Nassau County

Proposed 2025 Budget

Review of Risks & Opportunities

Office of Nassau County Comptroller Elaine Phillips

October 2024

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October 7, 2024

On behalf of the Office of the Nassau County Comptroller, I am proud to present our review of the risks and opportunities in the County Executive's Proposed Operating Budget for 2025, as required by the Nassau County Charter.

A budget is the primary instrument for implementing fiscal policy. Thoughtful planning, backed by reasonable and supportable projections, serves as the foundation for good government and for the efficient and effective delivery of essential services.

My expert team and I have reviewed the major revenue sources and major categories of expenditures contained in the County Executive's Proposed 2025 Budget. Consistent with best practice, my office has identified risks and opportunities that could result in budget variances in 2025.

Nassau County will go into 2025 in a strong fiscal position as evidenced by the past years' surpluses, responsible management of reserves and liabilities, and the favorable evaluations of independent rating agencies and the New York State Comptroller's Office.

Sincerely,

Elaine Phillips
Nassau County Comptroller

EXECUTIVE SUMMARY

PURPOSE

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

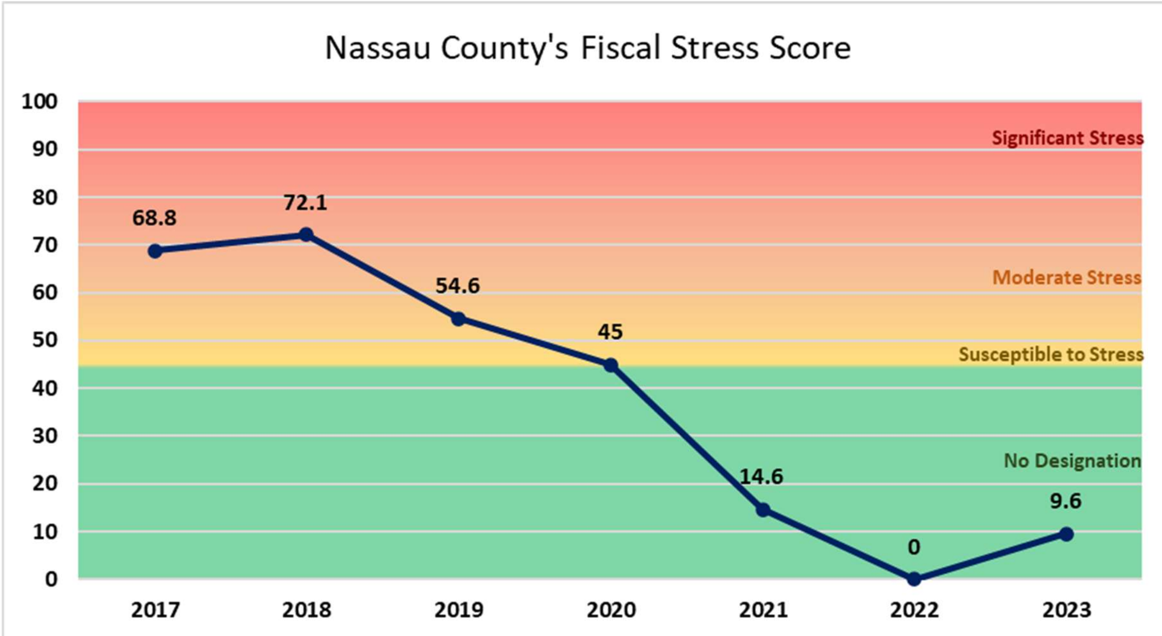
Nassau County is in a strong financial position. Nassau's bond ratings are at their highest levels in more than 30 years, and the major bond rating agencies continue to acknowledge the County's excellent fiscal condition. In May 2024, S&P affirmed the County's AA– rating and upgraded Nassau's outlook to positive. Fitch raised its rating of Nassau from A+ to AA with a stable outlook, and Moody's upgraded the County's rating to Aa2 with a Stable outlook.

Nassau County 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

The May 2024 rating agency reports noted the improved financial budgeting and fiscal management resulting in operational resilience as a reason for the upgrades. Specifically, the rating agencies noted "The County has shown a continued trend of structurally balanced operations, and significantly improved fund balances since lows in fiscal 2017 and 2018".[1]

For three years running, there has been "no designation" of fiscal stress from the Office of the New York State Comptroller. This score is additional, independent confirmation of the financial health of the County.

[1] Fitch Ratings, Rating Action Commentary, May 21, 2024, page 2.



This report reviews the County's revenue sources with particular focus on Sales Tax. These categories are consistently important sources of revenue for County Operations.

Similarly, the report reviews the County's expenditures with particular focus on the largest categories of expenditures, including Payroll and Fringe Benefits, Social Services Programs, Early Intervention/Pre-School Programs, Debt Service, and Property Tax Refunds.

In this report we detail the potential risks (that proposed revenues will be lower or expenditures will be greater than budgeted) and opportunities (that the proposed revenues will be higher or expenditures lower than budgeted) contained within the proposed budget.

This report reviews:

- The 5 Budgetary Funds:
  - Unconsolidated (Standalone) General Fund;
  - Police Headquarters Fund;
  - Debt Service Fund;
  - Fire Commission Fund; and
  - Police District Fund.

- The 3 Primary Operating Funds:
  - Total consolidated General Fund[2];
  - Police District Fund; and
  - Sewer and Storm Water District Fund.

The 3 primary operating funds have different tax bases with activity that represent the daily operations of the County and comply with Generally Accepted Accounting Principles (GAAP) for governments, a common set of accepted accounting principles, standards, and procedures for governmental financial reporting.

GAAP accounting differs from budgetary accounting. Among the differences is that GAAP accounting does not recognize balance transfers (use of reserves) or use of fund balance as revenue, therefore, on a GAAP basis, the proposed budget could show a projected deficit.

In evaluating the County Administration's Proposed 2025 Budget, my expert staff and I have taken a conservative view of revenue streams and sales tax growth. For example, we have excluded from consideration revenue streams that have not been finalized. All things considered, we believe the Administration has produced a responsible and balanced budget for 2025.

It is a tight budget, and the Administration must be mindful of managing to the budget in 2025. In addition, the County should explore ways to reduce expenditures and/or increase revenue going forward.

[2] 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, committed or assigned to expenditures for specified purposes other than debt service or capital projects. In accordance with GAAP, the General Fund is comprised of the following active County funds: General; Police Headquarters; Fire Commission; Debt Service; Open Space; Technology; Litigation; Employee Accrued Benefit Liability Reserve; Retirement Contribution Reserve; Bond Indebtedness Reserve; Excess Sales Tax Special Revenue Fund; Opioid Litigation Settlement Fund; and the Operating Reserve Fund.

PROPOSED FISCAL YEAR 2025 BUDGET RISKS/OPPORTUNITIES

Based on the review performed, the Comptroller's Office estimates that the 2025 Proposed Budget contains approximately $1.0 million of budgetary opportunity for the five (5) budgetary funds[3] and $131.0 million of risk for the three operating funds on a GAAP basis[4]. The risks and opportunities are shown in Table 1 and Table 2, excluding eliminating interfunds and net of eliminating transfers in and out.

A risk to the proposed budget represents a projection that revenues will be lower, or expenditures will be greater, than budgeted. Conversely, an opportunity to the proposed budget represents a projection that revenues will be higher, or expenditures will be lower, than budgeted.

Table 1, *(Risks) / Opportunities to the 2025 Proposed Budget* below is broken out into two sections to better illustrate the impact of the budgeted reserve funds. The first section of Table 1 identifies the projected risks and opportunities for the five budgetary funds. The second section of Table 1 on the following page, illustrates the projected risks and opportunities for the remaining funds that comprise the three primary operating funds, which comply with governmental accounting standards for financial reporting. The remaining funds include the Sewer and Storm Water District Fund and the reserve funds that are included in the General Fund for financial reporting purposes.

[3] The five (5) budgetary funds are the General Fund (standalone), Police Headquarters and Police District Funds, the Fire Commission Fund and the Debt Service Fund, what the Administration refers to as "the five Major Funds".
[4] The estimated results are prior the application of any GAAP entries related to GASB 87, *Leases*, GASB 94, *Public-Public and Public Private Partnerships and Availability Payment Arrangements*, and GASB 96, *Subscription Based Information Technology Arrangements* as these entries cannot be estimated at this time.

Table 1. (Risks) / Opportunities to the 2025 Proposed Budget

($ millions)	General Fund (a)	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
5 BUDGETARY FUNDS				
REVENUES				
Sales Tax	$13.0			$13.0
Use of Fund Balance	($20.0)	($10.0)		($30.0)
Fines and Forfeitures	($3.2)	$0.0		($3.2)
Departmental Revenues	($9.4)	$0.0		($9.4)
Federal Aid	($4.4)			($4.4)
State Aid	$28.3			$28.3
Investment Income	($5.9)	($4.8)		($10.7)
Rents and Recoveries	($15.2)	$0.0		($15.2)
PILOTs	($1.0)			($1.0)
All Other	$0.0	$0.1		$0.1
Total Revenues	**($17.8)**	**($14.7)**		**($32.5)**
OBLIGATIONS				
Payroll, Fringes & Workers' Compensation	$1.8	($2.2)		($0.4)
Early Intervention	($25.0)			($25.0)
Social Services	($6.2)			($6.2)
Contractual Expense	($7.6)	$0.0		($7.6)
Local Government Assistance	($0.8)			($0.8)
Property Tax Refunds	$34.7			$34.7
Judgments and Settlements	$28.0			$28.0
Debt Service	$11.0			$11.0
All Other	($0.2)	$0.0		($0.2)
Total Obligations	**$35.7**	**($2.2)**		**$33.5**
Total (Risks)/Opportunities - 5 Budgetary Funds	**$17.9**	**($16.9)**		**$1.0**

(a) Comprised of the General Fund (standalone), Police Headquarters Fund, Fire Commission Fund, and Debt Service Fund

Table 1. (Risks) / Opportunities to the 2025 Proposed Budget – continued

($ millions)	General Fund (b)	Police District Fund (c)	Sewer and Storm Water Fund	Total Operating Funds
SEWER AND STORM WATER AND RESERVE FUNDS				
REVENUES				
Use of Fund Balance	($298.0)		($16.9)	($314.9)
Investment Income	$24.3		$1.7	$26.0
Rents and Recoveries	$0.0		($5.9)	($5.9)
Capital Resources for Debt	$0.0		($5.0)	($5.0)
Total Revenues	**($273.7)**		**($26.1)**	**($299.8)**
OBLIGATIONS				
Payroll, Fringes & Workers' Compensation	$191.6		$0.8	$192.4
Property Tax Refunds	($34.7)			($34.7)
Judgments and Settlements	($28.0)			($28.0)
Transfers Out	$69.0			$69.0
Debt Service			$6.1	$6.1
All Other	$10.1		($0.1)	$10.0
Total Obligations	**$208.0**	**$0.0**	**$6.8**	**$214.8**
Total (Risks)/Opportunities - SSW and Reserve Funds	**($65.7)**		**($19.3)**	**($85.0)**

(b) Comprised of Litigation, a portion of the Employee Accrued Benefit Liability Reserve, Retirement Contribution Reserve, Bond Indebtedness, Operating Reserve, Opioid Litigation Settlement, Technology, and Open Space Funds.
(c) On a GAAP basis, a portion of the Employee Accrued Benefit Liability Reserve Fund is reclassified to the Police District Fund.

Table 2., *Projected Risks and Opportunities – 3 Primary Operating Funds Fiscal Year 2025* below combines the risks and opportunities of the two sections shown in Table 1., which combined, represents the total risks and opportunities for the 3 primary operating funds, the estimated GAAP adjustments and the projected total risks and opportunities on a GAAP basis.

Table 2. Projected Risks and Opportunities – 3 Primary Operating Funds Fiscal Year 2025

($ millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
Total (Risks)/Opportunities - 5 Budgetary Funds	**$17.9**	**($16.9)**		**$1.0**
Total (Risks)/Opportunities - SSW and Reserve Funds	**($65.7)**		**($19.3)**	**($85.0)**
Total (Risks)/Opportunities - 3 Primary Funds	**($47.8)**	**($16.9)**	**($19.3)**	**($84.0)**
Total GAAP Adjustments*	($50.8)	$6.0	($2.2)	($47.0)
Total (Risks)/Opportunities GAAP Basis	**($98.6)**	**($10.9)**	**($21.5)**	**($131.0)**

** GAAP adjustments are estimates and may change at year-end. These estimates do not include GAAP adjustments for GASB 87, GASB 94 and GASB 96.*

Table 3., *Estimated GAAP Adjustments for Fiscal Year 2025* breaks out the estimated GAAP adjustments projected for fiscal year 2025 as shown in Table 2. above.

Table 3. Estimated GAAP Adjustments for Fiscal Year 2025

2025 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	($47.8)	($16.9)	($19.3)	($84.0)
Period of availability adjustments	($6.2)	$0.0	($1.0)	($7.2)
Pension expenditure adjustment	($10.3)	($12.5)	$0.0	($22.8)
Sale of Mitchel Field Leases	$1.3			$1.3
NCC adjustment for termination pay	($1.0)			($1.0)
Effect of encumbrances adjustment	($16.1)	$0.0	($1.2)	($17.3)
Other GAAP adjustments	$0.0	$0.0	$0.0	$0.0
Reversal of prior year GAAP adjustments for timing	($18.5)	$18.5		$0.0
NET CHANGE IN FUND BALANCE (DEFICIT)	($98.6)	($10.9)	($21.5)	($131.0)

** GAAP adjustments can 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, GASB 94 and GASB 96, have not been included above.*

Below are some of the key assumptions for the projections in this report:

- The 2025 Proposed Budget includes an estimated $46 million budgeted for the 308 vacant positions in the County in the three primary operating funds. The projections in this report do not include a cost for these vacant positions as the methodology used by the Comptroller's Office is to project using current on-board headcount adjusted for additional police and correctional classes and related attrition.
- Revenues included in the 2025 Proposed Budget for new initiatives have been risked. This conservative approach is applied since timing of implementation is unknown, legislation may be required or there is pending litigation related to the initiative. Examples include the Income and Expense Law and the Ticket Reconciliation Program.
- While this report projects that property tax refunds and judgments and settlements will be on budget in 2025, the report assumes that all judgments and settlements, and all but $5.3 million of property tax refunds, will be paid out of the Litigation Fund reserve.
- The 2025 Proposed Budget includes an adopted budget for most of the reserve and other funds that are consolidated into the General Fund. As such, and based on discussions with the Budget Office, the projections in this report do not include expenditures in the following funds: Bond Indebtedness Fund (BIF), Employee Accrued Benefit Liability

Reserve Fund (EBF), Retirement Contribution Reserve Fund (RCF), Technology Fund (TCF), Open Space Fund (OSF), and the Operating Reserve Fund (ORF). The projections do include investment income projected on the cash balances held by these funds.

- The projections do include expenditures in the:
  - The Litigation Fund (LIT), even though there is no adopted budget proposed for 2025; it is expected that tax certiorari payments, litigation costs and longevity payments to employees, will be paid from this fund in 2025.
  - The Opioid Litigation Settlement Fund (OLS), which is included in the 2025 Proposed Budget, accounts for contractual costs.

Further Analysis of the individual risks and opportunities can be found beginning on page 10.

DISCUSSION OF REVENUES: (RISKS) / OPPORTUNITIES

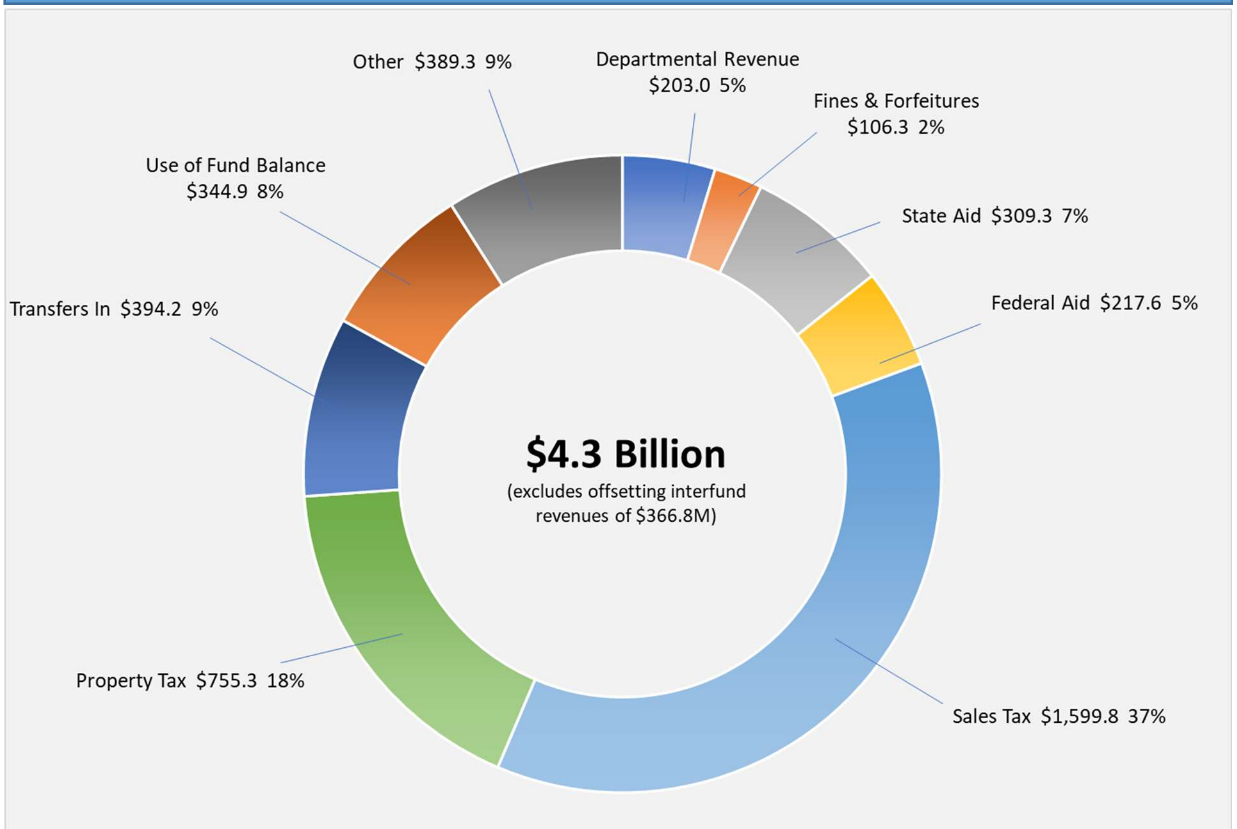
This section discusses significant revenue risks and opportunities presented in the fiscal year 2025 Proposed Budget.

PRIMARY FUNDS REVENUE COMPOSITION

Sales Tax is the major revenue source for Nassau County, accounting for $1.6 billion or 37% of revenue, followed by Property Tax at $755.3 million or 18%, State and Federal Aid at $526.9 million or 12% and Departmental Revenues at $203 million or 5%.

Chart 1: 2025 Proposed Budget Primary Operating Funds Revenues

FY 2025 Proposed Primary Operating Funds Revenues ($ Millions)



Note: **Other includes**: Non-offsetting Interfund Revenues ($82.4 million), PILOTs ($51.7 million), Rents and Recoveries ($48.6 million), Interest Penalties on Taxes ($35.5 million), Special Taxes ($33.8 million), Permits and Licenses ($18.7 million), OTB Video Lottery Terminals ($20.0 million), Revenue Offsets of Expense ($23.4 million), Investment Income ($59.7 million), and Capital Resources ($15.2 million).

Sales Tax | Budget Opportunity $13.0 million

The Comptroller's Office projects a $13.0 million opportunity for Sales Tax revenue in the 2025 Proposed Budget, or a 1.5% growth in sales tax collections over the Comptroller's Office 2024 projection for sales tax, which was revised from the 2024 Mid-Year Report.

Sales Tax, at 37% of 2025 budgeted revenues (net of offsetting interfund revenues), is the County's largest revenue source and is highly correlated to economic conditions.

Table 4. Sales Tax Revenue ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Updated Projection	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$1,574.3	$1,606.0	$1,599.8	$1,612.8	$13.0

2025 Sales Tax Projections

The Comptroller's Office projects sales tax revenue of $1,612.8 million, or $13.0 million over the 2025 Proposed Budget. The 2025 sales tax collections as projected in this report are 1.5% over the Comptroller's Office updated 2024 projection for collections. See Table 5. below for the 2025 sales tax projections and comparisons to the 2025 Proposed Budget.

The Comptroller's Office 2024 projection for sales tax revenue was increased to $1,606.0 million, which reflects year-to-date collections through September 2024 plus a projected 1% increase in the remaining checks over those collected in 2023.

It is important to note that sales tax collections are what the County receives from the State. County sales tax revenue is reported as collections net of adjustments for Part County deferred revenue. For further information on Part County sales tax, please see Appendix B. Table 5. below illustrates the differences between sales tax collections and sales tax revenue.

Table 5. Sales Tax by Collections and Revenue ($ Millions)

	FY 2023	FY 2024	FY 2025		
	Actual	Comptroller's Updated Projection	Proposed Budget	Comptroller's Forecast	Budget Opportunity
Sales Tax Collections	$1,563.4	$1,578.7	$1,589.4	$1,602.4	$13.0
Prior Year Part County	$21.3	$27.3	$10.4	$10.4	$0.0
Less: Current Year Part County	($10.4)	$0.0	$0.0	$0.0	$0.0
Total Sales Tax Revenue	$1,574.3	$1,606.0	$1,599.8	$1,612.8	$13.0

Because sales tax revenue is very economically sensitive, Table 6., *2025 Sales Tax Collections Scenarios* outlines several scenarios based on varying growth rates on the 2025 CO Projection for sales tax. The projection for 2025 sales tax collections used in this report is denoted in the shaded column "2025 CO Projection" in the table below.

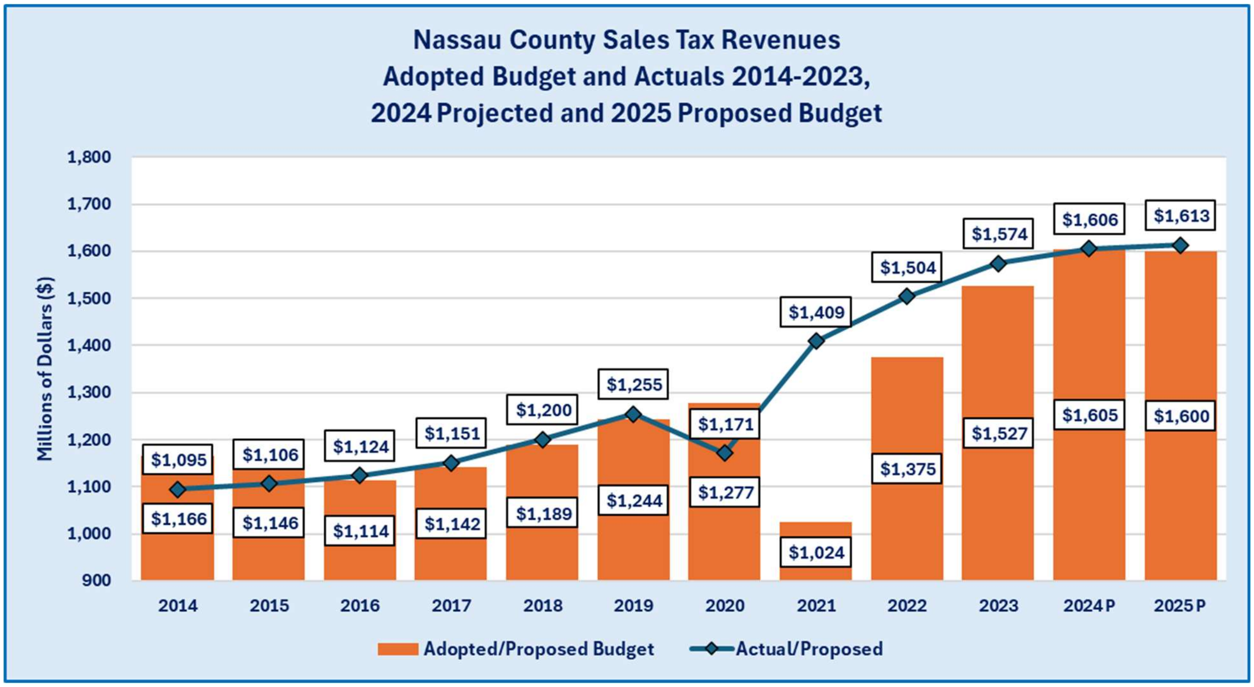
Table 6. 2025 Sales Tax Collections Scenarios – ($ Millions)

in $ millions **2025 Sales Tax Collections Scenarios**	2025 CO Projection -1.5%	2025 CO Projection -1.0%	2025 CO Projection*	2025 CO Projection +1.0%	2025 CO Projection +1.5%
Projected Total Sales Tax	$ 1,578.4	$ 1,586.4	**$ 1,602.4**	$ 1,618.4	$ 1,626.4
2025 Proposed Budget	$ 1,589.4	$ 1,589.4	**$ 1,589.4**	$ 1,589.4	$ 1,589.4
Difference from Budget	$ (11.0)	$ (3.0)	**$ 13.0**	$ 29.0	$ 37.0
% Difference from Budget	-0.69%	-0.19%	**0.82%**	1.83%	2.33%

** 2025 CO Projection = Updated 2024 CO Projection + 1.5% growth*

The Chart below depicts, by fiscal year beginning in 2014, actual sales tax revenue reported and the adopted budget, with projections for 2024 and 2025 revenues, and the 2025 Proposed Budget. The graph displays the slowing increase in sales tax since the inception of enhanced internet sales tax and the restrained sales tax revenue during the COVID-19 pandemic.

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



Fines and Forfeitures | **Budget Risk ($3.2) million**

The projections for Fines and Forfeitures anticipates a risk of $3.2 million. This risk is primarily attributed to $4.0 million of risk in the Traffic and Parking Violations Agency (TPVA), related to TPVA fines and traffic violation administrative fees, and a $5.0 million risk for Ticket Reconciliation Program (TRP). These risks are offset by an opportunity of $5.8 million in Red-Light Camera Fines and Red-Light Camera Administrative Fees.

Table 7. Fines and Forfeitures – ($ Millions)

	FY 2023	FY 2024	FY 2025		
Category	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
Red Light Cameras & Admin Fees	$45.6	$48.7	$46.1	$51.9	$5.8
Public Safety	$26.5	$23.5	$26.0	$26.0	$0.0
School Bus Camera	$1.9	$2.4	$3.0	$3.0	$0.0
Ticket Reconciliation Program	$0.0	$0.0	$5.0	$0.0	($5.0)
Other Fines and Forfeitures	$20.7	$20.8	$26.2	$22.2	($4.0)
Total Fines and Forfeitures	**$94.7**	**$95.4**	**$106.3**	**$103.1**	**($3.2)**

Investment Income | Budget Opportunity $15.3 million

The Comptroller's Office projects a $15.3 million opportunity for Investment Income in the 2025 Proposed Budget. This opportunity is due to an estimated $26.0 million of interest earnings on cash held in the reserve funds and the Sewer and Storm Water Fund, included in the three primary operating funds but are not included in the 2025 Proposed Budget, offset by estimated lower interest income of $10.7 million in the five budgetary funds due to projected declining interest rates.

Table 8. Investment Income – ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$88.6	$81.9	$59.7	$75.0	$15.3

Departmental Revenue | Budget Risk ($9.4) million

The 2025 Proposed Budget includes $9.4 million of estimated risk in Departmental Revenues primarily comprised of the following:

- Department of Assessment revenue from the Income and Expense Law of $5.0 million. The litigation surrounding these fees remains unadjudicated, therefore, the total estimated in the Proposed Budget is being risked.
- GIS map verification fees in the Department of Assessment are projected to be lower than estimated in the 2025 Proposed Budget ($4.0 million), however, it's projected higher than 2024 forecast, due to Federal Reserve lowering interest rate and prior years trends.

The remaining $0.4 million risk is comprised of various departments due to the year over year collection trend.

Table 9. Departmental Revenues – ($ Millions)

	FY 2023	FY 2024	FY 2025		
Category	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
GIS Tax Map Verification Fees	$21.7	$19.0	$29.0	$25.0	($4.0)
Mortgage & Deed Recording Fees	$27.1	$26.6	$27.0	$27.0	$0.0
Revenue from Income and Expense Law	$0.0	$0.0	$5.0	$0.0	($5.0)
Other Departmental Revenue	$132.1	$140.7	$142.0	$141.6	($0.4)
Total Departmental Revenue	**$180.9**	**$186.3**	**$203.0**	**$193.6**	**($9.4)**

Federal Aid | Budget Risk ($4.4) million

The Comptroller's office projects a risk of $4.4 million for Federal Aid revenue in the 2025 Proposed Budget. Most of this risk ($3.9 million) is in Day Care cost reimbursements in the Department of Social Services. The risk was determined by amending the reimbursement rates between Federal and State Aid; this risk is mostly offset in State Aid for Day Care cost reimbursements.

Table 10. Federal Aid ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$194.3	$196.9	$217.6	$213.2	($4.4)

State Aid | Budget Opportunity $28.3 million

The Comptroller's Office projects a $28.3 million opportunity for State Aid revenue in the 2025 Proposed Budget. Much of this opportunity ($26.5 million) is related to State Aid reimbursement for preschool special education services which are projected to increase due to an increase in related program expenditures. According to the 2025 Proposed Budget Summary, the County is pursuing legislation to cap or mitigate the local cost of preschool services. The County's State Aid reimbursement for pre-school and related services is 59.5%. There is also an opportunity of $3.6 million due to higher than budgeted State Operating Assistance reimbursement (STOA). These opportunities are offset by net risks of $1.7 million across a few different departments (i.e. Department of Health, Human Services and Social Services)

Table 11. State Aid ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$301.0	$318.1	$309.4	$337.7	$28.3

Rents and Recoveries | Budget Risk ($21.1) million

The 2025 Proposed Budget includes a projected risk of $21.1 million in Rents and Recoveries. The 2025 Proposed Budget includes $4.2 million for the sale of County property, however, at the time of this report, we are not aware of closing dates for any specific properties for sale in fiscal year 2025. The proposed budget includes $10.0 million in rental income for the Nassau County Coliseum; this revenue has conservatively been risked pending the determination whether or not the agreement meets the criteria of GASB 87, which governs the accounting for leases. Depending on that outcome, the budgetary and GAAP results may vary accordingly. The projections include a risk of $5.9 million in the Sewer and Storm Water Fund related to reimbursements on the sewer operations contract, which is based on historical trends. The remaining risk of $1.0 million is comprised of various departments based on a year over year trend.

Table 12. Rents and Recoveries and Sale of County Property ($ Millions)

	FY 2023	FY 2024	FY 2025		
Category	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
Sale of County Property	$0.3	$1.2	$4.2	$0.0	($4.2)
Enterprise Fund Recoveries	$3.4	$4.0	$10.9	$5.0	($5.9)
Sands Revenue	$0.0	$0.0	$10.0	$0.0	($10.0)
Other Rents and Recoveries	$31.0	$38.5	$23.4	$22.4	($1.0)
Total Rents and Recoveries	**$34.7**	**$43.7**	**$48.5**	**$27.4**	**($21.1)**

Payment in Lieu of Taxes | Budget Risk ($1.0) million

The Comptroller's Office is projecting a risk of $1.0 million for Payment in Lieu of Taxes (PILOT) in the 2025 Proposed Budget. This as a result of a projected decrease in the anticipated PILOT payments from LIPA.

Table 13. Payment in Lieu of Taxes – ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$52.3	$51.0	$51.7	$50.7	($1.0)

Capital Resources for Debt | Budget Risk ($5.0) million

The 2025 Budget proposes $10.0 million in revenue from unspent bond proceeds from completed capital projects. When a capital project is complete and all obligations have been paid, the capital project may be submitted to be permanently closed. In accordance with New York State Local Finance Law, §165.00, any unused bond proceeds in the closed project may only be used to pay debt service. While the Comptroller's Office does agree there are unspent bond proceeds from completed projects, our office is risking $5.0 million of the $10.0 million budgeted since details regarding the projects that are considered complete with unused cash have not been provided and reviewed to date. If projects are identified and reviewed for available unspent cash proceeds, some or all of the risk may be mitigated. It is expected that as part of the County's Nassau Forward ERP project, clean up of old capital projects will be completed and unused bond proceeds will be available for debt service paydown.

Table 14. Capital Resources for Debt ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$1.5	$19.9	$15.2	$10.2	($5.0)

Use of Fund Balance | Budget Risk ($344.9) million

The Comptroller's Office projects Use of Fund Balance with a risk of $344.9 million for the three operating funds, primarily due to the budgeted use of fund balance in the reserve funds of $314.9 million. The remaining $30.0 million use of fund balance projected in the General Fund ($20 million) and the Police District Fund ($10 million) is also risked since use of fund balance is not a revenue source.

Table 15. Use of Fund Balance ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$0.0	$0.0	$344.9	$0.0	($344.9)

DISCUSSION OF OBLIGATIONS: (RISKS) / OPPORTUNITIES

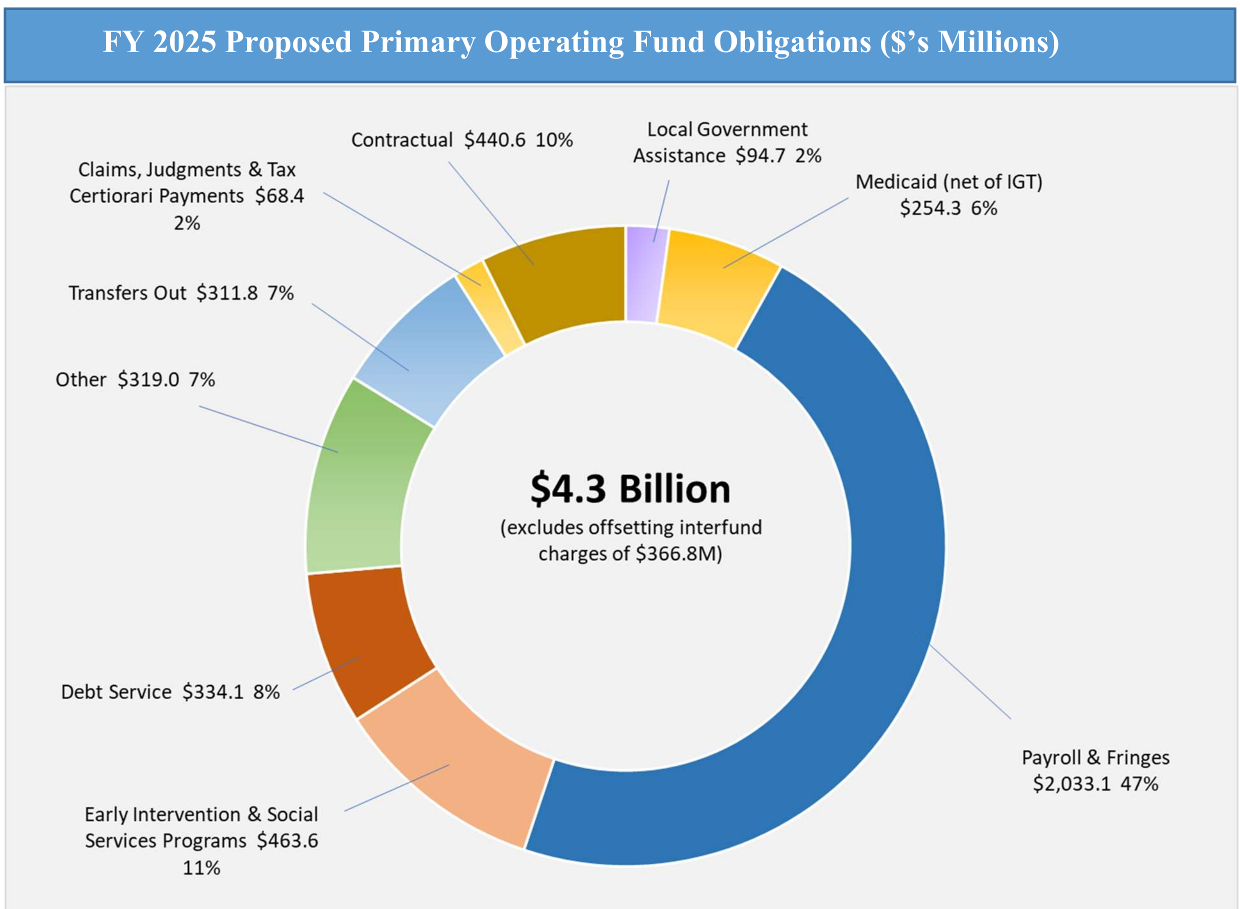
This section discusses risks and opportunities identified on obligations presented in the fiscal year 2025 Proposed Budget.

PRIMARY FUNDS OBLIGATIONS COMPOSITION

Major Obligations Categories

Payroll and fringe benefits, at 47% or $2,033.1 million is the County's greatest expenditure, followed by Early Intervention and Social Service Programs at $463.6 million or 11%, Contractual Services at 10% or $440.6 million, total Debt Service at 8% or $334.1 million, and Medicaid at $ 254.3 million or 6%.

Chart 3: 2025 Proposed Primary Operating Funds Obligations



Note: Other includes: Non-offsetting interfund charges ($69.7 million), Mass Transportation ($52.0 million), Utilities ($56.7 million), General Expenditures ($53.6 million), Rental Expenditures ($17.9 million), FIT and Non-Resident Tuition ($16.8 million), Legal Aid Society ($10.3 million), Bar Association ($17.4 million), Variable Direct Expenses ($5.3 million), Equipment purchases ($5.8 million), NIFA expenditures ($2.3 million), and various other ($69.5 million).

Payroll, Fringe Benefits and Workers' Compensation | Budget Opportunity $192.0 million

Payroll, fringe benefits, and workers' compensation expenditures are projected to have a combined surplus of $192.0 million when compared to the 2025 Proposed Budget.

The 2025 Proposed Budget includes a total of $2,033.1 million related to payroll, fringe benefits and workers' compensation expenses combined. This includes budgeted funding from the County's reserve funds, $72.5 million for salary related expenses and $131.5 million for fringe benefit related costs. Variances to the Comptroller's Office 2025 projections are detailed below:

Table 16. Payroll, Fringe Benefits and Workers' Compensation ($ Millions)

	FY 2023	FY 2024	FY 2025		
	Actual	Comptroller's Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
Payroll excluding OT & Termination Pay	$877.1	$872.4	$974.6	$904.5	$70.1
Overtime	$121.3	$131.9	$86.9	$117.1	($30.2)
Termination Pay	$41.0	$47.8	$94.1	$51.3	$42.8
Total Payroll	**$1,039.4**	**$1,052.1**	**$1,155.6**	**$1,072.9**	**$82.7**
Fringe Benefits	$648.8	$674.6	$839.7	$730.4	$109.3
Workers' Compensation	$33.8	$38.0	$37.8	$37.8	$0.0
Total Payroll, Fringe Benefits and Workers' Compensation	**$1,722.0**	**$1,764.7**	**$2,033.1**	**$1,841.1**	**$192.0**

The 2025 Proposed Budget assumes a full-time headcount of 7,588, an increase of 4.2% or 308 personnel from the current on-board headcount of 7,280 as of September 13, 2024. The value of the 308 budgeted full-time positions is estimated at $46 million for the three primary operating funds.

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

Major Assumptions:

Step Increases and Cost of Living Adjustments: The Comptrollers' Office forecast includes all scheduled step increases and cost of living adjustments (COLAs) consistent with the ratified labor contracts (DAI, SOA, PBA, COBA, CSEA and IPBA) and the 2025 budget as proposed.

Reserve Funds: The Administration has included in the County's 2025 Proposed Budget a total of $204.0 million of funding from the County's reserve funds to be applied toward salary and fringe benefit expenditures:

- *Operating Reserve Fund* (ORF): $30.0 million for salary expenses and $55.0 million for expenses related to fringe benefits. These reserves that have been set aside can be used for expenses related to healthcare, labor costs and risk management.
- *Retirement Contribution Reserve Fund* (RCF): $74.5 million for fringe benefit expenses. The reserves in this fund can provide a partial payment of the unbudgeted annual contribution the County makes to the New York State Retirement System for the ERS invoice.
- *Employee Benefit Accrued Liability Reserve Fund* (EBF): $42.5 million towards salary costs and $2.0 million for fringe benefit expenses. These funds can be used to cover the cost of unbudgeted accumulated but unused and unpaid termination pay, and other forms of payment for accrued but unliquidated time payable to County Police District employees and non-Police District employees, upon termination of service.

The ORF and the RCF are reported as a component of the General Fund. Because the EBF has funding from both the Police District and the General Fund, a portion of the EBF is reported as part of the General Fund and the remainder in the Police District Fund. With sufficient appropriations budgeted in each of the County's operating funds in 2025 for both salary and fringe benefit expenses, the Comptrollers' forecast does not include any expenditures paid using these reserve funds.

Workers' Compensation: In 2019, New York State eliminated its workers' compensation (second injury) long-term liability to the County, which estimated the cost of reimbursing the County for certain categories of injured workers. Instead, the State offered, and the County accepted, a discounted upfront payment of its estimated liability when the County agreed to assume that long-term liability, which was established to pay the injured employees over a span of approximately 20 years. The County received a lump sum of $15 million as the discounted value of the long-term liability, which the State estimated at $19 million. The Administration began using the $15 million in 2020 to settle current workers' compensation claims. The County may also use a portion of these proceeds to settle an additional number of long-term claims at a reduced cost. The $15 million is being reported in the Litigation Fund, a component fund of the General Fund, however, the projections do not include any expenditures paid using these funds.

PAYROLL EXPENSE (EXCLUDING OVERTIME AND TERMINATION)

The Comptroller's Office projects a surplus in payroll of $70.1 million excluding termination pay and overtime costs. Potential savings identified in this category include:

- The 2025 Proposed Budget continues to fund approximately 308 vacant positions with an estimated value of approximately $46.0 million for the County's three primary operating funds. Additional savings can be achieved if budgeted positions remain vacant or there are delays in hiring into the year.
- Potential savings of $3.7 million have been identified in Part time / Seasonal personnel in the General Fund which includes budgetary increases not supported by current trends and anticipated increases in headcount.

In 2022, the Administration reserved $100 million in the County's Litigation Fund (a component of the General Fund) to absorb the retroactive longevity payments related to the 2022 settlement with the unions. The funds reserved in the Litigation Fund are expected to be used by the Administration in 2024 to alleviate longevity expenses until the full amount reserved has been depleted or four years from the date of the settlement, whichever is first. The remaining balance in the Litigation Fund for longevity payments is $54.8 million as of September 2024.

For 2025 the Proposed Budget includes funding of $30.0 million for salary related costs that have been reserved in the Operating Reserve Fund (a component of the General Fund) established by Local Law 5 in 2023 that can be used to mitigate expenses related to healthcare, labor costs and risk management. These funds have been appropriated for use in 2025 and any unused balance would need to be re-appropriated in future years for use by the Administration.

Table 17. Payroll Expenditures excluding Termination Pay and Overtime ($ Millions)

	FY 2023	FY 2024	FY 2025		
Fund	Actual	Comptroller's Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
General Fund					
*General Fund	$430.3	$389.6	$462.9	$422.1	$40.8
Police Headquarters Fund	216.3	228.0	238.0	225.6	12.4
Fire Commission Fund	$10.0	$10.8	$13.0	$11.5	1.5
TOTAL GENERAL FUND	**$656.6**	**$628.4**	**$713.9**	**$659.2**	**$54.7**
Police District Fund	212.6	236.8	252.2	238.0	14.2
Sewer & Storm Water Fund	7.9	7.2	8.4	7.2	1.2
Total	**$877.1**	**$872.4**	**$974.5**	**$904.4**	**$70.1**

** includes Litigation fund, Operating Reserve fund and Employee Benefit Accrued Liability Reserve fund*

FRINGE BENEFITS

The Comptroller's Office projects a positive variance of $109.3 million in fringe benefits when compared to the 2025 Proposed Budget total of $839.7 million for this expenditure category.

The Comptrollers' Office is projecting a total of $730.4 million for this category resulting in a surplus of $109.3 million when compared to the 2025 Proposed Budget of $839.7 million. The primary areas of savings identified in fringe benefits are:

- $19.9 million related to FICA expense due to vacant positions;
- $3.7 million in Medicare reimbursement costs with trends remaining steady over the last 3 years; and
- $7.2 million pertaining to budgeted pension expense, with costs expected to be lower than the 2025 budgeted amounts based on the estimated bills from the New York State Retirement System for both New York State Local Employees' Retirement System (ERS) and the New York State Local Police and Fire Retirement System (PFRS).

The 2025 Proposed Budget includes $74.5 million of appropriations in the Retirement Contribution Reserve Fund (a component of the General Fund) and may be used toward fringe benefit expenses. This reserve fund may provide a partial payment of the annual contribution made to the New York State Retirement System for ERS. However, the budget as proposed has sufficiently funded for the County's anticipated pension expenses in the operating funds for 2025 based on the estimated bills from the New York State Retirement System for both ERS and PFRS. Any unused reserves will need to be re-appropriated in future years for use by the Administration.

An area of risk offsetting these potential savings is in active employee and retiree health insurance. The Comptroller's Office forecast has estimated a combined health insurance cost that could create a budgetary shortfall of up to $53.0 million depending on how actual insurance rates for 2025 compared to current estimated increases year-over-year.

The Proposed Budget for 2025 also includes $55.0 million of appropriations related to fringe benefit costs in the Operating Reserve Fund. Based on Local Law 5 of 2023, this reserve may be used for the payment of unbudgeted or extraordinary costs related to healthcare costs.

This area of risk is specifically for the active CSEA union members that were switched to the NYSHIP Excelsior plan in 2024. This plan with the State is now set to terminate as of December 31, 2024. Until the decision of the new healthcare plan for the active CSEA members is made, the impact to the County is unknown. Additionally, there is a risk in health insurance for retirees of the CSEA union. For 2025, these members are budgeted with the NYSHIP Excelsior plan at a lower cost. However, to date the CSEA retirees have remained on the NYSHIP Empire plan due to a court order for a temporary hold pending review by a State Supreme Court judge based on a lawsuit initiated by this group against the County in December 2023.

The $55.0 million budgeted in the Operating Reserve Fund can be used to offset any potential budgetary shortages in fringe benefits in 2025 resulting from the impact of either of these decisions on the County's budget. Any reserve balance that remains unused at the end of the 2025 fiscal year will need to be re-appropriated in future years for use by the Administration.

Table 18. Fringe Expenditures ($ Millions)

	FY 2023	FY 2024	FY 2025		
Fund	Actual	Comptroller's Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
General Fund					
*General Fund	$275.0	$295.1	$425.8	$313.4	$112.4
Police Headquarters Fund	$170.5	$192.9	$211.2	$208.9	$2.3
Fire Commission Fund	$6.5	$7.5	$7.2	$8.3	($1.1)
TOTAL GENERAL FUND	**$452.0**	**$495.5**	**$644.2**	**$530.6**	**$113.6**
Police District Fund	$190.0	$172.0	$188.5	$192.4	($3.9)
Sewer & Storm Water Fund	$6.8	$7.1	$7.0	$7.4	($0.4)
Total	**$648.8**	**$674.6**	**$839.7**	**$730.4**	**$109.3**

** includes Litigation Fund, Operating Reserve Fund, Retirement Contribution Reserve Fund and Employee Benefit Accrued Liability Reserve Fund*

WORKERS' COMPENSATION

The Comptroller's Office projections agree that there is adequate funding provided in the Proposed Budget for workers' compensation expenditures in 2025 totaling $37.8 million, for the three primary operating funds combined. The County has seen an increase in Indemnity and Pay expenses. However, risk management continues in this category with the County's Third-Party Administrator to control costs related to workers' compensation claim reporting.

Of the $15.0 million received from New York State (Second Injury Fund Settlement) which eliminated the cost of reimbursing the County for certain categories of injured workers, $14.0 million is still available for use by the Administration to manage workers' compensation expense in 2025 and in future years.

TERMINATION PAY

The projections in this report estimate a potential opportunity in termination pay of $42.8 million as the 2025 Proposed Budget sufficiently funds the County's anticipated termination expense for the fiscal year at a total of $94.1 million for the primary operating funds combined. The 2025 Proposed Budget will fund termination pay for up to approximately 120 sworn officers totaling

$70.8 million for the police funds, comprised of $7.3 million in Police District, $42.5 million appropriated in the Employee Benefit Accrued Liability Reserve Fund or EBF (a component of the General Fund) and $21.0 million in the Police Headquarters Fund. The Comptroller's Office is forecasting up to 100 sworn officers retiring in 2025 with an estimated cost totaling $31.8 million.

The Proposed Budget appropriates $44.5 million in 2025 from the EBF Fund for termination pay and related fringe benefit costs. Based on current forecasts, the budget in all operating funds will adequately cover anticipated 2025 termination costs for each fund except the Police District Fund. The reserve balance in the EBF Fund can be used by the Administration to offset any overages related to termination pay.

Table 19. Termination Pay ($ Millions)

	FY 2023	FY 2024	FY 2025		
Fund	**Actual**	**Comptroller's Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
Police District Fund	$10.3	$12.4	$7.3	$12.8	($5.5)
Police Headquarters Fund	$17.6	$18.5	$21.0	$19.0	$2.0
Employee Benefit Fund	$0.0	$0.0	$42.5	$0.0	$42.5
Other	$13.1	$16.9	$23.3	$19.5	$3.8
Total	**$41.0**	**$47.8**	**$94.1**	**$51.3**	**$42.8**

OVERTIME EXPENDITURES

Based on current expenditure trends, overtime for the operating funds is expected to be underfunded by potentially $30.2 million when compared to the 2025 Proposed Budget.

The 2025 Proposed Budget includes funding for two additional classes to begin the Police Academy in 2025 of up to 75 recruits each. Our projections include these police classes as well.

Classes have also been included in the Comptroller's Office 2025 projections for the Correctional Center in line with the 2025 Proposed Budget, two classes of up to 50 correctional officers each. Beginning in 2020, the County began to see a decrease in inmate population. This decline in inmate population is related to recent Criminal Justice Reform passed by New York State that eliminated cash bail for many types of misdemeanor and non-violent felonies and referred inmates awaiting trial to the Probation Department for electronic bracelet monitoring until they appear in court. The hiring of the new classes along with the decline in inmate population have resulted in a decline in overtime expense beginning in 2023. The Administration is also considering implementing a jail building consolidation plan that is also expected to assist in reducing overtime for this department.

Although the 2025 Proposed Budget increased the total budget for overtime by $5.8 million for all funds, this represents an increase of only 7% over the overtime in the 2024 Adopted budget.

Current 2024 trends are forecasting anticipated shortages in this category potentially up to $50.7 million. While the Administration feels that a reduction in overtime is achievable in 2025 due to the new classes of police and correctional officers, a 7% increase in the overtime budget over 2024 will not be sufficient for total overtime expenses based on current trends. Overtime expense budgeted for 2025 for the primary operating funds combined totals $86.9 million. The Comptroller's Office forecasts overtime expenses for 2025 at $117.1 million. Notwithstanding the initiatives mentioned above, the projections still anticipate a combined shortfall of approximately $20.0 million in overtime expenditures for the two police funds, of which $7.0 million is projected for the Police District Fund, $13.0 million in the Police Headquarters Fund and up to $9.4 million for the Correctional Center.

Table 20. Overtime ($ Millions)

	FY 2023	FY 2024	FY 2025		
Fund	Actual	Comptroller's Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
Police District Fund	$33.9	$32.0	$24.0	$31.0	($7.0)
Police Headquarters Fund	39.4	43.0	26.0	39.0	(13.0)
Other	48.0	56.9	36.9	47.1	(10.2)
Total	**$121.3**	**$131.9**	**$86.9**	**$117.1**	**($30.2)**

Early Intervention – Pre-School Programs | Budget Risk ($25.0) million

The Comptroller's Office projects a risk of $25.0 million in the 2025 Proposed Budget in the category of Early Intervention/Special Education program expenses due to the anticipated increase in caseloads, the exponential growth of the Pre-School Education program and based on historical trends. As a result, the 2025 Proposed Budget is projected to have a shortfall in Pre-School Education (3-5 Years) and SEIT Services category.

Table 21. Early Intervention/Pre-School Programs ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$187.0	$200.2	$185.0	$210.0	($25.0)

Social Services Programs | Budget Risk $(6.2) million

The Comptroller's Office projects a risk of $6.2 million in the 2025 Proposed Budget for the combined Social Services Programs, with a shortfall in Emergency Vendor Payments, Purchased Services and Medicaid.

Emergency Vendor Payments | Budget Risk of $(1.9) million

The Comptroller's Office projects a risk of $1.9 million in the 2025 Proposed Budget in the category of Safety Net primarily due to an increase in homelessness and mandated regulations to assist individuals and families seeking shelter assistance. Due to the projected increase in expenditures, there will be an offsetting increase in State Aid reimbursement.

Purchased Services | Budget Risk of $(1.9) million

The Comptroller's Office projects a risk of $1.9 million in the 2025 Proposed Budget for Title XX, and Day Care Services due to the projected caseload increase which is the result of changes in the ineligibility requirements by State that increased enrollment.

Medicaid | Budget Risk of $(2.4) million

The Comptroller's Office projects a risk of $2.4 million for Medicaid in the 2025 Proposed Budget. The shortfall is as a result of a projected increase in County Share costs of $4.8 million offset by a potential savings of $2.4 million projected in the Indigent Care category as the quarterly payments are expected to be lower than the 2025 Proposed Budget.

Table 22. Social Services Programs ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$442.8	$514.5	$532.9	$539.1	($6.2)

Contractual Expenditures | Budget Risk $(7.6) million

The Comptroller's Office projects a potential risk of $7.6 million in contractual expenditures. The primary components of this risk include a $2.6 million risk related to the projection of higher revenue in Red-Light Camera fines, which increases contractual payments to the vendor who manages the program. An additional risk of $2.6 million is projected for the Correctional Center's health care contract for inmates, as well as a potential risk of $6.2 million for the NICE bus contract based on past payments. These risks are offset by a potential opportunity of $3.7 million related to program contracts in the Department of Human Services.

Table 23. Contractual Expenditures ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$391.5	$443.2	$440.6	$448.2	($7.6)

Debt Service | Budget Opportunity $17.1 million

The Comptroller's Office projects an opportunity of $17.1 million in debt service comprised as follows:

- $8.6 million in interest savings,
- $2.4 million in principal savings,
- $6.1 million in sewer debt savings.

The 2025 Proposed Budget projected additional borrowing by end of year 2024 of $90.0 million for general capital improvements and $95.0 million for the Bay Park conveyance project. The Administration has indicated that at this time, these bonds may not be issued until 2025 or later and therefore our office is projecting an opportunity of $17.1 million.

Table 24. Debt Service ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$413.2	$336.6	$334.1	$317.0	$17.1

Local Government Assistance | Budget Risk ($0.8) million

Due to the projected opportunity in sales tax revenue, there is a projected risk of $0.8 million in Local Government Assistance. This assistance is a prorated portion of sales tax receipts and as that revenue increases, the County's expenditure in this category also increases.

Table 25. Local Government Assistance ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$93.9	$94.1	**$94.7**	**$95.5**	**($0.8)**

Net Transfers | Budget Opportunity $69.9 million

The Comptroller's Office projects a net opportunity of $69.0 million in net Transfers In/Out. The 2025 Proposed Budget includes a $69.0 million transfer from the Bond Indebtedness Fund (BIF) to the Debt Service Fund, both components of the General Fund. However, there is no offsetting transfer in budgeted in the Debt Service Fund, thus this transfer out does not eliminate. The projections in this report do not project the need for this transfer based on discussions with the Administration.

Table 26. Net Transfers ($ Millions)

	FY 2023	FY 2024	FY 2025		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
Transfers In					
5 Budgetary Funds	$277.6	$0.0	$242.8	$0.0	($242.8)
SSW and Reserve Funds	$429.7	$151.4	$151.4	$151.4	$0.0
Total Transfers In	$707.3	$151.4	$394.2	$151.4	($242.8)
Transfers Out					
5 Budgetary Funds	$406.7	$0.0	$242.8	$0.0	$242.8
SSW and Reserve Funds	$154.9	$0.0	$69.0	$0.0	$69.0
Total Transfers Out	$561.6	$0.0	$311.8	$0.0	$311.8
Net Transfers		**$151.4**	**$82.4**	**$151.4**	**$69.0**

Other Obligations | Budget Opportunity $9.8 million

The Comptroller's Office projects an opportunity of $9.8 million in Other Obligations. The 2025 Proposed Budget includes a $10.0 million appropriation for Insurance on Buildings in the Operating Reserve Fund (ORF), a component of the General Fund. The projections include this opportunity based on historical trends. This is offset by minor opportunities of $0.2 million in various expenditure categories.

Table 27. Other Obligations ($ Millions)

FY 2023	FY 2024	FY 2025		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$41.5	$47.9	**$58.3**	**$48.5**	**$9.8**

LONG-TERM OBLIGATIONS AND BORROWING TRENDS

Property Tax Refunds (Tax Certiorari)

The Comptroller's Office projects $40 million of tax certiorari expenditures will be paid out of the Litigation Fund, which had $62.3 million of remaining appropriations available for tax certiorari payments as of September 30, 2024.

As of December 31, 2023, the total property tax certiorari liability was estimated to be $269.6 million, comprising:

- $238.3 million in long-term liabilities:
- $17.7 million of liabilities accrued for as of year-end 2023; and
- an estimated $13.6 million related to the (DAF).

At year-end 2023, the total liability had decreased to $269.6 million from $383.4 million and $707.3 million, as of 2022 and 2021 fiscal year-end, respectively. The decrease in the liability in 2023 from 2022 was primarily the result of approximately $137.6 million of tax certiorari payments made in 2023. In March 2022, the County settled a $255.0 million tax certiorari claim with the Long Island Power Authority and National Grid, which, coupled with payments of approximately $112.2 million, accounted for the reduction in the liability from its ending balance in 2021.

The County has funds reserved in the Litigation Fund for property tax payments and in the DAF Fund for the payment of property tax refunds related to commercial properties. Since there is no budget for the DAF Fund payments or the Litigation Fund, and since the total liability is computed at year-end based on input from the County's Assessment Review Commission and the County's Treasurer's Office, it is not feasible to project what the 2025 or future years' year-end liability will be.

Year-to-date through September 30, 2024, approximately $32.9 million of property tax refunds have been made from the DAF Fund, $15.6 million from the Litigation Fund, and $0.4 million from the General Fund.

Borrowing Trends

The 2025 Proposed Budget projects long-term borrowings of $200.0 million, which will require NIFA approval, subject to Legislative (supermajority) approval. The Administration expects to issue long-term bonds of $200.0 million to pay for capital projects, which include borrowing of $50.0 million for sewer related projects and $150.0 million for general improvement projects.

The Administration's proposed capital borrowings in years 2026-2028 include $150.0 million in general improvement capital projects and $50.0 million in sewer related projects in each year. Chart 4 below illustrates the County's historical and new proposed debt issuances.

Chart 4: Nassau County Historical and New Debt Issuances

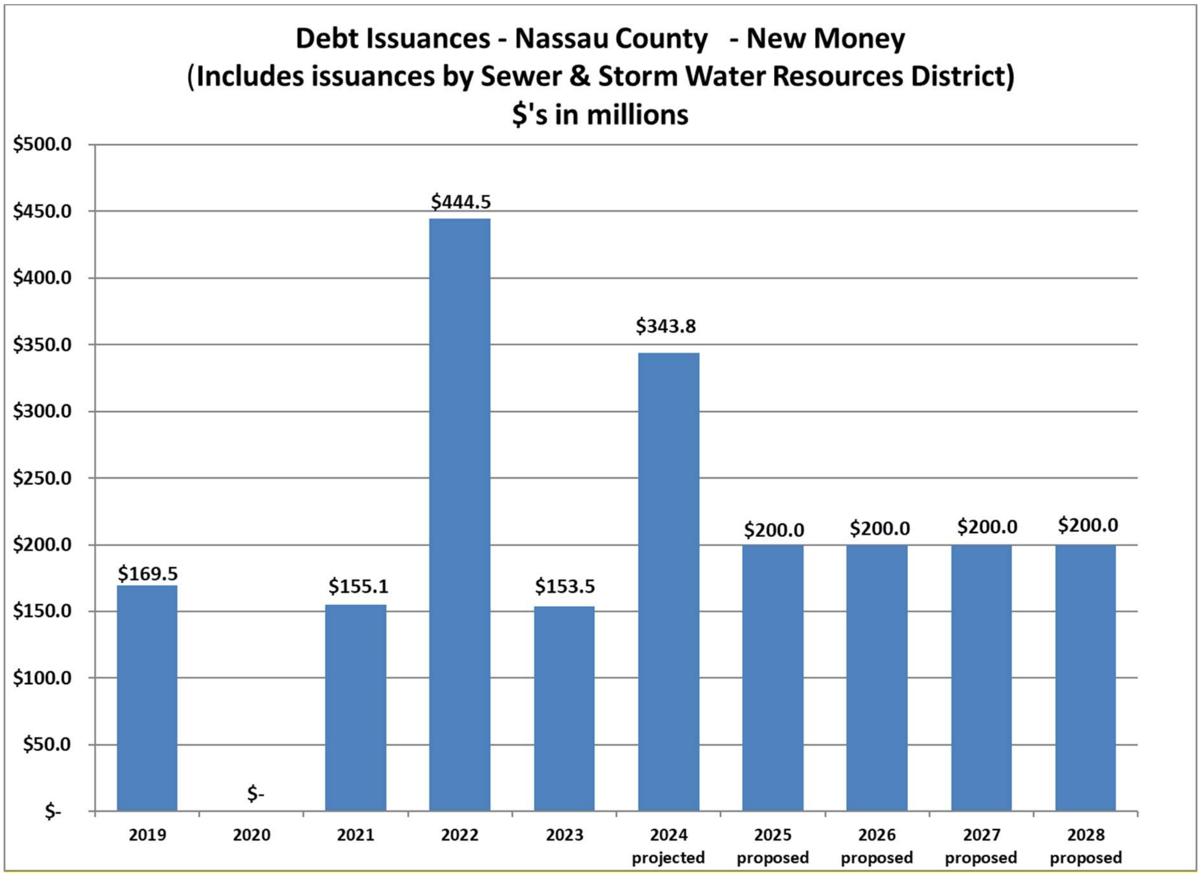


Table 28. below illustrates projected long-term debt issued through December 31, 2025, by the County including SSW District, Nassau Community College, NIFA, Sewer and Storm Water Finance Authority (SFA), and Nassau County Tobacco Settlement Corporation (NCTSC).

At 2023 year-end, the total of the County's general obligation bonds and its component units' long-term bonds outstanding was approximately $3.7 billion (including serial bonds and accreted interest of the NCTSC), both of which have no recourse to the County. The 2024 and 2025 anticipated borrowings will increase the total long-term bonds outstanding from $3.7 billion at year-end 2023 to approximately $3.93 billion at year-end 2025 after reductions of maturing debt, for a net increase of 6.77% (see table below). The 2024 projected additions is comprised of the County's 2024A Series Bond ($253.8 million) and NIFA's 2024A Refunding Bond ($133.0 million). The projected additions in 2025 are comprised of $220.0 for general improvement projects, $70.0 million for sewer related projects, and $95.0 million of EFC notes converting to a long-term bond. The EFC funding is used for the Bay Park conversion project. Projected reductions are decreasing from 2024 to 2025 primarily due to no anticipated County or NIFA bond refunding in year 2025.

Table 28. Total Projected Long-Term Borrowings

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

	As of December 31, 2023 Actual	2024 Projected Additions	2024 Projected Reductions	As of December 31, 2024 Estimated	2025 Projected Additions	2025 Projected Reductions	As of December 31, 2025 Estimated
County w/SSW (a)	$ 2,038.6	$ 253.8	$ 130.6	$ 2,161.8	$ 385.0	$ 86.8	$ 2,460.0
NIFA	1,079.8	133.0	214.8	998.0		92.9	905.1
Sewer and Storm Water Finance Authority (SFA) (b)	61.1		10.3	50.8		8.6	42.2
Tobacco Settlement Corp (NCTSC) (c)	503.9	10.4		514.3	11.0		525.3
Total	**$ 3,683.4**	**$ 397.2**	**$ 355.7**	**$ 3,724.9**	**$ 396.0**	**$ 188.3**	**$ 3,932.6**

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt
(b) Assume no additional borrowings for SFA
(c) December 31,2023 includes accumulated accreted interest of $122.1 million; projected additions for 2024 and 2025 represent accreted interest

NASSAU COUNTY INTERIM FINANCE AUTHORITY (NIFA) ACT

Since its enactment in 2000, the Nassau County Interim Finance Authority (NIFA) provides State oversight of the County's finances. NIFA was created pursuant to the NIFA Act (the Act) codified as Title I of Article 10-D of the New York State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition for the composition or adjustment of municipal indebtedness without the approval of NIFA and the New York State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2035, which are callable in 2031. The NIFA Act was amended on April 3, 2020, as part of New York State's 2021 budget, which was passed on April 3, 2021. Included in the legislation for the State's budget for the 2021 fiscal year were modifications to the NIFA Act that allowed NIFA to issue up to an additional $400 million of bonds for tax certiorari refunds and an unlimited amount of bonds for other financeable costs through December 31, 2021, allowing any bonds issued by NIFA to mature no later than January 31, 2051. This change enabled the 2021 NIFA cashflow refunding.

Control Period Calculation

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

During a Control Period, NIFA has the authority to:

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

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

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

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

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

The projected Control Period Calculation results for fiscal year 2025 are $(48.8) million. The modified accrual basis results, which are in accordance with GAAP reporting, do not include adjustments related to GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. GAAP adjustments related to these two GASB Statements will affect the modified accrual basis (GAAP) results.

Table 29. below presents the Control Period Calculation results for 2025 as projected by the Comptroller's Office. NIFA projects the Control Period Calculation results to determine whether a deficit of more than one percent of the aggregate result of operations in the operating funds (as defined above) exists, there by triggering a NIFA Control Period.

Table 29. Proposed 2025 Budget Control Period Calculation

Revenue and Obligations Risks/Opportunities - 2025 Proposed Budget Reconciled to the Control Period Calculation*
($ millions)

Estimated Results on a Budgetary Basis *	**$1.0**
Adjustments to reconcile to Modified Accrual Basis*	
Net adjustments to remove the effect of encumbrances	(16.1)
Use of Fund Balance	-
Net adjustment to record pension expense on a modified accrual basis	(22.8)
Adjustment for cash receipts outside period of availability	(6.2)
Sale of Mitchel Field Leases	1.3
Other Estimated GAAP Adjustments	(1.0)
Net Change in Fund Balance on a Modified Accrual Basis	**(43.8)**
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense	(5.0)
Operating expense paid with bond proceeds	-
Control Period Calculation Results	**($48.8)**

* Includes: General Fund (pre-2011), Police Headquarters Fund, Police District Fund, Fire Commission Fund, and Debt Service Fund (not including sewer debt).
** Adjustments to reconcile to Modified Accrual Basis do not include the required GAAP adjustments related to GASB 87, GASB 94 or GASB 96 as the evaluation of the agreements that may meet the criteria will be performed at fiscal year-end.

Table 30. below presents the actual historical Control Period Calculation results for fiscal years 2019 through 2023, and projected results for fiscal years 2024 and 2025.

Table 30. Historical Control Period Calculation 2019-2022 Actuals with 2024 and 2025 Projections

Control Period Calculation 2019 - 2023 Actual, 2024 and 2025 (projected)*

($ millions)

	2025 (projected)	2024 (projected)***	2023	2022	2021	2020	2019
Net Change in Fund Balance - modified accrual basis **	($43.8)	$207.7	$19.6	$79.7	$27.2	$103.1	$138.9
Less: adjustments included in other financing sources							
Premium on bonds							
Borrowed funds to pay Property Tax Refunds							61.1
Borrowed funds to pay Other Judgments							
Borrowed funds to pay Termination Pay							
Borrowed funds to pay Other Operating Costs			0.3				0.2
Transfer of revenue from other funds to offset debt expense	5.0	15.0	0.0	0.0	0.0	12.5	0.8
Total other financing sources/uses to be eliminated	5.0	15.0	0.3	0.0	0.0	12.5	62.1
Control Period Calculation Results	**($48.8)**	**$192.7**	**$19.3**	**$79.7**	**$27.2**	**$90.6**	**$76.8**

* Includes: General Fund (pre-2011), Police Headquarters Fund, Police District Fund, Fire Commission Fund, & Debt Service Fund (not including sewer debt).
** Adjustments to reconcile to Modified Accrual Basis do not include the required GAAP adjustments related to GASB 87, GASB 94 or GASB 96 as the evaluation of the agreements that may meet the criteria will be performed at fiscal year-end.
***2024 projected was revised for increased sales tax revenues.

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 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 this 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 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 or other adjustments required to conform to GAAP. 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)*.

APPENDIX B: SALES TAX VARIABLES AND TERMINOLOGY

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

NIFA Set-Aside Debt

- 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 in the General Fund, with the amount withheld by NIFA reported as debt service on a budgetary basis in the Debt Service Fund, a component of the General Fund for reporting purposes.
- Due to timing issues with the receipt of sales tax and NIFA's due dates for debt service payments, the amounts withheld from sales tax may differ from the debt service reported by NIFA in the financial statements.

Part County Sales Tax

- New York State Tax Law §1262(d), provides cities and towns a share of certain sales taxes related to hotel occupancy, restaurants, and other retail establishments. This law gives cities a choice to receive their share of sales tax revenues directly or to receive them as a credit on 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.
- Because Part County sales tax received in fiscal year 2023 was higher than budgeted by $10.4 million, the City of Glen Cove and the three towns did not receive enough credit on their property tax levies for that fiscal year. The $10.4 million will be credited to the City of Glen Cove and the three towns in the calculation of the County's 2025 tax levies.