



# **NASSAU COUNTY LEGISLATURE**

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**Office of Legislative Budget Review**

**Review of the  
Fiscal Year 2010 Budget  
&  
Multi-Year Plan**

**Executive Summary**

**Eric C. Naughton, Director**

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# *Nassau County Legislature*

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**Eric C. Naughton**  
Director

**Stephanie Rubino**  
Assistant Director

**Deirdre K. Calley**  
Budget Analyst

**Nadeem Shahzad**  
Director Information Resource

**Othniel Denis**  
Budget Analyst

**Steve Antonio**  
Deputy Director

**Connie Tucker**  
Budget Analyst

**Helena Carlson**  
Senior Budget Analyst

**Dawn Wood-Jones**  
Budget Analyst

**Simone Petersen**  
Administrative Assistant



OFFICE OF LEGISLATIVE  
BUDGET REVIEW

**NASSAU COUNTY LEGISLATURE**  
ONE WEST STREET  
MINEOLA, NEW YORK 11501  
516-571-6292

**Inter-Departmental Memo**

To: Hon. Diane Yatauro, Presiding Officer  
Hon. Peter Schmitt, Minority Leader  
All members of the Nassau County Legislature

From: Eric C. Naughton, Director   
Office of Legislative Budget Review

Date: October 5, 2009

Re: Executive Summary

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Pursuant to §183 of Nassau County Charter, the Office of Legislative Budget Review has prepared a report on the County Executive's proposed operating budget for budget for Fiscal Year 2010 and Multi-Year Plan. Our reports are made up of two parts: the enclosed Executive Summary, and a Departmental Analysis, which has been distributed separately.

I would like to thank the County Executive's financial team for their cooperation during this process. As always, my staff and I remain ready to provide whatever assistance the Legislature may require during the budget process. This document will be made available to your constituents at <http://www.nassaucountyny.gov/agencies/OLBR/reports.html>.

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# 1. EXECUTIVE SUMMARY

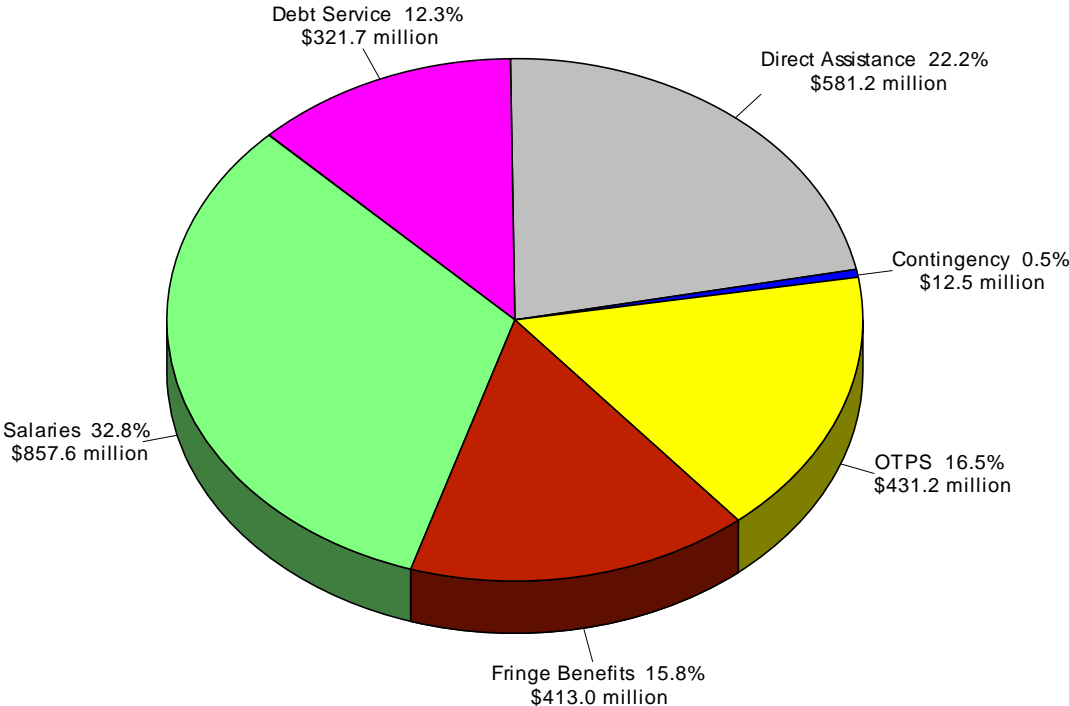
## Introduction

As the County modified its revenue and expenses in 2009, it was cognizant of the impact on the upcoming year. The proposed budget contains less speculative revenue than seen in the past and because all of the major unions have labor agreements through 2015, the budget does not contain optimistic labor savings. Unfortunately, the 2010 Executive Budget does not do enough to transition the County to 2011. In 2011 the County is facing the loss of Federal Medical Assistance Percentage (FMAP) funding, increased pension expenses and significant labor costs because of contractual increases along with the repayment of deferrals. Efforts to civilianize in the Police Department will help, but hiring in other departments must be carefully scrutinized. The Administration optimistically hopes to do the same with less, but this may be the time to recognize that based on the County’s revenue it will have to do less with less. Moreover, given that the out-years’ gaps are worse than what has been portrayed by the Administration, due to its optimistic economic recovery assumptions, it is imperative that the County decide what services it wants to provide and at what cost.

## Proposed Expense Budget

The FY 10 proposed budget for the major funds, excluding the Sewer and Storm Water District and interdepartmental chargebacks, is \$2.6 billion. Nearly half of the budget funds salaries and fringe benefits. The second largest component is for direct assistance at 22.0%, as illustrated in Chart 1.1.

**Chart 1.1: FY 10 Major Funds’ Expenses (\$2.6 billion)**



Data excludes inter-dept charges and Debt Service includes NIFA Debt.

Compared to the adopted FY 09 budget, there is a marginal increase of \$15.2 million or 0.6% as shown in Table 1.2, on page 3. The funding for salaries is decreasing by \$6.3 million or 0.7%. The budget fully funds all current staff and does not include probable savings from attrition. The vacant and new positions are funded for various lengths of time, most for the full year. The salary budget also includes contractual salary increases for employees in the various unions. The 2010 budget would have been higher if not for deferments that were part of the labor concessions approved as part of the County’s actions to reduce the 2009 gap. The value of the 2010 “savings”, which will further burden the out-years, is \$20.7 million. In addition, the County is using approximately \$4.6 million of bond proceeds to fund the 2010 termination pay liability for employees that retired in 2009 prior to the separation incentive. Those funds and expense are not part of the expense budget.

With the reduction in headcount in 2009, the Administration hopes to manage by consolidating departments to leverage resources across historical department lines. The proposed Budget does not actually consolidate any of the departments, but the supporting documentation outlines the actions that the Administration is contemplating. Some of the consolidations will be mergers, but most are best described as collaborations, which will match the strengths of one agency with the weaknesses of another. The consolidations do not provide obvious savings, but provide cost avoidance by reducing the need to fund additional personnel. The planned consolidations are as follows:

- The Youth Board will become a component of the Department of Social Services.
- The Office for the Physically Challenged will become a part of Senior Citizen Affairs.
- The Medical Examiner will become a component of the Department of Health
- Certain support services functions, such as accounting and finance personnel, will be consolidated into the Office of the Treasurer.
- The purchasing staff of various departments will become part of Purchasing.
- In FY 10 the Administration is seeking to establish the Office of the County Advocate within the Office of the County Executive. It will be made up of the following agencies, though each agency will retain their existing structure.
  - § Coordinating Agency for Spanish Americans (CASA)
  - § Office of Constituent Affairs
  - § Office of Minority Affairs

Compared to the September 1, 2009 headcount there are 388 more full-time positions in the proposed 2010 Budget, as reflected in Section 4 of the Executive Summary, Labor. Some departments that are scheduled to have a significant addition to personnel compared to their September 2009 headcount are the Police Department, Correctional Center, Sewers, Public Works, Probation and Social Services. The Police Department is continuing efforts to civilianize 50 sworn positions and reduce overtime through the

**Table 1.1: Proposed FT Headcount vs. Sept. 2009**

	Sept. 1, 2009 Actual	2010 Proposed	Var.
Police Headquarters	1,501	1,649	148
Correctional Center	1,231	1,281	50
Sewers	262	290	28
Public Works	610	634	24
Probation	200	215	15
Social Services	815	829	14

department. The headcount increases for these departments are reflected in Table 1.1. For more information regarding these additions please see the **OLBR Departmental Analysis**.

**Table 1.2: Major Funds' Expenses 2009 vs. 2010**  
(\$'s in millions)

	2009 Adopted	2010 Proposed	Var.
<b>Expenses</b>			
Salaries	\$863.9	\$857.6	(\$6.3)
Fringe	424.4	413.0	(11.4)
OTPS	437.7	431.2	(6.5)
Direct Assistance	557.9	581.2	23.3
Debt Service	305.2	321.7	16.5
Contingency	12.9	12.5	(0.4)
<b>Total Expenses<sup>1</sup></b>	<b>\$2,602.0</b>	<b>\$2,617.2</b>	<b>\$15.2</b>

1. Excludes interdepartmental charges and debt service chargebacks

Fringe benefit expenses are decreasing by \$11.4 million. This decline is comprised mostly of the following:

1. Health insurance for active employees is decreasing by \$15.1 million
2. Social security expenses have been reduced by \$10.5 million
3. Pension costs will be \$6.5 million less in FY 10
4. Eliminating \$3.5 million police retirement contingency
5. Health insurance for retired employees is decreasing by \$2.3 million

The reductions will be partially offset by the removal of the fringe benefit savings line for \$17.1 million that was included in the FY 09 budget; \$6.9 million budgetary increase in Workers' Compensation; and \$2.5 million for the MTA mobility tax which became effective earlier in 2009. For more information regarding fringe expenses please see Section 5 of the Executive Summary, Fringe Benefits.

Other than personal services (OTPS) expenses are decreasing by \$6.5 million. With sales tax revenue being below the FY 09 budget, aid to the three towns and two cities in Nassau County is proportionally below the estimate in the FY 09 budget at a reduction of \$4.5 million.

Also, the funding for equipment and general expenses is \$5.0 million, or 12.9%, below the funding level in the FY 09 budget as a result of the Administration's desire to limit purchasing to only essential items. Other savings planned in the proposed budget are:

- Utility costs down by \$2.6 million
- Long Island Bus allocation reduced by \$2.5 million, which equals the estimated County (excluding Nassau Community College) MTA mobility tax. There is a proposed technical adjustment to increase the reduction to \$2.8 million.

Partially offsetting some of these reductions is the \$8.0 million expense associated with the County's red light cameras.

The direct assistance budget is escalating by \$23.3 million. Combined, the Family Assistance (TANF) and Safety Net programs account for the largest cost increase. TANF is going up in 2009 by \$4.7 million over the 2009 Adopted Budget. TANF average caseload has risen by 14.5% over the past twelve months compared to the previous twelve months. The FY 10 budget for Safety Net Assistance is \$6.3 million over the FY 09 budget. Safety Net average caseload has increased by 20.0% over the past twelve months compared to the previous twelve months. The trends are significant because the County contributes 50% for the Safety Net program, but only 25% for TANF. Combined, the 2010 caseload is expected to be over the FY 09 projected by between 2% and 4% and cost per case is projected to rise slightly. The TANF and Safety Net projections are reasonable given current trends but if the economic outlook continues to deteriorate these costs will probably increase at a greater rate than anticipated. Part of this increase will be offset by state and federal aid.

Medicaid is increasing by \$5.9 million based on the cap formula. Additional growth in direct assistance is attributed to preschool education, as a result of an increase in provider rates that are dictated by New York State. Compared to the FY 09 budget, expenses are estimated to be \$4.2 million more in FY 10. Early Intervention costs are expected to increase by \$1.0 million budget to budget.

The Administration was able to achieve some savings in the area of direct assistance by eliminating the salary enhancement for day care workers. This item was included in the 2009 Adopted Budget at \$2.8 million and was estimated to be worth \$2.5 million had it been included in the proposed FY 10 Budget.

The debt service budget is increasing by \$16.5 million. The County's interest and principal payments will continue to increase since the County resumed issuing debt on its own behalf in 2007. However, NIFA debt is not declining because debt that was originally scheduled to mature between 2001 and 2005 was restructured and as was planned started to mature in 2007 and will not peak until 2012.

The amount included as a contingency for unforeseen events is declining by \$0.4 million from \$12.9 million in FY 09 to \$12.5 million in FY 10. However, on a positive note, the contingency is not funded with fund balance as it has been in recent years. Additionally, the contingency may be increased if the proposed technical adjustment for Long Island Bus is approved.

### **Proposed Revenue Budget**

The largest revenue source for the County is sales tax as illustrated in Chart 1.2. The Office of Management and Budget (OMB) assumes that the FY 09 collections, excluding the energy tax, will be 6.0% below collections for 2008. As a result the revenue for FY 09 will be \$93.4 million below the Adopted FY 09 budget, at \$944.4 million. They then expect that there will be growth of 1.75% in FY 10, along with the recognition of prior year revenue for a total increase of \$19.3 million compared to the amount OMB is currently projecting for 2009. The 2010 budget of \$963.7 million is \$74.1 million less than the FY 09 budget, as shown in Table 1.4: Major Funds Revenue FY 09 vs. FY 10.

The estimated escalation in sales tax in 2010 is below the historical norm for the County (see Section 2 of the Executive Summary, Sales Tax for further discussion). However, with the turmoil in the economy, it may be difficult to achieve. In order to reach OMB's projection for 2009, collections over

the remainder of the year will have to increase by more than 2% compared to the same period in FY 08. This would be a major change since year-to-date sales tax, excluding the energy tax, is 10.9% below the same period in 2008. We agree with the Administration that there should be significant improvement in the fourth quarter because of the unprecedented losses seen at the end of FY 08, however OLBR does not believe it will be enough to overcome the losses that we foresee for the next two months, unless the impact of the “Cash for Clunkers” program and back to school sales were better than expected.

Furthermore, a survey of sales forecast for the 2009 holiday season reveals bleak expectations. According to America’s Research Group, “Consumers are still shell-shocked”. They feel that the US could experience a “train-wreck” Christmas season in which holiday sales could fall 3.5% or more.<sup>1</sup> Other forecasters are not as grim. Deloitte’s Retail Group anticipates zero percent change in November 2009 to January 2010 retail sales.<sup>2</sup> The International Council of Shopping Centers, ICSC, sees holiday sales during the traditional November through December time frame growing 1% from their 2008 level.<sup>3</sup>

Given these projections, it is difficult to discern how County sales tax collections, which are currently down 10.9%, will record enough growth to bring the annual decline down to 6%. As a result OLBR expects sales tax to be 8.0% below 2008 (\$20.0 million less than OMB’s projection).

Moody’s Economy.com’s current forecast for Nassau County, detailed in the Section 3, Economics, projects a -0.3% 2010 decline in retail sales coupled with only a 0.6% 2010 increase in County GDP growth. OLBR concurs and is conservatively estimating sales tax to be flat in 2010. The 2010 forecast coupled with the decline that we see for 2009 creates a risk in the 2010 budget of \$36.7 million.

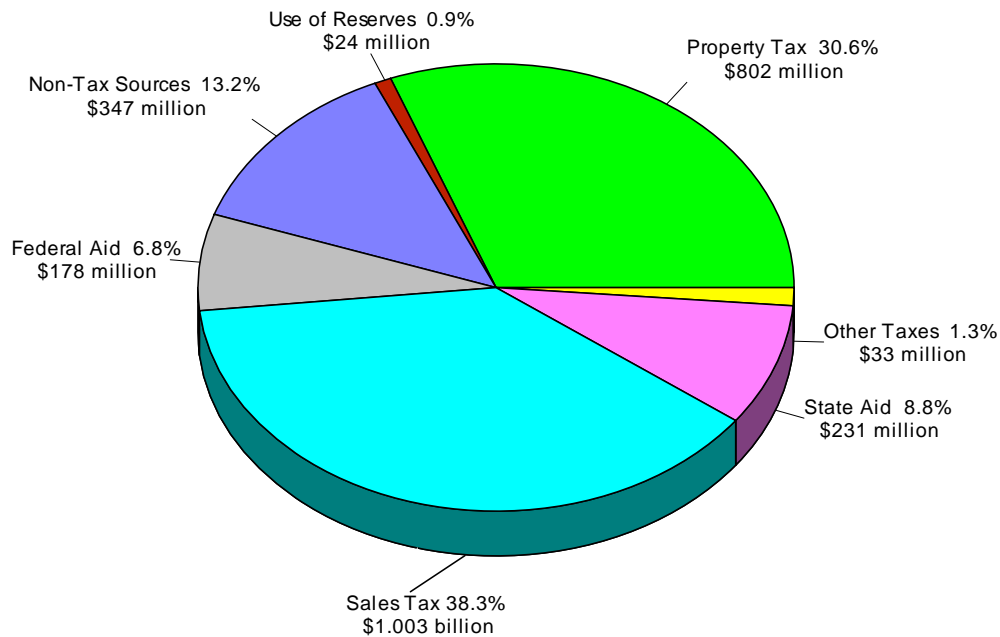
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<sup>1</sup> Maestri, Nicole, “Analysis – US Holiday 2009 Sales May Fall From Low 2008 Level”, [CNN/Money.com](http://CNN/Money.com), September 22, 2009.

<sup>2</sup> Mahoney, Sarah, “Holiday Sales Forecast: Cold and Flat”, [mediapost.com](http://mediapost.com), September 21, 2009.

<sup>3</sup> Maestri, Nicole, “Update1 – U.S. 2009 Holiday Sales Seen Up 1 – 2 Percent – ICSC”, [Reuters.com](http://Reuters.com), September 27, 2009.

**Chart 1.2: FY 10 Major Funds' Revenue (\$2.6 billion)**



Data reflects major funds excluding Sewer and Storm Water Resource District and inter-dept charges.

The 2010 Proposed Budget, as shown in Table 1.3, reflects a property tax levy decrease for the major funds of \$4.5 million. That change is offset by a \$6.0 million tax addition for the Sewers, for a net tax levy increase of \$1.5 million. This increase is the value of new construction. In addition, the tax levy to fund the debt service on the voter approved environmental bonds is increasing by \$4.15 million.

**Table 1.3: Property Tax Levy Comparison**

Property Tax Levy Comparison						
Fund	2007 Adopted	2008 Adopted	2009 Adopted	2010 Proposed	\$ 2010 vs 2009	% 2010 vs 2009
Fire Commission	15,698,706	15,554,824	15,465,535	14,858,686	(606,849)	-3.9%
General	123,962,486	145,858,384	156,498,471	167,858,459	11,359,988	7.3%
Police District	331,639,639	332,325,833	345,035,890	341,660,236	(3,375,654)	-1.0%
Police Headquarters	287,070,223	279,632,013	289,073,953	277,196,468	(11,877,485)	-4.1%
<b>Subtotal Major Funds</b>	<b>\$758,371,054</b>	<b>\$773,371,054</b>	<b>\$806,073,849</b>	<b>\$801,573,849</b>	<b>(\$4,500,000)</b>	<b>-0.6%</b>
Sewers	118,932,309	103,932,309	110,031,815	116,031,815	6,000,000	5.5%
<b>Total Major Funds &amp; Sewers</b>	<b>\$877,303,363</b>	<b>\$877,303,363</b>	<b>\$916,105,664</b>	<b>\$917,605,664</b>	<b>\$1,500,000</b>	<b>0.2%</b>
Environmental Bond	4,128,256	7,374,561	4,850,000	9,000,000	4,150,000	85.6%
College <sup>1</sup>	48,361,156	50,247,241	52,206,883	52,206,883	0	0.0%
<b>Grand Total</b>	<b>\$929,792,775</b>	<b>\$934,925,165</b>	<b>\$973,162,547</b>	<b>\$978,812,547</b>	<b>\$5,650,000</b>	<b>0.6%</b>

1. College Budget was adopted Ju, 2009

**Table 1.4: Major Funds Revenue FY 09 vs. FY 10**  
(\$'s in millions)

	2009 Adopted	2010 Proposed	Var.
<b>Revenues</b>			
Fund Balance	\$10.0	\$0.0	(\$10.0)
Use of Reserves	\$33.5	\$24.0	(9.5)
Non-Tax Sources	331.0	346.6	15.6
Federal Aid	119.3	177.5	58.2
State Aid	230.3	231.4	1.1
Sales Tax	1,037.8	963.7	(74.1)
Residential Energy Tax	0.0	39.4	39.4
Property Tax	806.1	801.6	(4.5)
Other Taxes	34.0	33.0	(1.0)
<b>Total Revenues<sup>1</sup></b>	<b>\$2,602.0</b>	<b>\$2,617.2</b>	<b>\$15.2</b>
1. Excludes interdepartmental revenue & debt service chargebacks			

In FY 10 the budget does not include \$10.0 million use of fund balance as recent budgets have. In addition, the use of reserves is down by \$9.5 million. The budget is predicated on using \$13.0 million from the Retirement Contribution Reserve Fund and \$11.0 million from the Employees Accrued Liability Reserve Fund. Although the use of these funds is not improper, it is not prudent. These reserves, respectively, were established for the purpose of providing transitional funding for periods of rising pension costs, and to supplement the operating budget in the event of an excessive number of retirements. The planned use of these funds in FY 10, as retirement costs are actually decreasing and for the 81 retirements projected, which is below the historic norm of 100, is counter to that intent. While there is hope that the economy will improve in 2010, the County, similarly to most governments in the nation, will continue to face significant challenges in 2011. The County should not reduce its limited reserves at this point.

Non-tax sources is estimated to increase by \$15.6 million as seen in Table 1.4. The largest portion of this increase is from red light cameras. The Administration is estimating \$26.0 million in gross revenue in FY 10. Red light cameras were included in State aid in FY 09 as part of the \$19.9 million estimated to be raised from items the Administration described as State Legislative items. Partially offsetting the red light camera revenue is the \$10.2 million reduction in estimated investment income and the removal of \$4.4 million in Parks marketing revenue

Revenue from federal aid is increasing by \$58.2 million. FMAP payments account for \$44.4 million of this increase with the remainder the result of reimbursement from the projected Social Services caseloads. Additional funding became available in 2009 as fiscal relief through increased FMAP reimbursements over 27 months as part of the American Recovery and Reinvestment Act (ARRA).

State aid is estimated to increase by \$1.1 million in FY 10. The revenue from items described as State Legislative items is decreasing by \$3.9 million and is masking the increased reimbursements due to the

increased Safety Net caseloads. The State Legislative item included in the proposed 2010 budget is a cigarette tax. Additionally, the County will seek other initiatives such as a ticket surcharge for infractions on the Long Island Expressway, but has not included those speculative items.

The FY 10 budget includes \$16.0 million from the imposition of a cigarette tax. Assembly bill 9113 provides Nassau County with the authority to impose a \$1.50 per pack tax on cigarettes. According to the bill, 67 and three tenths percent of the revenues must be remitted to New York State. Since State approval is required, this revenue may be seen as a risk. It is our understanding that the State may not oppose this item now because it includes revenue sharing with the State. If the item is approved, risk remains because of implementation delays and the elasticity of consumption. OLBR estimates that Nassau County can expect to collect between \$11.4 million and \$15.3 million a year.

Individuals who quit smoking as a result of the higher price may save the County future health related costs. More immediately, those who stop smoking would experience a wealth effect whereby they feel richer since they have freed up money in their budget and this could have a marginal impact on County sales tax collections.

The Office of Management and Budget has estimated that in 2010 a full year of residential energy tax receipts will bring in \$39.4 million. While OLBR believes that this amount could be understated we concur with budgeting conservatively for a revenue source that can be volatile, plus we have limited local information in terms of usage. This new revenue stream will be useful in addressing the budgetary gap that has resulted from the current recession, particularly since there are limited options available to reduce expenditures.

The revenue items in the proposed budget that may be at risk are listed in Table 1.5:

**Table 1.5: Revenue Risk**

<b>Revenues</b>	<b>OLBR</b>
<u>Item</u>	<u>Surplus/(Risk)</u>
Sales tax	(\$36.7)
Use of Reserves	(24.0)
Cigarette Tax	(16.0)
Energy Tax	4.0
Investment Income	(4.6)
Parks revenue	(1.9)
Various departmental revenue	(2.9)
OTB Profits	(1.0)
<b>Revenue Sub Total</b>	<b>(\$83.1)</b>

Due to the economy, it is possible that that interest rates may remain low, which will limit investment income. The use of reserves is at risk, depending on the FY 09 operating results. Any shortfall could be offset from the County's undesignated fund balance as shown in Table 1.6. OLBR is also estimating

less revenue from Parks, County Clerk fees, Consumer Affairs and OTB profits than the Administration. The only significant expense risk that is of concern is Police overtime.

**Table 1.6: Expense Risk and Contingencies**

<b>Expenses</b>	
<u>Item</u>	<u>Surplus/(Risk)</u>
Police Overtime	<b>(\$3.0)</b>
<b>Expense Sub Total</b>	<b>(\$3.0)</b>
<b>Total Risk</b>	<b>(\$86.1)</b>
<b>Contingencies</b>	
Attrition and Vacancy Savings	\$15.1
Undesignated Fund Balance	24.0
Contingency funds	<u>12.8</u>
<b>Total Contingencies</b>	\$51.9
<b>Budget Exposure</b>	<b><u>(\$34.2)</u></b>

The \$34.2 million budget exposure is generally considered to be manageable relative to a budget of \$2.6 billion. If the cigarette tax is approved by the end of 2009, the budget exposure is reduced to approximately \$20.0 million. The Administration can also achieve savings by limiting capital spending, altering the borrowing amounts and schedule and achieve saving if interest rates are below those assumptions in the budget. In addition, delays in hiring and reducing the planned hires will yield further savings.

Of additional concern is \$8.0 million expected from a charge that would apply to high volume users that the County deems are using more water than would be covered in the sewer tax. The charge will be based upon water consumption. The County did not implement this initiative in FY 09, and as a result will not collect any of the \$4.0 million that was budgeted. The validity of this policy decision is not being questioned by OLBR, but it is a risk until it is approved by the County Legislature. The Multi-Year Plan assumes revenue for this initiative to grow to \$11.0 million in FY 11, \$11.2 million in FY 12 and \$11.4 million in FY 13.

**Multi-Year Plan**

Over the course of the MYP, the growth in salaries, fringe benefits, direct assistance and debt payments will outpace the County’s largest revenue source, sales tax.

**Table 1.7: Multi-Year Plan Projections (Major Funds)**  
(\$'s in millions)

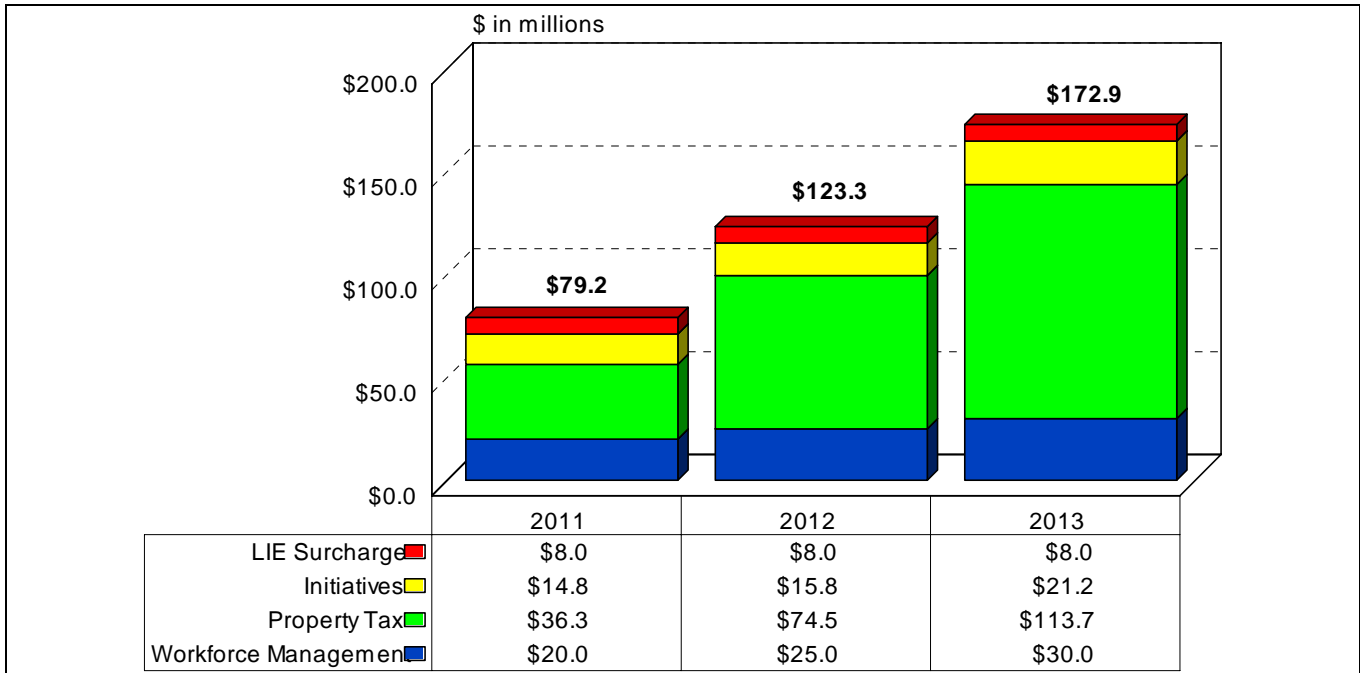
	2010	2011	2012	2013
<b>Revenues</b>				
Non-Tax Sources	370.6	366.0	376.8	382.2
Federal Aid	177.5	133.8	131.5	132.1
State Aid	231.4	234.7	237.8	241.1
Sales Tax	1,003.1	1,042.2	1,082.8	1,125.1
Property Tax	801.6	801.6	801.6	801.6
Other Taxes	33.0	33.0	33.0	33.0
<b>Total Revenues</b>	<b>\$2,617.2</b>	<b>\$2,611.3</b>	<b>\$2,663.5</b>	<b>\$2,715.1</b>
<b>Expenses</b>				
Salaries	\$857.6	\$895.8	\$940.0	\$981.4
Fringe	413.0	463.9	491.2	510.7
OTPS	431.2	435.5	443.5	447.3
Direct Assistance	581.2	595.6	609.2	623.7
Debt Service	321.7	344.6	351.0	361.0
Contingency	12.5	2.5	2.5	2.5
<b>Total Expenses</b>	<b>\$2,617.2</b>	<b>\$2,737.9</b>	<b>\$2,837.4</b>	<b>\$2,926.6</b>
<b><u>Surplus/Gap Projection</u></b>	<b><u>\$0.0</u></b>	<b><u>(\$126.6)</u></b>	<b><u>(\$173.9)</u></b>	<b><u>(\$211.5)</u></b>
Less inter-depart. charges, debt service chargebacks and the Sewer and Storm Water District.				

- Ø Salaries and wages will increase by \$123.8 million, from an estimate of \$857.6 million in FY 10 to \$981.4 million in FY 13. This translates to an annual increase of 4.6%. Unlike recent years the cost of labor is known because the labor agreements for the major unions do not expire until December 2015.
- Ø Fringe benefits will increase by \$97.7 million, from an estimate of \$413.0 million in FY 10 to \$510.7 million in FY 13.
  - Most of the increase is related to increased pension costs.
    - § The New York State Comptroller has warned about possible future contribution rate increases due to the poor market performance of the New York State Common Retirement Fund. The anticipated rise in out-year pension rates will increase the County's pension obligations which will further hinder the County's ability to balance the budget in the future.
    - § The cost is estimated to increase by \$63.0 million, from \$89.6 million in FY 10 to \$152.6 million in FY 13.

- The MYP baseline inflator used to project out-year health insurance costs is 3.5% in each year of the out-years for both active and retiree health insurance. This will create an additional cost of \$23.9 million from FY 10 to FY 13.
- The funding need for social security will increase by \$9.2 million from FY 10 to FY 13 to correspond to increased salaries.
- Ø OTPS expenditures will increase marginally by \$16.1 million. This increase is less than what would be expected with normal inflation.
- Ø Direct Assistance will increase by \$42.5 million, from an estimate of \$581.2 million in FY 10 to \$623.7 million in FY 13. The largest increases are for Medicaid (\$20.7 million), and Early Intervention/Pre-school Special Education Program (\$16.6 million). There is a small corresponding increase in state aid of \$9.7 million over the same time period.
- Ø Debt Service will increase by \$39.3 million, from an estimate of \$321.7 million in FY 10 to \$361.0 million in FY 13.
- Ø OMB is optimistically estimating that sales tax will increase by \$122.0 million, from a projected amount of \$1.003 billion in FY 10 to an estimate of \$1.125 billion in FY 13. The MYP projects 3.9% growth for 2011, 2012 and 2013.
  - OLBR is projecting \$46.4 million less in 2011, \$56.8 million less in 2012 and \$67.8 million less in 2013. Please see Section 2 of the Executive Summary, Sales Tax for further discussion.
- Ø Federal aid is decreasing due to the end of the additional FMAP funding.
- Ø The baseline assumption is that the property tax levy will stay constant from FY 10 to FY 13.

The County Executive has proposed several items to help reduce the Administration's projected out-years gap. The plan encompasses a two-pronged approach. The first part is illustrated in Chart 1.3.

**Chart 1.3: Gap Closing Measures 2011 - 2013**



The largest component is Property Tax, with a value of \$113.7 million in FY 13. This amount is based on an annual increase of 3.9% in the total property tax levy in each year of the Plan. In addition, the proposed MYP includes revenue from capturing the value of new construction.

The Administration expects to achieve Workforce Management Savings through evaluation of every hire request against performance measures established for each department. While there is no savings from attrition assumed in the Proposed 2010 Budget, it is assumed that with attrition the County will have turnover savings of \$20.0 million in 2011, \$25.0 million in 2012 and \$30.0 million in 2013. The assumptions are reasonable.

Included in the Adopted 2009 Budget was a State Legislative item for a ticket surcharge for infractions on the Long Island Expressway. A \$50 surcharge would be added onto traffic violations issued in Nassau County. The rationale is that the County should receive funding to offset the expense incurred when the Nassau County Police Department patrols State owned roads, specifically the Long Island and Seaford-Oyster Bay Expressways, the Northern and Southern State Parkways and Sunrise Highway. As of the writing of this report, this item has not been approved. While the Administration continues to seek this revenue stream, they prudently did not include it in the Proposed 2010 Budget. It has been included as an \$8.0 million annual gap closer starting in 2011.

Due to a downturn in the economy, the selected vendor to implement a Parks Advertising and Marketing initiative withdrew its bid to advertise in the parks facilities and the revenue did not materialize as planned in the Adopted 2009 Budget. This initiative is not included in the Proposed 2010 Budget, but the Administration has included this revenue initiative in the out-years for \$4.0 million annually starting in 2011.

Smart Government Initiatives have a MYP value of \$10.8 million in FY 11 growing to \$17.2 million in FY 13 as shown in Table 1.8. The highlighted initiatives were not in the County's May 2009 MYP Update. Each initiative has been reviewed in the **OLBR Departmental Analysis**.

**Table 1.8: Smart Government Initiatives**

Department	Initiative	FY11	FY12	FY13
Correctional Center	Housing Non-County Inmates	\$301,125	\$301,125	\$301,125
Correctional Center	Medicaid Reimbursement Maximization	1,000,000	1,000,000	1,000,000
OMB	Back Office Efficiencies	250,000	500,000	500,000
OMB	Revenue Options	4,400,000	4,400,000	4,400,000
Information Technology	Enterprise Resource Planning System	4,887,546	5,559,094	10,993,588
<b>MYP Total</b>		<b>\$10,838,671</b>	<b>\$11,760,219</b>	<b>\$17,194,713</b>

Unlike previous MYPs, the smart government initiatives do not include any proposals that will require State legislation. This improves the likelihood that the initiatives will be successful. The Housing of Non-County Inmates initiative does require either the federal government or other localities to house more of their inmates than assumed in the Proposed Budget in the County Correctional Center. Further discussion of each initiative is included with its responsible department in the **OLBR Departmental Analysis** document.

If the first group of gap closing actions is successful, the County is left with a gap of \$47.4 million in 2011, \$50.6 million in 2012 and \$38.6 million in 2013. The Administration plans to address this remaining gap with the options listed in Table 1.9. Several of the options have previously been components of the County's MYP.

**Table 1.9: Options to Close Remaining Gap**  
(\$'s in millions)

	2011	2012	2013
<b>Estimated Baseline Gap</b>	<b>(\$126.6)</b>	<b>(\$173.9)</b>	<b>(\$211.5)</b>
Total Gap Closing Measures	<u>79.2</u>	<u>123.3</u>	<u>172.9</u>
<b>Deficit After Gap Closing Measures</b>	<b>(\$47.4)</b>	<b>(\$50.6)</b>	<b>(\$38.6)</b>
<b>Options to Close Remaining Gap</b>			
Video Lottery Terminals	21.4	21.4	21.4
American Recovery and Reinvestment Act of 2009 (ARRA) Funding	20.0	0.0	0.0
Troubled Asset Relief Program (TARP) Recoveries	17.0	0.0	0.0
Red Light Cameras Phase II	12.0	12.0	12.0
MTA Regionalization of Long Island Bus	7.7	7.7	7.7
Discretionary Program Reductions	5.0	5.0	5.0
Debt Restructuring	5.0	5.0	5.0
Lighthouse - Coliseum Lease	1.5	1.5	1.5
Fashion Institute of Technology (FIT) Reimbursement	<u>0.0</u>	<u>4.1</u>	<u>4.1</u>
<b>Total Options</b>	<b>\$89.6</b>	<b>\$56.7</b>	<b>\$56.7</b>
<b>Surplus/(Deficit) if All Successful</b>	<b><u>\$42.2</u></b>	<b><u>\$6.1</u></b>	<b><u>\$18.1</u></b>

If all the options could be successfully implemented the County would have a surplus of \$42.2 million in 2011, \$6.1 million in 2012 and \$18.1 million in 2013. While even the Administration does not expect this to happen, it is questionable if enough of them will materialize to offset the projected gaps.

### **Video Lottery Terminals**

The Administration has estimated that the County could receive \$21.4 million annually starting in 2011 from the installation of video lottery terminals (VLT's) at Belmont Raceway as an option to close the remaining gap. There have not been any actions that we are aware of to suggest that this will happen in 2011, so all of these funds are considered a risk since State approval is required.

### **ARRA Funding**

The \$20 million is based on projects that the county believes it can execute on ARRA guidelines based on meetings it has had. They are assuming that funding will be reallocated based on lack of compliance (i.e. un-obligated funds). Based on the hundreds of millions of unspent ARRA funds to date, the Administration thinks that \$20 million is a reasonable assumption. This item is a risk.

### **TARP Recoveries**

During 2007 and 2008 the financial markets lost liquidity in the short-term loan market. This caused interest rates on short term loans to skyrocket. As a result, the interest cost on County (and NIFA) Auction Rate and Variable Demand Notes overshot budgeted amounts. The County is seeking, as compensation for the added burden to County taxpayers, reimbursement directly from the investment banks, and/or a portion of the funds paid by various investment banks to regulators as part of settlements reached with these banks, and/or the direct application of TARP funds to support municipalities that suffered losses as a result of this crisis. This item is a risk.

### **Red Light Cameras Phase II**

Phase I of the red light camera program was to install cameras at accident prone intersections on County owned roads. Phase II of the program is to extend the reach of the technology by installing the cameras onto State owned roads. As this requires further State approval this item is at risk.

### **MTA Regionalization of LI Bus**

It is the belief of the Administration that based on the Ravitch Commission report issued in December 2008, the intent of the regional Mobility Tax was to provide much needed funding to support the ongoing operating needs of the MTA, allow for adequate funding of essential capital projects and provide for a unified regional bus system. An improved and efficient bus system for Nassau County residents could yield a significant reduction or elimination of Nassau County's current subsidy obligations to LI Bus, since it is assumed any plan for a regional bus system will also include dedicated revenue sources to cover operating and capital costs. As this requires State approval this item is at risk.

### **Discretionary Program Reductions**

The only item that is in the sole control of the County Executive is discretionary program reductions valued at \$5.0 million annually starting in 2011. The Legislature could seek to include the funding in the budget, but it can not compel the County Executive to spend the funds.

**Debt Restructuring**

The Administration has included \$5.0 million in 2011, 2012 and 2013 from savings from a possible debt restructuring in the future. Market forces at the time will dictate if this gap closing item is feasible.

**FIT Reimbursement**

In some prior budgets the County has included \$4.1 million for reimbursement related to the County's expenditures for County residents attending the Fashion Institute of Technology. According to the State Education Law § 6305, the State is required to reimburse these payments to the County. However, the New York Court of Appeals ruled that state regulations precluded reimbursement when there was no State budget allocation. The inclusion in the County budget was a high level risk. Including the funding starting in 2012 as a possible gap closing option in the out-years is more appropriate.

**Conclusion**

The County will get through the economic crisis in 2009 because of several actions that took place during the year. The County received additional FMAP funding, enacted new revenue items, bonded termination pay, reduced headcount, restructured debt and deferred salary expenses. The Administration should be commended for recognizing early in the year that there was a severe problem and developing a plan based on what at the time appeared to be a conservative revenue forecast. These actions became the framework for crafting the proposed 2010 budget. The new revenue streams along with staff reductions are critical in these economic times. Plans to let staffing increase in the out-years must be limited.

While there have been signs that the economy may be improving nationally, most economists do not foresee any positive signs locally until the second half of 2010. This is problematic considering the Administration's sales tax forecast. Furthermore, some of the actions taken in 2009 and the proposed 2010 budget escalate the difficulties the County will face in the near future. The County will start repaying deferred salaries in 2011 and there will be limited ways to impact labor since all of the contracts were extended through the end of 2015. In addition, the March 30, 2009 Stipulation of Agreement with the CSEA eliminates two of the cost-cutting measures that were threatened in the current year:

There shall be no layoff of bargaining unit members through December 31, 2011, unless the Nassau Interim Finance Authority (or any successor organization) institutes a control act period.

The County may not unilaterally cut an employees pay through closings or furloughs (*i.e.*, relieving employees from duty/cutting hours) through December 31, 2011, or unless the Nassau Interim Finance Authority (or any successor organization) institutes a control act period.

Considering these issues, the use of \$24.0 million of reserves should be re-examined. The utilization of these funds allows the Administration to delay making more difficult choices regarding service cuts and/or revenue enhancement. These financial times require all to plan for the future and expect the worse.

## 2. SALES TAX

The largest source of revenue for the County is sales tax. The sales tax is collected by the State, and distributed to the County on a regular basis. The current rate in Nassau is 8.625%, of which 4.0% is the State's share, 4.25% is the County's share, 0.375% goes to the Metropolitan Commuter Transportation District. The County distributes one seventeenth of its collections to the Town of Hempstead, Town of North Hempstead, Town of Oyster Bay, City of Glen Cove and the City of Long Beach. In 2010 the incorporated villages will be allocated a lump sum amount of \$1,250,000 to be divided on a per capita basis. That amount is unchanged from the current year.

In addition, effective June 1, 2009, Nassau County repealed its exemption from sales and compensating use taxes on energy sources and services. From that date, natural gas, propane sold in containers of 100 pounds or more, electricity, steam, gas, electric and steam services, fuel oil (except diesel motor fuel), coal, and wood (for heating purposes only) will be taxed at 2.5%. Revenues from the residential energy tax are not shared with the towns and cities. This analysis will treat the residential energy tax separately from the regular sales tax.

The proposed sales tax revenue in the FY 10 Executive Budget is \$959.4 million. This estimate is based on OMB's assumption that collections will decrease by 6.0% annually in FY 09 and then increase by 1.75% in FY 10.

Table 2.1, below, shows annual gross sales tax collections since FY 04, OMB's projected FY 09 total, and the budgeted amounts in the 2010 – 2013 Multi-Year Financial Plan. The MYP projects 3.9% growth for years 2011 through 2013.

**Table 2.1: Annual Sales Tax Collections  
Less Residential Energy Tax**

<b>Fiscal Year</b>	<b>Actuals</b>	<b>Growth</b>
2004	939,822,695	5.0%
2005	953,783,223	1.5%
2006	991,109,034	3.9%
2007	1,011,868,760	2.1%
2008	1,002,953,659	-0.9%
<b>Fiscal Year</b>	<b>OMB Projections</b>	<b>Growth</b>
2009	942,915,724	-6.0%
2010	959,416,718	1.75%
2011	996,833,970	3.9%
2012	1,035,710,495	3.9%
2013	1,076,103,204	3.9%

Note: Table shows gross collections for each year, and does not reflect adjustments contained in the County's financial statements.

In addition to the regular sales tax, \$4.3 million has been budgeted in FY 10 as deferred sales tax. That represents the amount that part-county sales tax collections in FY 08 surpassed budget. The deferred sales tax is not included in the 2010 total shown in the Table 2.1.

As can be seen in the chart below, sales tax receipts collected through September 11, 2009, less the residential energy tax, have come in 10.9% lower than in the same period in 2008. OLBR's earlier projections had expected the rate of the decline to begin slowing down by this time, but that has not been the case. In fact, the local economy is not expected to begin to recover until next year.

**Sales Tax Receipts With Residential Energy Tax (RET)**

(Checks Received Through Sept. 11)

	<b>2008</b>	<b>2009</b>	<b>Variance \$</b>	<b>Variance %</b>
Sales Tax less RET	\$621,882,927	\$553,890,380	(\$67,992,548)	-10.9%
Residential Energy Tax YTD	0	6,033,516	6,033,516	
Gross Sales Tax YTD	\$621,882,927	\$559,923,896	(61,959,031)	-10.0%

As previously mentioned in Section 1 of the Executive Summary, OLBR does not believe that collections will pick up enough for the rest of the year to finish at OMB's projected negative 6.0%. An 8.0% decrease is more likely. Furthermore, due to the ongoing economic downturn, OLBR is conservatively estimating sales tax to be flat in 2010. Using OLBR's lower 2009 base coupled with zero growth in 2010, indicates a risk in the 2010 budget of \$36.7 million.

According to many, a new economic order has emerged as a result of the current recession. Some economists opine that economic growth rates are likely to be subpar for a long period of time, in the 2% to 2.5% range on the high end. Some view that as optimistic and state that 1.8% to 1.9% growth rates are more likely.<sup>1</sup> Several reasons are given for the new lower growth expectations.

- Ø Less demand as baby boomers retire and there are fewer young people following them. The population decline is projected even with a projected influx of new residents.
- Ø Not only are there fewer workers replacing the boomers, but the new workers earn and save less than their parents and predecessors.
- Ø Household debt stands at 124% of income up from 36% in 1952 and 69% in 1985.
- Ø Americans have to devote a greater portion of their income to fund healthcare, retirement and college tuition.<sup>2</sup>
- Ø Corresponding to the decline in consumer spending is a decline in business spending. Businesses are not creating new jobs. Current unemployed individuals face a bleak job market which appears to be getting worse.
- Ø According to US Department of Labor figures, job seekers now outnumber openings six to one, the worst ratio since the government began tracking open positions in 2000.

<sup>1</sup> Hall, Kevin G., "A Year After Financial Crisis, A New World Order Emerges", [News.Yahoo.Com](http://News.Yahoo.Com), September 8, 2009.

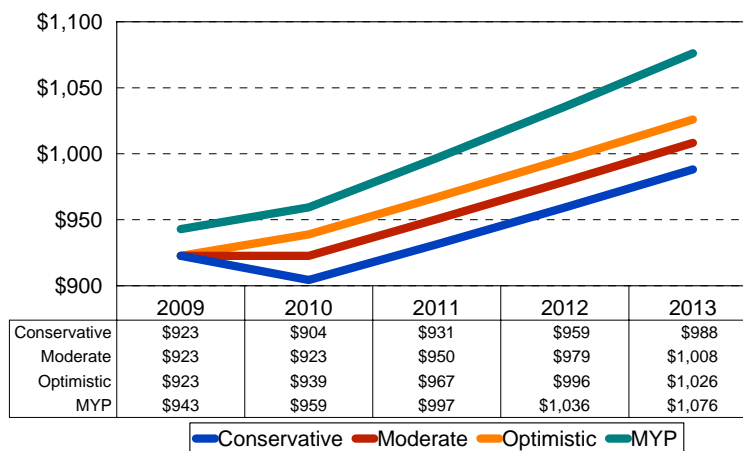
<sup>2</sup> Hong, Peter Y., 'Don't Bank on Your Home As An ATM', [latimes.com](http://latimes.com), September 27, 2009.

- Ø During the last recession of 2001, that figure reached a little more than double the number of full-time openings. At the beginning of this year, the ratio was four to one.
- Ø Companies are not expected to hire aggressively anytime soon and the stagnant job creation is occurring throughout all industries.<sup>3</sup>

Cognizant of the previously detailed trends, the 1.75% sales tax growth scenario seems optimistic especially since our region entered the recession after the nation and is expected to lag the nation in terms of our economic recovery.

Chart 2.3 compares three alternate scenarios to the amounts in the Multi-Year Plan. The 2009 base for each scenario is \$923 million, corresponding to OLBR’s projection that collections will be down 8% annually. For FY 10, the conservative scenario then projects a further decrease of 2%, the moderate scenario projects 0%, and the optimistic 1.75%. In all three scenarios 3% growth is assumed for the out-years. That assumption is based upon taking the five year average for the period 2003 through 2007 (the years which preceded the GDP turning negative in the first quarter of 2008), which was 3.18%. In 2013 the difference in annual collections between the optimistic and MYP scenarios reaches \$50 million.

**Chart 2.3:**  
**Sales Tax Scenarios**  
**FY 2009 - 2013**  
(In millions)



Note: The totals above do not include deferred sales tax.

As previously mentioned, a residential energy component of the sales tax began to be collected in June of 2009. The Administration has included \$39.4 million in the FY 10 budget from this tax. This number is conservative given that Suffolk County has collected \$49.2 million in 2007 and \$55.2 million in 2008 from this revenue source. Suffolk County’s Budget Review Office is currently projecting \$52.0 million for 2009 and 2010 residential energy collections. Since Nassau’s housing stock is 84.4% of Suffolk’s, OLBR estimates that Nassau could collect \$43.8 million from this tax in 2010, but concurs with the Administration’s decision to budget conservatively.

<sup>3</sup> Goodman, Peter S., “U.S. Job Seekers Exceed Openings by Record Ratio”, The New York Times, September 27, 2009.

There is one sales tax related item contained in the MYP which we feel is incorrect. In years FY 11 through FY 13, approximately \$4.4 to \$4.8 million has been included for deferred sales tax collected in excess of budget. This revenue represents the amount that part county sales tax receipts come in over or under budget. Since there is a two year recording lag, the deferral for FY 10, for example, is determined by the FY 08 collections. Knowing, at this time, the FY 08 results, and therefore the deferral amount, it is proper to budget that revenue in FY 10. However, the FY 11 deferred amount will be linked to the FY 09 results, FY 12 to FY 10, and so on. To budget for this line in the out-years, then, is to plan for a deferral of revenue which has not yet been received. In addition, it is possible for the part county collections in any given year to finish below budget, in which case there would not be any revenue to defer.

### 3. ECONOMIC REPORT

#### Current and Projected Economic Conditions

The global, national and regional economies are currently in a recession. Some believe that the recession has already ended, although, that has not been officially stated by the National Bureau of Economic Research, (NBER). Even if the recession has ended, a V shaped recovery has not emerged regionally. In fact, the Federal Reserve still views the economy as being in a precarious spot and opted to keep rates unchanged. They stated that they would maintain the accommodative phase for a while.<sup>1</sup> As of September 11, 2009, County sales tax collections are down 10.9% without the residential energy tax, the number of unemployed residents in Nassau County is at a 17 year high at 50,500, median residential housing prices are down 12% from this time last year and hotel occupancy rates for Nassau County are down 16%, despite a 9% drop in average room rental rates. Even if third quarter national real GDP is positive, it will take a while before Nassau County will begin to see employment, sales and occupancy levels reach their pre-recession heights. Chart 3.1 below details the current forecasts for national real GDP in 2010 and the out-years.

**Chart 3.1**

<b>US Real GDP Forecasts 2009 through 2012</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
The Conference Board	-2.8%	1.5%	NA	NA
Moody's Economy.com	-2.6%	1.8%	3.9%	5.4%
Fed. Reserve Bank of Philadelphia	-2.6%	2.3%	2.9%	3.2%
Mortgage Bankers Association	-0.5%	2.7%	4.2%	NA
Federal OMB	-2.8%	2.0%	3.8%	NA
Federal CBO	-2.5%	1.7%	3.5%	NA
Morgan Stanley	-2.5%	2.7%	2.8%	NA
<b>Average Forecast</b>	<b>-2.3%</b>	<b>2.1%</b>	<b>3.5%</b>	<b>4.3%</b>

All forecasts currently anticipate a U shaped recession in that positive economic growth will resume in 2010 and the out-years, but the rate of growth will not be robust. Since Nassau County entered the recession after the nation, it is likely that it will lag the nation in its recovery. This implies that the growth rates detailed above will be lower in Nassau County. For example, assuming 2009 real GDP growth comes in at -2.3%, if current OLBR sales tax projections are accurate, a 2.3% drop in national economic growth has corresponded to a -8.0% drop in Nassau County sales tax collections.

#### Employment

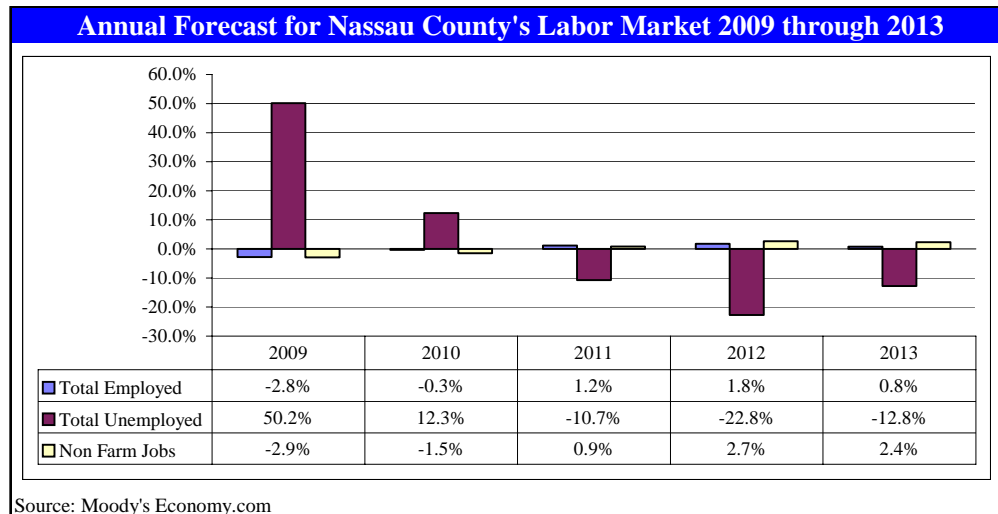
Current economic conditions have resulted in businesses laying off workers, reducing hours, cutting pay and enacting furloughs. As of August 2009, New York State Department of Labor figures reveal that the Nassau-Suffolk region has lost 35,500 non-farm jobs from August 2008. Additionally, Nassau County's unemployment rate stands at 7.1% with 50,500 unemployed residents. The last time that Nassau County had more than 50,000 unemployed residents was 1992. Furthermore, economists state that the unemployment rate does not convey an accurate picture of the health of the employment market. This is due to the fact that the rate does not account for those who have been furloughed, taken a pay cut, had their hours reduced, are underemployed or those who have given up and left the labor force. If

<sup>1</sup> Lanman, Scott, "Fed Signals Growth Return Not Enough to End Stimulus", [Bloomberg.com](http://Bloomberg.com), September 24, 2009.

those individuals are considered, the actual rate may be closer to 16 percent.<sup>2</sup> The job losses are forecast to remain in the fourth-quarter of 2009. According to Manpower Inc.’s most recent regional employment survey, 9% of employers surveyed expect to add to their payrolls in the fourth quarter of 2009, 12% expect to reduce their payrolls, and 76% will maintain their current staffing level.<sup>3</sup>

According to Moody’s Economy.com’s September 2009 forecast, Nassau County will lose non-farm jobs and employed residents throughout 2010. They expect Nassau’s unemployment rate to peak at 7.99% during the second quarter of 2010. In the out-years, Nassau’s unemployment rate will average 7.1% in 2011, 5.5% in 2012 and 4.8% in 2013. Chart 3.2 below details these projections.

Chart 3.2



**Consumers Spending**

Some economists opine and recent surveys support the view that the U.S. has experienced a permanent shift in consumer psychology and it would be prudent to expect consumers to be more frugal in the future. One research firm, AlixPartners has concluded that once a new normal sets in after the recession ends, Americans will spend 86% of their pre-downturn level.<sup>4</sup>

It is difficult to discern how consumers would finance any new spending since credit is so tight, home equity is down and is expected to continue on a downward trend for some time, stock market wealth has declined from its peak, paychecks have been reduced or eliminated and households have barely been able to make a dent into the debt which they currently hold. As of July 2009, US personal debt was estimated at \$13.8 trillion. The expectation is that it will take years for households to deleverage.<sup>5</sup>

The economic downturn is causing all households, regardless of income level to cut back. A survey commissioned by IBM found that 72% of respondents have made “significant spending cuts” because of the economy. The respondents expect to continue these new spending habits in the future. One reason

<sup>2</sup> Kitchen, Patricia, and Emi Endo, “Economists: LI Employment News Good but Not Great”, [Newsday.com](#), August 20, 2009.

<sup>3</sup> “Limited Job Market Expected for New York-Northern New Jersey-Long Island, NY-NJ-PA MSA”, [Manpower.com](#), September 8, 2009.

<sup>4</sup> Heher, Ashley M., “Will We Be Frugal Forever?”, [Themorningcall.com](#), September 19, 2009.

<sup>5</sup> Same as above.

cited for the spending change is the fact that 45% of respondents do not expect their income levels to rise 20% by 2014.<sup>6</sup>

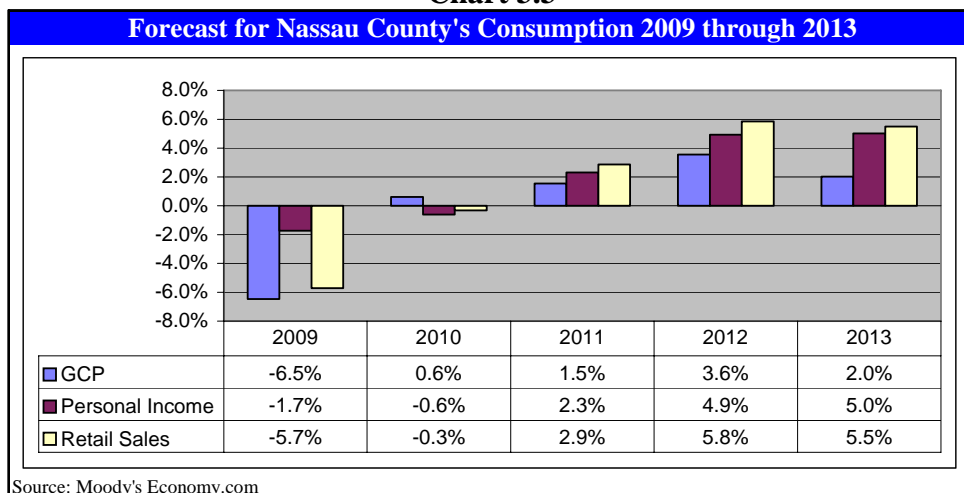
A recent Gallup poll reveals that upper income Americans have reduced their daily spending by 37% and middle and lower income Americans have decreased their daily spending by 28%. This finding was considered worrisome since the September 2009 decline came amidst a nationwide \$2 trillion increase in net worth.<sup>7</sup>

It is important to monitor the spending trends seen in the upper-income market since the top 20% of US households account for 40% of all spending.<sup>8</sup> That percentage may be greater in Nassau since it is considered a more affluent area, home to a higher percentage of upper income households. The income group is said to be currently suffering since these households very often require jumbo loans to purchase homes. In today’s marketplace it is extremely difficult to secure a jumbo loan. Moreover, in today’s marketplace it takes years to sell a home priced at \$750,000 or more. According to the National Association of Realtors, there currently is a 40 month supply of homes priced at \$750,000 or more.<sup>9</sup>

Looking forward, the September 14, 2009 Conference Board economic forecast expects real consumer spending to rise 1.1% in 2010 nationwide. Additionally, the September 2009 Blue Chip Economic Indicators survey of economists projects real consumer spending in 2010 to rise 1.6% nationwide.<sup>10</sup> As previously stated, since our area is expected to lag the nation in terms of economic growth, those projections may be optimistic for Nassau County.

Regionally, Moody’s Economy.com is forecasting Nassau County retail sales and personal income to decline in both 2009 and 2010. Nassau’s GDP forecast is negative in 2009 and positive in 2010. Chart 3.3 below detail the forecast for these variables.

**Chart 3.3**



**Tourism**

The Nassau County tourism industry has been hit hard by the current economic recession. Long Island Convention and Visitor’s Bureau figures reveal that despite a 9% decline in average room rental rates,

<sup>6</sup> “Shoppers of All Incomes are Changing Habits”, [MSNBC.com](http://MSNBC.com), September 22, 2009.

<sup>7</sup> “Upper-Income Consumers Pull Back Their Spending”, [Gallup.com](http://Gallup.com), September 18, 2009.

<sup>8</sup> Mui, Ylan Q., “Getting the Affluent to Spend Again is a Puzzle for Luxury Retailers”, [latimes.com](http://latimes.com), September 9, 2009.

<sup>9</sup> Chappell, Carisa, “Cover Story: Slow Sales for Luxury Homes”, [washingtontimes.com](http://washingtontimes.com), September 4, 2009.

<sup>10</sup> Nutting, Rex, “If You Give People \$4,500, They Will Spend It”, [Marketwatch.com](http://Marketwatch.com), September 13, 2009.

Nassau County’s occupancy rates have fallen 16% from an annual viewpoint. This downward trend is expected to continue in 2010. According to Smith Travel Research and PricewaterhouseCoopers LLP’s September 2009 forecast, the overall US lodging industry will record a 0.6% increase in occupancy rates and a 1.1% decrease in average room rental rates in 2010.<sup>11</sup> However, since the Nassau County hotel market is primarily driven by business travel and since businesses travel is expected to shrink as a percentage of the overall lodging industry, it is possible that Nassau’s hotels and motels will record more significant declines in 2010. According to PhoCusWright Inc., corporate travel will shrink as a percentage of the total travel market. It is expected to constitute 35% of the travel market in 2010. Historically, corporate travel has represented 40% of the total travel market.<sup>12</sup> This decline will negatively impact 2010 sales tax collections and hotel/motel tax collections.

**Residential Real Estate**

The residential real estate market continues to record declines in median closed sale prices, closed transactions and inventory levels. The declines have occurred despite an \$8,000 first-time home buyer tax credit which is set to expire on December 1, 2009.<sup>13</sup>

According to Multiple Listing of Long Island figures, Nassau County August 2009 median home sale prices are down 12% from the prior year. The metropolitan area is not expected to register home sale prices seen during the boom times until the 2018-2022 time frame. According to Moody’s, a decimated Wall Street will weigh on New York’s recovery, although the State’s overall price decline will be less severe than those seen in Florida and California.<sup>14</sup>

One factor causing prices to decline is the increasing number of foreclosures. Although foreclosure and short sales are not supposed to be considered in an appraisal since they are not considered arms-length, if there are no other comparable sales appraisers may include them by adjusting their value accordingly. Such comparable sales have the potential to keep home sale prices down.<sup>15</sup> According to County Clerk data, in 2008 there were 12,447 foreclosure judgments and foreclosure related filings recorded. In 2009 that figure is projected to increase 89%. Chart 3.4 below details foreclosures by county for the metropolitan area.

**Chart 3.4**

New York Foreclosure Market Data by County January – June 2009						
County Name	Total Properties with FC Filings	%			% Chg From Jul- Dec 08	% Chg From Jan- Jun 08
		Housing Units (HU)	1/every X HU (rate)			
Bronx	1,269	0.25	401	50.18	5.93	
Dutchess	326	0.29	344	-34.14	-57.44	
Kings	2,694	0.28	356	38.79	-22.56	
<b>Nassau</b>	<b>2,762</b>	<b>0.6</b>	<b>166</b>	<b>59.01</b>	<b>11.24</b>	
New York	430	0.05	1,964	25.36	-3.59	
Orange	1,028	0.77	130	-12.81	63.17	
Putnam	238	0.65	153	11.21	-22.22	
Queens	3,765	0.45	222	-0.42	-25.84	
Richmond	1,085	0.61	164	12.2	-22.83	
Rockland	509	0.52	194	42.58	-9.43	
Suffolk	3,512	0.65	155	67.4	-12.13	
Westchester	1,516	0.42	236	24.88	-4.41	

Source: realtytrac.com

<sup>11</sup> “US Lodging Forecast – 2009 and 2010”, [hoteljobresource.com](http://hoteljobresource.com), September 10, 2009.

<sup>12</sup> Crosett, Kathy, “Corporate Travel Predicted to Drop Through 2010”, [marketingforecast.com](http://marketingforecast.com), August 10, 2009.

<sup>13</sup> Fried, Carla, “Housing Tax Credit: Cure or Curse?”, [CNN/Money.com](http://CNN/Money.com), September 21, 2009.

<sup>14</sup> Spence, John, “Moody’s Bearish on Housing Recovery”, [marketwatch.com](http://marketwatch.com), September 18, 2009.

<sup>15</sup> Chappell, Carisa, “Cover Story: Slow Sales for Luxury Homes”, [Washingtontimes.com](http://Washingtontimes.com), September 4, 2009.

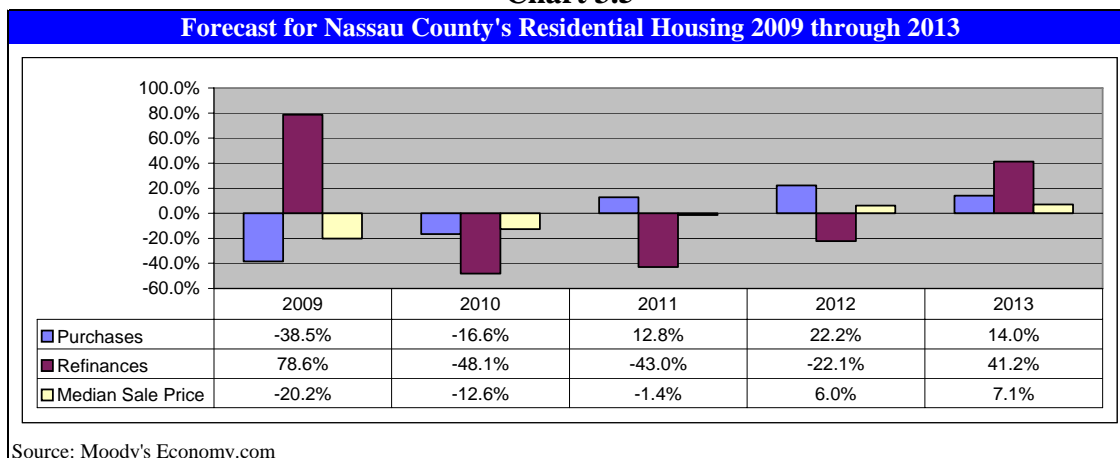
Compared to the second half of 2008, Nassau County experienced the greatest increase in properties with a foreclosure filing on them in the metropolitan area. It is estimated that one in every 166 houses in Nassau County has a foreclosure filing on it.

Not only are the number of foreclosures increasing, the households which are going into foreclosure is changing. When the economy first entered the recession many of the foreclosures were among households with sub-prime mortgages who were unable to afford the new monthly mortgage reset amount. Recent data from the US Department of the Treasury reveals that the sharpest increase in foreclosure initiations during the second quarter of 2009 was among households with a prime mortgage. These foreclosure actions are most likely the result of individuals experiencing unemployment or a pay reduction.

The rate of decline in household income has exceeded the rate of decline in home sale prices since a recent Census Bureau report found that nationwide housing is becoming less affordable. Within the metropolitan region it was found that 50.6% of renters and 48.9% of homeowners currently spend more than 30% of their household income on housing costs.<sup>16</sup>

Given that housing is less affordable and that the current first-time homeowner tax credit has not been extended into 2010, it is likely that the current 7.5% decline seen in closed residential transactions will continue in 2010. This will negatively impact sales tax collections and County Clerk fee revenues. Moody's Economy.com's regional forecast echoes these trends. They anticipate median home sale prices falling 20.2% in 2009 and 12.6% in 2010. Moreover, they are projecting the number of closed transactions in Nassau County to decline 38.5% in 2009 and 16.6% in 2010. Chart 3.5 below details these forecasts.

Chart 3.5



**Commercial Real Estate**

The commercial real estate market is considered by many to be the epicenter of the next wave of bankruptcies and defaults. In a Jones Lang LaSalle report, the level of US commercial real estate deals seen in the boom years of 2005 through 2007 are not expected to be seen again for a generation. First half 2009 deals were down 80% from an annual vantage point and down 93% from their peak levels.<sup>17</sup>

<sup>16</sup> Armour, Stephanie and Barbara Hansen, "2008 Census Data: Housing is Getting Even Less Affordable", [USAtoday.com](http://USAtoday.com), September 21, 2009.

<sup>17</sup> "U.S. Commercial Property Boom Decades Away: Report", [reuters.com](http://reuters.com), September 2, 2009.

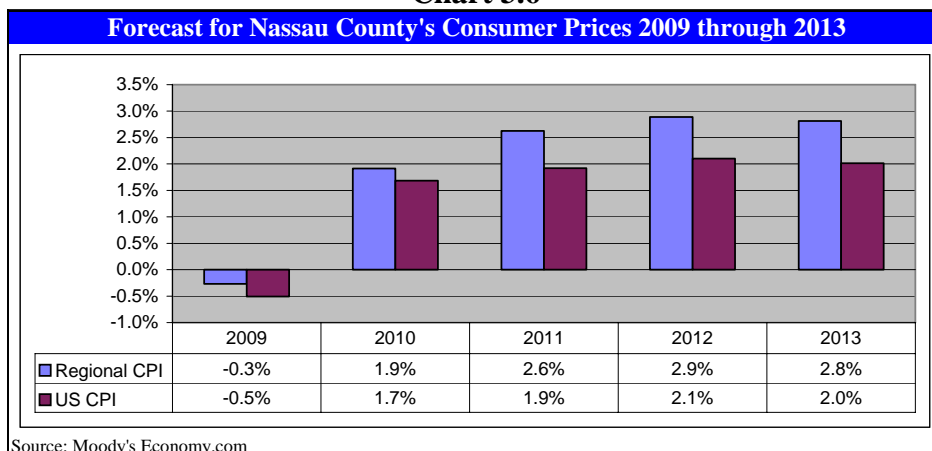
This is negative for building owners, their lien holders, investors and employees who work in commercial real estate. These losses will be more pronounced in Nassau since Manhattan prices are said to have dropped by a greater percentage than that seen throughout the nation. It will be difficult for landlords to refinance when values are below the secured amount and vacancies are up.<sup>18</sup> It is estimated that by the end of 2012, some \$153 billion in commercial loans are going to come due. Additionally, these mortgages have been securitized similarly to residential mortgages and the resultant losses will therefore impact hedge funds, pension funds, mutual fund and other financial institutions.<sup>19</sup>

This looming crisis is expected to exacerbate the economic downturn and will negatively impact Nassau County.

**Consumer Prices**

As of August 2009, US Bureau of Labor Statistics figures show that regional consumer prices have fallen 0.9%. The August 2009 decline was the fourth monthly decline experienced in 2009. According to Moody’s Economy.com, regional consumer prices are expected to continue on the downward trend throughout 2009. A similar trend is projected for the nation. Positive price growth is anticipated in the out-years both regionally and nationally. Chart 3.6 below details this forecast.

**Chart 3.6**



Source: Moody's Economy.com

**Government**

The federal government is actively trying to resuscitate the economy and facilitate a recovery. To accomplish this:

- Ø Short term interest rates have been cut to historic lows and are expected to remain there throughout 2010.
- Ø The Troubled Asset Relief Program, TARP, was passed and is injecting federal dollars into the economy to drum up business. To date Nassau County has received TARP money for capital projects and social assistance. This revenue stream is expected to continue in 2010. According to the US Labor Secretary, only about 25% of the federal stimulus money has been distributed so far.<sup>20</sup>

<sup>18</sup> Pristin, Terry, “For Commercial Real Estate, Hard Times Have Just Begun”, [nytimes.com](http://nytimes.com), September 2, 2009.

<sup>19</sup> Wei, Lingling and Peter Grant, “Commercial Real Estate Lurks as Next Potential Mortgage Crisis”, [The Wall Street Journal](http://TheWallStreetJournal.com), August 31, 2009.

<sup>20</sup> Showley, Roger, “Stimulus Still Unfolding, Secretary of Labor Says”, [The San Diego Tribune](http://TheSanDiegoTribune.com), September 19, 2009.

- Ø Six bills have been floated around the House and Senate to extend the first time home owners credit into 2010.<sup>21</sup>
- Ø Congress extended a loan program aimed at prodding the stalled securitization market back to life.

These programs should positively impact 2010 County sales tax collections and County Clerk revenues.

### **Conclusion**

The economy is weak and is expected to remain in that condition throughout 2010. Nassau County retail sales, personal income, resident employment, non-farm jobs, median home sale prices and closed real estate transactions are all projected to decline in 2010. The declines are expected to be smaller in 2010 than they were in 2009 implying the County will experience a U shaped or gradual recovery. It is important to monitor the commercial real estate sector, since experts opine that its demise could negatively impact our region substantially. In fact some see a small, but rising probability of a double-dip recession. Nouriel Roubini, a professor at New York University's Stern School of Business said, "Within that U scenario, I also see a small probability, but a rising probability, that if we don't get the exit strategy right we could end up with a relapse in growth .... a double-dip recession."<sup>22</sup> Given the current economic uncertainty, it is possible that significant FY 10 revenue items, such as sales tax, investment income, hotel/motel tax and County Clerk fees are at risk.

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<sup>21</sup> Fried, Carla, "Housing Tax Credit: Cure or Curse?", [CNN/Money.com](http://CNN/Money.com), September 21, 2009.

<sup>22</sup> "Roubini: "U-Shaped" Recovery is Possible", [reuters.com](http://reuters.com), September 4, 2009.

## 4. LABOR

### Labor Reductions & Concessions

Nassau County will face less uncertainty in the coming years in that all the major unions have contracts until December 31, 2015. In 2008 and 2009 the Administration was able to obtain a number of contracts, extensions, and supplemental Memorandum of Agreements (MOA) to help it achieve savings in a year that sales tax will show a considerable shortfall. Layoffs and furloughs were avoided but while the awards might have minimal impact in the near term, they will prove to be very costly in the out-years. Decisions made in these agreements will increase out-year expenses without any guarantees that the economy will have grown sufficiently to make the proposal affordable. It is imperative that the Administration restructure and cut costs on a permanent basis in order to be ready for the years when the agreements not only increase salaries but require the County to pay deferred raises. Table 1 provides a comparison of the wage increases and deferrals for each union.

**Table 4.1: Union Contract Wage Agreements**

Wage Increase				
PBA	DAI	SOA	CSEA	ShOA
				2005 0%
				1/1/2006 3.25%
				7/1/2007 3.50%
4/1/2007 1% / 4%	7/1/2007 1% / 3.75%	4/1/2008 3.50%		4/1/2008 1% / 3.65%
4/1/2008 1% / 4%	7/1/2008 1% / 3.75%	4/1/2009 3.50%	1/1/2008 0%	4/1/2009 1% / 3.65%
4/1/2009 1% / 4%	7/1/2009 1% / 3.75%	7/1/2010 3.50%	1/1/2009 3.65%	4/1/2010 1% / 3.65%
4/1/2010 1% / 4%	6/1/2010 1% / 3.75%	7/1/2011 3.50%	4/1/2010 3.65%	4/1/2010 1% / 3.65%
4/1/2011 1% / 4%	6/1/2011 1% / 3.75%	7/1/2012 3.50%	4/1/2011 3.75%	4/1/2011 1% / 3.65%
4/1/2012 1% / 4%	6/1/2012 1% / 3.75%	4/1/2013 3.50%	4/1/2012 3.75%	4/1/2012 1% / 3.65%
1/1/2013 3.50%	1/1/2013 3.50%	1/1/2013 3.50%	1/1/2013 3.50%	1/1/2013 3.50%
1/1/2014 3.50%	1/1/2014 3.50%	1/1/2014 3.50%	1/1/2014 3.50%	1/1/2014 3.50%
1/1/2015 3.75%	1/1/2015 3.75%	1/1/2015 3.75%	1/1/2015 3.75%	1/1/2015 3.75%
Wage and longevity for 04/01/07 to 09/30/07 paid in 2011	Wage and longevity for 07/01/07 to 12/31/07 paid in 2011.	Wage and longevity for 04/01/08 to 12/31/08 paid in 2012.	Wage increases for 4/1/10 to 11/1/10 paid in 2014.	Wages increases from 4/1/10 - 10/31/10 paid in 2014.
Wage and longevity for 04/01/08 to 08/31/08 paid 01/01/11.	Wage and longevity for 07/01/08 to 10/31/08 paid 01/01/11.	Wage and longevity for 04/01/09 to 12/31/09 paid in 2012.	Wage increases for 4/1/11 to 11/1/11 paid in 2015.	Wages increases from 4/1/11 - 10/31/11 paid in 2015.
Wage and longevity for 04/01/09 to 09/30/09 paid in 01/01/12.	Wage and longevity for 07/01/09 to 12/31/09 paid in 2012.	1. Wage and longevity for 07/01/10 to 12/31/10 paid in 2013.		

Note: Where the xx% / xx% format is used to show percent increases, the first percentage indicates steps below the bottom (not including start steps) and the second indicates the percentage applied to the top steps.

In total the County has deferred \$28.3 million from the years 2007 through 2011 which will be paid back at the same rate in the years 2011 through 2015. In 2010 about \$20.7 million will be deferred with the breakdown as follows:

- Ø \$16.5 million for wages and longevity from the five major unions
  - \$4.0 million for PBA originally deferred from 2008
  - \$0.7 million for DAI originally deferred from 2008
  - \$7.3 million for CSEA 2010 contractual increases
  - \$1.6 million for SOA contractual increases
  - \$2.9 million for ShOA contractual increases
- Ø \$1.9 million for PBA equipment
- Ø \$0.4 million for DAI equipment and clothing
- Ø \$0.9 million for SOA equipment
- Ø \$1.0 million for ShOA education and uniform

The bulk of this contractual obligation deferred in 2010 will be paid in 2014 when both CSEA and ShOA wages earned in 2010 are due. This is in addition to the regular contractual increases given to the unions for those years. Health insurance has been extended for all unions until December 31, 2015.

In addition, all unions have agreed to a two week lag in 2009 which is expected to save \$29.4 million in 2009. This will be paid back gradually through termination payments at the rate the employee is earning at the time of termination. Most of the unions also agreed to postpone equipment and/or clothing allowances but also obtained increases to these benefits, delaying the cost for now but increasing them in the future.

There were a few alterations that will provide real savings for the County. ShOA accelerated the decline in their overtime rate and the police unions agreed to a reduced termination rate and cap. In addition, the PBA and DAI agreed to civilianize more positions, the success of which will be dependant on the speed with which these changes take place. The County and CSEA agreed to a separation incentive to its members, decreasing headcount by 326 full-time employees, including grant funds. While this will provide savings in the next year or so, the Administration will need to keep backfilling to a minimum if it is to garner a long term benefit from the program. In addition, with clauses that prevent layoffs in PBA and CSEA, and no furlough provisions, the County limits its ability to garner savings in the future.

The County Executive's Multi-Year Plan includes workforce management or turnover savings of \$20 million in FY 11, \$25 million in FY 12, and \$30 million in FY 13. OLBR considers these savings to be achievable. No turnover savings were included in the FY 10 Budget.

### **Consolidations**

As previously discussed in Section 1 of the Executive Summary, the Administration is trying to streamline processes, reduce expenses and increase revenue through the following consolidations:

#### **Youth Board and Social Services Consolidation**

In FY 2010, the Administration plans to consolidate the Youth Board into the Department of Social Services (DSS). The Youth Board will remain as a separate entity and maintain a transparent budget

under the Department of Social Services (DSS). The Youth Board's contracts and staffing will be transferred into the department where services can be shared. The Administration is hoping to seek additional revenue funding from this merger. Both DSS and the Youth Board are currently researching other municipalities that have a similar merged structure. The Board of Directors of the Youth Board will maintain their independence and should not be impacted by this merger.

### **Office for the Physically Challenged Consolidation**

In 2010, the Administration will seek to incorporate the Office for the Physically Challenged into the Department of Senior Citizens. The Administration plans to change the name of the department to the Department of Disabilities and Aging. The merger may require an amendment to the County Charter to transfer the responsibility of issuing parking permits to Senior Citizens. The department plans to expedite the handicapped permit process by eliminating the multiple handling of one application. The FY 10 Budget supports a Clerk II position which will assist with the data entry facet of this process and speed up permit issuance.

Cost savings are anticipated from the recent retirements in Physically Challenged. In addition, Senior Citizens will seek additional grant reimbursement under this consolidation.

### **Medical Examiner and Health Consolidation**

New York State has made a state-wide recommendation that the Medical Examiner report to the Health Department. The Health Department believes that the Public Health Article 6 reimbursement is less likely to be challenged by the State as a result of this merger. In addition, Nassau County's Medical Examiner's Office has lost three positions to the special separation incentive, two of whom were essential to the support operations of the office. Since the Medical Examiner is charter mandated to report to the Board of Health, the Administration has decided to shift the office under the Health Department. The administrative work of both departments will now be performed by the Health Department. This change must be approved by the County Legislature before it becomes officially executed.

### **CASA, Office of Constituent Affairs and Office of Minority Affairs Consolidation**

In FY 2010, the Administration plans to consolidate CASA (Coordinating Agency for Spanish Americans), Constituent Affairs and Minority Affairs into the Office of the County Advocate which would be within the Office of the County Executive. The Administration is hoping the reorganization will "provide a more coordinated approach to community outreach, improve service delivery, be a strong advocate for the constituencies being served, and result in more effective, efficient operations." Although these departments share many similar functions, there are also purposes to these agencies that go beyond their similarities. The County Charter acknowledges these complexities with the provisions of both the Minority Affairs Council and the advisory board to CASA. It seems clear that the intent of the Commission on Government Revision is that these departments not function only as a service to the County Executive but with the direction and interests of the communities they serve. At the very least, the regulatory aspects of Minority Affairs should be addressed if the County believes the objectives of this department, as it was originally envisioned, to be of consequence.

**Headcount**

The September 1, 2009 five major funds headcount is 8,449, a reduction of 477 full-time employees from September 1, 2008. Headcount in the 2010 Proposed Budget is at 8,809 in 2010, an increase of 360 or 4.3% from the September headcount. The 2010 proposed budgeted headcount is decreasing from the 2009 Adopted headcount by 370 positions. Sewer and Storm Water District is increasing by 28 positions from the September actual but decreasing from the 2008 Budget by 44 positions, reducing the number of vacancies. It should be noted that there are also 302 full-time positions in the Grant Fund, which is the same number it was on September 1, 2008.

In the General Fund there are 197 vacancies when comparing the September 1, 2009 actual with the 2010 Proposed Budget. It should be noted, however, that 39 positions have filled since the September 1, 2009 headcount was reported. Whether or not the County can afford to fill these vacancies will depend largely on the extent to which the economy recovers and sales tax goals are met, overtime initiatives are achieved, and positions are backfilled. If these vacancies, less the new hires, are not filled there is an opportunity for \$15.1 million in savings. An additional opportunity exists in the Police Department funds although the Administration has already begun hiring civilian positions (see discussion below). There are currently 180 vacant civilian positions offset by 27 sworn officers over the 2010 budget. The department is able to fund the currently on-board positions, but will need to realize attrition savings if it is to fill the vacancies. If the department hires an additional 72 positions as anticipated, the total available funding will drop to \$12.8 million.

Included in the FY 10 budget for the Police Department is funding for 2,556 (2,550 excluding Chiefs and Deputy Commissioners) sworn officers, down 96, compared to the budget of 2,652 in FY 09 and 27 below September actual. The department has completed many steps in its continuing efforts to civilianize 50 sworn positions. Some of the positions that were once occupied by uniform personnel include the following: five in Property Bureau, three in Special Units and two in Applicant Investigations and Communications Bureau among others. Additionally, Civil Service has completed the process for creating 40 new titles for the forensic lab that will be filled by civilians.

Full-time civilians are increasing by 40 from budget to budget and include communication operators, administrative assistants, management analysts and police forensic scientists, among others. Compared to September actuals, civilian headcount is growing by 180 and includes, among other, police service aides, accountants, administrative assistants, management analysts, police communications operators and police forensic scientists.

Full-time staffing in the Correctional Center is budgeted to increase from the September 1, 2009 actual by 50 positions. The proposed 2009 budget assumes \$15.4 million in overtime expense which is a \$1.2 million, or 7.3%, reduction from the Adopted 2009 Budget. The overtime plans may be achievable if sufficient hiring occurs in time to offset attrition. Including the new academy class of 27 sworn officers which started September 18, 2009 and will be deployed by December 15, 2009, the Correctional Center staffing is budgeted to increase from the actual by an additional 23. The department has stated that the goal is to achieve and maintain headcount at budgeted levels in 2010 and another class is anticipated to begin sometime in 2010 to keep up with attrition. Average attrition has been about 35 officers per year.

Even with the new class in 2009 and the anticipated hiring in 2010 the department will not be up to the proposed budget headcount. This could have a significant impact on overtime as previously discussed, especially if the inmate population increases to 2009 levels.

Probation is also in the process of hiring. A class of 12 Probation Officer Trainees (POT) began the second week of September of 2009 and the department anticipates an additional class in FY 10, which will be based on the attrition rate.

Table 4. demonstrates the headcount variances on a departmental level.

**Table 4.2: Full-Time Headcount**

Department	Adopted 2009 Budget	Sept 2009 Actual	Executive 2010 Budget	Change from 2009 to Exec.	% Change from 2009 to Exec.	Change from Exec. to Sept Actual	% of Change Sept Actual
Assessment	255	225	232	(23)	-9.0%	7	3.1%
ARC1	41	41	42	1	2.4%	1	2.4%
Behavioral Services	86	71	73	(13)	-15.1%	2	2.8%
Board of Elections	115	118	126	11	9.6%	8	6.8%
C.A.S.A.	8	7	7	(1)	-12.5%	0	0.0%
Civil Service	61	58	57	(4)	-6.6%	(1)	-1.7%
Comptroller	99	79	92	(7)	-7.1%	13	16.5%
Constituent Affairs	53	47	47	(6)	-11.3%	0	0.0%
Consumer Affairs	44	36	36	(8)	-18.2%	0	0.0%
Correctional Center	1,317	1,231	1,281	(36)	-2.7%	50	4.1%
County Attorney	155	155	157	2	1.3%	2	1.3%
County Clerk	106	96	106	0	0.0%	10	10.4%
County Executive	35	30	35	0	0.0%	5	16.7%
District Attorney	375	362	371	(4)	-1.1%	9	2.5%
Emergency Management	6	5	7	1	16.7%	2	40.0%
Health	239	210	220	(19)	-7.9%	10	4.8%
Housing and Intergov. Affairs	6	7	7	1	16.7%	0	0.0%
Human Resources	17	16	16	(1)	-5.9%	0	0.0%
Human Rights	10	7	10	0	0.0%	3	42.9%
Information Technology	158	135	133	(25)	-15.8%	(2)	-1.5%
Investigations	2	1	1	(1)	-50.0%	0	0.0%
Labor Relations	6	4	5	(1)	-16.7%	1	25.0%
Legislature	97	88	95	(2)	-2.1%	7	8.0%
Medical Examiner	49	48	46	(3)	-6.1%	(2)	-4.2%
Minority Affairs, Office of	8	6	6	(2)	-25.0%	0	0.0%
Miscellaneous Salary Savings	0	0	0	0	-	0	-
OMB	40	33	34	(6)	-15.0%	1	3.0%
Parks	173	148	151	(22)	-12.7%	3	2.0%
Physically Challenged	7	3	5	(2)	-28.6%	2	66.7%
Planning	21	20	23	2	9.5%	3	15.0%
Probation	239	200	215	(24)	-10.0%	15	7.5%
Public Administrator	7	7	7	0	0.0%	0	0.0%
Public Works Department	706	610	634	(72)	-10.2%	24	3.9%
Purchasing	24	20	21	(3)	-12.5%	1	5.0%
Real Estate	9	9	9	0	0.0%	0	0.0%
Records Management	13	12	13	0	0.0%	1	8.3%

<b>Department</b>	<b>Adopted 2009 Budget</b>	<b>Sept 2009 Actual</b>	<b>Executive 2010 Budget</b>	<b>Change from 2009 to Exec.</b>	<b>% Change from 2009 to Exec.</b>	<b>Change from Exec. to Sept Actual</b>	<b>% of Change Sept Actual</b>
Senior Citizens Affairs	39	31	31	(8)	-20.5%	0	0.0%
Social Services	870	815	829	(41)	-4.7%	14	1.7%
Traffic & Parking Violations	38	38	45	7	18.4%	7	18.4%
Treasurer	42	40	41	(1)	-2.4%	1	2.5%
Veterans' Services Agency	8	8	8	0	0.0%	0	0.0%
Youth Board	7	5	5	(2)	-28.6%	0	0.0%
<b>Total General Fund</b>	<b>5,591</b>	<b>5,082</b>	<b>5,279</b>	<b>(312)</b>	<b>-5.6%</b>	<b>197</b>	<b>3.9%</b>
Fire Commision	112	101	110	(2)	-1.8%	9	8.9%
Police District	1,864	1,765	1,771	(93)	-5.0%	6	0.3%
Police Headquarters	1,612	1,501	1,649	37	2.3%	148	9.9%
<b>Total Major Funds</b>	<b>9,179</b>	<b>8,449</b>	<b>8,809</b>	<b>(370)</b>	<b>-4.0%</b>	<b>360</b>	<b>4.3%</b>
Sewer and Storm Water District	334	262	290	(44)	-13.2%	28	10.7%
<b>Total All Funds</b>	<b>9,513</b>	<b>8,711</b>	<b>9,099</b>	<b>(414)</b>	<b>-4.4%</b>	<b>388</b>	<b>4.5%</b>

## 5. FRINGE BENEFITS

Fringe benefit expenditures include health insurance contributions for active employees and retirees, pension contributions for active employees and social security contributions. The FY 10 fringe benefit budget for the major funds is approximately \$389.3 million, an \$18.2 million decrease from the FY 09 Adopted Budget of \$407.5 million and a decrease of \$10.5 million from the FY 09 projection. The decrease is due to lower health insurance, pension and social security costs in FY 10 compared to FY 09. The reductions will be partially offset by the removal of the fringe savings line for \$17.1 million that was included in the FY 09 budget. There are no contingency savings included in the FY 10 Executive Budget.

Although pension costs are projected to decrease in the proposed budget, the New York State Comptroller has warned about possible future contribution rate increases due to the poor market performance of the New York State Common Retirement Fund. The anticipated rise in out-year pension rates will increase the County's pension obligations which will further hinder the County's ability to balance the budget in the future.

Table 5.1 displays the fringe benefit budgets of the major funds.

**Table 5.1: Fringe Budget by Major Fund**

<b>Fund</b>	<b>Department</b>	<b>Adopted FY 09 Budget</b>	<b>OLBR FY 09 Projection</b>	<b>FY 10 Exec. Budget</b>	<b>Variance Exec. vs Adopted 09</b>	<b>Variance Executive vs FY 09 Proj.</b>
Fire Commission	Fringe Benefits	\$3,733,004	\$3,610,292	\$3,512,885	(\$220,119)	(\$97,407)
General Fund	Courts	2,111,364	1,909,407	1,925,236	(186,128)	15,829
	Fringe Benefits	175,346,205	177,545,131	169,952,962	(5,393,243)	(7,592,169)
	Miscellaneous	24,307,978	23,001,540	23,719,623	(588,355)	718,083
Police District	Fringe Benefits	104,710,366	100,774,032	98,458,293	(6,252,073)	(2,315,739)
Police Headquarters	Fringe Benefits	97,261,661	92,917,349	91,681,609	(5,580,052)	(1,235,740)
<b>Total</b>		<b>\$407,470,578</b>	<b>\$399,757,751</b>	<b>\$389,250,608</b>	<b>(\$18,219,970)</b>	<b>(\$10,507,143)</b>

Table 5.2: itemizes fringe benefit costs by sub-object code:

**Table 5.2: Fringe Budget by Sub-object**

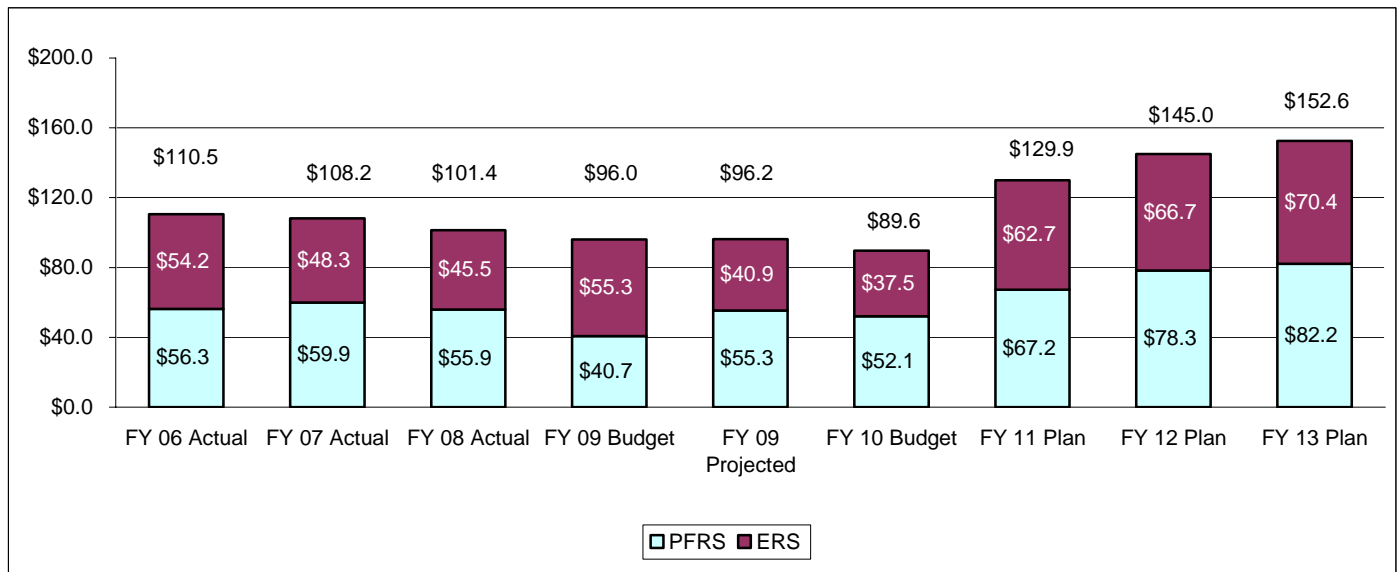
<b>SubObject &amp; Description</b>	<b>Adopted FY 09 Budget</b>	<b>OLBR FY 09 Projection</b>	<b>FY 10 Exec. Budget</b>	<b>Variance Exec. vs Adopted 09</b>	<b>Variance Exec. vs FY 09 Proj.</b>
08F - NYS Police Retirement	\$55,347,222	\$55,342,886	\$52,051,802	(\$3,295,420)	(\$3,291,084)
11F - State Retirement Systems	40,702,177	40,872,147	37,522,512	(3,179,665)	(3,349,635)
13F - Social Security Contribution	62,258,772	59,493,532	51,729,832	(10,528,940)	(7,763,700)
14F - Health Insurance	126,937,599	112,655,385	111,814,091	(15,123,508)	(841,294)
17F - Optical Plan	1,111,724	1,018,697	962,346	(149,378)	(56,351)
19F - NYS Unemployment	502,000	1,370,641	575,000	73,000	(795,641)
20F - Dental Insurance	5,397,459	4,974,644	5,087,780	(309,679)	113,136
22F - Medicare Reimbursement	16,232,548	14,713,292	15,449,499	(783,049)	736,207
22F - Medicare Reimbursement Surcharge	0	0	0	0	0
26F - Flex Benefits	2,205,000	2,205,000	2,650,000	445,000	445,000
28F - Transit Check Plan	100,000	100,000	200,000	100,000	100,000
35F - MTA Mobility Tax	0	2,089,535	2,472,977	2,472,977	383,442
40F - CSEA Legal Plan	0	513,098	509,000	509,000	(4,098)
41F - SHOA Legal Plan	0	135,125	133,500	133,500	(1,625)
45F - Disability Insurance	0	0	51,604	51,604	51,604
75F - Health Insurance For Retirees	109,885,329	103,855,558	107,600,710	(2,284,619)	3,745,152
76F - Employees Optical - Retirees	390,748	418,211	439,955	49,207	21,744
<b>Subtotal</b>	<b>\$421,070,578</b>	<b>\$399,757,751</b>	<b>\$389,250,608</b>	<b>(\$31,819,970)</b>	<b>(\$10,507,143)</b>
ZZF - Fringe Savings	(17,100,000)	0	0	17,100,000	0
81F - Police Ret. Contingency	3,500,000	0	0	(3,500,000)	0
<b>Grand Total</b>	<b>\$407,470,578</b>	<b>\$399,757,751</b>	<b>\$389,250,608</b>	<b>(\$18,219,970)</b>	<b>(\$10,507,143)</b>

**08F & 11F State Pension for Police and Fire Retirement & Employee Retirement System**

The New York State Retirement System is a program designed to help employees and family members maintain financial stability during retirement or in the event of disability or death. The annual bill covers the period from the previous April 1 to the ensuing March 31. New York State legislation enacted in 2004, moved the pension payment date for participating employers from December 15 to February 1.

Chart 5.1 details the historical pension obligations from FY 06 to FY 08 and the projected costs from FY09 to FY 13:

**Chart 5.1: FY 06 to FY 13 Pension Costs (in Millions)**



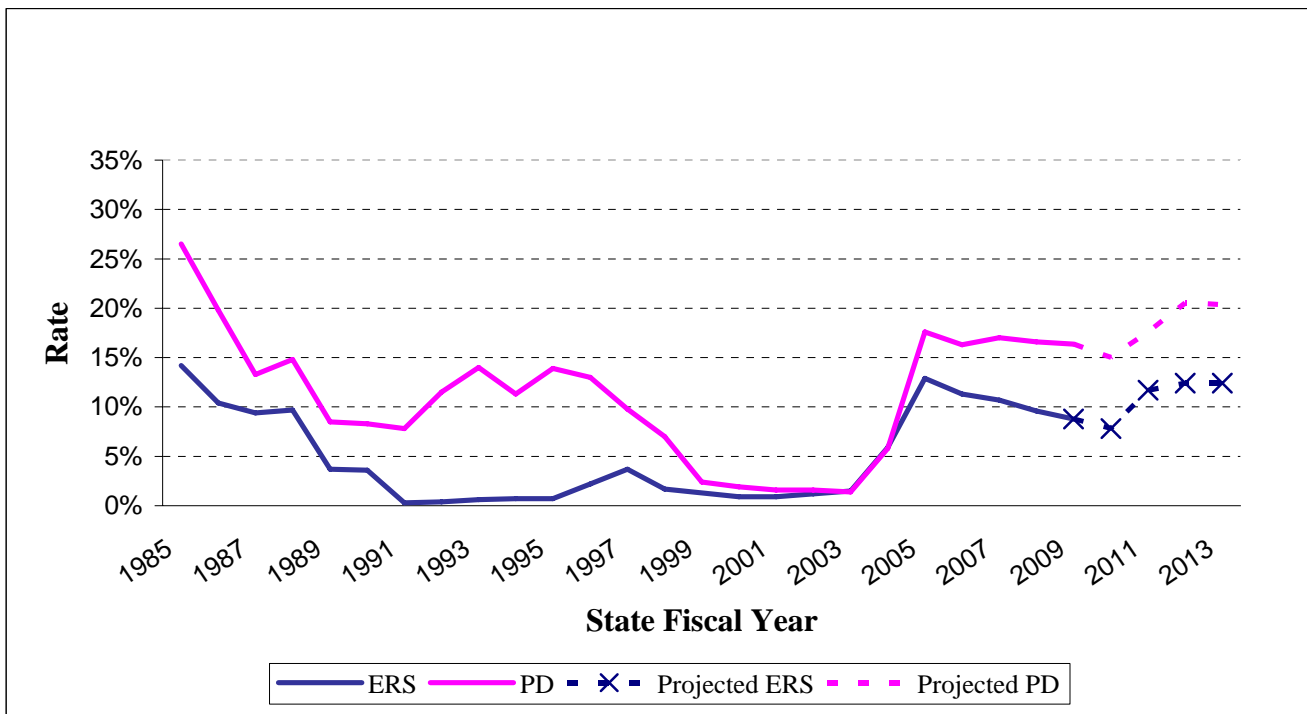
The FY 10 proposed budget for pension expense represents the lowest cost since FY 06 due to reduced pension contribution rates. The FY 10 Executive Budget includes \$89.6 million in total for Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) pension obligations. This is a decrease of \$20.9 million from FY 06. The Multi-Year Plan projects pension costs to increase in FY 11 to \$129.9 million, and to \$145.0 million in FY 12 and \$152.6 million in FY 13.

The proposed budget of \$89.6 million for SFY 2009-10 is made up of \$37.5 million for Employee Retirement System (ERS) and \$52.1 million for the Police and Fire Retirement System (PFRS). The February 2010 estimated bill from the New York State Comptroller for ERS and PFRS is \$95.2 million if the bill is paid on February 1, 2010 and \$94.3 million if the bill is paid on December 15, 2009. The February 1 payment due date results in a higher net bill due to the corresponding change in the discount applied to the bill. The discount is a reflection of the pension system operating on a state fiscal year (April through March). The retirement system discounts the local bill at the statutory interest rate (8% annually) based on a payment date that falls prior to the end of the fiscal year.

The County's FY 10 budget is based on paying the pension bill on December 15, 2009. This includes \$42.2 million billed for ERS and \$52.1 million billed for PFRS. The ERS billed amount of \$42.2 million includes the pension costs for Nassau Community College and the Sewer and Storm Water Resource District. These costs are reflected in their funds, not in Table 5.2 on page 35. The pension rates range from 7.0% - 14.3% of pensionable salaries for ERS and 13.8% to 24.4% of pensionable salaries in PFRS depending on the tier of the employee.

Chart 5.2 depicts the annual blended average historical pension contribution rates for ERS and PFRS from 1985 to projected FY 13 in the Multi-Year Plan.

**Chart 5.2: Historical Pension Contribution Rates**



Source: NYS Comptroller

As reflected in Chart 5.2, pension contribution rates have trended downwards from the mid 1980’s to the mid 1990’s due the performance of the New York State Common Retirement (Fund). By the mid 2000’s the rates started to increase and peaked in SFY 2005. Since SFY 2005, rates have started to slowly decline and are projected to decrease through SFY 2010. SFY 2011 represents the first annual increase in contribution rates after five consecutive annual decreases.

The New York State Comptroller’s Office has provided estimated rates for SFY 2011 and projected long-term expected rates. Due to the poor market performance of the Fund, the estimated SFY 2011 rates are projected to grow.

The State Comptroller’s long term expected contribution rates are based on an 8% annual rate of return on investments. If the Fund averages more than 8% over an extended period of time, the employer should expect contribution rates to be less than the long term expected rate. If the Fund earns less than 8% over an extended period of time, the contribution rates would be higher than long-term expected rates. Because of the global economic crisis, the rate of return of the Fund, for fiscal year ending March 31, 2009, was a negative 26%.<sup>1</sup> According to the State Comptroller, the impact of the global recession on the New York State Common Retirement Fund will drive the average ERS rate up to 11.9% (up from

<sup>1</sup> Office of the New York State Comptroller. “Employer Pension Fund Contributions to Increase in 2011.” Press Release from the Office of the New York State Comptroller Thomas P. DiNapoli. September 3, 2009.

7.4% in 2010). The average PFRS rate will be 18.2% (up from 15.1% in 2010).<sup>2</sup> The Multi-Year Plan assumes ERS pension rates of 7.8% in FY 11, 9.0% in FY 12, and 9.0% in FY 13. For PFRS, the Multi-Year Plan assumes 15.6% in FY 11, 16.2% in FY 12 and 16.1% in FY 13.

To mitigate the impact of higher contribution rates in the short term, the State Comptroller has proposed legislation to allow employers to amortize a portion of the increased costs over a ten year period. This legislation has already been introduced to the New York State Senate and Assembly. The State Comptroller is also hopeful that the recent agreement between Governor Patterson and the Civil Service Employee Association (CSEA) will provide fiscal relief in the long term. The agreement proposes the creation of a new tier of pension benefits (Tier V) for future public employees. The new tier will include the following terms:

- Ø Impose a penalty of up to 38% for any employee who retires prior to age 62.
- Ø Require employees to continue contributing 3.0% of their salaries towards pension costs for their entire careers rather than ending their contributions after 10 years of service.
- Ø Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Ø Capping the amount of discretionary overtime that can be considered in the calculation of pension benefits at \$10,000 per year.

The Governor also submitted legislation to create new optional rules for new hires to the State and Local Police and Fire Retirement System. The new retirement plan will establish a minimum retirement age of 50 with 25 years of service and would exclude overtime from the pension calculation.

To help ease the financial burden of pension costs, the Nassau County Administration plans to use FY 09 surplus funds to replenish the pension reserve. In 2004, the County created a Pension Contribution Reserve Fund to help offset pension obligations. New York State Legislation created in 2004 changed the manner in which annual employer contributions are calculated and billed in the New York State and Local Retirement System. The County was able to transfer \$79.8 million to this reserve from the deferment of the pension payment date from December 1 to February 1. .

The Administration will transfer \$13.0 million into the pension reserve fund from leftover funds in 2009. After the infusion of FY 09 surplus funds, approximately \$13.5 million will be available to help fund pension obligations in FY 10.

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<sup>2</sup> Office of the New York State Comptroller. "Employer Pension Fund Contributions to Increase in 2011." Press Release from the Office of the New York State Comptroller Thomas P. DiNapoli. September 3, 2009

**14F & 75F Health Insurance for Current and Retired Employees**

In 2009, the national rate of growth for health insurance remained relatively stable despite the severe economic downturn.

**Chart 5.3: FY 06 to FY 13 Health Insurance Costs (in Millions)**

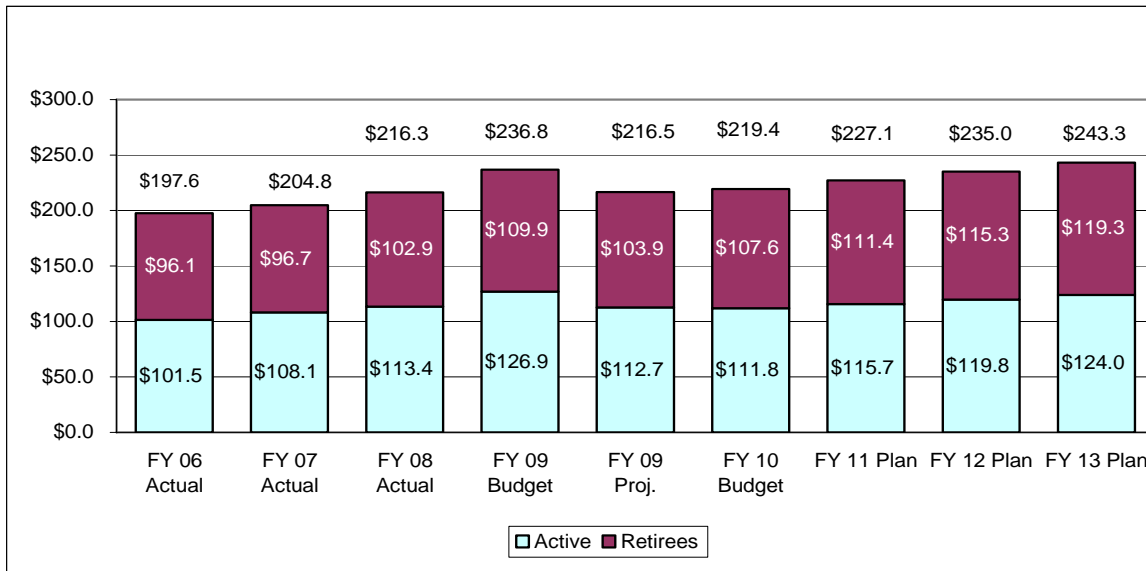
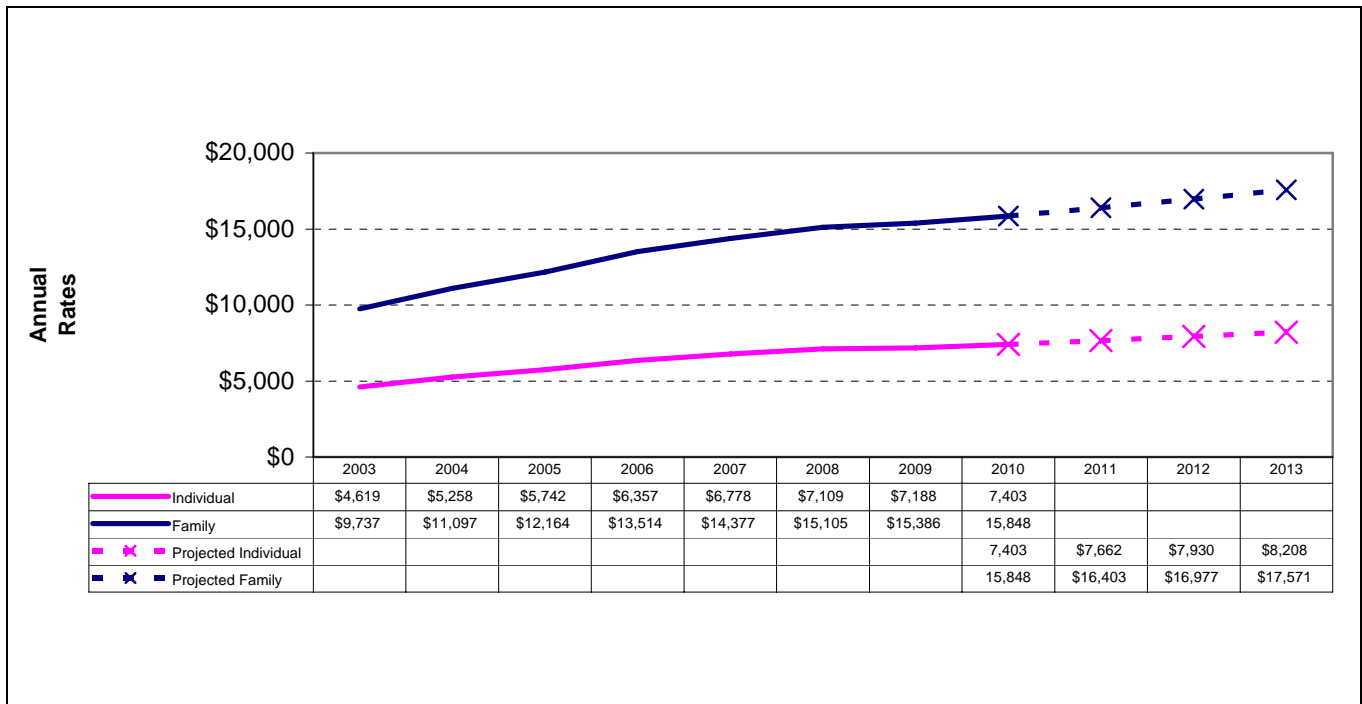


Chart 5.3 above, displays health insurance costs for active and retired employees from FY 06 to projected costs through FY 13 in the Multi-Year Plan. As shown above, health insurance costs increase significantly in each year. The FY 10 budget for health insurance costs includes \$111.8 million for active employees and \$107.6 million for retired employees for a total cost of \$219.4 million. This is an increase of \$2.9 million or 1.3% from the projected FY 09 cost of \$216.5 million. The Multi-Year Plan projects health insurance costs to increase to \$243.3 million in FY 13.

Chart 5.4: Historical Health Insurance Premium (Non-Medicare) Rates



The Kaiser Foundation and Health Research and Educational Trust conducts an annual national survey to provide current information about employer-provided health benefits. The results, published in a report titled “Employer Health Benefits, 2009 Summary of Finding,” showed that employer sponsored health insurance rose 5% for family coverage. The average premium for single coverage did not significantly increase, breaking a long-standing trend.<sup>3</sup> The survey also reports that average premiums for family coverage have increased 131% since 1999. Chart 5.4 displays how health insurance rates have been progressively increasing in Nassau County.

The FY 10 budget for health insurance costs includes an increase of 3.0% for active and retiree health insurance plans. The growth rate is based on a verbal commitment from New York State that guarantees the rate not to exceed 3.5% in FY 10. Table 5.3 displays the projected 2010 annual health insurance rates based on a 3.0% growth rate:

<sup>3</sup> The Kaiser Family Foundation and Health Research and Education Trust, “Employer Benefits 2009 Summary of Findings.” September 15, 2009.

**Table 5.3: Health Insurance Premium Rates**

<b>Rates</b>	<b>2009</b>	<b>2010</b>
<b>Plan Prime</b>		
<i>Individual</i>	7,188	7,403
<i>Family</i>	15,386	15,848
<b>MediPrime</b>		
<i>Individual</i>	4,325	4,455
<i>Family-1</i>	12,322	12,692
<i>Family-2</i>	\$9,539	\$9,825

In FY 09, health insurance rates were finalized at an increase of 1.1% for individual and 1.9% for family. These rates were finalized lower than the growth rate assumed in the FY 09 Adopted Budget. This is due to the refund of over-collected premium payments in previous years from the New York State Health Insurance Program (NYSHIP). County officials were able to convince NYSHIP and State budget officials that NYSHIP had been over-collecting premiums for years. The lowered finalized rates in FY 09 were given to NYSHIP participating agencies. Due to the lowered health insurance rate in 2009, OLBR currently projects a surplus of \$20.3 million for health insurance compared to the FY09 budget. The surplus includes \$14.3 million for active employees and \$6.0 million for retirees.

The MYP baseline inflator used to project out-year health insurance costs is 3.5% in FY 11 through FY 13. The Office of Legislative Budget Review believes that this is a risk. The State has confirmed that the growth rate will not exceed 3.5% in FY 10 but has not committed to this rate in the out-years. An additional 1.0% increase (on top of the 3.5% increase) would result in an extra cost of \$2.3 million in FY 11 and \$2.5 million in FY 13. The amounts projected by the Administration are reflected in Table 5.4: Multi-Year Plan by Sub-object on page 44.

Due to the growth in healthcare costs, many employers have started looking for alternatives to their health plans which include employee cost sharing, fewer HMO's, more utilization of disease management programs, and high deductible health plans. According to the Kaiser Foundation, more than half, or 58%, of the employers surveyed offer at least one of the following wellness programs: weight loss program, gym membership discounts, or on-site exercise facilities, smoking cessation program, personal health coaching, classes in nutrition or healthy living, web-based resources for health living or a wellness newsletter.<sup>4</sup> The Administration and the County Comptroller have been appointed to the NYSHIP Participating Agency Advisory Committee to work with NYSHIP to explore options to reduce future health insurance costs. The committee recently presented a multi-year proposal on how to use the dividend to keep rates down over the next several years.

### **13F Social Security**

Social Security tax is comprised of two components: Old-age, Survivors and Disability Insurance (OASDI) and Medicare tax. The employer's contribution rate is 6.2% for OASDI and 1.45% for Medicare, which equals a combined rate of 7.65%. For the current year the OASDI portion is applied to salaries up to \$106,800. Medicare has no maximum. The Social Security Administration has not yet announced the wage base increase for 2010. In 2009 the base rate increased by 4.7%. If increased by

<sup>4</sup> The Kaiser Family Foundation and Health Research and Education Trust, "Employer Benefits 2009 Summary of Findings."

the same percentage in 2010, the maximum wage contribution would be roughly \$111,820. The total OASDI tax on this maximum wage projection would be approximately \$8,554.

The FY 10 budget for social security is decreasing by \$10.5 million or 16.9% compared to the FY 09 budget and \$7.8 million compared to the FY 09 projection. The decrease can be attributed to lowered total salaries from the reduced headcount in the proposed budget. In 2009, 326 full-time employees opted into the County's separation incentive and between 130 and 160 sworn officers are expected to retire.

### **17F Optical Plan**

This benefit provides optical insurance to full-time County employees. The annual per capita premium is remaining at \$115. The FY 10 budget is decreasing by \$149,000 to \$962,000 in FY 10. The FY 10 budget is not sufficient to cover any additional staffing from backfilling positions from employees who took the incentive.

### **19F New York State Unemployment**

The County is required to reimburse the State for all unemployment claims paid to former employees. The County provides quarterly payments to the State. The FY 10 budget is increasing by \$73,000 to \$575,000. Based on the projected FY 09 cost of \$1.4 million, the FY 10 budget appears underfunded by \$796,000.

### **20F Dental Insurance**

This benefit provides dental insurance to full-time employees. The current contract with Healthplex will expire on December 31, 2010. Under this contract, the current annual premium per capita is \$561. The FY 10 budget for dental costs is decreasing by \$310,000 compared to the FY 09 budget. The FY 10 budget is not sufficient to cover any additional staffing from backfilling positions from employees who took the incentive.

### **22F Medicare Reimbursement**

The County provides quarterly payments to cover premium costs related to Medicare coverage for retired employees. The proposed FY 10 budget is decreasing by \$783,000 to \$15.5 million. Compared to the FY 09 projection, the proposed budget is increasing by \$736,000.

The current Medicare Part B premium at \$96.40 will remain unchanged for three-fourths of Medicare recipients. Premiums generally increase each year, but because of a drop in the consumer price index there will be no cost-of-living adjustment for Social Security recipients next year.<sup>5</sup> Under a "hold-harmless" provision of federal law, basic Part B premiums in any year cannot rise higher than that year's cost of living adjustment. The premium is higher for individuals with incomes over \$85,000 or \$170,000 for couples. These recipients already paying higher premiums (surcharges of between \$38.50 and \$211.90 a month), may see increases in these amounts. However, recent federal legislation proposed by the House of Representatives eliminates premium increases for these recipients. The lawmakers do not believe that older seniors should pay for Part B premiums since they were not

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<sup>5</sup> "Bill to Freeze Medicare Part B Premiums Sails Through House Vote." California HealthCare Foundation. September 25, 2009.

expected to get an increase in their social security checks.<sup>6</sup> The monthly premium paid by beneficiaries enrolled in Medicare Part B covers a portion of the costs of physicians' services, outpatient hospital services, certain home health services, durable medical equipment and other items.<sup>7</sup>

The FY 09 projection of \$14.7 million for Medicare Part B will result in a surplus of \$736,000 due to an inflated FY 09 budget. Since the monthly premium rate will remain unchanged and the FY 10 proposed budget is more aligned with the FY 09 projection, the FY 10 budget appears sufficient.

### **26F Flex Benefits Plan**

All Nassau County employees may contribute a portion of their salary to a flexible spending account. This allows the employee to use tax free dollars on health care costs such as co-pays and deductibles. On January 1, 2008, the County switched to Aetna to administer the plan. The FY 10 budget is increasing by \$445,000 compared to the FY 09 Adopted Budget and the FY 09 projection. The increase can be attributed to increased participants in the flexible benefits plan. The FY 10 budget includes corresponding revenue to offset the expense for the same budgeted amount of \$2.7 million.

### **28F Transit Check Plan**

Nassau County's transit check plan allows employees who use mass transportation to allocate pre-tax dollars into transit check plan. The FY 10 budget is increasing by \$100,000 from the FY 09 budget to \$200,000. The plan allows employees to deduct up to \$230 a month or \$2,760 per year for mass transit and an additional \$230 a month or \$2,760 a year for commuter parking. The FY 10 budget includes corresponding revenue to offset the expense for the same budgeted amount of \$200,000.

### **35F MTA Mobility Tax**

In May 2009, the New York State Legislature approved a new regional payroll/mobility tax to fund the Metropolitan Transportation Authority, MTA. This tax applies to employers within the Metropolitan Commuter Transportation District whose wages and payroll expenses exceed \$2,500 in any calendar quarter. The tax is equivalent to 0.34% of an employer's payroll expenses. The initial payment for 2009 is due November 2, 2009. The initial payment for public school districts is due September 1, 2009.

The FY 10 budget includes \$2.5 million for a new cost for the MTA mobility tax. In the proposed budget the County Executive reduced the allocation for Long Island Bus by \$2.5 million to correspond to the MTA mobility tax.

### **40F CSEA Legal Plan**

The FY 10 budget includes a new expense of \$509,000 for CSEA legal plan as per the current CSEA agreement. Effective January 1, 2009, the County shall contribute the sum of \$125 annually per each full and part-time employee

### **41F ShOA Legal Plan**

The FY 10 budget includes a new expense of \$133,500 for ShOA legal plan as per the ShOA contract agreement.

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<sup>6</sup> "Bill to Freeze Medicare Part B Premiums Sails Through House Vote." California HealthCare Foundation. September 25, 2009.

<sup>7</sup> CMS/ Centers for Medicare & Medicaid Services. "CMS Announces Medicare Premiums, Deductibles for 2009." <http://www.cms.hhs.gov/apps/media/press/factsheet.html>.

**45F Disability Insurance**

The FY 10 budget includes \$51,604 for disability insurance as per the current CSEA agreement. Effective January 1, 2010, the County shall provide New York State Disability Insurance to all CSEA bargaining unit employees. The employees shall pay their portion of the New York State Disability Insurance. If the County’s cost of this benefit exceeds \$800,000 annually, the County may return to the Panel to have this benefit adjusted.

**76F Employees Optical for Retirees**

This benefit provides optical coverage for retired County employees. The County’s cost to provide optical insurance coverage to retired employees is the same as the cost to provide insurance for current employees, which is \$115 per person. The FY 10 proposed budget is increasing by \$49,207 from the FY 09 budget and \$21,744 compared to the FY 09 projection. The FY 10 Proposed Budget is sufficient to cover the current number of retirees receiving this benefit.

Table 5.4 displays out-year fringe benefit costs under the Multi-Year Plan:

Table 5.4: Multi-Year Plan by Sub-object

SubObject & Description	2010 Proposed			
	Budget	2011 Plan	2012 Plan	2013 Plan
08F - NYS Police Retirement	\$52,051,802	\$67,197,024	\$78,331,656	\$82,174,084
11F - State Retirement Systems	37,522,512	62,714,043	66,656,267	70,414,518
13F - Social Security Contribution	51,729,832	54,093,885	57,793,907	60,880,102
14F - Health Insurance	111,814,091	115,727,584	119,778,050	123,970,281
17F - Optical Plan	962,346	962,346	962,346	962,346
19F - NYS Unemployment	575,000	575,000	575,000	575,000
20F - Dental Insurance	5,087,780	5,087,780	5,087,780	5,087,780
22F - Medicare Reimbursement	15,449,499	15,804,837	16,199,958	16,637,357
26F - Flex Benefits Plan	2,650,000	2,650,000	2,650,000	2,650,000
28F - Transit Check Plan	200,000	200,000	200,000	200,000
35F - MTA Mobility Tax	2,472,977	2,585,992	2,762,874	2,910,411
40F - CSEA Legal Plan	509,000	509,000	509,000	509,000
41F - Shoa Legal Plan	133,500	133,500	133,500	133,500
45F - Disability Insurance	51,604	51,604	51,604	51,604
75F - Health Insurance For Retirees	107,600,710	111,366,735	115,264,571	119,298,831
76F - Employees Optical - Retirees	439,955	439,955	439,955	439,955
<b>Grand Total</b>	<b>\$389,250,608</b>	<b>\$440,099,286</b>	<b>\$467,396,467</b>	<b>\$486,894,769</b>

**Revenue Budget**

Table 5.5 compares the FY 10 Proposed Budgeted revenue to the FY 09 projected revenue and the FY 09 Adopted Budgeted revenue for fringe benefits:

**Table 5.5: FY 10 Revenue Budget**

<b>SubObject &amp; Description</b>	<b>Adopted FY 09 Budget</b>	<b>OLBR FY 09 Projection</b>	<b>FY 10 Exec. Budget</b>	<b>Variance Exec. vs Adopted 09</b>	<b>Variance Exec. vs FY 09 Proj.</b>
R1115 - Interfund Revenue	\$11,493,966	\$0	\$13,000,000	\$1,506,034	\$13,000,000
R2010 - Insurance Recoveries	7,171,879	7,171,879	6,920,573	(251,306)	(251,306)
R2012-Other Revenues	2,205,000	2,205,000	2,650,000	445,000	445,000
R2048 Transit Check Revenue	100,000	100,000	200,000	100,000	100,000
<b>Total</b>	<b>\$20,970,845</b>	<b>\$9,476,879</b>	<b>\$22,770,573</b>	<b>\$1,799,728</b>	<b>\$13,293,694</b>

The revenue budget for FY 10 includes the utilization of the pension reserve, reimbursement for Medicare Part D, and revenue to offset the flex benefits spending plan and transit checks. In Table 5.5, reimbursement for Medicare Part D is labeled as insurance recoveries and the pension reserve is labeled as interfund revenue. The revenue to offset the flex benefit spending plan and transit check is booked in the Miscellaneous budget and is labeled above as other revenue and transit check revenue, respectively.

The FY 10 budget for Medicare Part-D is decreasing by \$251,306 from the FY 09 Adopted Budget to \$6.9 million. Medicare Part D is a drug benefit plan that helps seniors pay for their prescription drugs. The New York State Health Insurance Plan (NYSHIP) receives an employer subsidy from the federal government and passes on the County's share as a credit to the County's health insurance bill. The credits are received retroactively and sporadically. The average monthly premium for the drug program will increase slightly to \$30 in 2010 from \$28 this year.

The FY 10 revenue budget for inter-fund revenue of \$13.0 million represents use of the pension reserve. The Administration plans to increase the reserve in FY 10 from FY 09 surplus funds to pay pension costs in FY 10.

Table 5.6 displays out-year fringe benefit revenue amounts under the Multi-Year Plan:

Table 5.6: Multi-Year Plan by Revenue Source:

<b>SubObject &amp; Description</b>	<b>2010 Proposed Budget</b>	<b>2011 Plan</b>	<b>2012 Plan</b>	<b>2013 Plan</b>
R1115 - Interfund Revenue	\$13,000,000	\$0	\$0	\$0
R2010 - Insurance Recoveries	6,920,573	7,128,190	7,342,036	7,562,297
R2012-Other Revenues	2,650,000	2,650,000	2,650,000	2,650,000
R2048 Transit Check Revenue	200,000	200,000	200,000	200,000
<b>Grand Total</b>	<b>\$22,770,573</b>	<b>\$9,978,190</b>	<b>\$10,192,036</b>	<b>\$10,412,297</b>

