Special Revenue Funds are used to account for and report the “proceeds of specific revenue sources” that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Major Budget Revenues and Expenditures

This report reviews the County’s revenue sources in the three primary operating funds, with particular focus on major revenue sources, such as Sales Tax, Property Taxes, State and Federal Aid, and Departmental Revenues. These categories have remained relatively constant as a percentage of 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.

Projected 2024 Fiscal Year GAAP Surplus

The Comptroller’s 2024 mid-year financial projections estimate that the County will end the current year with a \$150.1 million operating surplus in the three primary operating funds under GAAP².

STATE OF THE ECONOMY

Employment and Income

Nassau County is considered an affluent suburban area. The unemployment rate and the percentage of families below the poverty level are low and compare favorably to New York State and the United States. Nassau County’s median household income is high, which also compares favorably to New York State and the U.S. The County has fared better than New York State and the United States in these three economic measures since 2000. Nassau County is ranked 8th highest for median family income out of 3,143 counties in the U.S.³

Economic Indicator	County	State	U.S
Unemployment Rate (2023)	3.10%	4.60%	3.90%
Families Below Poverty Level (2023)	5.36%	14.30%	11.50%
Median Household Income (2023)	\$137,709	\$81,386	\$75,149

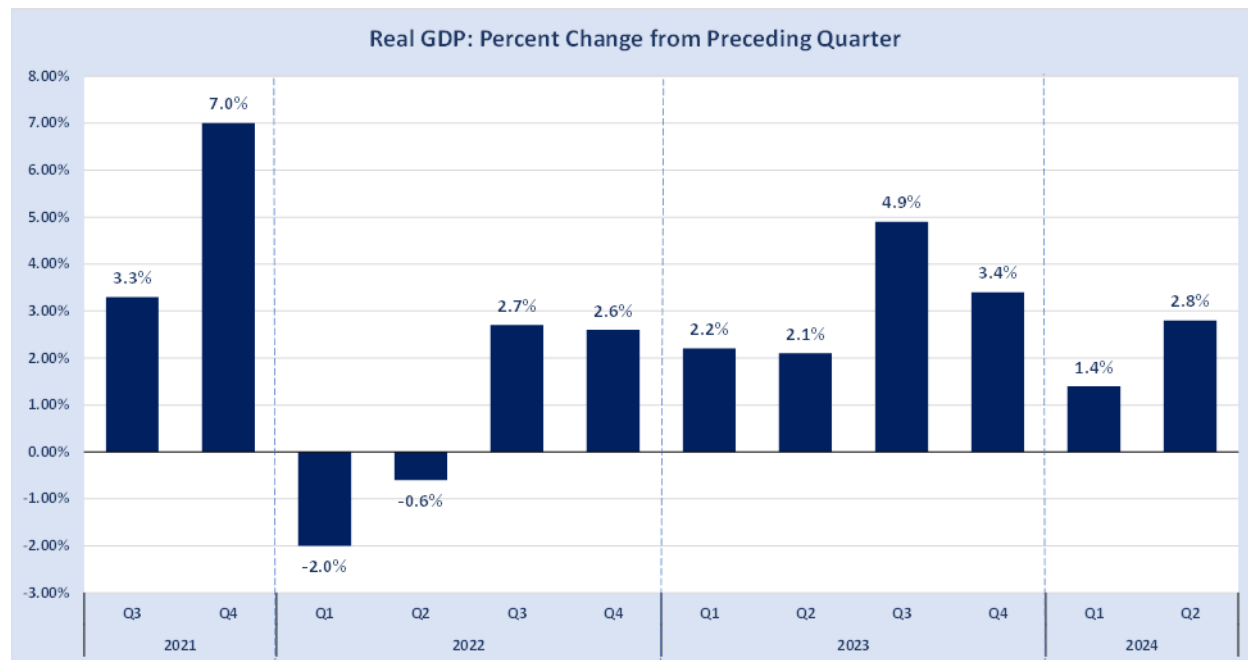
The median household income and the percentage of families below the poverty level are reported annually, while unemployment is reported monthly.

² GAAP adjustments related to GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which may have a financial impact to the governmental funds, have not been reflected in this projection, and may result in an increase or decrease to the final County GAAP results.

³ Federal Reserve Economic Data | FRED | St. Louis Fed (stlouisfed.org)

Gross Domestic Product⁴ (GDP)

GDP measures economic growth in the value of goods and services produced by the economy. GDP has been consistently positive for the last 2 years.



Source: Gross Domestic Product, Second Quarter 2024 (Advance Estimate) | U.S. Bureau of Economic Analysis (BEA)

Inflation⁵ and the Federal Reserve

Since July 2023, the Federal Reserve has maintained Federal Funds Rates⁶ from 5.25% to 5.50%, the highest level in 22 years, in an attempt to reduce inflation. There has been recent information from the Federal Open Market Committee (FOMC)⁷ that rate cuts could occur before the end of the year.

Federal Funds Rates were maintained near zero from the beginning of the COVID pandemic until March 2022, when annual inflation reached 8.52% and rose to its highest level of 8.93% in June 2022. At that time, the Federal Reserve began raising the Federal Funds Rates and continued to raise rates until July 2023 to try to curb inflation to its target rate of 2%. The risk of raising rates

⁴ The National Bureau of Economic Research uses Gross Domestic Product (GDP), a measure of economic output, among other factors, to either declare a recession (when GDP declines for two consecutive quarters) or an expansion (when GDP increases for two consecutive quarters following a recession) which indicates the end of a recession.

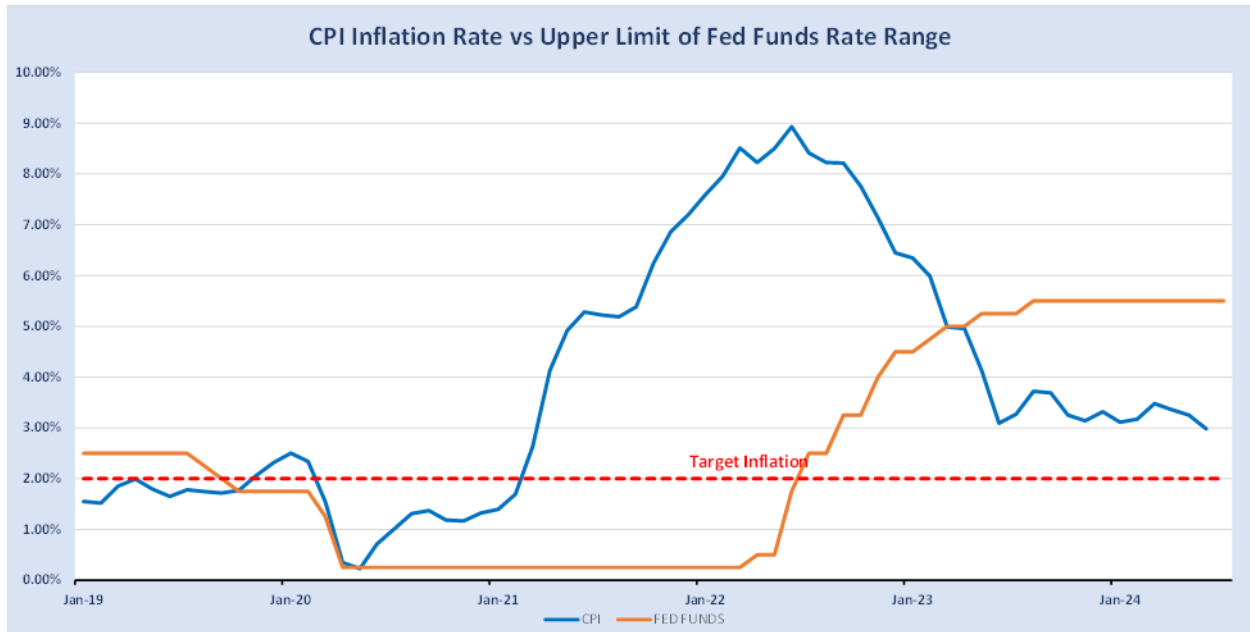
⁵ Inflation is the overall increase in the price of goods or services resulting from demand exceeding supply. Inflation erodes the purchasing power or the buying power of dollars over time. When inflation occurs, consumer spending habits may change as people eat out less, buy in bulk and switch brands.

⁶ The term "Federal Funds Rate" refers to the target interest rate range set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other, to keep the federal funds rate around the target established by FOMC.

⁷ The Federal Open Market Committee (FOMC) consists of members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and members of the Reserve Bank presidents. The FOMC is responsible for one of the 3 tools of the Federal Reserve, the Open Market Operations (OMOs).

is that it could cause the economy to slow too much, resulting in a recession. Despite the rise in the Federal Funds Rates for the past two years, a recession has not occurred.

The graph below illustrates the Consumer Price Index (CPI)⁸ and the Federal Funds Rate from January 2019 to the present and suggests that the increases in Federal Funds Rates may be dampening inflation.



RATING AGENCY UPGRADES IN MAY 2024

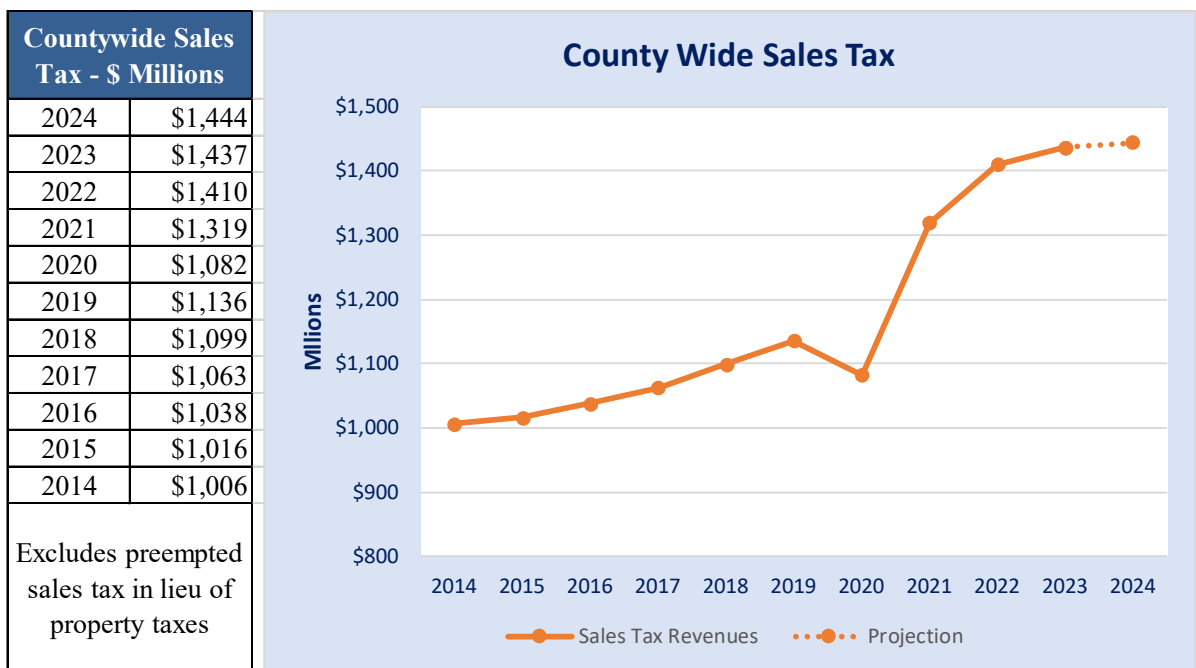
The rating agencies review the credit ratings of the County annually, which normally coincides with bond issuance. Each of the three rating agencies either increased the County’s rating or the outlook in May 2024. Moody’s upgraded the rating from Aa3 Positive to Aa2 Stable. Fitch upgraded the County’s rating from A+ Positive to AA Stable. Standard & Poor’s upgraded the AA- rating outlook from Stable to Positive.

The County's Bond Ratings						
	2022-Dec		2023-May		2024-May	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Moody's Investors Services	A1	Positive	Aa3	Positive	Aa2	Stable
S&P Global Ratings	AA-	Stable	AA-	Stable	AA-	Positive
Fitch Ratings	A	Stable	A+	Positive	AA	Stable

⁸ The Consumer Price Index (CPI-U) is provided by the [U.S. Department of Labor Bureau of Labor Statistic](https://www.bls.gov/).

The May 2024 rating agency reports noted the improved financial budgeting and management as a reason for the upgrades. Concerns about sales tax revenues were noted by the rating agencies in previous reports.

- **Improved financial budgeting and fiscal management resulting in operational resilience** - The County has shown a continued trend of structurally balanced operations, and significantly improved fund balances since lows in fiscal 2017 and 2018.
- **Sales tax revenues** –The rating agencies consider sales tax, the County’s largest revenue source, less reliable than property tax. However, the following table and graph indicate that, with the exception of the decline in 2020 due to COVID, sales tax revenues have been a reliable source of revenue for many years.



OTHER LONG-TERM TOPICS

The Nassau Health Care Corporation (NHCC) - The County-guaranteed debt of NHCC is a limited, manageable outstanding financial liability of \$84.5 million following the scheduled debt repayment on August 1, 2024. Scheduled debt service payments are less than \$20 million in any year through final payment in 2029.

Tax Certiorari Issues – As of the middle of July, the County has disbursed approximately \$15.0 million in tax certiorari payments, of which approximately 85% were paid from reserves, 8% paid from the Disputed Assessment Fund (DAF) for commercial properties and the remaining 7% paid from the General Fund. The reserves have afforded the County the funding to continue to pay down this long-term obligation. Approximately \$64.0 million of monies remain in the reserve fund for tax certiorari payments, after a pending transfer of payments from the General Fund. See *Appendix C: County Reserve Funds* for the balance available.

County Reserve Funds – The County has six various reserve funds as a mechanism to accumulate resources to pay long-term liabilities, such as tax certiorari refunds, judgments and settlements, termination pay, and labor costs. At the end of 2023, on a budgetary basis, the reserve funds had \$544.2 million available, down from \$650.8 million at the end of 2022. In 2023, the County paid \$137.5 million of tax certiorari refunds and \$70.0 million of judgments and settlements from the reserve funds. Through mid-July 2024, there is \$538.7 million in resources to fund the various long-term liabilities. See *Appendix C: County Reserve Funds* for details on each fund’s balance.

GFOA Recommended Reserve Amounts – Under GAAP reporting, the “Fund Balance Guidelines for the General Fund” published by the Government Finance Officers Association (GFOA) defines Unrestricted Fund Balance as the sum of the Committed Fund Balance, the Assigned Fund Balance and the Unassigned Fund Balance because the only constraint on spending, if any, is imposed by the government itself. The GFOA recommends, at a minimum, that general-purpose governments maintain unrestricted budgetary fund balance in their general fund of no less than two-months of regular General Fund operating revenues or expenditures.

Despite paying down significant liabilities in 2023, the unrestricted fund balance as of December 31, 2023, meets the GFOA recommendations.

GFOA Recommended Reserve Amount	2021	2022	2023
Unrestricted Fund Balance (\$ Million)	\$ 630	\$ 627	\$ 552
Equivalent Number of Months of Budget Expenses	3.2	2.8	2.2

PROJECTIONS TO 2024 ADOPTED BUDGET

2024 Revenues and Obligations Forecast – Budgetary Basis & GAAP Summary

The Comptroller’s Office projects an estimated surplus of \$150.1 million for fiscal year 2024 on the GAAP basis for operating funds.

Revenue and Obligations Risks and Opportunities 2024 Mid-Year Report						
(\$'s millions)						
	2024 Adopted Budget	2024 Projected GEN*	2024 Projected PDD	2024 Projected SSW	2024 Projected Total	Variance
Revenues						
Sales Tax	\$ 1,605.3	\$ 1,596.2	\$ -	\$ -	\$1,596.2	(\$9.1)
Departmental Revenue						
Assessment - GIS Tax Map Fees	25.0	19.0			19.0	(6.0)
County Clerk - Mortgage and Deed Recording Fees	27.0	26.6			26.6	(0.4)
Other Departmental Revenue	144.4	135.2	3.9	1.6	140.7	(3.7) (10.1)
Fines and Forfeitures						
Boot and Tow and School Bus Camera Fees	3.5	2.4			2.4	(1.1)
Red Light Camera and Administration Fees	48.1	48.7			48.7	0.6
Public Safety Fees	23.5	23.5			23.5	
Other Fines and Forfeitures	26.6	19.6	1.2		20.8	(5.8) (6.3)
Investment Income	42.0	73.2	0.8	7.9	81.9	39.9
Rents and Recoveries						
Sale of County Property	4.2	1.2			1.2	(3.0)
Recoveries of Prior Year Appropriations	10.4	30.0			30.0	19.6
Other Rents and Recoveries	20.7	8.2		4.3	12.5	(8.2) 8.4
Federal Aid	188.1	196.9			196.9	8.8
State Aid	288.2	318.1			318.1	29.9
Capital Resources for Debt	19.9	19.9			19.9	
Property Taxes	755.3	290.6	473.7		764.3	9.0
Interfund Revenue	78.4	81.9			81.9	3.5
Interfund Revenue (eliminating)	377.7	367.6			367.6	(10.1)
Interfund Transfers In (Other Financing Sources)	357.6	222.3		174.2	396.5	38.9
All Other Revenue (includes rounding) **	226.8	161.5	20.9	0.8	183.2	(43.6)
Total Revenue	\$4,272.7	\$3,642.6	\$500.5	\$188.8	\$4,331.9	\$59.2
Obligations						
Payroll	1,039.2	762.8	281.2	8.2	1,052.2	(13.0)
Fringe	651.9	495.6	172.0	7.1	674.7	(22.8)
Social Services	461.6	514.5			514.5	(52.9)
Early Intervention	162.8	200.2			200.2	(37.4)
Debt service	355.7	311.9		24.7	336.6	19.1
Contractual Expense	447.3	362.9	1.5	77.8	442.2	5.1
General Expenditures	56.7	45.9	6.7	0.7	53.3	3.4
Interfund Charges	64.5	20.7		48.0	68.7	(4.2)
Interfund Charges (eliminating)	377.7	338.7	28.9		367.6	10.1
Interfund Transfers Out (Other Financing Uses)	208.4					208.4
All Other Expenditures (includes rounding)**	446.9	375.2	14.6	6.9	396.7	50.2
Total Obligations	\$4,272.7	\$3,428.4	\$504.9	\$173.4	\$4,106.7	\$166.0
Estimated Results on a Budgetary Basis for Operating Funds		\$214.2	(\$4.4)	\$15.4	\$225.2	
Estimated GAAP Adjustments***		(\$79.4)	\$6.6	(\$2.3)	(\$75.1)	
Estimated Results on a GAAP Basis for Operating Funds		\$134.8	\$2.2	\$13.1	\$150.1	
* Includes: General Fund, Police Headquarters Fund, Fire Communication Fund, Debt Service Fund, Litigation Fund, Employee Accrued Benefits Liability Reserve Fund, Retirement Contribution Reserve Fund, Bond Indebtedness Reserve Fund, Open Space Fund, Technology Fund, Excess Sales Tax Fund , Opioid Litigation Settlement Fund and Operating Reserve Fund.						
**Variance in All Other Revenues comprised of variances in Use of Fund Balance, PILOTS and Other Revenues. Variance in All Other Expenditures comprised of variances in Contingency Reserves and SSW Contingency.						
*** Estimated GAAP Adjustments do not include GAAP adjustments related to GASB 87, GASB 94 or GASB 96 as the analysis of agreements that may meet the criteria of those statements has not yet been performed for FY24.						

2024 Projected Budgetary Basis to GAAP Reconciliation

2024 Estimated GAAP Adjustments * (\$'s in millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
Projected Results on a Budgetary Basis	\$214.2	(\$4.4)	\$15.4	\$225.2
Period of availability adjustments	(\$6.2)	\$0.0	(\$1.0)	(\$7.2)
Pension expenditure adjustment	(\$23.1)	(\$11.9)	(\$0.1)	(\$35.1)
Sale of Mitchel Field Leases	\$1.3			\$1.3
NCC adjustment for termination pay	(\$1.0)			(\$1.0)
Effect of encumbrances adjustment	(\$31.9)	\$0.0	(\$1.2)	(\$33.1)
Other GAAP adjustments	(\$18.5)	\$18.5	\$0.0	\$0.0
NET CHANGE IN FUND BALANCE (DEFICIT)	\$134.8	\$2.2	\$13.1	\$150.1

* 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. GAAP adjustments related to GASB 87, Leases, GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and GASB 96, Subscription-Based Information Technology Arrangements, have not been included above.

Potential Opportunities and Concerns – Budgetary Basis

Key Highlights: 2024 Projections To 2024 Adopted Budget Variances		
Drivers Impacting Nassau County’s Three Primary Operating Funds		
<i>Potential Opportunities</i>		
Contingencies	+ \$49.5 million	<ul style="list-style-type: none"> Projections do not anticipate the need to utilize the budgeted contingencies of \$39.4 million and \$10.1 million in the Sewer and Storm Water Fund.
Investment Income	+ \$39.9 million	<ul style="list-style-type: none"> Due to high interest rate environment coupled with large cash balances.
State Aid	+ \$29.9 million	<ul style="list-style-type: none"> Higher state aid due to the STOA grant for bus operations; Reimbursements for projected higher Early Intervention and Pre-School costs; Reimbursements for projected higher Safety Net Assistance costs, and Foster Care costs.
Debt Service	+ \$19.1 million	<ul style="list-style-type: none"> Savings due to 2023 cash defeasance; County refunding of outstanding bonds; NIFA tender offer, which reduced interest costs.
<i>Potential Concerns</i>		
Social Services Programs	- \$52.9 million	<ul style="list-style-type: none"> Projected shortfall in Recipient Grants, Purchased Services, Emergency Vendor Payments are offset by opportunities of \$21.1 million and \$6.4 million in Federal and State Aid, respectively, shown above; Higher Medicaid claims.
Overtime	- \$50.7 million	<ul style="list-style-type: none"> Police District and Headquarters \$26.2 million shortfall; Corrections \$14.8 million shortfall; and All Other \$9.7 million shortfall.
Early Intervention and Pre-School	- \$37.4 million	<ul style="list-style-type: none"> Higher caseloads than budgeted, the cost of which is offset by \$22.2 million in the State Aid opportunity shown above.
Fringe Benefits	- \$22.8 million	<ul style="list-style-type: none"> Increased health insurance premium costs.
Departmental Revenues	- \$10.1 million	<ul style="list-style-type: none"> Shortfall of \$6.0 million in GIS Tax Map revenues; and Risking Income and Expense Law revenues of \$5.0 million.

REVENUE VARIANCES

Sales Tax

Sales tax is the largest source of revenue for the County, representing 37.6% of the 2024 Adopted Budget for the County's three primary operating funds total budgeted revenues of \$4.3 billion.

The Comptroller's Office is projecting 2024 sales tax collections (excluding deferred Part County) of \$1,568.9 million, \$9.0 million or 0.6% lower than budgeted. The projection is based on the year-to-date sales tax collections through July 2024, and 2023's actual results from August through month 13 plus 0.5%. The projection is denoted in the green column below.

Possible Sales Tax Scenarios - Collections							
<i>in \$ millions</i>							
2024 Sales Tax Scenarios	Actual -2%	Actual -1%	Actual -0.5%	Actual + Flat to 2023	Actual +0.5%	Actual 1%	Actual +2%
2024 Budget	\$1,577.9	\$1,577.9	\$1,577.9	\$1,577.9	\$1,577.9	\$1,577.9	\$1,577.9
Projected Total Sales Tax	\$1,547.3	\$1,555.9	\$1,560.2	\$1,564.6	\$1,568.9	\$1,573.2	\$1,581.8
Difference from Budget	(\$30.6)	(\$22.0)	(\$17.7)	(\$13.3)	(\$9.0)	(\$4.7)	\$3.9
% Difference from Budget	-1.94%	-1.40%	-1.12%	-0.84%	-0.57%	-0.30%	0.25%

The table above provides the projected 2024 results (Actual +0.5%) and six alternative scenarios with the impact compared to the 2024 Adopted Budget. The six alternative scenarios begin with the 2024 year-to-date actuals plus:

- 2%, 1% and 0.5% lower than the remaining six periods (periods 8-13, or August through month 13) of 2023 checks (on the left side of the table);
- 1% and 2% higher than the remaining six periods (periods 8-13) of 2023 checks (on the right side of the table); and
- Flat to the remaining six periods (periods 8-13, or August through month 13) of 2023 checks (to the left of Actual +0.5%).

The 2024 projection considered the impact of:

- the normalization of sales tax increases following the COVID rebound;
- slowed increase in consumer demand; and

- inflation possibly causing a shift in consumer spending to essential items such as food for home consumption and sales of prescription and nonprescription medicines. Sales tax also does not apply to most services.

Sales Tax collections are distributed by the NYS Department of Taxation over the course of 26 checks throughout the year. Sales Tax revenues are recorded in the County’s financial system and reported in its financial statements. Collections are a part of revenue, however, there are adjustments that are required to be made in accordance with State law as it pertains to Preempted Sales Tax in Lieu of Property Taxes (aka Part County Sales Tax). Appendix B provides more detail on those adjustments. In the following table, sales taxes are reported as Countywide Sales Tax and Part County Sales Tax, which comprise total collections. Part County Sales Tax, or Preempted Sales Tax In Lieu of Property Taxes, and Deferred Part County Sales Tax are explained in the Appendix B of this report.

Total Sales Tax Revenues for 2024 are projected to be \$1,596.2 million, or \$9.1 million below the 2024 Adopted Budget. Of this amount, \$1,568.9 million represents sales tax collections and \$27.3 million represents the net deferrals for Part County Sales Tax.

Sales Tax Revenue - Millions of Dollars					
Category	2023 Actual	2024 Budget	2024 YTD June*	2024 Forecast**	Variance
Countywide Sales Tax	\$1,437.4	\$1,452.1	\$565.1	\$1,443.7	(\$8.4)
Part County Sales Tax Receipts	\$126.0	\$125.9	\$36.8	\$125.2	(\$0.7)
Total Collections	\$1,563.4	\$1,578.0	\$601.9	\$1,568.9	(\$9.1)
Net Deferred Part County Sales Tax	\$10.9	\$27.3	\$27.3	\$27.3	\$0.0
Total Sales Tax	\$1,574.3	\$1,605.3	\$629.2	\$1,596.2	(\$9.1)

*excludes NIFA year-to-date adjustments

** computed as year-to-date collections through the July 12, 2024 check plus 0.5% on remaining checks collected August 2023 through the end of fiscal year 2023

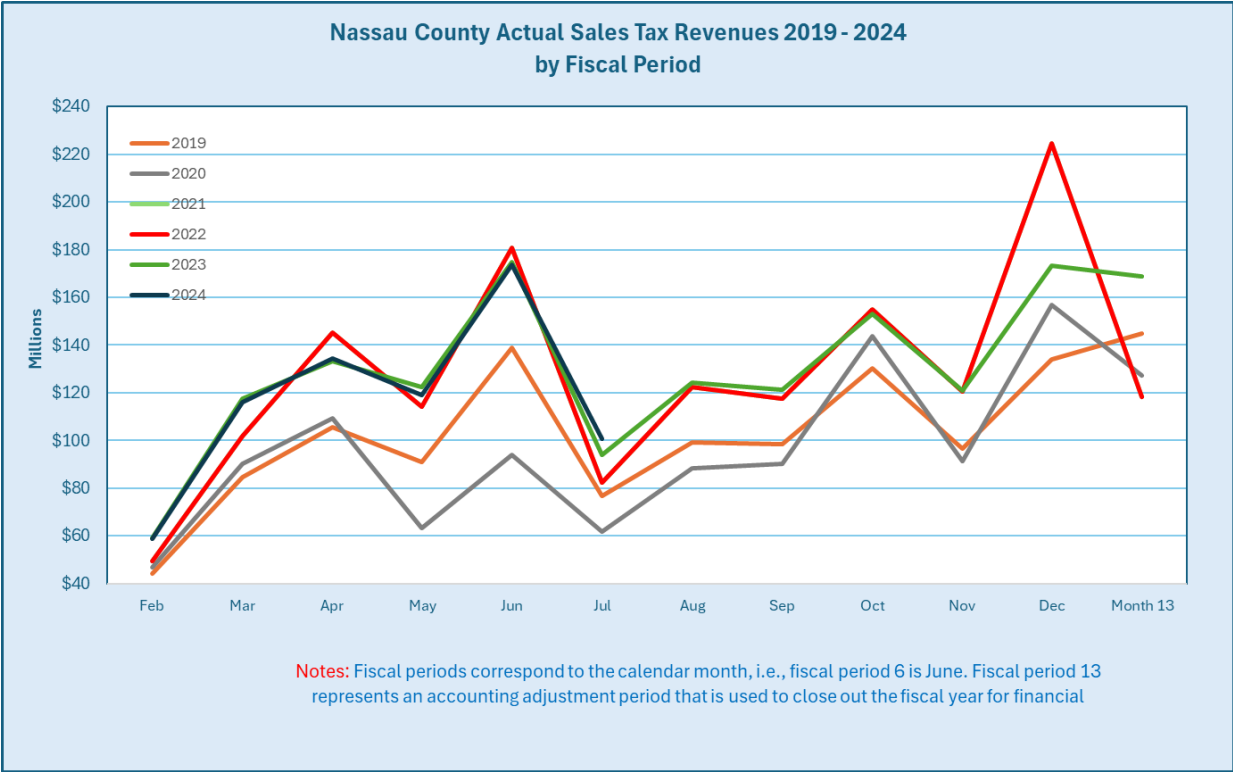
Actual sales tax collections for the first six months of 2024 were higher than the collections in 2023 during the same period by 0.2%. The first quarter of the 2024 fiscal year was down 0.2% over the prior year, however, there has been a slight increase of 0.5% during May-July, as illustrated in the following table.⁹

⁹ The table excludes NIFA set-asides and prior year/current year Part County deferrals.

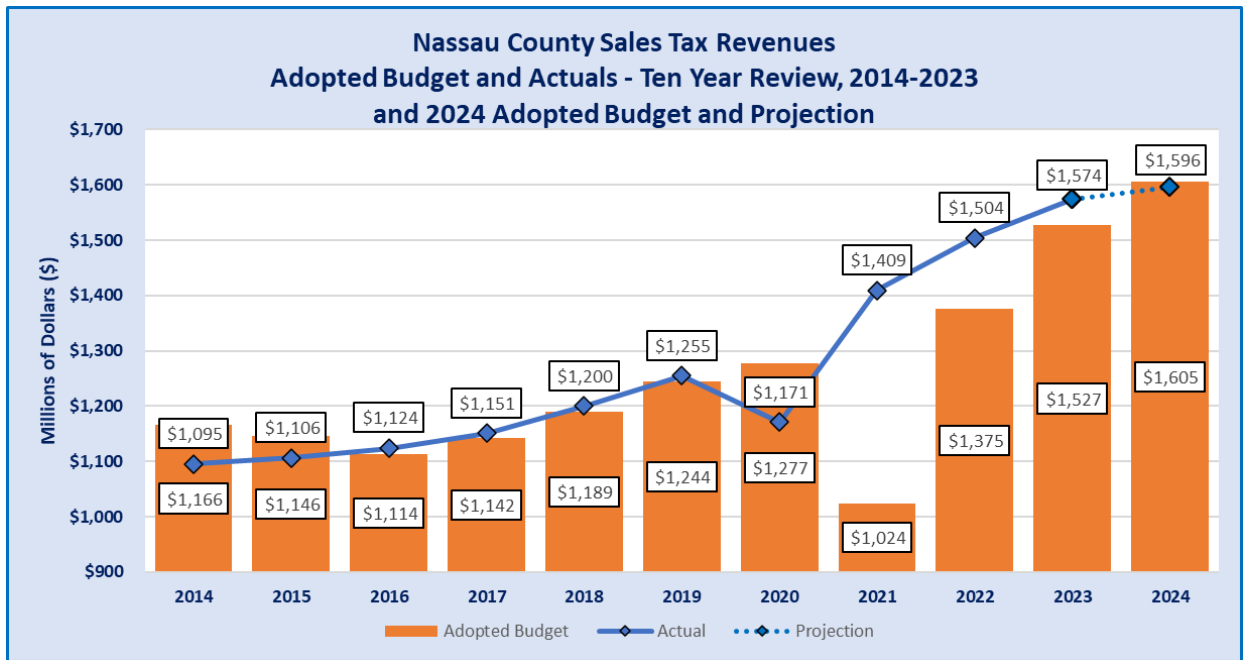
Sales Tax Collections										
in million \$										
Reporting Month	2024			2023			Increase/Decrease			
	County-wide	Part County	Total	County-wide	Part County	Total	County-wide	Part County	Total \$	Total %
February-April	290.0	19.4	309.4	289.5	20.5	310.0	0.5	-1.1	-0.6	-0.2%
May-July	362.2	31.1	393.3	360.5	31.0	391.5	1.7	0.1	1.8	0.5%
Total	652.2	50.5	702.7	650.0	51.5	701.5	2.2	-1.0	1.2	0.2%

Sales Tax Trends

As illustrated by the following graph, the monthly trends in sales tax revenues have been fairly consistent over the years. There is a spike in sales tax revenues from May to June, then a decline from June to July, followed by a general increase to December.



The following chart illustrates how consistent sales tax revenue has been. With the exception of the impact of shutdowns in reaction to COVID in 2020, sales tax collections generally continue to increase, due in part to the June 2019 “Enhanced Internet Sales Tax” enacted by New York State, which requires online sellers to charge sales tax to buyers in the buyers own tax districts.



Departmental Revenue

Departmental Revenue is projected to be under budget by \$10.1 million. This projected decline is attributed to various shortfalls offset by the opportunities described below.

- GIS map verification fees in the County Department of Assessment are projected to be \$6.0 million lower than budget primarily due to high mortgage rates and slowing of real estate sales.
- However, Mortgage Recording Fees are projected to be only slightly off adopted budget by \$0.4 million and Deed Recording Fees are projected to be flat to adopted budget based on historical trends and current year run rates.
- The projections do not include any revenue from the Income and Expense Law, which was budgeted at \$5.0 million. Lawsuits filed challenging the implementation of penalties for failure to file an Income and Expense Statement are still pending.
- The projections include a positive variance of \$1.5 million for Pre-school Medicaid that was under budgeted.
- Farebox revenues for the County's bus operations is projected to be \$0.8 million over budget based on the current year run rate and the increase in the monthly budgeted payment from the operator.
- The remaining risk of \$1.0 million is comprised of various department related fees based on year-to-date revenue trends.

Departmental Revenue - Millions of Dollars					
Category	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
GIS Tax Map Verification Fees	\$21.7	\$25.0	\$7.9	\$19.0	(\$6.0)
Mortgage & Deed Recording Fees	\$27.1	\$27.0	\$11.5	\$26.6	(\$0.4)
Bus Farebox	\$29.0	\$30.6	\$9.9	\$31.4	\$0.8
Income and Expense Law	\$0.0	\$5.0	\$0.0	\$0.0	(\$5.0)
Pre-School Medicaid	\$8.9	\$7.5	\$4.1	\$9.0	\$1.5
Other Departmental Revenue	\$94.2	\$101.3	\$32.5	\$100.3	(\$1.0)
Total Departmental Revenue	\$180.9	\$196.4	\$65.9	\$186.3	(\$10.1)

Fines and Forfeitures

Fines and Forfeitures are projected to be under budget by \$6.3 million.

- Based on the trending year-to-date collections, the projections for Red Light Camera and Red-Light Camera Administrative Fees revenues will have a positive variance of \$0.6 million.
- The Boot and Tow program has not been reinstated to date, therefore, the projections are risking the entire budgeted amount of \$0.5 million.
- The School Bus Camera Program is projected to have a shortfall of \$0.6 million based on the current rate of collections.
- The remaining Other Fines and Forfeitures are projected to have a shortfall of \$5.8 million, primarily in other Traffic and Parking Violations Bureau revenues based on historical trends.

Fines and Forfeitures - Millions of Dollars					
Category	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Boot and Tow Fees	\$0.0	\$0.5	\$0.0	\$0.0	(\$0.5)
School Bus Stop Camera	\$1.9	\$3.0	\$1.2	\$2.4	(\$0.6)
PD Public Safety Fees	\$26.5	\$23.5	\$12.0	\$23.5	\$0.0
Red Light Camera and Administrative Fees	\$45.6	\$48.1	\$22.0	\$48.7	\$0.6
Other Fines and Forfeitures	\$20.7	\$26.6	\$7.5	\$20.8	(\$5.8)
Total Fines and Forfeitures	\$94.7	\$101.7	\$42.7	\$95.4	(\$6.3)

Federal Aid

Federal Aid is projected to be over budget by \$8.8 million. The opportunity in Federal Aid is primarily due to an increase in Day Care cost reimbursements in the Department of Social Services of approximately \$15.9 million. Day Care Costs have also risen substantially due to the State's change in eligibility requirement. The Day Care opportunity was offset with a risk of \$6.2 million in Federal Transit Administration-Coronavirus Response and Relief Supplemental Appropriations receipts. There is also a risk of approximately \$1.0 million in some of the smaller programs in the Correctional Center and Emergency Management.

Federal Aid - Millions of Dollars				
2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
\$194.3	\$188.1	\$42.4	\$196.9	\$8.8

State Aid

State Aid is projected to be over budget by \$29.9 million. The primary reason for this variance includes an opportunity of \$3.4 million due to higher than budgeted State Operating Assistance (STOA) reimbursements, and an opportunity of \$22.2 million in Early Intervention/Pre-School services due to the projected increase in expenditures (the County is reimbursed by the State for a portion of the expenditures incurred). There is also an additional \$6.4 million opportunity for State Aid reimbursement on Safety Net Assistance (SNA) due to an increase in homelessness expenditures. The County is reimbursed for a portion of these programs as well. These opportunities are offset by a risk of approximately \$2.1 million in other Social Service and Human Service programs.

State Aid - Millions of Dollars				
2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
\$301.0	\$288.2	\$116.9	\$318.1	\$29.9

Rents and Recoveries

Rents and Recoveries revenue is projected to be over the 2024 Adopted Budget by \$8.4 million. The primary driver of this variance is the recovery of prior year appropriations. Recoveries of prior year appropriations are comprised of two categories: (1) recoveries in the form of stale checks, refunds, or other cash recoveries of expenditures paid in prior fiscal years, and (2) recoveries of prior year encumbrances, which have the effect of generating revenue on a budgetary basis. On a budgetary basis, the projections are reflecting the year-to-date recoveries related to the prior year encumbrances of \$29.6 million. However, in accordance with GAAP, encumbrances are not actual expenditures, and therefore, the budgetary revenues generated from the recoveries of prior year encumbrances (a/k/a, disencumbrances) are removed from the GAAP results when converting from budgetary reporting to GAAP reporting. This adjustment is reflected in the GAAP adjustments. The projected balance of \$30.0 million includes \$0.4 million that represents actual cash recoveries of prior year appropriations.

A negative \$5.9 million risk is projected for the rental revenue related to the Nassau Coliseum. As a result of litigation, the previous lease agreement was nullified by the courts. The County is in negotiations with the previous lessee for a new rental agreement, therefore there is the potential for this revenue to be recognized prior to year-end. This would mitigate risks in this object class.

There is a \$3.0 million shortfall projected in the sale of County property. The projections include what has been closed and recorded year-to-date (\$1.2 million in the General Fund). To the best of our knowledge, no other sales have as yet been approved. However, should a sale close prior to

year-end, there may be an opportunity to mitigate some or all of this risk. Other Rent and Recoveries are projected to be under budget by \$2.3 million. This variance is based on trending year-to-date collections in various departments.

Rents and Recoveries - Millions of Dollars					
Category	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Recovery of Prior Year Appropriation	\$19.1	\$10.4	\$29.6	\$30.0	\$19.6
Coliseum Rental Revenue	\$0.0	\$5.9	\$0.0	\$0.0	(\$5.9)
Sale of County Property	\$0.3	\$4.2	\$0.0	\$1.2	(\$3.0)
Other Rents and Recoveries	\$15.3	\$14.8	\$2.9	\$12.5	(\$2.3)
Total Rents and Recoveries	\$34.7	\$35.3	\$32.5	\$43.7	\$8.4

Investment Income

Investment Income is projected to be over budget by \$39.9 million. The increase over budget is due to higher-than-expected interest rates and interest on cash balances in the Reserve Funds.

Investment Income - Millions of Dollars				
2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
\$88.6	\$42.0	\$35.2	\$81.9	\$39.9

Property Taxes

Property Taxes are projected to be \$9.0 million higher than budget. The projected opportunity is related to property taxes assessed on two (2) LIPA properties related to the settlement of outstanding assessment grievances. It is important to note that year-end adjustments for uncollected and uncollectible property taxes may unfavorably impact these revenues, however, it is not possible to estimate the adjustments at this point in the fiscal year.

Property Taxes - Millions of Dollars				
2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
\$759.6	\$755.3	\$765.5	\$764.3	\$9.0

Interfund Transfers In

Interfund Transfers In are projecting an opportunity of \$38.9 million. The Police Headquarters Fund and the Fire Commission Fund have budgeted Interfund Transfers In revenues of \$185.6 million and \$22.8 million, respectively. The General Fund and the Sewer and Storm Water Fund received transfers of ARPA funds of \$222.3 million and \$25.0 million, respectively, in March 2024. The monies were transferred from the ARPA Fund and because the ARPA Fund is a

standalone major fund, the transfers to the General Fund and the Sewer and Storm Water Fund will not eliminate the ARPA Fund’s Transfer Out in reporting. The Interfund Transfers In budgeted for the Police Headquarters and Fire Commission Funds is risked as it is not yet known if the monies will be needed, and if so, how much will be needed to fund costs in those funds. Of the total risk, \$208.4 million is offset by an equal opportunity in Interfund Transfers Out.

Interfund Transfers In - Millions of Dollars					
Fund	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Total General Fund:	\$560.0	\$208.4	\$222.3	\$222.3	\$13.9
General Fund	\$0.4	\$0.0	\$222.3	\$222.3	\$222.3
Police Headquarters	\$157.1	\$185.6	\$0.0	\$0.0	(\$185.6)
Fire Commission	\$20.2	\$22.8	\$0.0	\$0.0	(\$22.8)
Reserves	\$382.3	\$0.0	\$0.0	\$0.0	\$0.0
Sewer and Storm Water	\$147.0	\$149.2	\$94.6	\$174.2	\$25.0
Total Transfers In	\$707.0	\$357.6	\$316.9	\$396.5	\$38.9

Other Revenue Categories

Total Other Revenues are projected to have a shortfall of \$43.6 million to the 2024 Adopted Budget. The 2024 Adopted Budget includes Use of Fund Balance. Since Use of Fund Balance is not revenues, the entire budgeted amount of \$46.5 million is risked. This is the main driver of the shortfall.

Payment in Lieu of Taxes (PILOT) is projected to be \$2.0 million lower than budget. The risk is primarily related to PILOT revenue from LIPA associated with the general fund. The projections estimate that the County will receive the same PILOT payments as in the first half of the year, resulting in a shortfall \$2.0 million from the adopted budget.

Beginning in 2021, the County received funds as settlements from the opioid litigation brought against drug manufacturers. The County joined lawsuits brought against pharmaceutical companies and distributors. In total, the County expects to receive nearly \$155 million dollars through the structured settlements with payments being made to the County over the course of 18 years. Year-to-date, the County has received \$3.9 million. These revenues were not budgeted and the projections in this report include this amount but do not project any additional funds for the fiscal year.

Most of the opioid funds are restricted to approved uses under the Opioid Settlement Sharing Agreement and State Finance Law 99-n(5) and Local Law No. 14-2021. The approved uses in the Settlement Sharing Agreement focus on three general areas: (1) treatment; (2) prevention; and (3) other strategies. While the State and Local Law have similar restrictions, a portion of the funds may only be subject to allowed uses under these laws.

Beginning in 2024, the County is receiving revenues from the Belmont Park Development Program. To date, approximately \$0.8 million has been received. This revenue was unbudgeted and represents an opportunity.

All Other below include the following categories: Permits and Licenses, Revenue Offset to Expense, Interest Penalty on Taxes, OTB Profits and OTB Taxes.

Other Revenue - Millions of Dollars					
Category	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Special Taxes	\$30.2	\$30.2	\$11.2	\$30.2	\$0.0
Opioid Litigation Settlement Revenue	\$11.4	\$0.0	\$3.9	\$3.9	\$3.9
PILOTS	\$52.3	\$53.0	\$25.4	\$51.0	(\$2.0)
Use of Fund Balance	\$0.0	\$46.5	\$0.0	\$0.0	(\$46.5)
All Other	\$99.4	\$97.1	\$39.3	\$98.1	\$1.0
Total	\$193.3	\$226.8	\$79.8	\$183.2	(\$43.6)

OBLIGATIONS VARIANCES¹⁰

This section discusses the expenditure items with variances from the 2024 Adopted Budget as identified in the 2024 Revenues and Obligations Forecast-Budgetary Basis & GAAP Summary.

Salaries, Fringe Benefits and Workers' Compensation

Salaries, fringe benefits, and workers' compensation expenditures are projected to have a combined negative variance of \$35.8 million when compared to the 2024 Adopted Budget.

The 2024 Adopted Budget includes a total of \$1,729.1 million for salaries, fringe benefits and workers' compensation with potential variances to the adopted budget as follows:

Salaries, Fringe Benefits and Workers' Compensation			
\$ Millions	2024 Budget	2024 Forecast	Opportunity/ (Risk)
Salaries (excluding OT & termination pay)	\$908.9	\$872.5	\$36.4
Overtime	\$81.2	\$131.9	(\$50.7)
Termination Pay	\$49.1	\$47.8	\$1.3
Total Salaries	\$1,039.2	\$1,052.2	(\$13.0)
Fringe Benefits	\$651.9	\$674.7	(\$22.8)
Workers' Compensation	\$38.0	\$38.0	\$0.0
TOTAL	\$1,729.1	\$1,764.9	(\$35.8)

Salaries

The Comptroller's Office forecast of salaries and wages is projected to total \$1,052.2 million by the end of fiscal year 2024, a net risk of \$13.0 million. Driving this budgetary shortage is overtime; currently projecting up to \$50.7 million over 2024 budgeted amounts in both the Police Department and the Correctional Center.

¹⁰ Obligations refer to expenditures and encumbrances.

Total Salaries* - Millions of Dollars					
Fund	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
General Fund:					
General Fund	\$441.2	\$467.5	\$215.2	\$446.5	\$21.0
Police Headquarters Fund	\$273.3	\$277.9	\$129.5	\$289.5	(\$11.6)
Fire Commission Fund	\$13.1	\$13.8	\$6.9	\$15.1	(\$1.3)
Litigation Fund	\$36.1	\$0.0	\$0.0	\$11.7	(\$11.7)
Employee Benefit Fund	\$0.0	\$10.0	\$0.0	\$0.0	\$10.0
Total General Fund	\$763.7	\$769.2	\$351.6	\$762.8	\$6.4
Police District Fund	\$256.9	\$261.7	\$121.0	\$281.2	(\$19.5)
Sewer and Storm Water Fund	\$8.6	\$8.3	\$3.8	\$8.2	\$0.1
Total Salaries	\$1,029.2	\$1,039.2	\$476.4	\$1,052.2	(\$13.0)

* Includes overtime and termination pay.

The Adopted Budget assumes a total full-time headcount of 7,558 employees for 2024. The current on-board headcount as of June 30th was 7,305, slightly higher compared to the June 2023 headcount of 7,231.

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, and the Police and Correctional 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 budgeted increases in headcount include Social Services, Health Department, Assessment, District Attorney, and the Department of Public Works due to the increase of these services. However, as of the end of July many of these funded vacant positions remain open for these departments. The County currently has over 280 vacant positions funded in the 2024 Adopted Budget as of July which continues to create a budgetary savings opportunity with positions that remain unfilled.

The County entered into new labor agreements with the Police Detectives Association Inc. (DAI) in December 2019, the Superior Officers Association (SOA) in November of 2020, the Police Benevolent Association (PBA) in February of 2023 and the Correctional Officers Benevolent Association (COBA) in September 2023, which cover the years 2018-2026. The Civil Service Employees Association (CSEA) also entered into a new collective bargaining agreement with the County covering the period of 2018-2030. All related contractual wage increases, stipend and cost of living adjustments have been included in our 2024 salary forecast.

Fringe Benefits

This analysis projects that the County is expected to end the year with a negative variance of \$22.8 million in fringe benefits when compared to the 2024 Adopted Budget of \$651.9 million for this expenditure category. This budgetary shortage is primarily due to higher healthcare insurance costs than budgeted 2024. Both the Empire Plan and the Excelsior Plan raised rates as of January 1,

2024. While Excelsior Plan rates remain slightly lower than the Empire Plan rates, the percentage increase in the Excelsior Plan rates significantly exceeded the percentage increase in the Empire Plan rates.

Offsetting the shortfall related to health insurance are potential savings in FICA expenses related to funded but vacant positions, Medicare reimbursement costs based on current trends, pension costs due to a lower payment in 2024 to the State than budgeted, and lower projected costs for dental insurance based on current trends.

The County has prepaid the 2024 retirement bill in December 2023 which resulted in savings to the County of \$1.3 million dollars. The projections assume that the retirement bill due in February 2025 will be prepaid in December 2024 and that the County will continue to not elect to defer pension contributions for 2024. The County has not elected to defer pension contributions beginning with the 2021 fiscal year.

Fringe Benefits - Millions of Dollars					
Fund	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
General Fund:					
General Fund	\$361.7	\$273.2	\$163.7	\$294.3	(\$21.1)
Police Headquarters Fund	\$273.3	\$187.1	\$130.1	\$192.9	(\$5.8)
Fire Commission Fund	\$6.5	\$7.5	\$4.7	\$7.5	(\$0.0)
Litigation Fund	\$3.0	\$0.0	\$0.0	\$0.9	(\$0.9)
Total General Fund	\$644.5	\$467.8	\$298.5	\$495.6	(\$27.8)
Police District Fund	\$256.9	\$178.0	\$110.9	\$172.0	\$6.0
Sewer and Storm Water Fund	\$8.6	\$6.1	\$4.0	\$7.1	(\$1.0)
Total Fringe Benefits	\$910.0	\$651.9	\$413.4	\$674.7	(\$22.8)

Workers' Compensation

Our analysis projects that workers' compensation is sufficiently funded by the 2024 Adopted Budget of \$38.0 million for the County's major operating funds.

Termination Pay

The 2024 projected total termination pay for the County could reach up to \$47.8 million for the primary operating funds. Our current forecasts anticipate this expenditure to be underfunded by \$3.0 million in the General Fund and \$0.1 million in both the Fire Commission Fund and the Sewer and Storm Water Fund when compared to the 2024 Adopted Budget.

The 2024 Adopted Budget funded termination pay of approximately \$25.5 million for both the Police District and Police Headquarters Funds. A total of 64 sworn officers have retired to date in

fiscal year 2024 with actual expenditures of \$13.0 million. Our forecast estimates a total of up to 90 police officers retiring from both Police District and Police Headquarters in 2024, with an estimated cost up to \$30.9 million. The 2024 Adopted Budget includes \$10.0 million appropriated in the Employee Benefit Accrued Liability Reserve Fund (a component of the General Fund) to address any possible shortages in termination pay specific to the Police District Fund.

Termination Pay - Millions of Dollars					
Fund	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Police District Fund	\$10.3	\$5.8	\$4.4	\$12.4	(\$6.6)
Police Headquarters Fund	\$17.6	\$19.6	\$8.6	\$18.5	\$1.1
Employee Benefit Fund	\$0.0	\$10.0	\$0.0	\$0.0	\$10.0
Other	\$13.0	\$13.7	\$11.8	\$16.9	(\$3.2)
Total Termination Pay	\$40.9	\$49.1	\$24.8	\$47.8	\$1.3

Overtime

Based on current expenditure trends, overtime costs for the operating funds are expected to be underfunded by \$50.7 million when compared to the 2024 budget of \$81.2 million. The projected deficit is primarily comprised of \$10.0 million in Police District, \$16.2 million in Police Headquarters and \$14.8 million for the Correctional Center.

Overtime - Millions of Dollars					
Fund	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Police District Fund	\$33.9	\$22.0	\$6.9	\$32.0	(\$10.0)
Police Headquarters Fund	\$39.4	\$26.8	\$15.3	\$43.0	(\$16.2)
Correctional Center	\$34.0	\$15.0	\$12.1	\$29.8	(\$14.8)
Other	\$14.0	\$17.4	\$19.2	\$27.1	(\$9.7)
Total Overtime	\$121.3	\$81.2	\$53.5	\$131.9	(\$50.7)

The 2024 projections are forecasting a combined shortfall in overtime of up to \$26.2 million when compared to the combined Adopted Budget of \$48.8 million for the Police District and Police Headquarters. In the Police Department, a class of 93 new police officers began the Police Academy in June 2024. An additional class of 75 officers is expected sometime in the second half of 2024 and has been funded in the 2024 Adopted Budget. While overtime costs in the future may be mitigated with the additional officers hired in 2024 at a lower average salary, overtime is still trending high in 2024 for both the Police District and Police Headquarters Funds with projected deficits of \$10.0 million and \$16.2 million, respectively.

To date in 2024, the Correctional Center was able to hire a class of 25 new officers with a possible second class planned for some time in the second half of 2024. Funding for this anticipated additional class has been included in the Adopted Budget. Notwithstanding these additional classes of correctional officers, this department continues to project a shortfall for overtime with the current forecast anticipating a shortage in this category of up to \$14.8 million. Overtime expenses for the Correction Center appear to be trending up from the prior two years and the County adopted budget has not increased to support this growth.

General and Contractual Expense

Expenditures in the categories of General Expense and Contractual Expense are projected to be less than the original 2024 Adopted Budget by \$8.5 million as illustrated below.

The projections estimate a surplus of \$3.4 million over the 2024 Adopted Budget in the General Expense category. This is primarily due to a projected reduction in building supplies and maintenance costs of \$1.5 million, as well as an opportunity of \$1.9 million in diesel fuel and postage delivery costs.

The projections estimate a \$5.1 million surplus to the Adopted Budget in contractual expenditures. The primary factor for the surplus is the reduction in the NICE bus contractual payments, which are expected to be lower by \$2.0 million.

There is also a \$2.2 million projected surplus to the Adopted Budget for contractual services in the Traffic and Parking Violations Bureau based on historical trends in the last five years, as contractual expenses are based on collections of fines. This report projects a budgetary surplus of \$0.6 million in the Sewer and Storm Water Fund in contractual services based on historical trends.

The 2024 Adopted Budget for contractual expenditures also include \$15.0 million budgeted in the Opioid Litigation Settlement Fund, a component of the General Fund for reporting purposes. These funds are earmarked for opioid recovery and education programs. The projections in this report include the \$15.0 million.

General Expense and Contractual Expense - Millions of Dollars					
	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
General Expense	\$39.5	\$56.7	\$27.3	\$53.3	\$3.4
Contractual Expense	\$391.5	\$447.3	\$330.8	\$442.2	\$5.1

Debt Service

We are projecting an opportunity of \$19.1 million in debt service costs based on the current bond amortization schedules. The \$19.1 million is comprised of:

- \$6.3 million in interest savings, \$10.9 million in principal savings, and \$1.9 million in debt service savings on NIFA bonds due to the tender offer and issuance of the 2024A bonds.

Debt Service - Millions of Dollars				
2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
\$413.2	\$355.7	\$122.5	\$336.6	\$19.1

The County issued \$253.8 million in bonds in May 2024. The County Administration anticipates additional bonding of \$185.0 million in 2024 as follows:

- \$70.0 million for general capital improvements;
- \$20.0 million for sewer system improvements; and
- \$95.0 million for the Bay Park conversion project.

The County is continuing to work on the Bay Park Conveyance project, which is estimated to cost over \$500.0 million. The County is funding the project with monies from the New York State Environmental Facilities Corporation (EFC) and \$67.3 million in grants from the NYS Division of Homeland Security & Emergency Services Hazard Mitigation programs, which was used to pay down EFC loans. Through July 2024, the County received \$335.3 million in funding from EFC including \$21.4 million in grant funds. The County enters into bond anticipation notes with EFC that are subsequently converted to long-term bonds payable to EFC. Debt service for EFC bonds is paid from the Sewer and Storm Water Fund.

Social Services Programs

We are forecasting expenditures for Social Services programs to be \$52.9 million over the 2024 Adopted Budget. The primary components of this variance are a projected shortfall of \$24.0 million in Recipient Grants, \$20.5 million in Purchased Services, \$3.7 million in Emergency Vendor Payments and a net cost increase of \$4.7 million in Medicaid due to higher-than-expected payments by the County towards its Medicaid weekly claims, offset by a decrease in Indigent Care quarterly payments.

The projected shortfalls in Purchased Services, Recipient Grants and Emergency Vendor Payments are primarily due to an increase in the demand for Day Care as a result of changes in eligibility requirements, higher costs related to Temporary Assistance for Needy Families (TANF) and Safety Net Assistance (SNA) due to an increase in homelessness. The Social Services programs are mandated programs, with most receiving Federal and/or State Aid reimbursements at varying rates. Federal and State Aid reimbursements related to the projected \$52.9 million risk in Social Services programs are estimated to be \$21.1 million and \$6.4 million, respectively.

Social Services - Millions of Dollars					
Category	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
Recipient Grants	\$59.2	\$55.1	\$38.8	\$79.1	(\$24.0)
Purchased Services	\$100.4	\$98.5	\$62.3	\$119.0	(\$20.5)
Medicaid	\$220.5	\$245.2	\$125.0	\$249.9	(\$4.7)
Emergency Vendor Payments	\$62.7	\$62.8	\$41.2	\$66.5	(\$3.7)
Total Social Services	\$442.8	\$461.6	\$267.3	\$514.5	(\$52.9)

Early Intervention/Preschool Program

Projected expenditures for Early Intervention are anticipated to be \$200.2 million, or \$37.4 million over the adopted budget. This shortfall is related to an increase in caseloads resulting in higher than budgeted expenditures for Pre-school (3-5 Years) and Pre-school related services. An estimated \$22.2 million of State Aid reimbursements for the additional expenditures incurred by the County are projected to partially offset this shortfall (see State Aid in Revenue Variances section).

Early Intervention/Pre-School - Millions of Dollars				
2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
\$187.0	\$162.8	\$121.8	\$200.2	(\$37.4)

Interfund Transfers Out

The Comptroller’s Office projects an opportunity of \$208.4 million in Interfund Transfers Out. This balance represents the budgeted transfers from the General Fund to the Police Headquarters and the Fire Commission Funds. At the time of this report, it is unknown whether the funding will be required in these two funds and there is an equal offsetting opportunity in Interfund Transfers In. For reporting purposes, transfers between the General Fund, the Police Headquarters Fund, and the Fire Commission Fund are eliminated in financial reporting.

The projections do not estimate any Interfund Transfers Out to the reserve funds.

Interfund Transfers Out - Millions of Dollars					
Fund	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
General Fund	\$543.6	\$208.4	\$0.0	\$0.0	\$208.4
Police District	\$18.0	\$0.0	\$0.0	\$0.0	\$0.0
Sewer and Storm Water	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Transfers Out	\$561.6	\$208.4	\$0.0	\$0.0	\$208.4

Other Expenditures

The Comptroller's Office projects an opportunity of \$50.2 million in Other Expenditures. The 2024 Adopted Budget includes a \$39.4 million contingency expenditure in the General Fund and an additional contingency of \$10.1 million in the Sewer and Storm Water Fund. At the time of this report and based on the projections in this report, there is no event that has been identified requiring these contingent amounts. Therefore, neither is included in the projections. It should be noted that in July 2024, the Administration modified the budgeted General Fund contingency by reducing it to \$26.1 million and transferred appropriations to various other object codes. However, the remaining contingency appropriations will be available to cover shortfalls projected elsewhere in the budget.

The Local Government Assistance Program is projected to have a surplus of \$0.6 million due to the lower sales tax projection for 2024. Nassau County is required by New York State Tax Law to distribute sales tax collections to the County's three towns and two cities, and the villages within the County. The County makes these distributions through the Local Government Assistant Program.

All Other in the table below includes the following categories: Judgments and Settlements, Property Tax Refunds, Transportation, Rent Expense, Direct Expenses, Utilities, Workers' Compensation and Other Expenditures.

Other Expenditures - Millions of Dollars					
	2023 Actual	2024 Budget	2024 YTD June	2024 Forecast	Variance
GEN Fund Contingency Reserve	\$0.0	\$39.4	\$0.0	\$0.0	\$39.4
SSW - Other Contingency	\$0.0	\$10.1	\$0.0	\$0.0	\$10.1
Local Government Assistance	\$93.9	\$94.1	\$22.4	\$93.5	\$0.6
Judgments and Settlements	\$69.9	\$45.4	\$11.7	\$45.4	\$0.0
Property Tax Refunds	\$137.6	\$40.0	\$11.6	\$40.0	\$0.0
All Other	\$198.1	\$217.9	\$114.8	\$217.8	\$0.1
Total Other	\$499.5	\$446.9	\$160.5	\$396.7	\$50.2

DEBT

Through July 2024, the County issued \$253.8 million in bonds to fund various public purposes, including capital projects, and to pay costs of issuance. At this time, the County does not anticipate issuing Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs) in 2024.

The County anticipates bonding \$185.0 million in the second half of the year to pay for capital projects as well as various sewer system improvements. Projects for sewer related improvements may be funded through borrowing by either the County, NYS Environmental Facilities Corporation (EFC) or the Nassau County Sewer and Storm Water Finance Authority (SFA). The

table below details projected new long-term debt issued by the County (including borrowings for Nassau Community College, and Sewer and Storm Water Capital Projects).

At 2023 fiscal year-end, the total of the County’s general obligation bonds and its component units’ long-term serial bonds outstanding was approximately \$3.7 billion, including serial bonds and accreted interest of the Nassau County Tobacco Settlement Corporation (NCTS) which are secured only by the Tobacco Settlement revenues and the bondholders have no recourse to the County. The 2024 actual borrowings, along with projected borrowings for the remainder of the year and projected reductions from maturing debt, will increase the total long-term bonds outstanding slightly by approximately \$225.8 million.

Total Projected Long-Term Borrowings

Total Projected Long-Term Borrowings				
(\$ millions)				
	As of Dec 31, 2023 Actual	Projected Additions	Projected Reductions	As of December 31, 2024 Estimated
County & SSW (a)(b)	\$ 2,038.6	\$438.8	\$130.6	\$ 2,346.8
NIFA	1,079.8	133.0	214.8	998.0
Sewer and Storm Water Finance Authority (SFA)	61.1	-	10.3	50.8
Tobacco Settlement Corp (c)	503.9	9.7	-	513.6
Total	\$ 3,683.4	\$581.5	\$355.7	\$3,909.2

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt.

(b) Includes \$20.0 million of bonds projected to be issued in 2024 to be used for Sewer and Storm Water projects.

(c) December 31, 2023 includes accumulated accreted interest of \$122.1 million.

APPENDICES

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 on 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, these GAAP adjustments have been estimated based on the information available at this time, based on averages computed using prior year balances or using balances from the prior year. Therefore, these estimates can significantly change depending on how many encumbrances remain unspent and the total encumbrances spent in the ensuing fiscal year.

In addition to the effect of encumbrances on budgetary and GAAP results, budgetary results may need to be adjusted to accurately reflect the effect of GASB Statements. Certain GASB Statements require significant evaluation of County transactions in order to accurately compute necessary adjustments. Examples include GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs)*, and *Availability Payment Arrangements (APAs)*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, the last two of which were adopted in fiscal year 2023.

Appendix B: Sales Tax 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

- For 2023, Part County sales tax was higher than budgeted. Therefore, 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 2025 property tax levies.
- For 2024, Part County sales tax is projected to be lower than budgeted. Therefore, it may be that the County provided too large of a credit to the City and towns' property tax levies. If so, this amount will be recouped in the calculation of the County's 2026 property tax levies.
- 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, because Part County sales tax received was higher than budgeted, the City of Glen Cove and three towns did not receive enough credit on their property tax levies. This amount of \$27.4 million will be reflected in the calculation of the County's 2024 tax levies.

Appendix C: County Reserve Funds

Funds/Reserves for Liabilities - Millions of Dollars			
Fund	2022	2023	2024 YTD July
Bond Indebtedness Reserve Fund	\$125.0	\$63.0	\$68.9
Retirement Contribution Reserve Fund	\$70.3	\$72.9	\$74.4
Capital Reserve Fund	\$0.0	\$0.0	\$0.0
Operating Reserve Fund	\$0.0	\$94.0	\$95.5
Employee Benefit Accrued Liability Reserve Fund:			
Legislative Reserve	\$0.8	\$1.0	\$1.1
PDD Reserve	\$13.3	\$23.9	\$24.4
General Fund Reserve	\$0.0	\$20.0	\$20.0
Total Employee Benefit Accrued Liability Reserve Fund	\$14.1	\$44.9	\$45.5
Litigation Fund:			
Tax Certiorari Reserve *	\$147.2	\$77.9	\$64.3
Workers Compensation Reserve	\$14.0	\$14.0	\$14.0
Health Insurance Reserve	\$25.0	\$0.0	\$0.0
Labor Reserve	\$20.0	\$0.0	\$0.0
Insurance Reserve	\$10.0	\$0.0	\$0.0
Litigation Reserve:			
GEN	\$130.4	\$86.5	\$92.5
PDD	\$27.8	\$28.8	\$28.8
Total Litigation Reserve	\$158.2	\$115.3	\$121.3
Longevity Reserve:			
GEN	\$37.6	\$34.7	\$28.9
PDD	\$29.4	\$27.5	\$25.9
Total Longevity Reserve	\$67.0	\$62.2	\$54.8
Total Litigation Fund	\$441.4	\$269.4	\$254.4
Total All Funds	\$650.8	\$544.2	\$538.7

* July YTD includes a pending transfer of tax certiorari expenditures of \$10.2 million from the General Fund.