NASSAU COUNTY LEGISLATURE

FULL LEGISLATURE MEETING

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RICHARD NICOLELLO, PRESIDING OFFICER

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BUDGET REVIEW COMMITTEE

MICHAEL GIANGREGORIO, CHAIRMAN

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Hearing Of

Official Close of Fiscal Year 2022

And

The 2023 Fiscal Year Mid-Year Report

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County Executive and Legislative Building

1550 Franklin Avenue

Mineola, New York

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Monday, August 7, 2023

10:15 p.m.

TAKEN BY: KAREN LORENZO, OFFICIAL COURT REPORTER

COMMITTEE MEMBERS:

LEGISLATOR MICHAEL GIANGREGORIO, CHAIRMAN
LEGISLATOR JOHN FERRETTI,JR., VICE CHAIRMAN
LEGISLATOR HOWARD KOPEL
LEGISLATOR KEVAN ABRAHAMS
LEGISLATOR ARNOLD W. DRUCKER

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MICHAEL PULITZER
Clerk of the Legislature

APPEARED:

ANDY PERSICH, OMB

ELAINE PHILIPS, COMPTROLLER
BETSY HILL
LISA TSIKOURAS

CHAIRMAN GIANGREGORIO: Good morning, everyone. We're going to get started. I'd ask the members of the Legislature and everyone in attendance in the Chamber to please rise as we do the Pledge of Allegiance. Deputy Presiding Officer, would you please lead us?

(Whereupon, the Pledge of Allegiance is said by all.)

CHAIRMAN GIANGREGORIO: Will the clerk please call the roll?

CLERK PULITZER: Thank you, Chairman. Budget Review Committee: Kevan Abrahams?

LEGISLATOR ABRAHAMS: Here.

CLERK PULITZER: Thank you. Arnold Drucker.

LEGISLATOR DRUCKER: John Ferretti?

LEGISLATOR FERRETTI: Here.

CLERK PULITZER: Howard Kopel?

LEGISLATOR KOPEL: Here.

CLERK PULITZER: Chairman Michael Giangregorio.

CHAIRMAN GIANGREGORIO: Here.

CLERK PULITZER: We have a quorum, sir.

CHAIRMAN GIANGREGORIO: Thank you very much.

Good morning, ladies and gentlemen, and welcome to today's hearing of the Budget Review Committee, the subject of which is, The Official Close of Fiscal Year 2022 and 2023 Fiscal Mid-Year Report. I'd like to acknowledge the attendance of Budget director Andrew Persich and their teams and thank you for your contributions.

Proceeding with item number one. Mr. Persich, please begin your presentation.

MR. PERSICH: Good afternoon, everybody. Thank you for hearing us today. I would like my team next to me is Chris Nolan, Irfan Qureshi and Irina Sedighi and my team upstairs who is not here. I couldn't do a lot of this work without them, so I have to thank them before we even get started.

So as the tides would turn, the

County's fiscal position, as we all are aware, has made a monumental upgrade to where it was five years ago. The County is probably in the best fiscal position it's been in in many years, but we still have challenges that present itself in front of us right now and there are many of those out there, but we'll get to that in the middle of the presentation.

(Whereupon, slides are displayed and referred to throughout the presentation.)

MR. PERSICH: If you go to the first slide, I'm going to go over this.

This is how we know we're on the uptick. We've gotten four bond upgrades over the past couple of years, which is telling the investor market that the County is definitely made substantial strides in fixing its fiscal position. That's reflective in some of the rating upgrades we've got. Moody's went from an A1 to an A3, Standard and Poors gave us a AA- and and Fitch upgraded us to A+. So we have in the eyes of the world out there, which is how we measure ourselves, meaning myself and the financial world, have made significant strides in the fiscal position of the County.

So I'm going to do 2022 and then I'll get into 2023. And then some of the challenges we'll be facing in 2024. But let me start with that the County finished with a positive operating Fund Balance of 42.2 million as compared to 31 in 2021. That said, we moved some money into reserves strategically, which have been allocated to address the existing liabilities out there. If not for these reserves, we'd put a strain on the taxpayers, which we get some significant judgments on anything out there.

Some of the challenges I will say right now outside of while sales tax is plugging along, I will say litigation is probably one of the biggest risks we have out there right now. Some of the size of the judgments that are coming out of the courts have been significant, which is good and bad. I mean, and that becomes problematic for us with some of the positions we're in. So that's one of the guarded things we need to be cognizant of that some of the things that we're getting judicial verdicts on are significant, so we have to keep that in the back of our minds.

The other challenges we have coming ahead is, as everybody knows, the real estate market has taken a left turn here or a downward turn, which we're not seeing significant revenues coming in even from mortgage recording and everything else. Forget about the fee problem that we had with the GIS tax map, we're having a volume decrease and that's creating a little hole in the budget. That said, there's an upside to the investment income because of the cash position that we have. So we're kind of offsetting that and managing that. But just to give you a bellwether where we're at. We're starting to see inflation have some problems and some uptick in caseloads and certain Social Service and Health Human Services arena.

With that said, I'm going to go through 2020 and where we are in our strongest financial position in years. We've had several consecutive years of surpluses, strong cash position, which is a big thing because we're not doing any short term borrowings anymore. We've mitigated that. It's a benefit to us because our debt service has dropped as a result of that because we're not doing short term borrowings and in this highly increasing rate market, it's beneficial that we're not going out to the market right now. It's so volatile out there, especially in the fixed income market. We have to be cautious of how we do things and how we spend the cash and watch the cash flows. But right now we're in a very, very good position. And this Administration has taken lots of pride in keeping the expenses down and under control. So I will say that we've made monumental steps and the County's position is much better than I've been sitting here when I first started here. We can all attest that. And that's between the work of the Administration and this Body who's made this turnaround into something that we can proudly talk about.

2022 finished with approximately $26 million in surplus, which fell into the Fund Balance. Majority of that was mostly from, I would say, from sales tax and some expense savings and debt service and other, which probably would be money that we allocated for tax certs and judgments and claims that we didn't pay out, but we put that money into a bucket in the reserve. So that's going to be the plan going forward, meaning we had excess appropriations in the Operating Budget and we transferred those monies into the reserves that we have out there for certs and litigation liability. We've also moved some money around just to cover ourselves for the future.

Departmental revenues are still struggling, I will say that much, in certain arenas as I covered with the real estate market and some other things. Our red light camera program, which is another thing we're starting to see -- if behavior returns to where it was pre-pandemic, we will start seeing an uptick again, which we're starting to see, especially in traffic out there. If anybody's been driving lately, you could see that we're back almost normal. The traffic is getting bad. So I think that's, you know, good and bad. Driver behavior and everything else is one of the main drivers. You get a young kid who doesn't read the sign, like my kid wouldn't, and they make the right on red without stopping. But that said, I think those are the struggles we will be facing.

We also have to incorporate the fact that we are going to have problems. Our our debt load is going up. But as a result of that, because of the ratings, we're in a better place. But we also have to be cognizant that this increasing rate environment is putting a lot of stress on what the debt service payments will be in the future. So we're sizing and we're managing our Capital Budget to see when the immediate needs are and to get that money into the proper places for what we need.

Our infrastructure, one of the things we can say is, is that we've turned the page as far as not borrowing for Operating Funds. So now we're concentrating on building back up our infrastructure, which has been somewhat neglected, and we're putting a lot of money into that. And I think that's very important because the County has valuable assets they need to maintain between sewers, some of the the buildings that we have to provide the services and everything else, and to provide the residents with paving roads and everything else that we may need to do. So we're back on a schedule of improving the County's infrastructure.

I'm going to flip to the sales tax page. I just want to tell you where we finished and where we're at. Again, we had a conservative estimate in 2022 for sales tax and we finished about $125 million over that. We're projecting, because of inflation and I think some of the pent up demand from COVID, is going to diminish. But as you can see, we're probably going to finish this year. We're projecting about $40 million higher than where we originally intended. Could go up; could go down. We have to be cautious out there because while I keep saying the recession word hasn't hit yet, I think we're going to start seeing the tip of the iceberg coming up shortly. I'm not an economist, I don't want to tell you that.

But the rainy day might be coming sooner or later. When that happens, we have to be very cognizant that this is the single largest revenue stream withinside the County, and we have to manage that appropriately.

What we've done, you'll see in the upcoming slides, is we've created contingencies exactly for this. So our fiscal position is protected. We fortified it. There's no issues. If something goes sideways, we have some money in the bank to cover all these expenses, which is beneficial not only to this Body but to the taxpayers too, and the base out there that we don't have to do any crazy revenue increases or anything else. We're being protective of that.

For 2023, as you can see, we're going to project a roughly a $4 Million surplus. We're moving some money into reserves as a result of that, but our sales tax is still stronger. Some of our expense controls are still in place.

Our direct assistance, which is what I was leading to, was probably the thing that we're starting to see, which is kind of like an indicator that the recession is coming. We're starting to see some higher caseloads in the DSS arena, for certain, of the social programs. We have to be cognizant of that may be coming up in a '24 Budget,and some other things that are out there looming that we don't know about some judgments and claims and tax certs and everything else, which I will get to.

But for the most part, our sales tax is driving up. We get a little bit more in State Aid and some of our other revenues, which, I will say, in the parks and other arenas and investment income, are driving to keep the budget still balanced and in a surplus position, which is the primary role of what we have to do and keep the budget balanced. And that's part of my role.

Again, I'll just go over some of the highlights of 2023. Again, it's sales tax, which if you look at the slide, it's 2.6% over the 2023 budget and it's trending a little higher. But we're being actually a little conservative in our estimates. We monitor it daily. I happen to watch the checks when they come in because I have to hold my breath that there will come some bumps earlier in the year, but it's kind of smoothed itself out.

What you're seeing, I think, too, is some of the the travel behavior of people. People are staying more local, not traveling as far. And I think that's creating a benefit to us. I think some of the things that the County is offering and some of the things that are out there making people stay home for whatever reasons, whether it be hotel costs or gas prices or anything else, you're seeing a few more staycations, which is probably helping us, which is offsetting the part of the housing market diminishing. When the housing market is strong, it's a multiplier effect on sales tax. You buy the house, you have to buy the furniture, you got to buy all the new stuff that goes with it. So we're seeing an offset to that. But I think that's being offset by, I guess maybe some of the tourism aspects and people staying local. Plus inflation. As prices go up, the sales tax number goes up.

Let me cover contract negotiations. Contract negotiations are ongoing. We still have three collective bargaining units that are outstanding and we're working through that. I can't say more than that at this point. Hopefully, we will have some resolutions on the final ones before the end of the year or if not sooner.

I think I've covered the revenue assumptions for this. What's the driving forces and what the negatives are as far as the revenue side. We have to be very careful and this is where I tread rather lightly here. Our revenue side is what pays for the bills. So if we start to see some sluggish things, we have to be cognizant that we don't want to go through any monumental fee increases or anything else to cover the shortfall that sales tax may create. So for this year's budget, we will be looking at that just to make sure if we have modifications that need to be made. I want to make sure that the revenue side needs to be fortified where it's at right now. Let's make sure that we're not doing anything crazy. I will work with this Body, of course, but I just want to let you know that is one of the driving factors, our sales tax number. I know it's a source of sensitive subject here, but we do have to be cognizant that that could go south. And if that does, we have to just fortify it.

On Slide ten, the Multi Year Plan Update, we are balanced. As you can see, some of our revenue assumptions -- keep in mind that the collective bargaining pattern that we've created sets up the path where these are the years now. Because it's 5 or 6 years since we haven't had contracts, these are when we pattern bargain that the numbers go up a little bit higher in the back end years. So when you look, if you look at salary and fringe benefits in the Multi Year Plan, we're almost at $1.7 Million. That's just the result of collective bargaining and the step increases and everything else. So it's the main force, it's the driving force, but we're doing fiscally prudent patterns that makes the County's fiscal position much better than what it was and will continue down that path so we can maintain a balanced budget and hope our friends at NIFA go away.

In the Multi Year Plan, too, what we've included was rather conservative sales tax growth. Again, salaries and fringes are current with current labor negotiations. Our tax certs have been budgeted and I will get to that in a little while where we are with the tax certs. But we've also included contingency reserves in the plan as a result of the benefit of sales tax being up, which gives us flexibility, which takes away a lot of the risk that might be out there for our friends at NIFA and everywhere else, and including a downturn in the economy.

Our suits and damages, we're keeping pretty high, which is good as I said earlier. One of the things we are seeing is a lot more higher judgments coming out. And we have to adapt to that at this point.

But for the most part, I would say that when you look at the Plan, it's it's a conservative fiscal plan. It's got some risks, as does every budget. But I will say we're in a good place financially in order to get us to the next step in the next few years, which is what we have to look at. That's why we use the Plan as a basis for what we build the budget off of. It kind of is the building blocks. When we go into doing my budget right now, the Plan is kind of what we set the benchmarks for the departments and where they're at and then we manipulate because the needs change as time goes on. There's certain things that I can't control.

You know, look, it could be one or two things. The last recession Katrina hit. I remember back then and then everything started going sideways. There is always some catalyst that makes the economy turn. What that is, I don't know. But history will tell you that there's some event that will occur that will make the economy slow down. Considering the election cycle that comes up in Washington, that will be a determining factor. Which if you look at charts, I will tell you, you see spikes during those years right before a presidential election. So stay tuned on that is all I can tell you.

One of the focus that the County Executive has made one of his mandates is, is that we have to look at the balance sheet for a change, which is something we never did. We were just looking to make sure we had enough money to pay the bills. Now we're trying to mitigate some of the risk that's out there. So one of the things we did do, which has been one of the things that the State offered to give municipalities, they had an amortization program, which meant we just borrowed money from the state to pay our pension bill. We are now current on our bills with the State and we plan on being current, so no more amortization for the pension bill. That's a good thing. It's a credit worthy thing. So we're very happy about that.

The Tax Cert Liability, which I will get to, is approximately $384 million as of the year end. We've paid a lot of money out. We're continuing to work with them. Again, it's still one of the largest liabilities that we have out there, but we are addressing it. And I think over the next few years, we will probably diminish that that backlog down to a lower number. So there's not a lot of interest payments and everything else. We meet regularly, we meet quarterly with the Tax Cert Board to go over where we're at and everything else. And there's some ongoing things with some of the old death and new death that's being worked out right now that may be used as a resource for additional funding to clean up the backlog.

So with that said, I just want to let you know that last year, which was probably the highest year we ever paid out, approximately $200 million, of which there's all different funding sources. But I will say that the Special Revenue Fund has been used to do that. We strive to get the money out the door. I think our best effort will be between $200-300 million would be our best, which last year was probably one of the top to get that money out the door to lower the interest component of it. But that said, it is still a negotiation and a settlement. That takes a little time because some people don't want to settle right away. We are working through that.

For this year, as of right now, because of timing issues and everything else, we've paid out $82 million. We plan on probably hitting the $200 million mark. No matter what we do, we will still have cert liability. It's just the fact that we're going to have to do that, because if you look even with the assessment system and everything else, no matter what we do, we will still be recurring between $75-100 million in cert liability, which when you look at the tax base, it's not that big. But now we have the means to fund it and keep it current so that we don't keep this wheel of the 9% and the 3% rule with certs, which is a big component of what some of those larger settlements have grown into. We're mitigating that that way.

I'm going to summarize really quickly. I was brief, I hope I was.

Our bond upgrades, we should all take pride in that. That's something, I know to to the the local person, it doesn't mean anything, but to the finance people it means something. So it's a good thing for everybody from the Administration down to this Body. It's something you should all be thankful that you got. It's an accomplishment is what I will say.

We have a very extremely resilient economic base because most of the stuff that we're doing here in the bio and the medical field creates a very good base for us. It's a it's a multiplier effect. Good healthcare, good public safety attracts people to come to want to live here in Long Island. So I think that's something we have to just be cognizant of.

Our reserves are the highest they've been ever. We are structurally balanced in the budget. We are addressing the backlog, the litigation backlog, and our cash position remains strong and we continue to fortify our balance sheet.

I know I talked fast on that one, but I'm here to field any questions that this body may have for you, and I look forward to working with you as we present the 2024 budget.

CHAIRMAN GIANGREGORIO: So thank you very much. I do have one question. Our reserves, our surplus, where is that money invested in?

MR. PERSICH: We do have an investment structure. We have an investment policy that's guided by the State that we have driven down. We've diversified our cash holdings in financial institutions, we've diversified it to protect ourselves. Our deposits by state law have to be collateralized with either US treasuries or some other reasonable facsimile of that. We got a little scared with Signature Bank in a couple of the other things, but we were protected from that. And again, we do have collateralization.

In 2007, '08, '09, when the fiscal crisis was going on, I will tell you, getting collateral cash became very hard to park with banks because of the restrictions that we had. The rates were horrible on them too. You were getting a quarter point and everything else. Now flip that slide, it goes the other way. We're getting 4-5% on our money sitting out there on sizable cash balances.

CHAIRMAN GIANGREGORIO: Banks are paying a fortune on their reserves, so they just didn't want the cash.

MR. PERSICH: That was the whole thing with the new requirements when they went through that, which was Basel III or whatever that was. That was one of the things, the capital withinside the financial firm was one of the things. Our deposits to them, while we give them the cash, they have to collateralize it so we don't get the same amount as a retail person in a CD because they net down the cost of buying the securities against the cash that we're buying. Instead of getting six, we get probably getting between 4 and 5. They take a haircut off those balances.

CHAIRMAN GIANGREGORIO: And we're prepared for a possibility of a rate decrease at the end of the fourth quarter?

MR. PERSICH: We are ready for it. I will say that much. It will impact my investment income, but it also will offset because my borrowing costs will then drop too. There are gives and takes to how we have to look at it. One of the benefits we will get, is that if rates decrease, that means my borrowing costs go down. And as a result of our good standings, we're getting very good rates.

Even on the last thing we did so. So we're in a good place financially when it comes to that.

CHAIRMAN GIANGREGORIO: Thank you.

MR. PERSICH: No problem.

CHAIRMAN GIANGREGORIO: Any questions from the Legislature?

Deputy Presiding Officer.

LEGISLATOR KOPEL: Thank you, Chairman.

Can you can you tell us, Andy, the one shot, even without that, we still have a surplus? Would that be right?

MR. PERSICH: Correct. Yes. We have an organic surplus. That's just adding, I always say, a little bit more gravy to the to the meal.

LEGISLATOR KOPEL: It's great that we're building up those reserves. You know, who knows.

I think you've dealt with pretty much everything, thanks for that.

MR. PERSICH: We've strategically placed money into the reserves for liabilities that will be coming up so that the budget, if it can't handle it, let's say a retirement tick, which, you know, if the market goes south, they amortize it in the state pension system, but at least we have flexibility within there.

The other thing we're going to do, too, which is a big thing, we're going to retire some debt at some point. That's what we're working on right now. Some of the old debt that has high yield out there. Not only will it have -- we take the cash out of the bank and there's that offset and everything --

LEGISLATOR KOPEL: How much of that is eligible for retirement?

MR. PERSICH: It depends what's callable. There's about $100 million out there that we've identified that we would like to retire, which has higher yielding out there. So we're looking into doing a defeasement. What'll happen is I'll get budgetary savings in the upcoming years in debt service, which gives --

LEGISLATOR KOPEL: You plan to not replace that. Just pay it out --

MR. PERSICH: Just pay it. We're not refunding what we're doing. We're just paying it off and calling it. First time I can honestly say that we're sitting having a different conversation. But you know, some of that money we have, there's a plan to spend it and I want to spend it sooner rather than later. One of the things is, is that we have to look to the future which anything that we do now will have future impacts. And the unknown if we retire some debt, it could free up between 7 and 15 million of debt service, which will offset any rising costs that we may have or impact and increasing caseloads and everything else in the DSS and any revenue shortfalls that may occur.

LEGISLATOR KOPEL: On the cert liability, you're looking to get it decreased within the next year or two.

Down to what?

MR. PERSICH: Realistically? Legislator, it would probably be 2 to 2-and-a-half years because we can only process so much. I would say that by the end of next year, you should see a significant drive down. If you saw we're down from where we were, even though the LIPA was in there, that was the biggest component. It was in the 600, almost 700 million. But if we're pumping out 200-300 and we have 100 coming in, we're netting about a $100 million reduction every year. So I would say by 2026, we should have most of that backlog paid down. Maybe before, but that would be my target at this point.

LEGISLATOR KOPEL: Thanks.

CHAIRMAN GIANGREGORIO: Legislator Ferretti.

LEGISLATOR FERRETTI: Hi, Andy. Thank you for your presentation.

MR. PERSICH: Thank you.

LEGISLATOR FERRETTI: Appreciate it.

Good to hear a positive outlook. I think the bond rating upgrades are really an accomplishment that we should all be proud of. Great news.

I do have some questions. I have questions about NIFA. But before I get to that, just some miscellaneous questions based on your presentation.

With regard to the tax cert liability, I want to make sure I understood what you're saying. We're paying it down, but at the same time, each year we're accruing about $75-100 million in additional tax cert?

MR. PERSICH: Correct.

LEGISLATOR FERRETTI: For the year 2023, we're up to about $85 million paid down, that may cover the amount that we encumber for this full year, correct?

MR. PERSICH: Correct.

LEGISLATOR FERRETTI: But you are planning on continuing to pay it down the rest of the year. So if you double that to 170, but you take in 100, we're paying down $70 million. That's that's how it works?

MR. PERSICH: That is correct. I just want to manage expectations. As fast as we try and get that money out -- it's just it's a complex web, I will say. But keep in mind that if we pay, if we're paying down $200 million annually and we get 100 and new liability, we're netting 100. So you can do the math.

Hopefully, it'll work out and there's not some sideways thing in the real estate market that creates a larger liability.

LEGISLATOR FERRETTI: Not to put unreasonable expectations out there. Or to quote our Legislator Drucker and my baseball team's owner, but a 3 to 5 year plan maybe where we're paying it down is something that is feasible?

MR. PERSICH: I would say that's achievable.

LEGISLATOR FERRETTI: Just to comment with regard to the red light camera revenue, and I know it's been down, personally, to me, traffic's never been worse. It's everywhere you go. It's crazy. I just think that it's working. I think the red light camera program is working. I mean, the goal is not to make revenue on the red light cameras. It's to get people to change their behavior and stop. And I think that that's what's happening. People see that there's red light cameras. They're used to it and they're learning. Maybe this is not for now and it's for when we're looking at next year's budget, but I personally don't think we're going to see an increase in revenue in that because I think people's behavior is changing and I think that's an indication that the program is working. I'm not even asking for a response.

Maybe you're not the proper person to ask about this, but the the budget for the Health Department, specifically with early intervention and preschool has increased dramatically. That was in the year 2023 that it increased dramatically, right?

MR. PERSICH: It's been ticking up the past two years. As a result, I would say, COVID created a problem in the system with some of the needs. We find that some of the preschool and the kindergarten kids need more early intervention needs. We're watching it. We're monitoring it. It's been going up dramatically. There's talk about rate increases and a few other things of the service providers. Keep in mind, we get 56% back from the State from that. So if it goes up, we get it's a 50/50 split. But we are seeing an increase in caseloads.

LEGISLATOR FERRETTI: Tremendously, from what I understand. All right. We can all figure out why. I mean, obviously with the schools closed and kids not getting what they needed, there's an issue there. And we want to, of course, help the kids that need help.

What is the process in determining whether early intervention is needed? Rather than even the process, what are the amount of applicants that are requesting it and how many are actually getting it?

MR. PERSICH: That I don't have the statistics on, Legislator. I would defer to the Health Department.

Here's the way I understand the process: Preschool, the County is involved more with the process. But it's the school district where the student resides that make the determination what services they need.

LEGISLATOR FERRETTI: Right. So the school districts determine when it's us that has to pay for it. But then when they actually go into the school district, you see the numbers drastically declining.

MR. PERSICH: Yes.

LEGISLATOR FERRETTI: Who makes the

determination that the school districts are the ones that have to review what we have to pay for?

MR. PERSICH: I believe it's set by New York State Education Law.

LEGISLATOR FERRETTI: The State requires that the school make a determination that the child needs this early intervention. We pay for it. And then when they go to actual school district, all of a sudden, the numbers drastically declined.

MR. PERSICH: Yes, your analysis is something that I've seen, and we're cautiously watching. There are some things that we're working on with NYSAC and everything else to maybe put a cap on that for us. Meaning the Medicaid cap that we have out there. But I would agree with that assessment. And I understand this, the need is out there for the kids, but I also find it odd that it falls off once they become part of the school district's problem, which we all just have to be cognizant of.

LEGISLATOR FERRETTI: We want to get the kids to help they need. Look, it seems to me and I know you don't have the numbers, but I would venture to guess that the amount of people that request this assistance and the amount of people that get it are very, very close.

MR. PERSICH: I would say yes.

LEGISLATOR FERRETTI: When we're paying for it.

MR. PERSICH: Yes.

LEGISLATOR FERRETTI: At the same time, when it passes off to the school district, the numbers change drastically.

MR. PERSICH: There's a decline.

LEGISLATOR FERRETTI: But the State mandates that it's the school district, which is ridiculous and backwards. But whatever.

MR. PERSICH: If it were me, I would be honest with you. I would just assume give this program to the school districts and say, here's your money from us and you administer it. The problem is what do we give them and what's the number? You know what I mean? It can't keep going up at the rate it's going up because it can become very costly to us.

LEGISLATOR FERRETTI: That's the thing. Now it's becoming the point where it's if it continues at this rate --

MR. PERSICH: It's going to be a challenge for this Body.

LEGISLATOR FERRETTI: I have small kids. The word's out that these county programs are out there and you can you can get it for your kid, just ask.

MR. PERSICH: Right.

What I would hope, though, is maybe there'll be a decline. Maybe there's a little bit of a backlog from COVID and the kids not being in school. Maybe that will diminish over time. Let's be hopeful. I mean, I know hope's not a strategy, but we also have to just be cognizant that this is a real challenge for the upcoming years, which we have to monitor. And we meet regularly on it just to monitor it because it's $150-160 million program in the budget; it's big money. Look, we want to make sure our kids are taken care of. We have the best school system probably in the country. But we also have to be cognizant that there are some things that create drains on our budget that we don't have control over, which is not the best thing for us.

LEGISLATOR FERRETTI: So it's just another state mandate.

MR. PERSICH: An unfunded mandate is what it could be called.

LEGISLATOR FERRETTI: Okay.

Moving on to NIFA, you gave a report, a very positive report. Now, I also read that -- I know the Comptroller is not here yet, but in her report, she outlines the different ways that budgets are -- you get the GAAP, the NIFA way. Right. So you've reported a surplus. Does your calculation match NIFA's calculation? So in other words, is there a deficit in the NIFA calculation?

MR. PERSICH: No.

LEGISLATOR FERRETTI: Okay. So what is the projection that NIFA has?

MR. PERSICH: When I submit my budget, NIFA comes up with risks and everything else. The way the statute works, they use the 1% rule, meaning that if they identify risk of 1% or more in the budget, that the control period can still stay in place. I am not forecasting any GAAP or NIFA GAAP deficits in the out years.

LEGISLATOR FERRETTI: Hold on. Not in the out years. The statute doesn't say that NIFA keeps a control period if there's a projected deficit in the out years, right?

MR. PERSICH: No, I don't believe -- it's the current budget.

LEGISLATOR FERRETTI: Let's talk about the current budget. Are they projecting a deficit in the current budget?

MR. PERSICH: I believe not. They haven't issued their report yet, that I'm aware of, on my Mid Year Plan, so I haven't seen it yet.

LEGISLATOR FERRETTI: Well, how about 2022?

MR. PERSICH: Well, 2022, they had come up with a projection that was probably in $100 million range. I don't have the number off the top of my head.

LEGISLATOR FERRETTI: The surplus?

MR. PERSICH: No. Their report when they did it in October identified risk when we presented the 2022 or 2023 budget, depending upon which year we're talking about, they probably projected risk of $100 Million when they came out with their report, we finished with a surplus of over "X" number of dollars. So there was a monumental swing between their report and where actually the results were.

LEGISLATOR FERRETTI: In reality.

MR. PERSICH: Well, yes, I would say

that. I'm hopeful. Between this Body and everybody else, I have to deal with them the most. That's the whole thing. I'm hoping that the control period ends sooner rather than later for everybody.

LEGISLATOR FERRETTI: Andy, what I'm trying to understand is NIFA has a statutory ability to stay in a control, period if the 1% rule is in effect, correct?

MR. PERSICH: Correct.

LEGISLATOR FERRETTI: All right. Is is it?

MR. PERSICH: Arbitrary is the best way I can -- I don't think it needs to be there.

LEGISLATOR FERRETTI: But what do you mean you don't think; it's a math?

MR. PERSICH: I agree with you. We finished on the plus side. In the CAFR, when you look at what the Comptroller is going to present to you, there is a NIFA section in there. The past three years we've been on the plus side of the NIFA calculation, meaning that there is no real need for control period, based on results.

LEGISLATOR FERRETTI: Is the control period triggered by projections or is it triggered by the real numbers after they come in?

MR. PERSICH: It's completely based on a forecast.

LEGISLATOR FERRETTI: Essentially, they can forecast whatever they want and keep control.

MR. PERSICH: Where I was going earlier was in 2022 when we finished, NIFA projected $130 Million in Risks. And let's just say we finished with a $300 Million surplus. There was a difference of a half a billion dollars in their report.

LEGISLATOR FERRETTI: So then they can project whatever they want --

MR. PERSICH: Correct.

LEGISLATOR FERRETTI: And they can continue to be wrong each and every year and still maintain their control period.

MR. PERSICH: Yes, because the 1% rule is an arbitrary number.

LEGISLATOR FERRETTI: Meaning it's something they can base on a projection.

MR. PERSICH: A forecast. That's correct.

LEGISLATOR FERRETTI: So how many straight years have they been wrong and kept control based on their projection that turned out to be not true?

MR. PERSICH: Many.

LEGISLATOR FERRETTI: More than two?

MR. PERSICH: I would say closer to four or five.

LEGISLATOR FERRETTI: Four or five years.

MR. PERSICH: Yeah. I mean, even even in some of the dark times when we were going through some bad things, we still were finishing on the plus side. I would say probably in 2019 or 2020 was probably the years that we started finishing with the surpluses.

LEGISLATOR FERRETTI: And speaking of them, what is their budget? What are they budgeted for?

MR. PERSICH: It's approximately between 2 and 2.5 million.

LEGISLATOR FERRETTI: Four straight years of 2.5 million that they projected numbers that kept them in a control period that turned out to be nonsense, at a budgeted amount of 2 to $2.5 million a year.

MR. PERSICH: Yes. That's what it costs us. Their statute allows them to take the money before it even gets to me, that's the way it's written with the intercept.

LEGISLATOR FERRETTI: Okay.

One last question totally off NIFA. You talked about interest rates, and I'm assuming we're getting pretty good interest on these funds that we have, right?

MR. PERSICH: Right.

LEGISLATOR FERRETTI: So my

understanding is when a municipality receives interest from money in a surplus, that you have to spend it within a certain period of time; is that true?

MR. PERSICH: I don't recall that being part of Local Finance Law. Some of the monies that are in reserves stay in the reserve wherever they're at. Anything with the surplus, we have to start spending it down.

LEGISLATOR FERRETTI: How about Capital Funds that's borrowed?

MR. PERSICH: Capital gets into a gray area for us. The market tells you that you shouldn't use short money for long term projects. Meaning that while interest rates may be high now and you've got a 30 year project, you're better off almost using the bond money now and then as interest rates decline, you take that higher interest rate and you refund it. That's the cycle of how things go. I'm not a proponent of spending cash for capital is what I would say.

LEGISLATOR FERRETTI: If we hold on to capital funds that have been borrowed for a certain period of time, there's no penalty or --

MR. PERSICH: There are some penalties. There's many components of that. Yes, we are required to spend down bond proceeds within a timeframe, correcting what I said earlier, because now I understand where you're going with this. We have to spend it within the timeframe that's allotted to us. Meaning that if we have a 30 year project and we're sitting on something, sometimes we don't achieve that, but we don't borrow all those funds up front. We borrow it in the cash-need basis. When it's $100 million project, I only need 25 million next year, I only borrow 25. So we try not to have too many unspent proceeds. The money that stays in the bond fund or what I would call the capital fund, that does create a problem when we're sitting on money now because we have an increasing interest rate environment for cash and what's happening is the borrowing costs are going up, but we're getting what's called arbitrage rebate now, which is something we haven't had because rates have been so low. So there are some things that happen with arbitrage, which means there's a difference between the money we're borrowing against and how much money we're collecting as far as investment income. So we are starting to see that. We're cognizant of that.

We're working around maybe creating in next year's budget because we know we're going to have this in future is eliminating if we have to pay any money back as a result of arbitrage, we will put that into the budget so there is no risk to us.

LEGISLATOR FERRETTI: All right. Thanks a lot.

MR. PERSICH: Thank you.

CHAIRMAN GIANGREGORIO: Minority

Leader Abrahams.

LEGISLATOR ABRAHAMS: Thank you, Chairman.

Hey, Andy. How are you?

MR. PERSICH: Good. How are you, Minority Leader?

LEGISLATOR ABRAHAMS: Good, good, good.

I have several questions in a couple of different areas. I just wanted to start off by just commending you again.

MR. PERSICH: Thank you.

LEGISLATOR ABRAHAMS: Working over several administrations, you've been steadfast and I think your responses have been trustworthy. And that's the most important thing you can ask for from us as a Budget Director.

MR. PERSICH: I appreciate that.

LEGISLATOR ABRAHAMS: You're a steward of your trade. So I appreciate you being able to do that.

MR. PERSICH: Thank you.

LEGISLATOR ABRAHAMS: I agree with

you, in many of your components you had indicated in your summary in terms of some of the successes with the County. I do understand -- Obviously, I think we all agree that we want to see NIFA move on. However, I categorize it as three particular areas, one of which I think the County is doing better in over the last couple of years. But then two other areas -- and you tell me if you disagree -- that I think the County could be doing much better in. But because we're not, I think that feeds why I think NIFA continues to linger.

The first area I think is Collective Bargaining Agreements. One of the things that I thought brought on, and you correct me if I'm wrong, that brought on the control period in the county, was when the previous county executive well, two county executives ago basically instituted that he wanted NIFA to have more control to help him with Labor Agreements. If I remember that correctly.

MR. PERSICH: I can't answer. That may be a possibility. Back then, I think we were frozen and I think there was a plan probably to give the unions some money. I wasn't here to say that he used them as a shield or an assist tool. Could be.

LEGISLATOR ABRAHAMS: That was my that was my recollection. Neither here nor there.

MR. PERSICH: Right.

LEGISLATOR ABRAHAMS: My point is that that those same labor agreements that we asked NIFA's help for back then haven't been finalized yet. We're still finalizing those agreements. We've had tremendous successes. The previous administration negotiating the DAI and SOA. The current administration negotiating the PBA, we are moving in the right direction. I envision CSEA, COBA, DA, IPBA, the will also have agreements very soon as well. So that is one area I actually think we're getting better in.

The two areas that I think have some level of concern, one is kind of out of our jurisdiction, but it does have a liability to the County, is the hospital. I haven't heard too much talk about their fiscal situation. Other than what I read in the newspaper about it, sounds to be pretty dire. I'm extremely concerned because obviously, as you know, the financial backing for the hospital falls on the County. Have you had any discussions with them in regards to their fiscal condition? Because I think that is a looming issue that I believe NIFA is going to continue to watch.

MR. PERSICH: All right. So let me break it into two things. One is our liability to the hospital when it was spun off was back in 2000 or whatever it was, the Successor Agreement. The purpose was to back the debt. I mean, that was the whole Successor Agreement. So our liability lands there. How much is that to us? That's the one component that I know our liability line lands at, is about $100 Million, which is until 2029. Then that debt gets retired, which is roughly, if you do the math, it's 20-25 million annually. So that's where we feel our liability.

That hospital serves a purpose in this county. We all know that. It serves the indigent community. The problem is it's not a very flavored type of environment for some of the privates. So we're in a different place.

They are working -- I know they have a lot of consultants over there now trying to figure out where they can get money from, revenue streams, cost containment, expanding services with some of the opioid things. So I do believe that it's going to take a coordinated effort, not just with inside the County. I think the State, too, because some of the things that the State used to provide -- we're very unique I would say. There's not too many counties that have a facility like this, which makes us unique in New York State, which goes back to the County Guarantee. I could go through that. But that's one of the things.

So some of the DISH-RIP and DISH money that we're getting is allegedly drying up, which was a big component of where their revenue stream is. So it's created a structural imbalance withinside the hospital because they're not getting the funds in from the State and Feds from Medicaid and everything else. So they're looking at other revenue sources, some of their billing practices and where they can cut costs and how they can better keep that hospital afloat. It's in a dire position from a cash perspective.

But there's ongoing talks right now, to hopefully come up with some type of plan that will keep it afloat for at least the next four or five years, because that's what it really needs.

LEGISLATOR ABRAHAMS: I don't want

you to have to divulge anything that you've said in confidence, but would those plans require any State intervention, because if it does, then I kind of see why NIFA would want to hang around a little bit more to oversee that process.

MR. PERSICH: When you say State intervention, I would say that, yes, we're going to need money from somebody. I mean, the County can't afford it. The numbers you're talking about are significantly higher. The State has to take ownership because this is one of the things that I hate to say, again, we're one of the unique counties that have a hospital system like this.

And there's some things that we have to look at from an expense side. I don't have institutional knowledge. I'm not sitting over there overseeing their finances. I can only tell you that there is an ongoing plan and there's been a lot of meetings lately to see what we can do to get the hospital back on good fiscal ground.

LEGISLATOR ABRAHAMS: The last projections I saw -- and again, I'm getting my information from *Newsday*, so I'm not saying that it was 100% accurate or not accurate -- but the last report I saw was that the hospital was going to run out of cash by some time next year.

MR. PERSICH: It's a possibility, yes.

LEGISLATOR ABRAHAMS: Sounds more than dire, sounds Titanic. It's sinking fast.

MR. PERSICH: It's dire. I agree.

I'll be honest with you and I understand your position on NIFA, I don't know if NIFA is going to help or hurt or if they should be doing anything.

LEGISLATOR ABRAHAMS: I don't know if they're going to help or hurt. What I'm saying is that NIFA is a state agency. And if the State is going to have to infuse some level of cash -- I don't see that either because they got their own troubles in the State. That being said, if they are going to infuse their own level of cash, then that adds more credence to NIFA being in the vicinity of what's going on. And not because it's the hospital to NIFA, it's because hospital to us. The liability that it creates to us if the hospital -- like say, for example, describe to me what would happen if the hospital was to run out of money next year is not able to pay their bills. What triggers after that?

MR. PERSICH: Well, first of all, they can't go bankrupt because it's a public health corporation. It's legally, not an option.

LEGISLATOR ABRAHAMS: Would we have to step in and start paying their bills?

MR. PERSICH: No. Where it lands with us is we only have to guarantee the outstanding debt.

Now, is there a social --

LEGISLATOR ABRAHAMS: If they don't

have the cash they can't pay their debt.

MR. PERSICH: Yeah. We would step in and help them out. If that were the case, then we pay $20 Million out of Operating Funds or whatever it was over the next few years, and I'd have to account for that in my budget. That's where I would say our liability ends right there according to the Successor Agreement. Now, you're asking me, we have county residents that are going to need services, we're going to have to figure out a way to keep that place afloat. Because from a legal/fiscal perspective, we have limited liability when it comes to the hospital, but we also have a socioeconomic thing that we have to keep that place. I think it's a fine line that we have to provide these services to the people. It's a question of how and who's going to help us, because it shouldn't all be on the burden of the County for some of these things, because some of the things are set by State and

Federal.

LEGISLATOR ABRAHAMS: I agree. I actually think we should be looking to private sector as well.

MR. PERSICH: Keep in mind, I will say that there was some shenanigans this year in the State Budget, and pardon my analogy of that, but the EF map thing became a problem here because the State is now intercepting money that should be coming to us. That's one of the things that the State is using some monies that should be coming to us to help fund that through some other forms of of healthcare. There are things that I think the State has done to penalize a lot of municipalities.

This is one of the ones that may hurt the hospital, as is the DISH and the DISH-RIP money. That's their two primary revenue because it's all indigent care and that's where it comes from.

And with rising healthcare costs, that's what's going to keep making the problem even worse.

LEGISLATOR ABRAHAMS: I mean, look, Andy, as I said before, just keep us posted. If you have an update during the budget process later on in a few months, let us know. If there's any updated projections in terms of when their fiscal cash situation is at, please let us know.

MR. PERSICH: I definitely will.

LEGISLATOR ABRAHAMS: I think that's a very big looming issue. And to be fair, obviously, I'm not trying to disparage the current administration. This predates and this goes back like five administrations.

MR. PERSICH: Yes.

LEGISLATOR ABRAHAMS: So that's not my issue at all. But we talk about NIFA leaving, which we all want. That to me is a big issue.

The next issue I do want to talk to you about is the tax certioraris. You've described the liability really well. But the one thing I wanted to ask you about was the current liability. You had said that the current liability, we continue to add $75-100 million a year.

MR. PERSICH: Yes.

LEGISLATOR ABRAHAMS: It's funny you say that number because that's the same number I remember when we actually did the first reassessment. It was $100 million a year. So, if I'm understanding this correctly and maybe my 21 year career is in vain, it sounds like to me we've done multiple reassessments, but we are not improving on the current liability being reduced.

MR. PERSICH: To your point, yes, you would think it would be vertical. Based on the size of the the assessed value and everything else, when you think about $75 million, I think our assessed valuation is $6 billion in this county. It's such a small piece of that. We're never going to have the roll 100%. We're never going to be right, because there's many reasons as to why and how and what.

But remember, it's somewhat subjective. So the fact that it's staying at 75 to 100, maybe it's a good thing because it means maybe the roll has got a little bit more --

LEGISLATOR ABRAHAMS: Because it could balloon, you're saying, much, much higher if we did nothing.

MR. PERSICH: If we did nothing, which is kind of how we ended up where we were back then, we were burying the cert liabilities, thus the infusion from NIFA. We've gotten better because we've done these reevals (sic). The question is, is how much and how often do we have to reevaluate? I wouldn't answer that. But the fact that it stayed in that range, I mean, you got to give kudos to that because it hasn't gone up, because when you look at it, that's really -- if there's an off year and you have a downturn in the market, that's why I think there's a little flexibility from 75 to 100. But I think that the process in itself is always going to create liability and that's just the way it is.

LEGISLATOR ABRAHAMS: That part I get. So I guess you touched on something, but you said you couldn't answer it. I guess we have to find out during the budget season when when we actually bring in the Department. But we do want to know when we're going to get back to the point where the rolls are not going to be frozen. Because obviously we don't want that number to start to balloon up again and the liabilities that's added to the current liability starts to increase. You wouldn't know the answer to when that will happen?

MR. PERSICH: No. But, freezing the rolls does have an impact on the liability. Sometimes it's better; sometimes it's worse. I don't think it's always better. I think it gets worse as we freeze it. But I think unfreezing, there's certain things -- I'd rather have a roll that's dynamic and keep moving so it doesn't create the cert liability. But sometimes the way the process works, the liability is going to build because sometimes our counterparts on the other side don't want to settle the cases right away.

LEGISLATOR ABRAHAMS: I know.

MR. PERSICH: There's a 3% and 9% ticker. So I think there's benefits to that.

LEGISLATOR ABRAHAMS: If we can lessen the new liability, that's where I'm focused in. I totally get what you're talking about with the existing in terms of the nuances with dealing with some of the property owners. But the newer liability, obviously, that's the stuff that I'm talking.

MR. PERSICH: I know there's a conscious effort by Assessment and ARC and the Treasurer's Office and the County Attorney's Office to the Class 1 and Class 2 out there, because they have the most benefit. The Class 4 is going to become a problem now too. The commercial real estate market is going sideways since COVID because the split time and shared workspace and everything else. I don't know what the future's going to look like. I really don't. It seems to be coming back a little bit that people are going back, so the occupancies in the commercial real estate market are diminishing. But I would imagine that some commercial properties in the next ten years probably will convert over to be residential and they'll switch the roll class. A lot of Class 4 may roll into the Class 1. It's just a result of the time we went through with COVID, and I think it just changed the commercial real estate market, as you can tell.

LEGISLATOR ABRAHAMS: Well, I don't have anything further. But but thank you again. Appreciate it and thank you to your team.

MR. PERSICH: Thank you.

CHAIRMAN GIANGREGORIO: Legislator

Drucker.

LEGISLATOR DRUCKER: Thank you, Chairman.

Andy, thank you for your presentation. From the speed and fluidity of your presentation, you can tell this is not your first rodeo.

MR. PERSICH: Thank you.

LEGISLATOR DRUCKER: But for someone like me who was a lawyer, I struggle sometimes with some of the financial stuff. So I do need your help on certain things.

I'm starting off, you said this was the fourth year in a row of a surplus, so this started in 2019, '20, and '21, correct?

MR. PERSICH: And '22.

LEGISLATOR DRUCKER: So '22 is now is the fourth year, right?

MR. PERSICH: Yes.

LEGISLATOR DRUCKER: So there were three prior years where there was a surplus?

MR. PERSICH: Yes.

LEGISLATOR DRUCKER: All right. So that was under the Curran Administration.

Talk to me -- can you give me a little brief lecture on unassigned versus assigned Fund Balance and how you determine which is which?

MR. PERSICH: Okay. I'm going to give you my, but I'll defer to the Comptroller's if you want to save that question.

Unassigned and assigned: Unassigned Fund Balance is money that's free and clear for use for us to use with a caveat that will trigger NIFA if I use Fund Balance, which is the most ridiculous part of that statute. But I can't argue that because that was the determination by the Court. Fund Balance is taxpayer money. It should be given back. But if you if you use Fund Balance to plug a budget hole, it will count against me in the NIFA GAAP. So unassigned Fund Balance is basically money that is, I will say fungible and can be used.

Assigned Fund Balance comes with restrictions meaning that we have money assigned for different things, pension costs, litigation costs, other things that it becomes restrictive in how we can't really spend it that freely. So that would be the two conditions I would say.

LEGISLATOR DRUCKER: So which one does NIFA get their feathers ruffled on?

MR. PERSICH: They can't get their feathers ruffled on anything unless they try and use Fund Balance, like if I wanted to plug it as a revenue source. Because that's really what Fund Balance is. You have money in a bank account that you're going to use to plug the budget. In other municipalities -- and I've had experience having used that -- I get to use that just as a placeholder. But it triggers the NIFA GAAP with them because it's outside.

There's two things that trigger it.

One is that, not having a structurally balanced budget, and if I do any borrowing for any operating funds, which we haven't done in years, so we've gotten away from that practice. So that one I can take care of. I don't plan on using Fund Balance in any of the upcoming budgets, but do realize that that's the trigger and the dynamic I have to work through. When I'm saying, Oh my God, look, I got this money sitting in Fund Balance, why can't I use it? That's the reason.

LEGISLATOR DRUCKER: So I just wanted to piggyback on the Minority Leader's points about the hospital. I've been advised that the Minority has requested the Majority to have a public hearing on the Hospital's fiscal situation.

Mr. Chairman, is it possible? I think we would all benefit if we could perhaps schedule a public hearing so that the Hospital could come and talk to us about their fiscal situation? I think we'd all like to see what's going on and learn what their projections are. We have requested that from the Majority. I would hope that we could perhaps discuss that.

CHAIRMAN GIANGREGORIO: Thank you.

LEGISLATOR DRUCKER: Okay.

Andy, this may sound like a stupid question. Can the rainy day fund ever be used to give a tax reduction to our taxpayers?

MR. PERSICH: No because of two reasons. One is things are going to get slimmer in the out years. As I cautioned about where we are revenue side, our collective bargaining agreements are going up. We're not going to be structurally balanced if we start cutting the revenue side of it, which is going to keep NIFA in the fold, which is what the problem would be. We're strategically placing reserves for the unforeseen out there not to use to offset revenues coming in in subsequent years, or diminishing revenues of future years.

LEGISLATOR DRUCKER: I think the philosophical difference between how you determine the budget and how NIFA sees it is based on, NIFA seems to always be using the catchphrase, "recurring revenue, recurring revenue in the out years, What are we faced with in the out years, the hospital, litigation, tax, certiorari, bonding requirements", so I think they're always trying to hang their hat on recurring revenue, the ARPA funds that we get. I think that's really a conceptual difference between how you do your job and how NIFA tries to hang on to their job. Would you agree?

MR. PERSICH: I would agree with that, yes. We have some philosophical differences based on some other structures in the municipal world out there.

LEGISLATOR DRUCKER: Okay.

So you arrived at a $383.4 Million

tax certiorari liability. How do you get to that number? Is that judgments after SCAR? How do you get to that specific number?

MR. PERSICH: As complex as the assessment system is, as is the liability calculation, they do a revaluation every year to calculate where they think what the value of property should be. It's a complex formula. I don't want to diminish it in any way. It's almost like an actuarial type of formula where they figure out what the number is. It's then audited by our auditors, which I'll defer to the Comptroller on that, but it's developed through ARC and we look at the numbers. Because there's many different components of the things. There's the judgments that are outstanding, the interest component, there's AR 70s, AR 90s and a whole bunch of things. But then there's also a revaluation that they do to kind of to come up with what they think the difference in the current roll is to the new roll and that's what creates the, the liability number. So it's not as easy as saying X plus Y equals that. There's many components that add up to that.

LEGISLATOR DRUCKER: How are we trending in that number?

MR. PERSICH: Well, as we pay down some of the backlog, you'll see, I think by next year you'll see, that that number, if it gets down into the $300 million range, which is what we're striving to, maybe even less, then you will see that we've made a significant stride and at some point the liability will either be between, let's say, 150 and 200 just on an annual ongoing basis.

LEGISLATOR DRUCKER: This is a piggybacking on Legislator Ferretti's point too, each year we reduce the tax liability, but yet we're also increasing the obligation too. But as we get a more defensible tax roll, theoretically, the liability should be coming down, and that might allow for a greater disparity between what we're paying down and what our recurring liability is. Would you agree?

MR. PERSICH: I would agree with that. I think one of the things that I think the minority leader brought up was why is it stayed at 75 to 100? And if I had a better defensible answer, I just think that when you look every year, what if it went up? We had a lot of moving parts. This year we settled LIPA, which was a big thing, and we started paying back some of the backlog with money from last year. So I think it's still fluid right now is what I will say. But I think if we know that that's what we have to do, then we have to figure out ways to fund it. That's why we're using some of the surplus money to offset. We do owe a lot of people money here. That's one thing we have to realize. It's not that it's free and clear. We do have liabilities that are very sizable. Our

OPEB liability is one of the things, the tax cert liability we're working on. But there are other things out there that are generating problems. I'm comfortable with saying 75 to 100. If I'm wrong, shame on me. But I don't think it's going to be. Historically, it was always a couple problems here. One was over time and the other one was certs. So I think we got the overtime piece controlled and now we're controlling the cert thing, which are the two big drivers.

LEGISLATOR DRUCKER: I think all of us up here on both sides feel fairly confident in your ability to project and forecast these things.

One of the items I was looking at, Andy, what is the Protection of Person Fund? That was one of the items.

MR. PERSICH: It's in the financial statements, so I don't want to -- I don't do it that way. It's based on programmatic budgets. Protection of Persons I do believe it's got to be

Public Safety. But I would defer that to the Comptroller, because that's what the component of it is. It's a program that I would say encompasses all public safety people, meaning police, corrections --

LEGISLATOR DRUCKER: I saw a category for it. And I said, what the heck is that?

MR. PERSICH: They report numbers differently than you or I. The CAFR in itself is a complex book, for lack of a better thing. So there's a lot of things and nuances that mostly only the accountants of the world and people who do this when you look at it would understand. But it's a programmatic budget is what I would say.

LEGISLATOR DRUCKER: Now, this is similar to my earlier question about the number for tax cert liability. The Litigation Fund you have is $341.9 million. That's your Litigation Fund.

MR. PERSICH: It's in the CAFR, I don't have that -- Yes, that is correct.

I'm sorry. My my team just handed me --

LEGISLATOR DRUCKER: Just explain how you got to that number.

MR. PERSICH: What the practice has been -- remember when we did the NIFA refunding, we squirreled away money, we created the special revenue fund for things such as tax cert liabilities and litigation liabilities. We modified it. So it's set up for two things: One, it's set up for general litigation funds, meaning that regular tort claims that we're going to get in, which if I had my druthers, I'd ask for tort reform, but I'm not delusional that that will ever happen. The second thing is to fund the tax certs. So it's two components. So it's split. I would say the majority of it is approximately 200 or more than that is probably dedicated to tax certs, and then the balance is for general litigation. Now what I've come up with, and this is what I planned with the the program with the County Executive is if it affords me the appropriation at the end of the year, meaning if I have excess cert money and I have excess judgments and claims, which is general tort claim money left over in the budget, as much as I need to not create a deficit position, I plan on rolling in to fund future liabilities. I'm going to try and keep that fund rolling just so that if the cert liability gets sideways on me, I don't have to borrow or do anything crazy with it.

LEGISLATOR DRUCKER: Gotcha.

And then my last question. Do we as a legislative body get a separate report each year on your reserve balances, or is that just all lumped together in budgetary process?

MR. PERSICH: We account for it differently than the Comptroller does, but in the Comptroller's year end results, that's where we get the numbers from. It's a separate section of the Annual Financial Statement. We have a budgetary way; she has a GAAP way. We operate on two different methods, which is going to go into this whole accounting thing, which I don't want to confuse everybody with. We do keep track of them. But remember, we've only started this practice over the past two years. So it is new to us here. And we do know that we have to start getting rid of some of this money because it has future savings. Like with debt defeasement, that's the best thing we could do. Because not only does it relieve obligations that we owe to bondholders, it gives us more flexibility in the budget by paying down some debt.

The other things we set up probably is just the unknowns. I mean, healthcare is a big unknown out there right now. I will say that much. And the way the stock market is behaving, I don't know if next year is going to be the real one where we get socked by the Comptroller. Even though they really don't hit us too hard, when the market declines, they amortize the decline over a five year period. So that's what we do. We've had years. That's how we ended up borrowing from the State when they had the amortization program. That's why most municipalities did that. We have now set a path up if that does occur. If I put $100 Million in for pension costs and it comes in at 110, I now have a reserve to offset that. So I don't have to cut services to keep the budget balanced. So we've strategically placed money into the places that we saw risk to mitigate that risk for the future.

LEGISLATOR DRUCKER: Thank you, Andy. Thank you for what you do and thank you for the fine work that you do.

MR. PERSICH: Thank you, Legislator.

LEGISLATOR KOPEL: One last quick question. When you were talking with legislator Ferretti a little while ago, you said that if you have $100 million bond and you only require 25 now, you'll only borrow it in tranches as you need it. What happens to the interest rate on the additional funds as you borrow them?

MR. PERSICH: The interest rate on the borrowing is going to fluctuate from what the market conditions tell me. So if we do a project that's 100 million --

LEGISLATOR KOPEL: The bonds are structured?

MR. PERSICH: They're structured, but we may not borrow the full amount of the cash for the project. If we have $100 million project, let's just say whatever it is. I don't want to use --

LEGISLATOR KOPEL: So a two year project and you borrow $50 million at 2% and then the rate environment is now 4% --

MR. PERSICH: That's correct. So I'll borrow 50 at 4%. So I have to offset those costs. We come to it with you with a bond ordinance for the total amount of the project because that's what local finance law requires us to do. But the borrowing, the cash flow borrowing within that project is determined by DPW and us to see what we can fit into the budget based on our budgetary needs.

LEGISLATOR KOPEL: All right. Thanks.

MR. PERSICH: Thank you.

CHAIRMAN GIANGREGORIO: Legislator Ferretti.

LEGISLATOR FERRETTI: Andy, just some follow up with regard to the hospital. You alluded to it, but you didn't really put a number behind it. The State has essentially stripped funding to the hospital since 2020, right?

MR. PERSICH: Yes. And it was it's either the DISH or the DISH-RIP payments. I don't know. They did take some monies from sales tax a couple of years ago to give the disproportionate hospitals.

LEGISLATOR FERRETTI: You're saying some money. My understanding is it's like $80 million a year.

MR. PERSICH: Significant.

LEGISLATOR FERRETTI: Well, that's more than significant, right?

MR. PERSICH: Huge.

LEGISLATOR FERRETTI: It's $80 million a year since 2020. It's reportedly over $260 million that the State has essentially defunded the Medical Center.

MR. PERSICH: I would say yes.

LEGISLATOR FERRETTI: Okay. So it's no mystery why there's a problem here, right?

MR. PERSICH: No, I would say that when your revenues and expenses don't match up, what's going to happen, you're going to create a deficit which is going to create a cash burn. And that's exactly what's occurring there.

LEGISLATOR FERRETTI: All right. But it was suggested a few minutes ago that perhaps NIFA should stay, "stick around" I think was the word you used, because the State may infuse money. I'm not really sure I see the connection how NIFA would be part of that. But even if they were to in some way assist in the state not defunding NUMC, just to be clear, whether NIFA has a control period or not, NIFA is going to exist for the foreseeable future, correct?

MR. PERSICH: Yes, just based on because we have outstanding debt obligations.

LEGISLATOR FERRETTI: So even if there was some way that NIFA was to assist in bringing the money that the State has defunded the medical center with back, whether they have a control or not, they're there, right?

MR. PERSICH: Yes. I don't want to mix the two. Legislation was changed this year. And don't quote me on this, but the hospital now became part of NIFA's oversight. So in the past, it wasn't. Now it has become. I segregate us from them because I only have limited liability from the position that I sit. We only owe 100 million in outstanding debt. The way I understand the liability is that we only owe 100. But that said, we do know that we have a moral and social obligation to help the needy people. So I think we'll be involved somewhere --

LEGISLATOR FERRETTI: So does the State.

MR. PERSICH: Yeah, I agree.

LEGISLATOR FERRETTI: We are doing it.

MR. PERSICH: Yeah.

LEGISLATOR FERRETTI: Right? It's the State that's taking the money away.

MR. PERSICH: They've basically have stripped out a revenue stream that they need. That's what they've done.

LEGISLATOR FERRETTI: 80 million a year.

MR. PERSICH: That's significant.

LEGISLATOR FERRETTI: Right. Thank you. Since 2020.

LEGISLATOR ABRAHAMS: Yeah, that's recent.

A couple of things. One, I think it's a little disingenuous to talk about the State taking away the money without talking about the right of reasons why the State did take away the money. State took away the money because, as we all know, the hospital has been in fiscal shambles, not just for the last three years, for the last 20. So from that standpoint, the State plans to give back the money when the hospital gets its fiscal order in place.

Legislator Ferretti, you full well know they have been in shambles before 2020. You know that. So to insinuate that they took away the money and that's what's creating the deficit is a little bit absurd. But that being said, we're not going to go down that path.

The other thing that I did want to talk to you, Andy, about, which did come up well, I brought it up because you brought up a comment that didn't make much sense. What I was talking about, I wasn't talking about, in essence, whether or not NIFA has to stay, wants to stay, or I want to stay around, I was talking about from the standpoint they might have to stay around because of the legislation in terms of now they're encompassed into now as well as any potential infusion of money. So before comments start getting placed about whether or not I want NIFA to stay, let's just be honest with what I said, what I said was that they might have to stay around. So let's not start to mix things up. And I just wanted to clarify the point on the record, but I'm sure you'll have a counter to what I just said.

LEGISLATOR FERRETTI: Not a counter. Just when you're saying stay around, I think that's what threw me off. They are staying around whether they're in a control period or not. And that was what I wanted to distinguish.

With regard to the 80 million, I'm not going to say sit here and say that the Medical Center has been in great financial shape for 20 years. But I don't see a solution to fixing a problem as taking away additional money and setting them back even further. Much further. $80 million a year further. That's not the answer, in my opinion. And if we're going to start anywhere in trying to fix it, we need to lobby the representatives on the state level that were behind defunding this money and reversing it, which I think we agree on, because you're talking about infusing money from the State. So that's what we need to do. That's step one.

LEGISLATOR ABRAHAMS: I think, Legislator Ferretti, I will end at this point. I'm not to try to go back and forth. This is the reason why I believe we need to have the hearing in the legislature. You have great questions. You bring up great points. Our side, I think we have the same questions. If we can somehow have the Hospital come to be able to present their fiscal situation so we can get a much clearer picture. Just because of the back and forth you and I just shared, I think it's imperative that we have this this hearing. And surely if the Budget Office could be a part of it as well, I would appreciate that.

MR. PERSICH: Absolutely. I mean, we're here to support whatever needs that are out there and address any liabilities that we may have even with the Hospital. We're going to figure out something. We all need to work together on this one, I don't think it's an independent thing. I think there's a lot of multi agencies that need to be involved to rescue the hospital. And it's not just going to be here. The State, the Feds, have to step up with some money, too. I think so. I think we all have to be cognizant of that.

CHAIRMAN GIANGREGORIO: Any further questions?

(Whereupon, no verbal

response.)

CHAIRMAN GIANGREGORIO: Andy, thank you very much for your presentation.

MR. PERSICH: Thank you, everyone. I appreciate your time and effort. Hopefully I was quick, even though I speak fast. I know that's a problem for some people here.

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CHAIRMAN GIANGREGORIO: Now would like to invite Controller Phillips and her team to come up to present.

Thank you for joining us.

COMPTROLLER PHILLIPS: So first, I want to thank the entire Budget Committee for inviting us today, the Chairman, Legislator Giangregorio, Legislator Ferretti, Legislator Kopel, Legislator Abrahams and Legislator Drucker.

I also want to thank my team because today doesn't just happen, as you well know. Deputy Comptroller Betsy Hill, who's in charge of our Accounting Division, the Director of Accounting, Lisa Tsikouras. And I have a whole team behind me who are here in support and are willing to answer any questions.

So you have a packet which will allow you to look through the presentation and it is on your left side. I'm going to recommend you pull out the sheet behind the presentation because we're going to get there. That's your little cheat sheet to talk about budgetary reporting versus GAAP reporting. And then on the right side is just the actual Midyear Report that we published and we sent to you via email.

So like Andy, we're going to talk about what a strong fiscal position that Nassau County is in. And really, thanks to everyone's hard work here. We had surpluses in governmental funds in fiscal years 2019 through 2022, which is four consecutive year end surpluses. In 2022 alone, it was a $435 Million surplus as of GAAP reporting. And as you can see, the rating agencies have reflected and have noticed the fiscal position that Nassau County is in.

We're going to go into a little detail. This kind of looks at the larger picture. So you can see through 2019, through 2022, we have total revenues, we have expenditures, excess revenue over expenditures that may be positive or negative. And let me make a point there.

You can see in 2022 that expenditures were 40 million more than revenues. But that's a positive. Okay. It says we paid it out of reserves. We're using reserves. There's no reason to continue to tax the taxpayer if we use those reserves.

We have our total other financing sources, which is basically borrowing net change in Fund Balance. We take that net change in Fund Balance every year to come up with a 2022 Fund Balance at year end of $1.5 billion.

Now, I mentioned that little cheat sheet, so let's take a quick look at it. We talked about this last year. So you'll see on the far left the five major funds. This is what the Administration uses from a budgetary accounting. It includes the General Fund, Police Headquarters, Debt Service, Fire Commission, Police District. You'll then say see right below that the NIFA calculation.

Then what you see is the three operating. So this is GAAP reporting. So the GAAP reporting includes retirement contribution reserves, any type of employee benefit, liability reserves, litigation, open space, and so on and so forth. So it's a more comprehensive way of looking at Nassau County.

I mentioned the 2022 $40 Million, and I want to highlight in that $40 Million expenditure, remember, we paid tax certiorari liabilities. Payments were made out of reserves, no revenue streams. So when you pay out of reserves on a GAAP reporting basis, you don't take that money in as revenue. So there's an expense, but there is no revenue source. But we had the reserves. We paid the deferred pension liability, I think Andy mentioned it, $123 Million in 2022. There was $30 Million remaining in 2023, which has been paid off as of February. And we had the retro longevity payments that we paid in 2022.

I just want to take a second and mention NIFA at this point, because I've probably been the most outspoken about the fact that Nassau County should not be in a control period. So according to the law, NIFA must declare a control period upon determination that one of five stipulated statutory findings has occurred, or that there is a substantial likelihood or imminence of its occurrence. And I can tell you that Nassau County does not meet any of the five stipulations. And in fact, according to NIFA's own calculation -- I'll go from 2019. In 2019, according to their own calculation, Nassau County had a $76.8 million surplus; 2020, 90.6 million; 2021, 27.2 million; and in 2022, 79.7 million. And keep in mind, NIFA's calculation does not include reserves. So we don't meet any of the five statutory stipulated findings.

The Multiyear Budget has been approved and I'm going to at the risk of getting involved in a conversation that I wasn't asked to get involved, I'm going to address the Hospital also. So as Andy clearly stated, the only financial liability that Nassau County has is the $100 million of outstanding debt, of which it's about 21 million from '23 to when it is retired in 2029. That is including principal and interest payments. And no matter what happens to the hospital, we cannot pay off that debt any earlier. So there is no risk of Nassau County having $100 million even though we have $100 million in reserve that we could pay this off. But there is no risk for us having that debt accelerated.

The other thing I just want to clarify, there is a difference between control and oversight. We all understand until that debt matures, there will be oversight by NIFA. We're talking about control. NIFA can have control of the Hospital, but that does not mean that NIFA has control over Nassau County and we should be in a control period. So I say this truly, respectfully, of all the individuals, professionals, that are involved in NIFA, but it is time to let Nassau County out of control.

So we'll look at the projections that the Comptroller has for 2023 in a minute. But I do want to do a quick overview of the economy, because it really is important on how we come up with our projections.

If you look at Nassau County versus New York State versus the United States on page four, slide four, you'll see the median household income in Nassau County is over $126,000 per year versus New York State at $75,000 and the US at $69,000. In fact, Nassau County's median household income is ranked the seventh highest in the United States.

The good thing on the other side is our families below the poverty level are also the lowest here in New York State also. We have 5.8% of families that fall below the poverty level in 2022 versus

New York State at 13.9% and the United States at 12.8%.

Unemployment has remained consistently below the State and the United States. In 2022 is 2.5%. We just jumped up slightly to 2.6% in May. That could be a blip for the month versus New York State at 3.9% and the United States at 3.7%. So we are a wealthy county.

If you go to page five, we look at GDP since 2020, we did have the two quarters in 2022 that went negative because employment was so robust. There was no declaration of recession. And 2023 is looking fine at 2% and 2.4% in the first and second quarters.

So you ask us what makes us concerned, and it really has to do with the Fed. So if you turn to page six, the blue line on page six is CPI. The inflation rate. The orange line is the Federal Funds Rate, which is how they control. They lower Fed funds when they want to ease and open up borrowing, when they want to control the the economy, they tighten. They raise the Fed Funds Rate. The dash line is their targeted inflation rate.

So you can see that inflation spiked. It's been coming down. And in fact, as of June, it was 3.09%, very close to their targeted 2%. But the Fed continues to raise interest rates. And the risk here is really that they raise interest rates too much. Larry Kudlow did that years ago. They raised interest rates too much. What happened? It was more and more expensive to borrow. From the residential side, mortgage rates skyrocketed. From a corporate side, companies stopped growing because they couldn't afford the financing costs.

The Fed has been clear that they want that 2% targeted inflation rate. They've slowed down. We're seeing quarter percent interest rate increases. But it's something that we're going to be looking at closely.

The next page, page seven, really tells you what we're forecasting for 2023, and we won't go through all the tiny print there. We'll go through some highlights of where we see risks and opportunities. But from a bottom line on a budgetary basis, we are forecasting a surplus of $103.7 million on a GAAP adjusted. On a GAAP reporting basis, not including GASB 87 and 96, we are forecasting a surplus of 95.3 million.

So Lisa will walk us through some of these major opportunities and risks that we see versus the budget. So, Lisa, please.

MS. TSIKOURAS: Good morning. So as you can see from this table, these are the primary or the key drivers of the risks and opportunities that we identified in our report.

The largest and you'll see it's the first one on here are the payroll and fringe savings. And the Comptroller's Office has consistently excluded any budgeted information or any budgeted numbers for any unsigned collective bargaining agreements. Reason being, we don't know what those terms are going to be. It would not be prudent for us to guess and forecast something that we're not sure of. So we always remove that. That's consistent. We've done that over many years.

The other big driver, the vacancies. The way that we project is we take the on boards and project those costs out.

So those are the two factors that are driving these large variances. Some of the variances in here, and you can see that in the actual report, you'll see are comprised of different categories, savings in salaries, savings in fringe, offset by some higher overtime costs that we're projecting.

So the next one you could see on the next page, you'll see the variances will comprise the different categories right there for the 93.8.

COMPTROLLER PHILLIPS: So the next category is Sales Tax. And I'm going to take this one because I like the scenario analysis here.

So I'm going to have you turn to page 11, which shows you our scenario. In our forecast, we are forecasting a $70.8 million opportunity in sales tax in 2023 in collections. And the way we get to that is we take what we've seen actual to date, so real numbers through July, and we're adding a 2% increase over the 2022 actual numbers for the remaining half of the year. And where we got that 2% is we looked at what has happened in the first three periods, first three months of 2023. Actual sales tax are up for 4.5% over '22 actual numbers. And then in the second three periods we saw they were up 3.9%. So around 4.2% year to date.

So is $70.8 million difference from the budgeted actuals plus 2% or is $88 Million? I mean, it's a forecast. We believe it's going to be somewhere in between there.

But let's look at the downside. What happens. And I'm going to show you some cyclical numbers in a second that probably would prevent any of this downside. But the fact is, as you see on the far side of the scenario chart, that say actuals to date, -4% of what we saw in the second half of 2022, we still have a positive budget variance of 19.4 million. And in fact, if you go down 6%, you're still slightly positive over 2022. All great numbers.

Go to the next slide, page 12, because this is the trends that I just referenced and don't worry about which trend is which, because there's a lot of lines on this chart. But I think what you want to look at is just how they all kind of go in tandem. May through June, you see a spike in sales tax revenue, June, July kind of things go down and kind of hover around. And then in August through

December, in every year, we've seen a spike in sales tax revenue; back to school, holidays, Halloween, Christmas, all the different holidays. So there really has been no year where we haven't seen this trend.

And I'm going to ask you to go to page 13. Page 13, the actual budgeted amounts since 2013 are in the orange bar charts. The blue line is the actual sales tax collected. So you can see with the exception of 2021 because of COVID, in 2020 and 2021, we've really kind of been around where we've budgeted. But I think the point we're trying to make here is the rating agencies since day one that municipalities have used sales tax revenue in their operating budgets they have thrown up a red flag and said, you know, we're concerned about sales tax revenue, but this chart really indicates that sales tax revenues don't vary that much here in Nassau County. We've been anywhere, from 2013 to 2018, anywhere from the 1.1 billion to 1.2 billion, $100 million variance. Not that much on a budget our size.

And then in 2019, I'll remind you that New York State passed the enhanced Internet Sales Tax Legislation which required online sellers to charge New York state sales tax. Then we had COVID, and now we seem to be around that 1.5 billion. My guess is we will be around that 1.5 billion plus inflation.

We then went back, and we don't show you this, we went back all the way back to 2008. We went back and said what percentage is sales tax in our overall revenue pie? And the fact is it ranges anywhere from 31 to 36%. So I just want to kind of clarify every time the rating agencies say, "but they're using sales tax revenue in their budget". Well, yeah, we're using sales tax revenue in our budget because it is revenue that has proven to be consistent.

MS. HILL: In my experience in the

municipal bond market it's always been an issue that sales tax was less reliable than property tax. Property tax goes back to the 1800s or even much earlier, but sales tax is something of the 1900s. And so it was sort of new. There were there were changes over time. But most significantly, I think, is that when you have a built out area like Nassau County or New York City, the sales tax are pretty consistent. The problem has been in more rural areas. And I can remember some bond defaults, particularly in Colorado, where a Walmart moved in and they got all this sales tax. So they built a new county hall and ten years later Walmart left and they had to default on the bonds. So it's really something that doesn't affect an area like Nassau County. It's more in the rural areas where they have that variation that goes on.

COMPTROLLER PHILLIPS: And I'm going to give the County Executive and the

County Administration a shout out here. With the development that's going to happen at the Nassau Coliseum, what's happening south of the UBS Arena, what may happen when it comes to NYU Langone, this is all positive, really great economic drivers for Nassau County.

So I'm going to turn it back to Lisa and we're going to go through some of the other opportunities for us.

MS. TSIKOURAS: So now when we go to investment income, we're projecting an opportunity of 54.8 million. And I think it's not a surprise to anyone based on the Fed Funds rates going up 11 times since March of '22, and the cash balances that the County is holding.

We took we took basically a run rate is what we looked at. However, we did take a haircut towards the end of the year as more expenditures are being paid out, particularly pension, since the pension is current at this point, we don't believe that there is a decision at this point by the Administration on taking any further amortization. So we took a little bit of a haircut there, but we believe that there's an opportunity of about $54.8 million.

Rents and recoveries. What's driving the 37.8 million in opportunities is the receipt under the Sands Agreement of 54 offset by some additional risks that we've projected in one of the items that's always in the budget or the disencumbrances, those are not revenue. Because it's just an obligation that's being eliminated. So it's not a true revenue stream. And so we eliminate that. That was approximately almost $6 million. And then there's sale of county property we don't include until it's actually closed, the sale has closed.

We also have a $25 Million opportunity in contingency because at this point, based on our projections, we don't anticipate that the County is going to need that $25 million.

State aid is projected to have an opportunity of approximately $19 million, and that's mainly due to higher money for the bus operations and some state reimbursements on early intervention and preschool costs in addition to some of the DSS programs, which we know things like safety net and daycare, and we'll talk about those expenditures a little bit later.

And we're projecting a positive 12.7 opportunity in debt service. And this is based on delays in issuances. And we utilize the amortization schedules of the current debt to come up to that number. So we're very confident in our debt service projections at this point.

Let's talk about some of the unfavorable risks. We're going to start with property tax refunds. You'll see there's a -$80 Million there. And that's mainly because when we present our projections, we are including the reserves in our numbers. So as the

Comptroller stated earlier, you have a real expenditure, but you don't have a true revenue stream because you're using Fund Balance on that. So yes, we're projecting the $80 Million risk. However, we believe that any payments coming out this year will be fully funded through the reserves, through the DAF as well.

Now we'll go to Departmental Revenues, which has the next highest risk (Slide 15). Similar to what the Budget Office had stated earlier, we're projecting a risk in some of the real estate fees, GIs, tax map, mortgage and deed recording. Those are the big drivers of that risk. And that's primarily, again, no big surprise due to the slowing of the real estate market. We utilize run rates and look at historical trends to come up with that information.

The other big driver is the 5 million that was budgeted for the income and expense law, which we understand is still pending. And then some other small fees back and forth that give us the total net 41.2 risk.

The next slide, Fines and Forfeitures. So we're projecting a risk of 21.5 million in that category, mainly driven by TPVA fees. We see that the trend of the collections is not coming in as budgeted. There is always an opportunity if collections pick up that those numbers would be coming in lower -- or a lower risk, I should say. And then we've also risked the full 3 million for boot and tow, as we know that that initiative has been on hold. And the school bus camera, we took a haircut on that because we know that at least one town has implemented the program and the funds that the County would be receiving are much lower than, I think, what it was initially anticipated.

The next category is Early Intervention on the first page, 14.4 risk. And this is again, primarily due to higher caseloads than budgeted. I think this was the early intervention preschool. This was discussed earlier as well by OMB. We're also anticipating a $6 Million opportunity in State Aid for those funds. So the net would be approximately an $8.4 million Fund Balance effect.

Social services, we are projecting an $11.7 Million risk. If you look at the slide on page 17, you'll see that there are multiple drivers of this amount. We project shortfalls in recipient grants, purchase services and emergency vendor payments and with the latter two due to an increase in the demand for daycare and higher costs and safety net assistance caseloads. And again we receive a portion back on state aid for that information.

We're also looking at the trends in Medicaid. And based on the trends we're seeing that there could be a possible $22.5 Million opportunity there.

COMPTROLLER PHILLIPS: So in summary, and I'm really stealing this slide from OMB because it's true. Think about it. Bond upgrades, strong and resilient economic base, highest general fund reserves in years, structurally balanced budget. We're addressing the tax cert backlog. We have a strong cash position and we're strengthening the County's balance sheet. Hats off to you. Hats off to the Administration for getting Nassau County in the best fiscal position we've probably ever have been.

I'm going to ask for a few more minutes of your time because in the Comptroller's Office we are spearheading the project to replace the financial system. So I kind of have you captured right now. I thought I'd have more of you. So if you will bear with us for two or three more minutes to talk about "Nassau Forward", because it probably is one of the biggest initiatives that Nassau County has done in years. So, Betsy, please.

MS. HILL: Nassau Forward is the

project to replace the existing financial software system, which no longer meets the needs of the County. We're fortunate because we have the executive sponsors of both the County Executive and the County Comptroller, which is critical to make this a success.

In June 2022, Anna Sousa, joined our team in the Comptroller's Office. She's got years of experience with the County, which makes her an excellent project manager for this project. In July, after Anna joined us, we started working with the consultant Plante Moran, which was selected by the prior administration to develop the needs analysis, the market assessment and the RFP, and they'll also help us through contract negotiations. We plan to send to you the needs analysis and the market assessment as background for when you are going to be asked to approve the vendor that we select next year.

Gartner is also another consultant

who's helping with us in the RFP and on input on the contract issues, and they will be our project manager for quality assurance once we have the vendor and the implementer in place.

The Town of Hempstead has recently been through an implementation and they've also given us some good advice as well.

In September, we brought the consultants to Nassau County and we had a large kickoff meeting with all the major departments that are working with us. Of those involved, we've continued with interviews through many months and it took 36 county agencies and departments working with us, 210 employees and 3100 hours of work to develop these reports that were necessary for this project and to build the knowledge we needed.

We also have a Project Steering Committee of seven voting members with five non-voting members of senior county executives representing the various departments that are the majority use of the and support of the financial software system. So they'll help us ensure that this project gets the right attention it needs. They'll oversee the project development and the vendor selection and the implementation of the new system and help us when we ever run into a hitch. They already have approved the RFP which was previously approved by the Software Selection Committee. That has already taken place and in July, we released the the RFP. So we're moving along.

We have a Software Selection Committee, which is 11 members who are daily users of the NF System, six technical advisors who use the software or are in IT or in purchasing, and three non-voting members who are helping with the RFP process. They from now on, will be selecting the implementer and vendor through the RFP process. Those individuals could spend up to 184 hours through January when we hope to make the final analysis, per person to complete that process.

In January when we've selected, then the contract will move to legal. It may take several months before they can work out the issues between the vendor and the implementer and Nassau County. During that time, we need to start engaging back up people to what we call the subject matter experts or the functional leads, many of whom were people on the Solution Selection Committee, and they will be involved in the development of the plans and the implementation of the project and they will almost be working full time, most of them. We've estimated there's about 16 that will need to be involved in that and they'll be working many hours starting in June and beyond. So that gets us to hopefully an implementation starting sometime in 2025.

COMPTROLLER PHILLIPS: It's a big project and I'd like to thank Betsy, Anna and really every Department in Nassau

County. Because, as she has indicated, to get us to the RFP process, just to get the RFP, it took months and months of hard work dedication to map out the procedures of Nassau County so we could make sure that the RFP is a comprehensive RFP and will meet the needs.

I'd also like to say it is critical and thank you to the support of the Administration that we have people dedicated to the implementation of this project. I believe what happened, I wasn't here, but the last time we went through this process, the commitment on behalf of personnel allocation just wasn't there. We don't have a choice in this. We're using a financial system that was put in place in 1999. And I'm kind of looking at Kevan right now because you're there. You get it. You know how antiquated a system like this is and the patchwork that the County has done to keep the financial systems in place is commendable. But it's time. Hopefully will be my legacy that I leave for Nassau County.

Any questions?

CHAIRMAN GIANGREGORIO: Thank you. Legislator Ferretti.

LEGISLATOR FERRETTI: Elaine, good to see you.

COMPTROLLER PHILLIPS: Nice to see you too.

LEGISLATOR FERRETTI: Thank you for your in-depth report, as always. Very informative. Thank you to your team. I'll be pretty quick.

You made some comments about the NIFA control period, and we've had discussions before about this. Can you just tell us again the five criteria you went through.

COMPTROLLER PHILLIPS: Sure. I can read them to you: "The criteria for control:

Number one, the County shall have failed to pay principal and interest on any of its bonds. Obviously, that's not the case.

Number two, the County shall have incurred a major operating fund deficit of 1%. Or more in the aggregate in the results of operating during its fiscal year, assuming all revenues and expenditures are reported in accordance with GAAP.

Number three, the County shall have otherwise violated any provisions of the act, and such violations would impair the marketability of the County's bonds or notes. Not the case.

Number four. This one's long, so I'm going to paraphrase a little bit. The County's Treasurer certification at any time at the request of NIFA or on the County Treasurer's initiative, that on the basis of facts existing at the time, the County Treasurer cannot make the certification that securities sold by or for the benefit of the County and the general public market during the fiscal year immediately preceding such date, and then current fiscal years are satisfying the financial requirements of the County. So basically we can't pay our debt.

Number five, if in regards to the County's financial plan covering the County and the covered organizations, the County fails to make the required modifications after reductions in revenue estimates or to provide a modified plan in detail and with such time period required by NIFA."

LEGISLATOR FERRETTI: So just going through those five, I'm trying to understand -- and I know obviously you don't represent NIFA, obviously -- this is statutory. There are five things, any one of which could trigger a NIFA control period to continue, correct?

COMPTROLLER PHILLIPS: Correct.

LEGISLATOR FERRETTI: What are they claiming out of those five things is triggered? Because it sounds like this is not disputable.

COMPTROLLER PHILLIPS: I'll let NIFA

answer that question. I will say based on rebuttals to me in *Newsday*, that they want to look at the Multi-Year Plan again. But it's kind of a you know, it's a wheel now. They've approved the Multi-Year Plans.

LEGISLATOR FERRETTI: I guess what I'm asking is because, again, it's statutory. So there are five trigger things that could trigger a NIFA control period. And I know you paraphrased one of them. I don't see anything in there that says a projection for years in advance, unless I missed it. No, right?

Number two, specifically, if I heard you right, can you read number two again?

COMPTROLLER PHILLIPS: Number two, "the County shall have incurred a major operating fund deficit of 1% or more in the aggregate in the results of the operation during its fiscal year, assuming all revenues and expenses are reported in accordance with GAAP."

LEGISLATOR FERRETTI: And that was

incurred, right?

COMPTROLLER PHILLIPS: Right.

LEGISLATOR FERRETTI: Not will incur or could incur, but incurred meaning there was a 1% deficit.

LEGISLATOR FERRETTI: Well, but let me make a clarification just so we're clear for the record. It's: "NIFA may declare a control period upon determination of one of five stipulated statutory findings that have occurred or that there is a substantial likelihood or imminence of its occurrence." So that gets in the Multi-Year Plan.

LEGISLATOR FERRETTI: Okay. So this is essentially just a poorly written statute because the number two says "incurred".

COMPTROLLER PHILLIPS: Correct.

LEGISLATOR FERRETTI: So how can you have something "likely to have incurred"? So what it's saying is if it's "likely to have incurred", it doesn't make sense. So. All right.

Basically, it doesn't make sense. But the the bottom line is, it seems like everyone concedes that none of those five elements are met. None of them are triggering --

COMPTROLLER PHILLIPS: I'll remind the Legislature that Nassau County's liability for NUMC, for the hospital, is $100 million of debt outstanding. I am talking about purely financial liability. Social is another issue. But the financial liability that we have, it's $21 million until 2029. And no matter what happens with the hospital, we are not obligated. In fact, we can't pay that 100 million off early.

LEGISLATOR FERRETTI: But even if we could --

COMPTROLLER PHILLIPS: But we can't. We have the money to do it.

LEGISLATOR FERRETTI: We have the money to do it.

COMPTROLLER PHILLIPS: We have the money to do it. But we aren't allowed.

LEGISLATOR FERRETTI: I understand. We're not allowed. We're not underwater. We have the money to do it if we had to.

COMPTROLLER PHILLIPS: Right.

And then there's, we do have a contract with the Hospital to provide medical services to the County Jail.

LEGISLATOR FERRETTI: So what recourse do we have? I mean, this seems to me to be an obvious power grab, control grab by NIFA who shouldn't be in control and seems to be defying the statute. I mean do we have any?

COMPTROLLER PHILLIPS: I'm not a lawyer, so I'm going to look at you as a lawyer. There's legal action. And you know, I said it last year. In fact, I think I did some comparisons last year of other counties in New York State. We are so far better off than New York State as was mentioned earlier, needless to say, the State Comptroller is estimating $12 billion deficits in the next couple years. I just can't explain why they're here in Nassau County. There are so many other municipalities that are in a totally different financial position than Nassau County, and I say that respectfully to the professionals that are on the board and that work there. There's some really smart people there. Nassau County should not be in a control period.

LEGISLATOR FERRETTI: It's not easy to get to --

COMPTROLLER PHILLIPS: Oversight is fin --

LEGISLATOR FERRETTI: This crosses over multiple administrations and all of us. It's not easy to get where we are. And we're in a pretty good financial position and we're being to told by this oversight board essentially that we're not. And it's just not true.

COMPTROLLER PHILLIPS: It's not true. It's just not true.

LEGISLATOR FERRETTI: Anyway, thank you for going through that statute with me.

COMPTROLLER PHILLIPS: Just so you know, you did receive the ACFR. It's in the transmittal letter on page nine, just in case you want to go in and make a copy of it.

LEGISLATOR FERRETTI: Thank you.

CHAIRMAN GIANGREGORIO: Minority Leader.

LEGISLATOR ABRAHAMS: Thank you. How are you, Comptroller Phillips. Good to see you again.

COMPTROLLER PHILLIPS: Good, thank you. Nice to see you.

LEGISLATOR ABRAHAMS: I guess because I'm the -- I feel like I'm one of the older ones. But I guess in terms of my tenure, I'm one of the older statesmen here. If I remember correctly -- and I totally agree with everything that you just brought up. But if I remember correctly, the repeal of the home energy tax, whether politically you liked it, didn't like it, but when that repeal happened, it created and touched to the fifth point that you talked about and triggering the control board.

COMPTROLLER PHILLIPS: Okay.

LEGISLATOR ABRAHAMS: The problem is, and I totally agree with Legislator Ferretti, though there are mechanisms that are created to trigger the control board, there is no mechanisms in place to dissolve it, which to me would warrant, I would think, if the Administration got our side to a comfort level on some of the issues that we had been talking about today, we talked about the tax certiorari, the new liability, obviously, we talked about the hospital, and I envisioned it was going to be some level of discussion in the next couple of months on the collective bargaining agreements, we would be willing to talk about how a mechanism that could be created, that could be done bipartisan, that we could support that would dissolve NIFA. We all are in the best interest of dissolving NIFA. Everybody wants to be able to do that. But at the same time, we have to have some type of level of comfort, which I would think you would agree, that we are working in a bipartisan fashion. These issues I view as the last remaining issues that are there. Whether sales tax goes up and down, I know Andy brought it up, or whether inflation or recession, that's something every municipality has to govern through. That's not new. That's right. But some of the issues that I'm talking about, tax certiorari liability, it's been around for -- when was that? 1939, 1938. Since we've been reassessing off of that?

COMPTROLLER PHILLIPS: County guarantee.

LEGISLATOR ABRAHAMS: County guarantee. The Hospital, ever since they spun off into the Public Benefit Corporation since 1999, the County, should have sold it to them for $1 instead, made them pay it back for over $100 million. That was a mistake. So it just seems to be those lingering issues which if they could be resolved, we'll be happy to talk. But I think those issues are there and we have to figure out a way to get past them.

And that's kind of what I wanted to get your thoughts on. Do you agree in that capsulated type of thing that those issues are still of concern to the County or should be concerned to the County? And I know I talked a lot. Very long winded.

COMPTROLLER PHILLIPS: That's okay.

So I was really pleased to hear Andy talk about the tax certiorari liability. The ongoing is there you know, the 75 ish type million dollars. He made a great point. You know, we've done some, I think, great analysis on how the tax shift occurs and who gets impacted and how it really occurs. That we can talk about at a different meeting. But to hear the fact that in the Plan that that past liability is being paid down and we see it happening, I think is a real step forward to what you're addressing.

The Hospital, I'm just going to keep repeating myself and this takes nothing away from my feeling on a social standpoint. But the fact is, the liability that the County has is $100 million.

LEGISLATOR ABRAHAMS: Yep. Thank you again.

COMPTROLLER PHILLIPS: Thank you.

LEGISLATOR FERRETTI: Just real quick.

I agree with Legislator Abrahams. There's nothing in the statute that dissolves the control period. I haven't read this in a while, I think the last time we talked about this was like a year and a half ago. But if I remember correctly, the statute does trigger an end to the control period if none of those five things are met.

MS. HILL: I think that they're

obligated to eliminate it when they no longer meet these.

COMPTROLLER PHILLIPS: When they believe they no longer -- I mean, it's been a year since we read it, too, and we were very focused on this.

LEGISLATOR FERRETTI: It says that if those if none of those five elements -- I keep calling them elements, they're not elements -- but if none of those five trigger mechanisms can be triggered in the statute, that the control period ends. So there is a mechanism. That's it. It should be ended. All we're dealing with, I don't want get on a soapbox, but it's like you give -- especially in New York state -- one of these agencies control of something and they never want to give it up. You know, you see that we saw it with COVID, with the Department of Education, all this stuff. And this agency has this constant power grab and control grab that they have over us. And it's not clear in the statute and I don't know if that's on purpose or not, but none of those five things are met. That control period should statutorily be over and they shouldn't be able to just unilaterally make stuff up to continue this control period. And I would argue that it's over. The statute says if none of those five things are met --

MS. HILL: Item number five relates to the Financial Plan, which is your Multi-Year Plan. And they have also approved that -- we have it in the minutes -- for the least the last two years. That was the one thing I think was the sticker.

COMPTROLLER PHILLIPS: That was the issue they were bringing.

LEGISLATOR FERRETTI: I know. They say that it's not over because they say it's not over.

COMPTROLLER PHILLIPS: I believe it was last year that Governor Hochul set aside $2.7 billion for state hospitals. I don't know how much money we received, but there's billions of dollars of our state tax dollars going to support hospitals. I can only hope that that money is coming to Nassau County also.

LEGISLATOR ABRAHAMS: Comptroller, are you a part of the same -- Mr. Persich mentioned that there was ongoing discussions in terms of bringing some type of, hopefully, some resolution to the hospital? Are you a part of that?

COMPTROLLER PHILLIPS: No.

LEGISLATOR ABRAHAMS: You're not a part of those discussions. Okay. He mentioned "they" I didn't want to force him to divulge. Didn't want to put him under a light in a dark room, or waterboard him or something crazy to try to get him to divulge.

COMPTROLLER PHILLIPS: No.

LEGISLATOR ABRAHAMS: He mentioned "they". I didn't know if you were part of that "they".

COMPTROLLER PHILLIPS: No.

CHAIRMAN GIANGREGORIO: If there are no further questions.

(Whereupon, no verbal response.)

CHAIRMAN GIANGREGORIO: Thank you very much.

COMPTROLLER PHILLIPS: Thank you.

CHAIRMAN GIANGREGORIO: Public comment. Is there anyone in the Chamber that would like to make a comment?

(Whereupon, no verbal response.)

CHAIRMAN GIANGREGORIO: Okay. Thank you very much.

COMPTROLLER PHILLIPS: Thank you very much.

(Whereupon, above matter concludes, 12:25 p.m.)

C E R T I F I C A T E

STATE OF NEW YORK)
: SS.:
COUNTY OF NASSAU)

I, KAREN LORENZO, a Notary Public for and within the State of New York, do hereby certify:

That the above is a correct transcription of my stenographic notes.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of August, 2023.

Karen Lorenzo

Karen Lorenzo

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