OCTOBER 2020

Proposed Nassau County 2021 Budget & Multi-Year Financial Plan: Comments on the Risks and Opportunities

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1.0 EXECUTIVE SUMMARY

1.1 PURPOSE

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

1.2 FACTORS AFFECTING COUNTY FINANCES

COVID-19 IMPACT

Prior to the onset of the COVID-19 pandemic and its devastating global impact, Nassau County's finances were trending positively, based on fiscal year-end 2019's results and sales tax collections for the first quarter 2020. The present Administration's fiscal discipline allowed the County to sustain services and staffing levels. In addition, even as we look to some of our major revenue sources (e.g. sales tax), we have seen a slight improvement since the July 31, 2020 issuance of our 2020 Mid-Year Report on Nassau County's Financial Condition.

At this time, COVID-19 continues to impact the country. The duration of the corresponding economic downturn is unknown. The continued impact of the virus will have effects on the job market, the opening of schools, consumer confidence, and general economic activity – including things such as sales tax revenue, which previously comprised approximately 40% of the County's revenue. The County projects that the negative sales tax revenue trajectory will lessen in severity – see further sections in this report, but the Comptroller's Office will monitor the factors and industries contributing to sales tax to identify any trends in spending and their respective impact on the recovery.

The pandemic has also led to the loss this year of other revenues, which are discussed in this report. As more time passes, and COVID-19 continues to have a deleterious effect on County finances, the need for federal revenue relief continues to be critical. Should a hypothetical second wave scenario occur, assuming a resurgence of the virus in New York, the County's finances would be even more bleak, and pushing out recovery timelines even further. The Comptroller's model used for sales tax also considers the potential for this hypothetical second wave scenario.

It has proven more difficult to develop financial projections during a time of unprecedented economic downturn, such as has been the situation during the pandemic. While use of economic indicators and past trends help provide some guidance, the reality is that no one knows exactly when the County economy will be "normal" again. It is likely that recovery will take longer than a year or two, and therefore, it is crucial to closely monitor County revenue streams and spending in an effort to raise flags should indicators point to a new worsening of the economy.

Besides its role in providing essential services, local government plays a critical role in the local economy. In rendering an opinion as to the reasonableness of the estimates in the proposed budget relating to non-real property tax revenues, the Comptroller's Office considered the role of the County and the trends occurring, which led to the risks and opportunities provided in the following sections of this report.

STATE OF THE ECONOMY

Communities across the Country have been financially impacted by the unprecedented global pandemic with COVID-19 and Nassau County has not been immune. According to the National Bureau of Economic Research, the U.S. entered a recession in February 2020[1]. The average length of a recession is estimated at 17 months, which indicates the County may not feel relief until late 2022 or early 2023 depending on the longevity of the pandemic.

The *Economist* reports that the global economy is expected to shrink by 3% in 2020 and advanced economies are expected to shrink by 6.1%[2], which represents an impact not felt since The Great Depression. Moody's anticipates the U.S. economy will contract by 5.7% in the year 2020 which may shift the outlook of many U.S. local governments from stable to negative investment ratings[3].

Numerous economic indicators are available to monitor the health and well-being of our economy, and gross domestic product (GDP), unemployment rates, consumer price index (CPI) and the real estate market are several which are highlighted within this report to demonstrate the current conditions affecting the Nassau County economy.

Gross Domestic Product (GDP)

Measuring GDP provides insight into the overall health of both global and national economies. A decline in GDP indicates an economy is in recession. There exist vast ranges in estimates of the impact of COVID-19 on the nation's GDP. As of June, the Federal Reserve estimates a decrease in GDP ranging between a low of -4.2% to a high of -10%[4]; while the Federal Reserve Bank of New York estimates a decline in the middle of this range at -6.8% for 2020[5].

In July 2020, the United States Commerce Department reported that gross domestic product fell at a seasonally and inflation adjusted 32.9% annual rate in the second quarter, or a 9.5% drop compared with the prior quarter. This represents the steepest decline in more than 70 years, including the slumps caused by the Great Depression and the Great Recession.

Unemployment

As of the end of 2019, Nassau County's unemployment rate was 3.6% and has been steadily under 5% since early 2015. In April 2020, the County's unemployment rate skyrocketed to 16.1%[6]. A recent study conducted by HR&A Advisors, Inc. (HR&A) for the Nassau County and Suffolk County Industrial Development Agencies, indicated that early in the COVID-19 crisis, Long Island lost jobs at a faster rate when compared to New York City and surrounding suburbs[7]. According to the U.S Bureau of Labor Statistics, the Nassau/Suffolk region's total change in unemployment

[1] The National Bureau of Economic Research, June 8, 2020, https://www.nber.org/cycles/june2020.html
[2] The *Economist*, April 14, 2020, https://www.economist.com/graphic-detail/2020/04/14/the-global-economy-is-expected-to-shrink-by-3-this-year
[3] Moody's, May 4, 2020, https://www.moodys.com/login?ReturnUrl=http%3a%2f%2fwww.moodys.com%2fresearchdocumentcontentpage.aspx%3f%26docid%3dPBM_1226660
[4] Federal Reserve, June 10, 2020, https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20200610.htm
[5] Federal Reserve Bank of New York, June 25, 2020, https://www.newyorkfed.org/research/policy/weekly-economic-index
[6] U.S. Bureau of Labor Statistics, April 2020 update, https://www.bls.gov/eag/eag.ny_nassau_md.htm#eag_ny_nassau_md.f.1
[7] HR&A, Nassau & Suffolk COVID-19 Economic Impact Final Report, July 8, 2020, http://www.nassaucountyny.gov/EconomicImpact

rates (non-farm and seasonally adjusted) for February and April hit an all-time high of -21.9%, with New York State and the rest of the Country at -19.8% and -14.5%, respectively for the same time period. This equated to an initial loss of 270,000 jobs for the region with the hospitality and retail industries, some of the hardest hit industry sectors.

As of July, the unemployment rate for Nassau County was at 12.2%, the State of New York at 14.0% (down from 15.3% in April) and as of July, the U.S. unemployment rate was at 10.2% (down from 14.7% in April)[8]. Although still sitting at record highs, the unemployment rates are trending more positive providing minor areas of relief to the workforce as the economy begins to reopen.

Consumer Price Index (CPI)

According to the U.S. Bureau of Labor Statistics, CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI is an indicator to help measure inflation/deflation, the effectiveness of governmental policies, and impact cost of living adjustments.

The CPI for all urban consumers increased 0.1% as compared to the previous year (note before seasonal adjustment). Index variations exist between sectors, declines in the energy index (e.g. gasoline) were offset by increasing indexes for food. Food at home experienced the largest increase at 4.6% higher in September 2020 than the previous 12 months period[9].

For perspective, the CPI for Nassau and Suffolk County increased approximately 3.6% between December 2019 and May 2020.

Real Estate Market

As of July 2020, the closed median home price for Long Island, which includes Nassau, Suffolk, and Queens housing data rose to $495,000 representing a 6.5% increase from the previous year[10]. More specifically, Nassau County reported a closed median home price of $551,250, representing an increase of 1.1% over $545,000 from the previous year as reported by Multiple Listing Service (MLS). [11]

MLS also reports that for July 2020, Long Island listed a total number of available residential listings at 16,326, a decrease of 14.7% over last year. For Nassau County, the total number of residential properties sold was 567, a decrease of 45.7% as compared to the previous year, and the total number of pending sales was down 60% as compared to the May 2019.

One potential prospect for the regional housing market is that Long Island could end up getting a boost from New York City residents moving east seeking more space, less congestion and potential affordability[12].

[8] U.S. Bureau of Labor Statistics, May and June 2020 updates, https://www.bls.gov/regions/new-york-new-jersey/new_york.htm#eag
[9] U.S. Bureau of Labor Statistics, July 10, 2020, https://www.bls.gov/news.release/archives/cpi_06102020.htm
[10] Multiple Listing Service, June 8, 2020, http://links.mlsstratus.com/actrep/Current/highlight.pdf
[11] One Key MLS, Real Estate Market Update, Long Island Housing Data, July 30, 2020, http://links.mlsstratus.com/actrep/Current/highlight.pdf
[12] Ibid

Although the County is considered developed with limited vacant parcels, transit-oriented housing development and re-development, can serve to attract young professionals, and can add great value to the existing traditional housing stock.

Median Household Income

Median household incomes in the County are significantly above the national average and the New York State average. According to the 2018 American Community Survey, the County's median household income totals $111,240, as compared to the State and national median family income of $65,323 and $60,293, respectively.

Lastly, it is important to note that the federal tax-reform, in particular the cap on State and Local Taxes (SALT) deductions, may continue to pose a risk to the County's economy and housing activity in the coming year.

1.3 PROPOSED FISCAL YEAR 2021 BUDGET RISKS/OPPORTUNITIES

PRIMARY OPERATING FUNDS

Under prior administrations, management's reporting and discussion of the County's primary budget and operating results excluded various funds. The funds that were excluded are key to ensuring our policy makers and management have the relevant information needed to make sound decisions that ultimately have positive long-term impacts on the County's fiscal trajectory.

As presented in the Fiscal Year 2019 Comprehensive Annual Financial Report (CAFR) and the Comptroller's 2020 Mid-Year Report, we have continued to define the "primary operating funds" to include the total General Fund[13], Police District Fund, and Sewer and Storm Water District Fund. Prior to the 2017 fiscal year, various funds required to be included in the General Fund in accordance with generally accepted accounting principles (GAAP), and the Sewer and Storm Water Fund were excluded in the discussions of the County's primary operating funds.

The Comptroller's Office estimates that the 2021 Proposed Budget contains approximately $256.6 million of risk. The two drivers of this risk to the budget is having risked the savings for the projected debt restructuring and the estimated additional cost related to potential collective bargaining agreements. Restructuring debt requires County Legislative approval and collective bargaining agreements require legislative and NIFA approval, as well as ratification by union members. It would not be prudent at this time to assume the result of these decisions. Our projections thus represent the potential risks and opportunities inherent in the proposed budget prior to the effects of debt restructuring and under the current labor agreements. However, should the debt restructuring be approved, the projected risk for 2021 would fall to $23.4 million, based on the projected savings included in the proposed budget. **The risk would increase to $32.3 million if the 2021 Proposed Budget's assumptions on labor agreements and the new revenue stream for the Ticket Reconciliation Program (TRP) were not risked.**

The refinancing represents a critical path towards this budget performing as proposed in lieu of

[13] In accordance with GAAP, the General Fund is comprised of the following County funds: General; Police Headquarters; Fire Prevention, Safety, Communication and Education; Debt Service; Open Space; Technology; Litigation; Employee Accrued Benefit Liability Reserve; Retirement Contribution Reserve; and Bond Indebtedness Reserve.

corresponding dramatic cuts and/or revenue increases.

The risks and opportunities are shown in Table 1and Table 2 below, net of eliminating interfunds.

Table 1: (Risks) / Opportunities

($ millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
REVENUES				
Sales Tax	$ 40.7	$ -	$ -	$ 40.7
Permits and Licenses	(1.6)	(0.6)	-	(2.2)
Fines and Forfeitures	(20.4)	(0.2)	-	(20.6)
Rents and Recoveries	(24.5)	-	-	(24.5)
Departmental Revenues	(11.9)	-	-	(11.9)
Federal Aid	(3.3)			(3.3)
Net risks without debt restructuring	(129.4)	-	(11.7)	(141.1)
Capital Resources for Debt	*(132.0)*	-	*(11.7)*	*(143.7)*
Interfund Revenue	*2.6*			*2.6*
Interest Penalty on Tax	-			-
Investment Income	(1.0)	-	-	(1.0)
PILOTs	(1.4)			(1.4)
All Other	(0.6)	0.1	(0.6)	(1.1)
Total Revenues	**$ (153.4)**	**$ (0.7)**	**$ (12.3)**	**$ (166.4)**
EXPENDITURES				
Payroll, Fringes & Overtime	$ 10.0	$ 4.8	$ 4.0	$ 18.8
Early Intervention	(6.0)			(6.0)
Contractual Expense	(12.0)			(12.0)
Net risks without debt restructuring	(89.6)	-	(0.6)	(90.2)
Debt Service	*(89.6)*		*2.0*	*(87.6)*
Interfund Charges	-		*(2.6)*	*(2.6)*
All Other	(1.9)	(0.1)	1.2	(0.8)
Total Expenditures	**$ (99.5)**	**$ 4.7**	**$ 4.6**	**$ (90.2)**
Total (Risks) /Opportunities	**$ (252.9)**	**$ 4.0**	**$ (7.7)**	**$ (256.6)**

Table 2: 2020/2021 Projections with Proposed Debt Restructuring, Estimated Labor Contract Costs and TRP

in $ millions	2020 Projections	2021 Proposed Budget
Projected Budgetary Risk*	$ (298.7)	$ (256.6)
Debt Restructuring	49.5	233.2
2021 Proposed Budget labor agreement assumption	-	(15.8)
Legislative action on new revenue (TRP)	-	6.9
Projections with debt restructuring, labor contract assumptions and TRP	$ (249.2)	$ (32.3)

**three primary funds, GEN (consolidated), PDD and SSW*

Further Analysis of the individual risks/opportunities can be found on page 12.

Items of Note:

Debt Restructuring
The Administration is proposing that NIFA and County debt be restructured in order to help alleviate the adverse effects COVID-19 has had on the County's finances. The Administration is proposing restructuring $75.0 million of NIFA debt in 2020 and an additional $90.0 million of NIFA debt in 2021, as well as NIFA restructuring approximately $120.0 million of County debt, on the County's behalf due to NIFA's credit rating. Restructuring of debt will assist the County in 2020 and 2021 but it will increase the outstanding debt in future years. The proposed restructuring is discussed in various parts of this report, including in sections 2.2, 3.2 and 5.3.

Sales Tax Revenue
We expect a slight improvement in sales tax revenue from projected 2020 losses as the County rebounds from the economic effects of COVID-19, however, we do not expect to see significant improvement in the first quarter. Our projections for 2021 have a conservative 1.5% growth in collections, which is offset by the Part County adjustments, to bring the sales tax revenue projections flat to 2020. Even with that, we are projecting an opportunity for 2021 against the proposed budget because of better than expected collections in the second half of 2020.

Moody's Analytics is more optimistic in its projections of sales tax growth in 2021 "as macroeconomic and public health risks abate and overall conditions improve".[14] The opportunities identified for both 2020 and 2021 are the result of better than expected sales tax collections from our 2020 Mid-Year Report, offset by the new State withholding from sales tax collections that

[14] The Moody's Analytics report, issued in September 2020, was provided to the Comptroller's Office by the Administration.

counties will face beginning in January 2021, related to pool payments for distressed hospitals and nursing homes throughout New York State. We will continue to monitor sales tax collections and communicate regularly with the State and the New York State Association of Counties (NYSAC) for status updates on trends or other State legislative actions affecting the County's sales tax. Sales tax revenue accounts for 33% of 2021 proposed budget's revenue and its performance is correlated to current economic conditions.

Collective Bargaining Agreements

Collective bargaining agreements for the County's major labor unions expired at the end of 2017. Renegotiated agreements and terms could have significant impact on the 2020 fiscal results and the 2021 budget that will need to be analyzed for potential fiscal impacts. We have not included any financial impact related to the unapproved labor contracts in the 2021 Comptroller's forecast. While one agreement has been approved and included in our projections and another is near completion, the remaining contracts covering the majority of employees have not yet been settled. While often when there are multiple agreements, there is some degree of a pattern to new arrangements, we cannot speculate as to what the settle terms of these contracts would be in a manner that would allow for a productive analysis given the multitude of variables in these agreements.

Vacant Positions

The 2021 Proposed Budget has removed a large portion of the vacant positions that had been included in the 2020 Adopted Budget. Therefore, the opportunity identified in our projections is primarily the result of the proposed budget that includes estimated costs that may result from possible new labor agreements, which we are not including.

Video Lottery Terminal Revenues from OTB (VLT's)

We have projected no risk to the $5.0 million of OTB VLT revenues in the 2021 Proposed Budget. We are concerned for 2021 that the full $20.0 million in revenues may not materialize if OTB continues to be affected by COVID-19, however, we anticipate full payment in later years. We will continue to monitor these revenues throughout the year and into the next year.

1.4 UPDATED 2020 MID-YEAR PROJECTIONS

The Comptroller's 2020 Mid-Year Report projected that the County would end the current year with a **$340.4 million operating deficit** and **ending unassigned fund balance deficit of $227.1 million** in the primary operating funds under GAAP.

Our revised projections for 2020 result in an operating **deficit of $327.2** million for the three primary operating funds on a GAAP basis, and an **ending unassigned fund balance of a negative $193.5 million** in the primary operating funds under GAAP for fiscal year 2020. The main driver of the improvement in the deficit is an increase in our projected sales tax revenues for 2020.

The year-end projections have been updated to account for the following items:

- **Sales Tax**: *+$26.8 million* - Sales Tax collections have come in higher than previously forecasted in our 2020 Mid-Year Report for the first nine months of fiscal year 2020, lessening the severity of the risk, therefore we are revising the projections to increase projected Sales Tax Revenue by $26.8 million from $1,037.9 million to $1,064.7 million. Our new projections also include the additional withholding projected for January 2021 sales tax receipts, which are recorded in fiscal year 2020, related to the pool payment for distressed hospitals and nursing homes throughout New York State (see sales tax analysis for more details). Year-to-date, the County's sales tax collections (net of AIM) are 12.8% lower than last year, and we are projecting that the remaining 2020 checks, net of the pool payment withheld, will be approximately 15% lower than last year, resulting in a full year change over 2019 sales tax of approximately -14.4%.

It is important to note that COVID-19 continues to impact the economy and since sales tax is very economically sensitive, sales tax revenues could continue to fluctuate significantly in 2020.

Below is a table that illustrates the risk to the 2020 Adopted Budget, assuming various potential growth rate assumptions for the remaining 2019 checks. The range below varies from a $230.7 million shortfall against the 2020 Adopted Budget to a $170.0 million shortfall in this revenue category. Our current 2020 projections forecast a shortfall to the 2020 Adopted Budget of $212.0 million.

Table 3: 2020 Sales Tax Projection Scenarios ($ Millions)

	Growth Rate Scenarios for remaining 2020 Sales Tax checks					Current 2020 Projection
Growth Rate on Collections	**-20.0%**	**-18.0%**	**-15.0%**	**-10.0%**	**-8.0%**	**-16.3%**
Projected Sales Tax Collections*	$ 1,046.3	$ 1,056.4	$ 1,071.6	$ 1,096.8	$ 1,106.9	$ 1,065.0
Net adjustments to sales tax revenues	$ (0.3)	$ (0.3)	$ (0.3)	$ (0.3)	$ (0.3)	$ (0.3)
Projected Total Sales Tax Revenues	$ 1,046.0	$ 1,056.1	$ 1,071.3	$ 1,096.5	$ 1,106.6	$ 1,064.7
Surplus/(shortfall) to Budget	**$ (230.7)**	**$ (220.6)**	**$ (205.4)**	**$ (180.1)**	**$ (170.0)**	**$ (212.0)**
FY 20 total revenue over FY 19	-15.9%	-15.1%	-13.9%	-11.8%	-11.0%	-14.4%

* Sales tax collections are before any deferral of sales tax revenues related to Part County (hotel/motel and restaurant) sales tax.

Since the projected 2020 sales tax revenues are the base for which we project 2021, any significant change to the assumptions, particularly the growth rate, may have a significant impact to 2021.

- **Department Revenues**: *-$8.7 million* additional risk in Ambulance Fees as the current year-to-date actuals are lower than anticipated in the 2020 Mid-Year Report;
- **Fine and Forfeitures**: *-$3.9 million* more risk due primarily to the trend in actuals in other Traffic and Parking Violations fines;
- **Local Government Assistance**: *-$1.6 million* more risk than the previous 2020 projections due to the projected increase in the distribution of sales tax revenues to the local municipalities; and
- **Changes to the GAAP adjustments:** *-$0.6 million* more due to an increase in pension expense resulting from the County's decision not to prepay the 2021 pension invoice in

December 2020. Prepaying the invoice would have provided the County with a discount.

The table below projects the ending 2020 GAAP fund balance, revised from the 2020 Mid-Year Report.

Table 4: Revised Projected Ending Fund Balance FY 2020

2020 Projected Ending GAAP Fund Balance *($'s in millions)*	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
2019 Ending Fund Balance				
Non Spendable	$40.2	$11.8	$0.3	**$52.3**
Spendable:				
Restricted	8.1	-	-	**8.1**
Committed	36.9	6.3	-	**43.2**
Assigned	-	1.1	-	**1.1**
Unassigned	112.2	-	-	**112.2**
Total Fund Balance (Deficit) as of 12/31/2019	**$197.4**	**$19.2**	**$0.3**	**$216.9**
Total Projected Change in Fund Balance (Deficit) FY 2020	**($332.7)**	**$11.1**	**($5.6)**	**($327.2)**
2020 Projected Ending Fund Balance (Deficit)				
Non Spendable	$8.7	$0.0	$0.0	**$8.7**
Spendable:				**-**
Restricted	7.3	-	-	**7.3**
Committed	36.9	6.3	-	**43.2**
Assigned	-	24.0	-	**24.0**
Unassigned	(188.2)	-	(5.3)	**(193.5)**
Total Projected Fund Balance (Deficit) at 12/31/2020	**($135.3)**	**$30.3**	**($5.3)**	**($110.3)**

Of significant note is that because the Administration is expecting not to prepay in December 2020, the pension invoices due in February 2021, the County's nonspendable fund balance is expected to significantly decline as of the end of the 2020 fiscal year. Ending unassigned fund balance as of December 31, 2020 is projected to be a negative $110.3 million as shown in the chart above.

1.5 FY 2021 PROPOSED BUDGET STRUCTURAL DEFICIT

DIFFERENCE BETWEEN RECURRING REVENUES AND RECURRING EXPENDITURES

As mentioned in previous reports, the County must continue to restructure, reform and modernize to avoid further deterioration in the County's overall viability. This includes devising appropriate fiscal and operational plans to address the increasing structural imbalances created from fundamental changes in our economy. These fundamental changes are irrespective of cyclical "temporary" dips like year-over-year changes in mortgage recording fees.

Nassau County, like many municipalities across the Country, is grappling with devising and implementing structural fixes, on both the revenue and expense side of the equation.

The structural deficit inherent in the 2021 Proposed Budget is estimated at $277.7 million a decline of $257.8 million over the 2020 Proposed Budget's structural deficit of $19.8 million.

We calculate the structural deficit to chart long-term progress towards financial stability in the operating budget. However, COVID-19 has produced extraordinary financial impacts and the resulting proposed remedial fiscal measures.

The structural deficit is increasing due to the NIFA and County debt restructuring projected in the proposed budget as a result of the pandemic and economic downturn. Excluding this factor, the structural deficit would fall to $44.5 million.

The County will continue to face increasing fiscal challenges related to COVID-19. The Administration, the Legislature and NIFA will need to continue addressing these challenges.

Table 5: FY 2021 Proposed Budget Structural Deficit

Structural Deficit – Nonrecurring Revenue and Expenses 2021 Proposed Budget Major Operating Funds ($ Millions)		
Debt Restructuring	$	233.2
Budgeted New Revenues		11.9
Amortization of Pension Bill		13.3
Use of Excess Bond Proceeds to Pay off Debt Service		10.0
Sale of County Property		8.6
Use of Fund Balance		0.7
Structural Deficit (Total Non-Recurring)	**$**	**277.7**

2.0 Discussion of Revenues: (Risks) / Opportunities

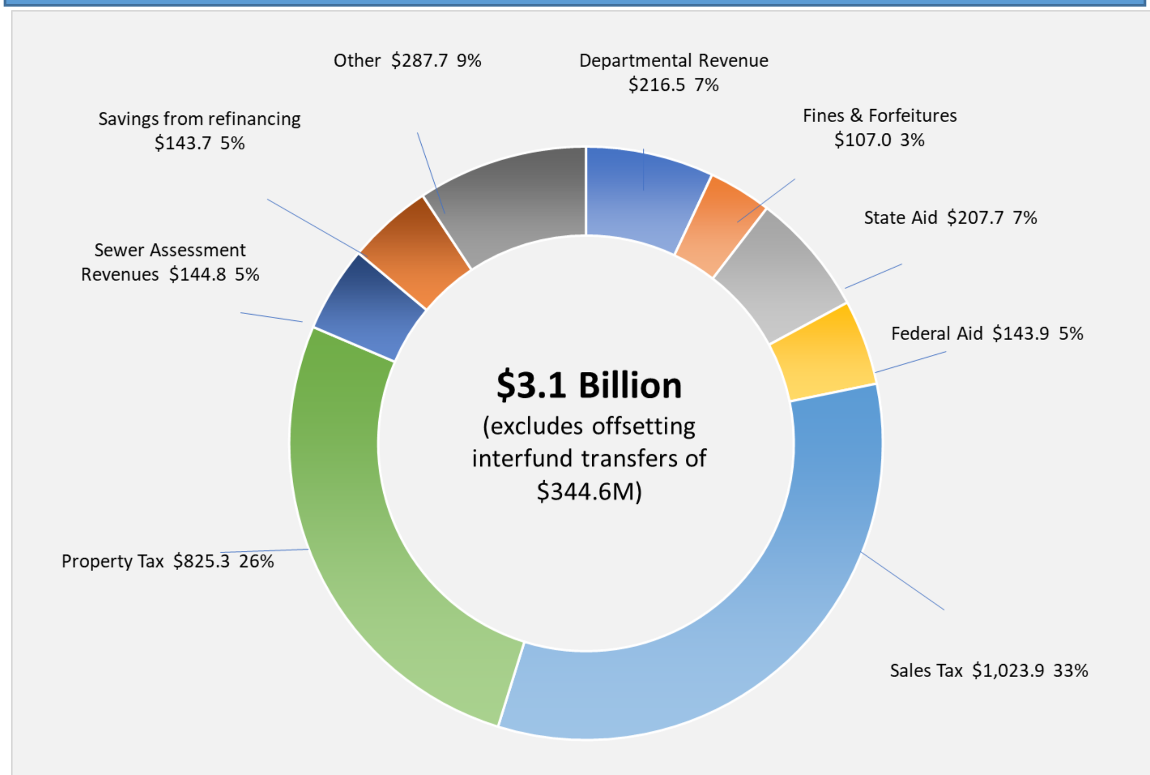
This section discusses significant major funds revenue risks and opportunities presented in the fiscal year 2021 proposed budget.

MAJOR FUNDS REVENUE COMPOSITION

Sales Tax is the major revenue source for Nassau County, accounting for $1.0 billion or 33% of revenue, followed by Property Tax at $825.3 million or 26%, State and Federal Aid at $351.6 million or 12% and Departmental Revenues at $216.5 million or 7%. These categories and percentages have remained relatively constant in recent years.

Chart 1: Proposed Major Operating Funds Revenues

FY 2021 Proposed Major Operating Funds Revenues ($'s Millions)



***Note:**

Other includes: Non-offsetting Interfund Revenues ($74.4 million), PILOTs ($52.4 million), Rents and Recoveries ($45.6 million), Interest Penalties on Taxes ($32.7 million), Special Taxes ($29.9 million), Permits and Licenses ($19.1 million), OTB Video Lottery Terminals ($5.0 million), Revenue Offsets of Expense ($20.7 million), Investment Income ($3.9 million), Capital Resources ($3.3 million) and other (0.7 million).

2.1 Sales Tax | Budget Opportunity $40.7 million– ON CLOSE WATCH

Sales Tax, at 33% of budgeted revenues (net of offsetting interfund revenues), is the County's largest revenue source and is highly correlated to economic conditions.

A significant change was made to State law effective June 1, 2019, that closed a loophole that exempted certain internet vendors from collecting and remitting New York sales tax for internet transactions. These additional revenues are referred to as "enhanced internet sales tax". The State ceased funding Aid and Incentives to Municipalities (AIM) and instead, is withholding an amount for AIM payments from the County's sales tax receipts. The County began receiving the enhanced internet sales tax receipts in June 2019 and one AIM payment, in December of 2019, was withheld. Fiscal years 2020 and 2021 will have the full $11.4 million of AIM payments (May and December) withheld. In addition, approximately $7.3 million will be withheld for the County's contribution to the pool payment for distressed hospitals and nursing homes throughout New York State. We have estimated the same level of withholding for both 2020 and 2021.

We have adjusted our 2020 projection for sales tax revenue from $1,037.9 million as reported in our 2020 Mid-Year Report, to $1,064.7 million, an increase of $26.8 million, primarily due to less unfavorable sales tax receipts received in the past few months than originally projected. Since the projected 2020 sales tax receipts are the base for which we project 2021, any significant change in receipts from what has been modeled, may have a significant impact to 2021.

Looking ahead to 2021, we project an opportunity of $40.7 million in sales tax revenue against the proposed budgeted revenue of $1,023.9 million. The Administration's projection in the 2021 Proposed Budget for the growth rate on sales tax receipts is 1.4%, and our projections are for a 1.5% growth rate in sales tax receipts. While the growth rates are similar, our 2020 base is greater than what is forecasted by the Administration. A Moody's Analytics report issued in September 2020 and provided to our Office by the Administration, projects a higher growth year-over-year of 2.7%, and a higher projection of sales tax receipts. We have projected a modest 1.5% growth in collections primarily as uncertainty surrounding the economic factors related to COVID-19 and their effect on consumer confidence as we approach the colder months.

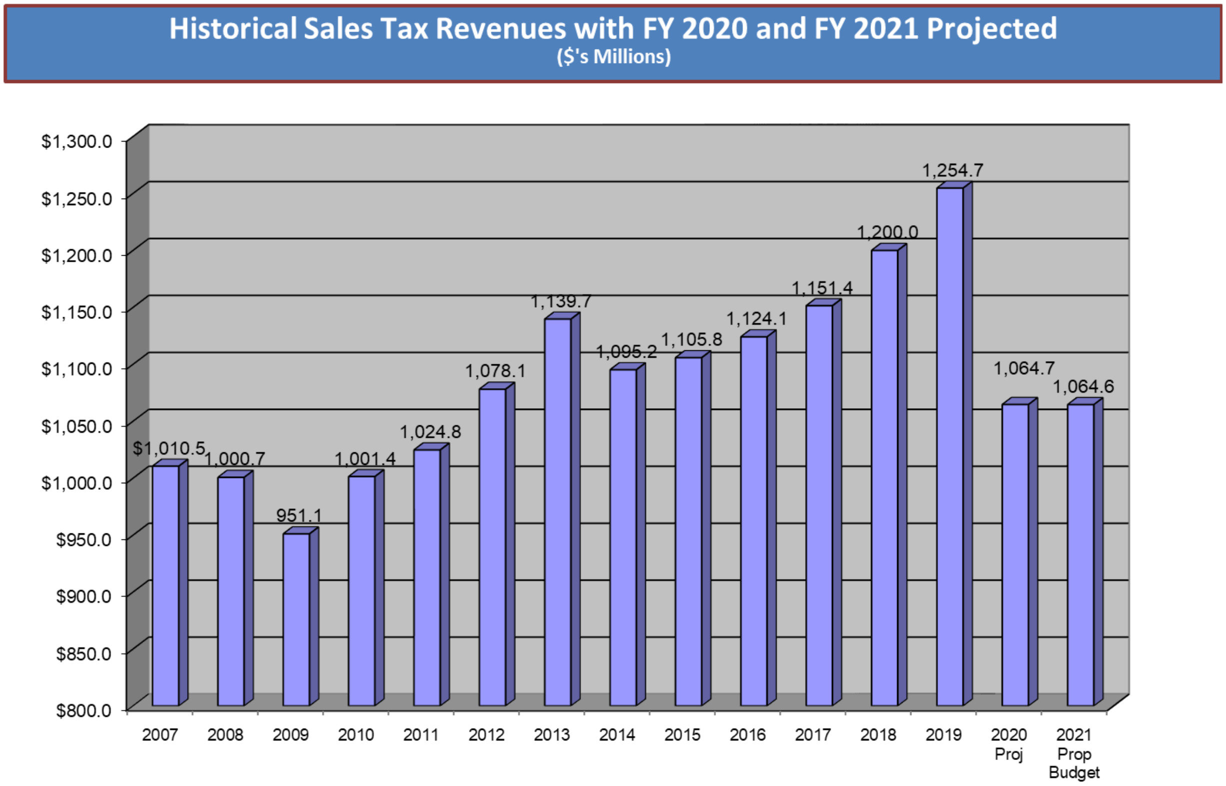
Moody's analytics projections	2021
Sales tax projections ($ millions)	$ 1,071.3
Sales tax receipts growth rate	2.7%
CO projections	
Sales tax receipts ($ millions)	$ 1,073.2
Sales tax receipts growth rate	1.5%
OMB projections	
Sales tax receipts ($ millions)	$ 1,022.0
Sales tax receipts growth rate	1.4%

It is important to note that sales tax receipts/collections are what the County receives from the State and NIFA. County sales tax revenue is reported as receipts/collections net of adjustments for Part County deferred revenue. Although our projection for 2021 is based on a growth rate in collections of 1.5%, sales tax revenue projected in 2021 is flat to the revised 2020 forecast due to a $10.5 million of Part County sales tax projected to be deferred in 2021.

The 2021 Proposed Budget projects $1,022.0 million of sales tax receipts, for a 1.4% growth over the 2020 projected sales tax receipts reported in the Administration's August 2020 Financial Report. We project sales tax receipts of $1,073.2 million, or a 1.5% growth over our projections revised from the 2020 Mid-Year Report. Because our projections forecast a larger Part County portion of the total receipts, based on the model, we are also projecting a larger deferred Part County value, which results in our 2021 sales tax revenue projection to be flat to 2020.

The chart below shows the County's historical sales tax revenues for fiscal years 2007-2019 and the projected revenues for 2020 and 2021. The accompanying table presents the sales tax collections and reported revenue for each year, the year-over-year variances, and the percentage growth.

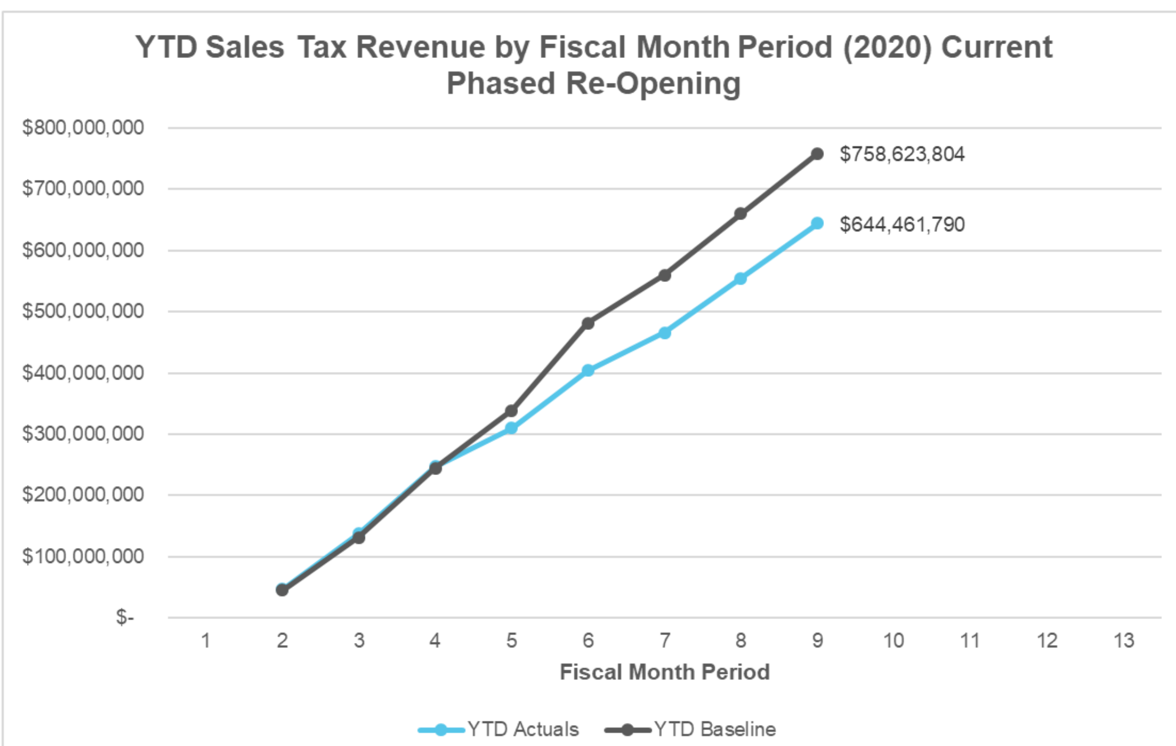
Chart 2: Sales Tax Collections ($ Millions) – Actuals & Projected



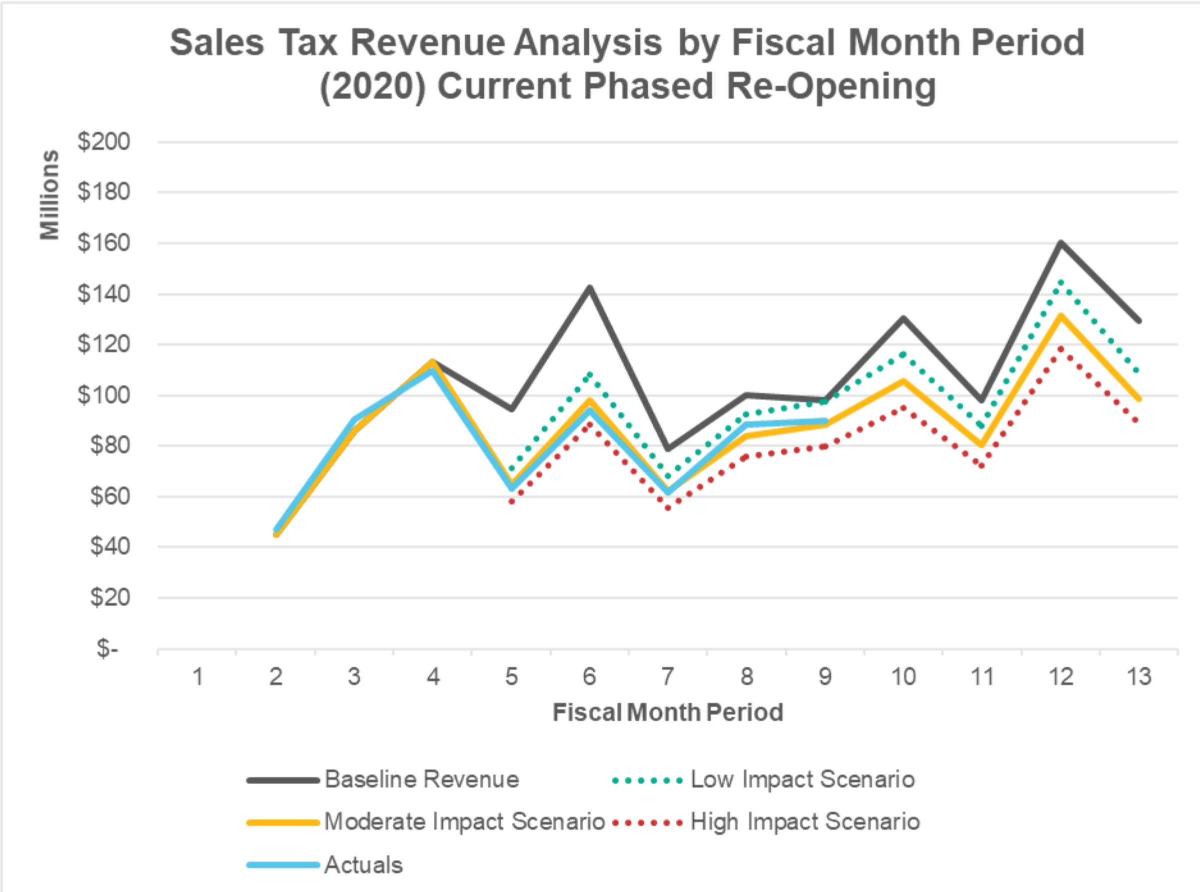
Year-over-Year Change $ in millions	2008 (A)	2009 (A)	2010 (A)	2011 (A)	2012 (A)	2013 (A)	2014 (A)
Sales Tax Collections	$ 1,002.9	$ 951.2	$1,009.2	$1,027.6	$1,070.4	$1,138.1	$1,090.8
change in collections $	$ (8.9)	$ (51.7)	$ 58.0	$ 18.4	$ 42.8	$ 67.7	$ (47.3)
change in collections %	-0.9%	-5.2%	6.1%	1.8%	4.2%	6.3%	-4.2%
Total Sales Tax Revenue	$ 1,000.7	$ 951.1	$1,001.4	$1,024.8	$1,078.1	$1,139.7	$1,095.2
change in revenue $	$ (9.8)	$ (49.6)	$ 50.3	$ 23.4	$ 53.3	$ 61.6	$ (44.5)
change in revenue %	-1.0%	-5.0%	5.3%	2.3%	5.2%	5.7%	-3.9%

Year-over-Year Change $ in millions	2015 (A)	2016 (A)	2017 (A)	2018 (A)	2019 (A)	2020 (P)	2021 (P)
Sales Tax Collections	$ 1,103.8	$1,129.6	$1,163.0	$1,201.5	$1,244.1	$1,057.7	$1,073.2
change in collections $	$ 13.0	$ 25.8	$ 33.4	$ 38.5	$ 42.6	$ (186.4)	$ 15.5
change in collections %	1.2%	2.3%	3.0%	3.3%	3.5%	-15.0%	1.5%
Total Sales Tax Revenue	$ 1,105.8	$1,124.1	$1,151.4	$1,200.0	$1,254.7	$1,064.7	$1,064.6
change in revenue $	$ 10.6	$ 18.3	$ 27.3	$ 48.6	$ 54.7	$ (190.0)	$ (0.1)
change in revenue %	1.0%	1.7%	2.4%	4.2%	4.6%	-15.1%	0.0%

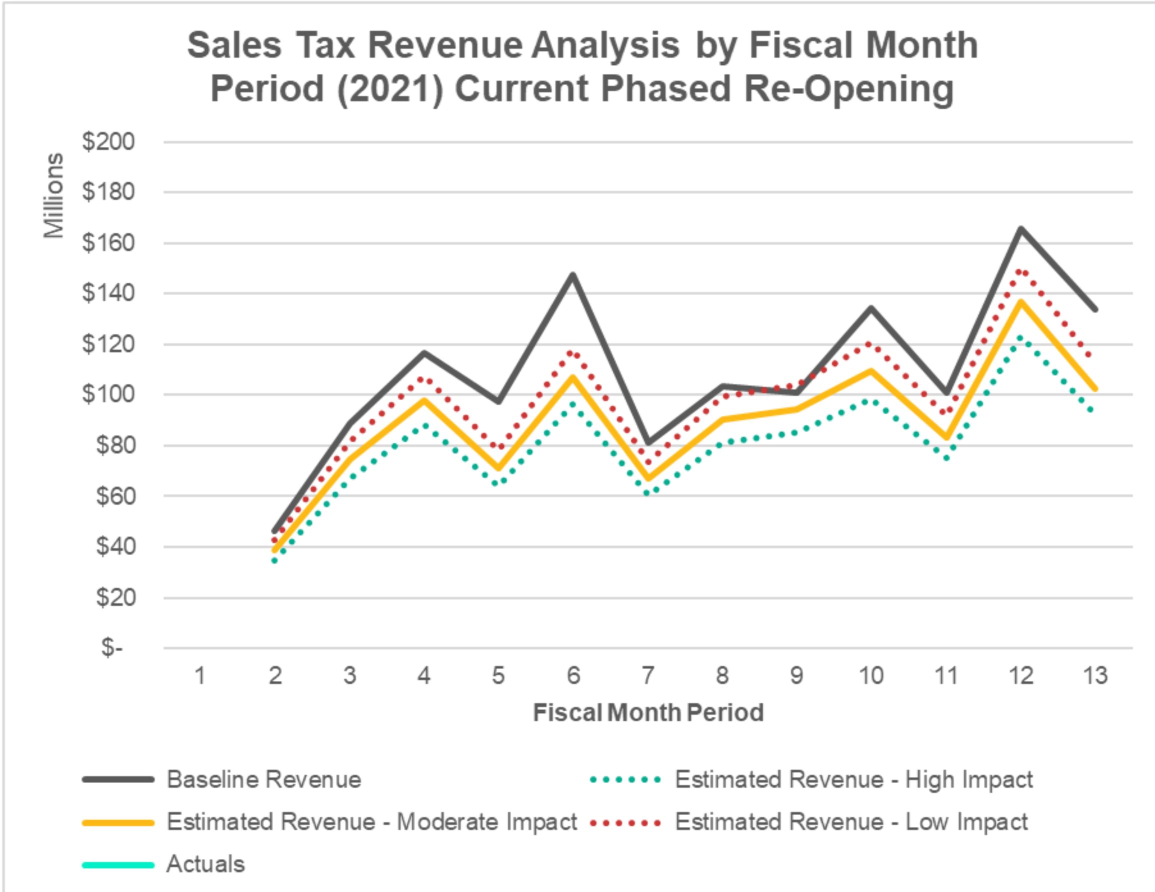
The Chart below depicts the derived year-to-date baseline and the year-to-date actual sales tax collections by fiscal month. The year-to-date collections are approximately $114.2 million less than the baseline, or approximately 15% lower.



The Chart below depicts the high, moderate and low impacts, along with the 2020 baseline (budget) and the actual sales tax collections for 2020. As is illustrated in the chart, actuals are closely aligned to the moderate impact projection.



The next chart depicts the projections at a high, moderate and low impact of the sales tax collections compared to a pre-COVID-19 baseline.



HYPOTHETICAL SECOND WAVE

As discussed in our 2020 Mid-Year Report, a second scenario for sales tax was modeled, assuming a hypothetical second wave of COVID-19. Under this scenario, the projections for both 2020 and 2021 sales tax revenues would change significantly. The hypothetical second wave scenario was updated from the 2020 Mid-Year Report to recalibrate the model for the better than projected 2020 actual sales tax receipts received in the first nine months of 2020.

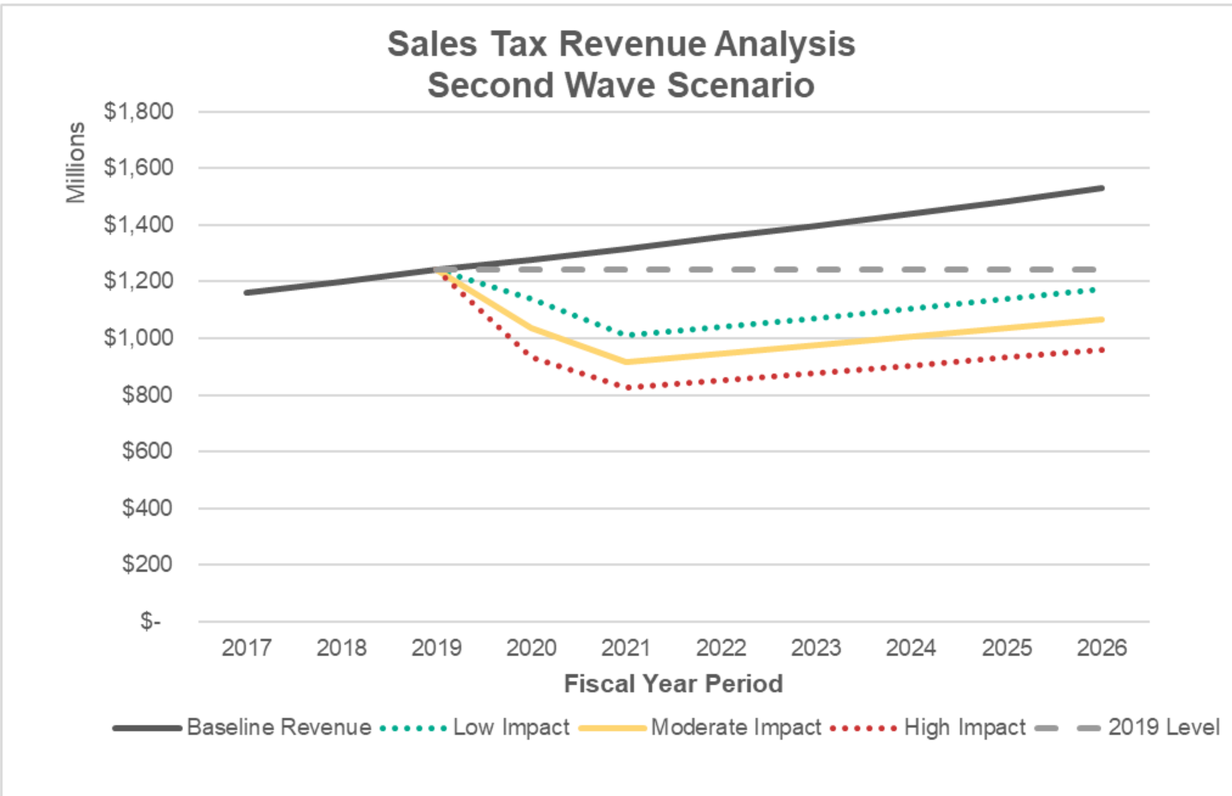
The first table below shows the current projections (without a second wave) and the high, moderate and low impacts on sales tax collections. Our 2020 and 2021 projections reflect the moderate impact.

Fiscal Year	Baseline Revenue	Estimated Receipts - High Impact	Estimated Receipts - Moderate Impact	Estimated Receipts - Low Impact
2020	$ 1,276,672,363	$ 951,893,183	$ 1,057,659,093	$ 1,163,425,002
2021	$ 1,317,015,643	$ 965,928,277	$ 1,073,253,641	$ 1,180,579,006

Under a hypothetical second wave scenario, the high, moderate and low impacts on sales tax collections change as shown in the table below.

Fiscal Year	Baseline Revenue	Estimated Receipts - High Impact	Estimated Receipts - Moderate Impact	Estimated Receipts - Low Impact
2020	$ 1,276,672,363	$ 932,560,117	$ 1,036,177,908	$ 1,139,795,698
2021	$ 1,317,015,643	$ 826,337,784	$ 918,153,093	$ 1,009,968,403

Under a second wave scenario, the estimated receipts decline within the range of $19.3 million to $23.6 million in 2020 and $139.6 million to $179.6 million in 2021. The Chart below shows the long-term impact of COVID-19 on County sales tax under the second wave scenario.



2.2 Capital Resources for Debt | Budget Risk ($143.7) million

The Administration has included budgeted Capital Resources for Debt revenue as debt restructuring savings in the General Fund ($132.0 million) and Sewer and Storm Water Fund ($11.7 million). The rationale for reporting the savings as revenue as opposed to a reduction in debt service expenditures is because the Administration is reflecting actual appropriations required in 2021 for debt service costs (a) should the refinancing not be approved by the County Legislature, and (b) to afford assurance to current bond holders that the County is appropriating adequate levels of debt service for its outstanding obligations.

Therefore, we are projecting a budget risk of $143.7 million to remove the effects on the 2021 Proposed Budget of the possible debt restructuring. The $143.7 million is comprised of approximately $136.7 million of savings in the major operating funds ($125 million in General and $11.7 million in Sewer and Storm Water Fund) and $7.0 million in the non-major funds

(Environmental Protection Fund) that is budgeted in the General Fund. At this time, it is unknown if the restructuring will be approved or accomplished.

See section 3.2 for the other impacts to the proposed budget related to the debt refinancing.

Table 6: Capital Resources for Debt ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$5.0	$12.5	$147.0	$3.3	($143.7)

2.3 Permits and Licenses | Budget Risk ($2.2) million

Our analysis of the 2021 Proposed Budget for Permits and Licenses shows a risk of $2.2 million. This risk is attributed to slowed inflows due to COVID-19. While we believe that this revenue category will recover through 2021, we believe that there is some risk in the General Fund in the Department of Consumer Affairs in Weights and Measures and Home Improvement License; Health Department in Food Establishment Permits and Hazardous Material Registration Fees; and the Department of Public Works in Road Openings totaling $1.6 million and $0.6 million in Police District for alarm permits.

Table 7: Permits and Licenses – ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$21.0	$14.2	$19.1	$16.9	($2.2)

2.4 Fines and Forfeitures | Budget Risk ($20.6) million

Our analysis of the 2021 Proposed Budget for Fines and Forfeitures shows a risk of $20.6 million. This risk is primarily attributed to $11.4 million related to Traffic and Parking Violations Bureau revenue generated from the public safety fees and fees generated from red light camera revenue as we do not expect the increase in violations to be as aggressive as budgeted. Additionally, we are risking $6.9 million in for a new proposed Ticket Reconciliation Program (TRP) that would require the approval of the County Legislature. Other areas of risk include $0.4 million in Consumer Affair fines and $1.9 million in the Police Department for alarm permit fines and public safety fees.

Table 8: Fines and Forfeitures – ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$103.8	$66.3	$107.0	$86.4	($20.6)

2.5 Rents and Recoveries - Sale of County Property | Budget Risk ($24.5) million

The 2021 Proposed Budget includes a risk of $24.5 million in Rents and Recoveries. $8.6 million is budgeted for the sale of County property, however, at the time of this report, we are not aware of any closing dates for any specific properties for sale in fiscal year 2021. Also at risk is $10.0 million budgeted as cash recoveries for capital project closeouts. We support the efforts to close-out finished capital projects but have not yet been provided with documentation to support the projected amount. $5.3 million in revenues for rentals and utilities for the NYCB Live – Home of the Nassau Veterans Memorial Coliseum (Coliseum) is also risked as the Coliseum remains idle due to COVID-19 restrictions and as negotiations continue over new management and the future of the Coliseum. The remaining risk of $0.6 is attributable to overbudgeting in rental income of County property based on historical trends.

Table 9: Rents and Recoveries and Sale of County Property– ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$50.3	$24.7	$46.0	$21.5	($24.5)

2.6 Departmental Revenue | Budget Risk ($11.9) million

The 2021 Proposed Budget includes $11.9 million of estimated risk in Departmental Revenues primarily comprised of the following:

- General Fund: $10.0 million of risk
  - Assessment Department revenue from the Income and Expense Law of $5.0 million. The litigation surrounding these fees remains unadjudicated, therefore we are risking the total;
  - Farebox revenues related to the NICE bus system of $6.2 million due to the expectation of lower ridership in the first quarter of the year;
  - Parks revenues are projected to have an opportunity of $1.2 million related primarily to golf operations, based on historical trends, offsetting some of the risks identified above.
- Police Headquarters Fund: $1.9 million of risk for ambulance fee collections as it

appears that this revenue is overbudgeted.

In all cases, historical trends and lack of supporting data indicate that budgeted revenues may not be met.

Table 10: Departmental Revenues – ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$229.5	$157.1	$216.5	$204.6	($11.9)

2.7 Federal Aid | Budget Risk ($3.3) million

We project a risk of $3.3 million in Federal Aid related to the federal program *State Criminal Alien Assistance Program* (SCAAP) due to federal funding that is expected to be returned.

Table 11: Federal Aid ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$160.4	$166.8	$143.9	$140.6	($3.3)

2.8 Investment Income | Budget Risk $(1.0) million

We project a risk in Investment Income of $1.0 million based on difference between the Treasurer's 2021 budget request submission and the proposed budget.

Table 12: Investment Income ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$15.1	$4.8	$3.9	$2.9	($1.0)

2.9 Use of Fund Balance | Budget Risk $(0.6) million – GAAP impact $0.0

We project use of fund balance in 2021 to be approximately $80 thousand in the Technology Fund (a component of the General Fund) to be used to pay for contractual technology costs.

Note: On a GAAP basis, use of fund balance is removed when calculating the annual results, thus it has no effect on GAAP results.

Table 13: Use of Fund Balance ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$11.2	$0.0	$0.7	$0.1	($0.6)

2.10 Payments in Lieu of Taxes (PILOTS) | Budget Risk ($1.4) million

We project a risk in Payment in Lieu of Taxes (PILOTS) of $1.4 million. The proposed budget estimates additional PILOT revenues but does not detail specific agreements that will account for the increase in this revenue source.

Table 14: Payment in Lieu of Taxes (PILOTS) ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$52.1	$47.9	$52.4	$51.0	($1.4)

2.11 Special Taxes | Budget Risk ($1.0) million

We project a risk in Special Taxes in the General Fund of $1.0 million. We expect an across the board shortfall in this category with the major variances in Hotel/Motel, Entertainment and Events special taxes. While the County recovers from the COVID-19 pandemic, we believe that we will exceed 2020 collections in this area but will not meet the 2021 proposed budget.

Table 15: Special Taxes ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$30.9	$25.4	$28.9	$27.9	($1.0)

3.0 Discussion of Expenditures: (Risks) / Opportunities

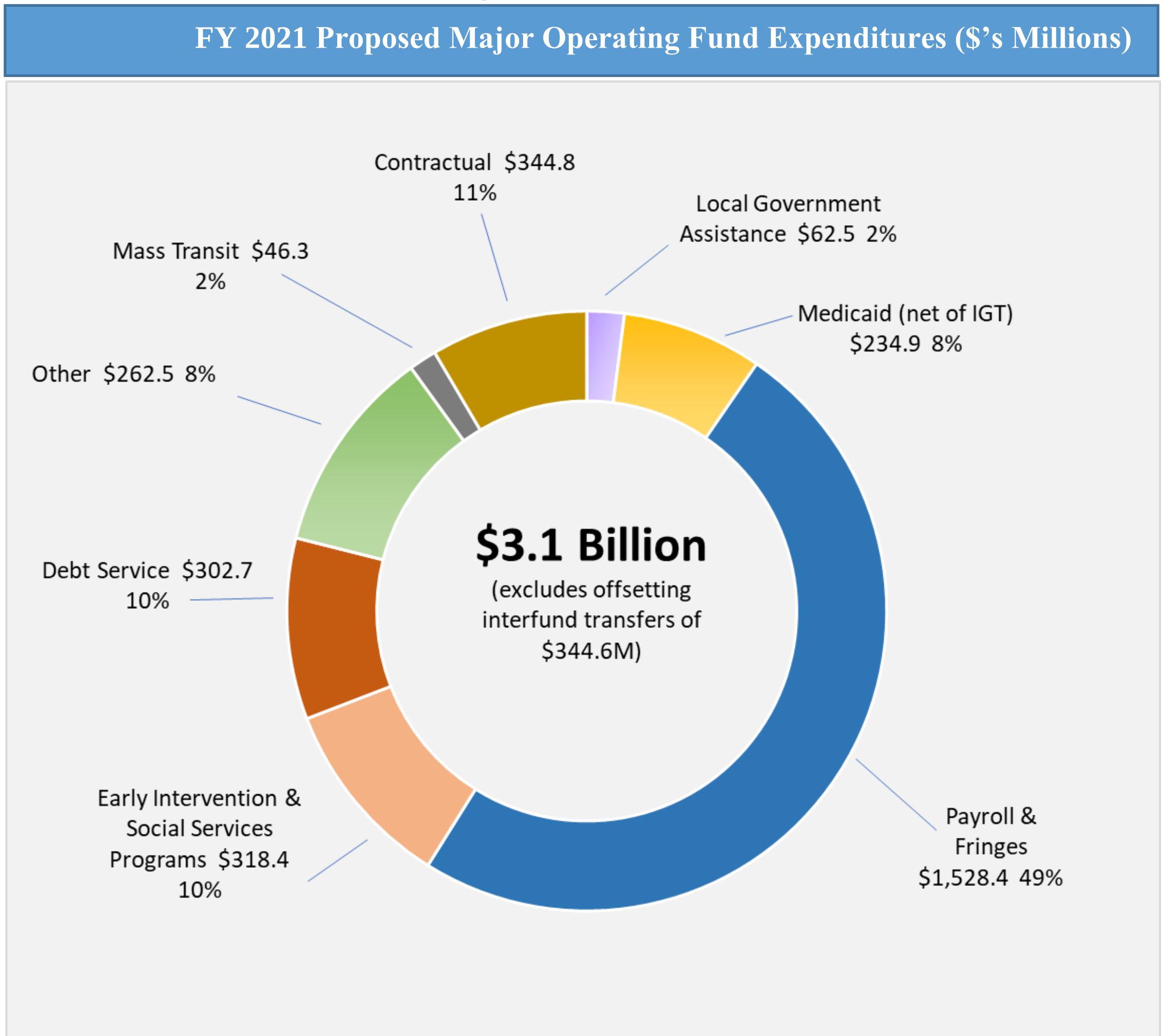
This section discusses significant major funds expenditure risks and opportunities presented in the fiscal year 2021 proposed budget.

MAJOR FUNDS EXPENDITURE COMPOSITION

Major Expenditure Categories

Payroll and fringe benefits, at 49% or $1.5 billion is the County's greatest major fund expenditure, followed by total Debt Service at 10% or $302.7 million, Contractual Services at 11% or $344.8 million, Early Intervention and Social Service Programs at $318.4 million or 10% and Medicaid at $234.9 million or 8%.

Chart 3: Proposed Major Operating Funds Expenditures



***Note: Other includes**: Non-offsetting interfund charges ($60.1 million), Utilities ($40.9 million), Claims and Judgments ($35.4 million), Property Tax Refunds ($30.0 million), General Expenditures ($38.4 million), Rental Expenditures ($14.3 million), FIT and Non-Resident Tuition ($16.8 million), Legal Aid Society ($7.8 million), Bar Association ($7.7 million), Variable Direct Expenses ($5.3 million), Equipment purchases ($3.0 million), NIFA expenditures ($2.2 million) and various other ($0.6 million).

3.1 Payroll, Fringes and Workers' Compensation | Budget Opportunity $18.8 million

The 2021 Proposed Budget assumes a full-time headcount of 7,320, an increase of 1.4% or 98 personnel from the current on-board headcount of 7,222 as of September 10, 2020. Similar to the 2021 Proposed Budget, the Comptroller's forecast includes an increase in headcount of 83 from the current on-board County headcount.

This increase in headcount year-over-year includes funding for additional staffing primarily in areas of Public Safety including the Police department, Probation and Correctional Center for classes of new officers to offset attrition, assist in mitigating future overtime costs and manage the impact of recent Criminal Justice Reform passed by New York State on the County. Other areas requiring an increase in headcount are the Health, Human Services and Social Services departments due to the impact of COVID-19 and the increased use of these services by County residents. We project 2021 salaries (including termination pay and overtime), fringe benefits and workers' compensation expenditures to have a combined potential positive variance of $18.8 million. This variance is comprised of the following opportunities and risks delineated below:

Key Highlights: 2021 Proposed Budget Risks and Opportunities Drivers for Payroll and Fringes

Positive "Opportunity" Key Drivers

Payroll Savings	+ $38.0 million	Savings of $26.6 million in full-time employees; $9.9 million in part-time/seasonal employees; and $1.5 million in other smaller payroll categories.

Unfavorable "Risk" Key Drivers

Overtime Expenditures	- $12.7 million	Police Headquarters, Police District and Correctional Center OT trends appear to be underfunded.
Termination Pay	- $6.4 million	Police District Fund, General Fund, and Sewer and Storm Water District Fund projected to be underfunded.
Fringe Benefits	- $0.1 million	Potentail budget deficiencies in health insurance of $7.3 million are offset by estimated savings of $5.2 million in FICA expense and $2.0 million in pension expense.

Table 16: Payroll Expenditures ($ Millions)

	FY 2019	FY 2020	FY 2021		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
GEN	$636.9	$639.7	$644.1	$628.3	$15.8
PDD	222.5	224.9	229.7	227.4	2.3
SSW	10.2	8.7	9.1	8.3	0.8
Total	**$869.6**	**$873.3**	**$882.9**	**$864.0**	**$18.9**

Major Assumptions:

Collective Bargaining Agreements (CBAs): The collective bargaining agreements for the County's major labor unions (CSEA, PBA, DAI, SOA, IPBA and COBA) expired at the end of 2017. SOA has settled but the agreement has not yet been approved by the County Legislature. An agreement has been reached with the DAI that covers the period of 1/1/2018-6/30/2026 and has been approved by both the County Legislature and NIFA. Negotiations continue with the remaining labor unions to secure contracts. Renegotiated agreement terms and timing could vary greatly and will have to be evaluated to determine the fiscal impact on the County's 2021 Proposed Budget but could be significant for the 2021 fiscal year and throughout the MYP. We have not included any risk related to these pending labor contracts in the 2021 Comptroller's forecast, because labor contracts are still in negotiations and any signed agreements would require union ratification and both legislative and NIFA approval before becoming effective.

Step Increases and Cost of Living Adjustments: The 2021 Proposed Budget includes both scheduled step increases and Cost of Living Adjustments (COLAs) consistent with the County's bargaining position in current contract negotiations. The Comptroller's forecast only includes scheduled employee step increases as union contracts (excluding DAI) are still in negotiations and any signed contracts would require both County Legislative and NIFA approvals to become effective.

Workers' Compensation: In 2019, the State eliminated its workers' compensation (second injury) long-term liability to the County, which estimated the cost of reimbursing the County for certain categories of injured workers. Instead, the State offered the County a discounted upfront payment of its estimated liability if the County agreed to assume that long-term liability, which was established to pay the injured employees over a span of approximately 20 years. The County received a lump sum of $15 million as the discounted value of the long-term liability, which the State estimated at $19 million. The Administration expects the $15 million to be used beginning in 2020 to settle current workers' compensation claims. The $15 million is reported in the Litigation Fund, a component fund of the General Fund.

POTENTIAL IMPACT OF PENDING COLLECTIVE BARGAINING AGREEMENTS

The table below provides a view of the estimated impact to the salary and fringe expense totals in the event that the labor contracts currently under negotiations with many of the County unions receive all required approvals and become effective for the 2021 fiscal year. This calculation of the estimated growth factor of raises provided to union members and a reduction to health insurance based on the potential employee contribution of 2%, was provided by the Administration:

	FY 2021			FY 2021		
	Proposed Budget	CO forecast w/o CBA's	(Risk) / Opportunity	OMB budget for CBA's	CO forecast with CBA's	CO (Risk) / Opportunity including budgeted costs
Total Salaries	$882.9	$864.0	$18.9	$26.6	$890.6	($7.7)
Total Fringes	614.3	614.4	(0.1)	(10.8)	603.6	10.7
	$1,497.2	**$1,478.4**	**$18.8**	**$15.8**	**$1,494.2**	**$3.0**

The 2021 opportunity identified of $18.8 million in salaries and fringe benefits combined would be reduced to $3.0 million with the 2021 Proposed Budget absorbing the overall increase in expenses. However, this amount would further be reduced by the increase in FICA expense as a factor of salaries which has not been included above and could result in converting the potential budgetary opportunity to a risk to the County in this area.

PAYROLL EXPENSE (EXCLUDING OVERTIME AND TERMINATION)

The Comptroller's Office forecasts a $38.0 million positive variance in salaries excluding termination pay and overtime costs. Potential savings identified in full-time employees of $26.6 million due to differences in labor contract assumptions and budget increases in police officers that are not supported by the current trends and anticipated police classes; and part-time/seasonal employees of $9.9 million for the General Fund that also includes budgetary increases not supported by current trends and anticipated increases in headcount; and $1.5 million of savings in other payroll categories. Savings can also be achieved if budgeted positions remain vacant or there are delays in hiring into the year.

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

	FY 2019	FY 2020	FY 2021		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
GEN	$534.6	$531.3	$564.8	$537.2	$27.6
PDD	180.2	180.9	197.6	187.7	9.9
SSW	8.9	7.7	7.7	7.2	0.5
Total	**$723.7**	**$719.9**	**$770.1**	**$732.1**	**$38.0**

FRINGE BENEFITS

Fringe benefits for the 2021 Proposed Budget total $614.3 million. Comptrollers' Office is forecasting a total of $614.4 million for this category resulting in a negative variance of $0.1 million when compared to the 2021 Proposed Budget. Fringe benefit savings have been identified in the following categories: $5.2 million related to FICA expense and $2.0 million in pension costs

(ERS and PFRS combined). These potential savings are offset by risks of $7.3 million in health insurance for active employees.

A continued area of concern is the growing liability related to the County's opting to defer a portion of the annual pension expense. The County has made this election each year beginning with the pension invoices for the period 4/1/2011 to 3/31/2012. As of December 31, 2019, the liability due to the New York State Retirement System was $210.9 million. Although the total pension bill has decreased in recent years due to a decline in pension rates, the County's annual expense has not declined due to its obligation to pay the amortized amounts from prior years.

Fiscal year 2021 calculations for pension expense include a deferral of $14.2 million for both the Employee Retirement System (ERS) and the Police and Fire Retirement System (PFRS). The New York State Retirement System allows local municipalities to elect to "amortize" a portion of their annual invoice and pay via annual installments over 10 or 12 years (depending on the year the deferral was elected). The anticipated 2021 deferral is the maximum deferral (amortization) allowed under the State's Contribution Stabilization Program (over 12 years). Similar to the 2021 Proposed Budget, the forecasted pension expense for 2021 does not assume the discount applicable for prepayment of the pension obligation amount due in February 2021, which would have resulted in a savings of approximately $1.5 million for fiscal year 2021.

Of the total 2021 pension invoices (net of the 2021 invoice's deferred portion and estimated Nassau Community College share) that will be paid in February 2021, 18.7% or $36.4 million (ERS $22.1 million and PFRS $14.3 million) represents amortizations (deferrals) elected in previous years 2012-2020.

Table 18: Fringe Expenditures ($ Millions)

	FY 2019	FY 2020	FY 2021		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
GEN	$437.0	$444.3	$456.8	$462.6	($5.8)
PDD	138.9	137.7	145.8	143.3	2.5
SSW	8.4	8.2	11.7	8.5	3.2
Total	**$584.3**	**$590.2**	**$614.3**	**$614.4**	**($0.1)**

WORKERS' COMPENSATION

The Comptroller's Office forecast agrees with the budget for workers' compensation for 2021 totaling $31.1 million, for all the major funds combined. The $15 million received from NYS (Second Injury Fund Settlement) which eliminated the cost of reimbursing the County for certain categories of injured workers is still available for use by the Administration to manage worker's compensation expense in 2020 and upcoming years.

Table 19: Workers' Compensation Expenditures ($ Millions)

	FY 2019	FY 2020	FY 2021		
Fund	Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
GEN	$21.8	$24.0	$22.2	$22.2	$0.0
PDD	8.3	9.6	8.9	8.9	0.0
SSW	0.0	0.0	0.0	0.0	0.0
Total	**$30.1**	**$33.6**	**$31.1**	**$31.1**	**$0.0**

TERMINATION PAY

The 2021 Proposed Budget will fund termination pay for approximately 110 sworn officers totaling $32.9 million for the two police funds, $10.9 million in Police District and $22.0 million in Police Headquarters. The Comptroller's Office is projecting up to 125 sworn officers retiring in 2021, totaling approximately $36.8 million (PDH & PDD). The total amount being projected for 2021 termination pay related to all funds is $48.4 million with a total risk of $6.4 million, primarily due to uncertainty surrounding current labor negotiations and the large number of sworn officers currently eligible for retirement.

The County has funded a contingency in the Employee Benefit Accrued Liability Reserve fund to address possible shortages in termination pay. The balance in the reserve fund is currently $13.4 million and can only be used to cover termination pay in the Police District. As in previous years, any underfunding related to the Police Headquarters would have to be absorbed by the General Fund.

Table 20: Termination Pay ($ Millions)

	FY 2019	FY 2020	FY 2021		
Fund	Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
PDD	$17.4	$18.6	$10.9	$16.2	($5.3)
PDH	20.0	33.7	22.0	20.6	1.4
Other	11.0	11.5	9.1	11.6	(2.5)
Total	**$48.4**	**$63.8**	**$42.0**	**$48.4**	**($6.4)**

OVERTIME EXPENDITURES

The Administration assumes the hiring of new police officers to maintain a targeted headcount of approximately 2,500 sworn officers and to keep up with anticipated attrition. Classes are expected to begin for the Police Academy in November 2020 including up to 150 new officers, and another two classes of 60 each are anticipated in FY2021. The lower average salary of the new police officers and the new initiatives by the Police Commissioner, have resulted in consistent control of overtime in the two police funds.

Classes have also been included in the 2021 projections for the Correctional Center (one class with an additional anticipated headcount of up to 40 new Correctional officers), which is expected to further reduce overtime costs in future years. Beginning in 2020, the County began to see a decrease in inmate population of 455, a reduction of over 50% when compared to August 2019. This decline in inmate population is related to recent Criminal Justice Reform passed by New York State that eliminated cash bail for many types of misdemeanor and non-violent felonies and referred inmates awaiting trial to the Probation department for electronic bracelet monitoring until they appear in court. The hiring of the new class along with the decline in inmate population have resulted in a decline in overtime expense that is expected to continue in future years. The County is also expecting to implement a jail building consolidation plan that may further assist in managing future overtime costs.

Overtime expense budgeted for 2021 for all major funds combined totals $70.8 million. Comptroller forecasted overtime expenses for 2021 are $83.5 million. Notwithstanding the controls mentioned above, we still anticipate a combined shortfall of approximately $12.7 million in overtime expenditures, of which $5.4 million is related to the Correctional Center, $5.7 million for the Police Headquarters Fund and $2.3 million for the Police District Fund. This is offset by positive variances for overtime expenses in other funds.

Table 21: Overtime ($ Millions)

	FY 2019	FY 2020	FY 2021		
Fund	**Actual**	**Comptroller's Updated Forecast**	**Proposed Budget**	**Comptroller's Forecast**	**Budget (Risk) Opportunity**
PDD	$24.9	$25.4	$21.2	$23.5	($2.3)
PDH	31.3	31.8	23.9	29.6	(5.7)
Other	41.3	32.4	25.7	30.4	(4.7)
Total	**$97.5**	**$89.6**	**$70.8**	**$83.5**	**($12.7)**

3.2 Debt Service | Budget Risk ($87.6) million

In the 2021 Proposed Budget, the Administration has projected debt service risk of approximately $89.6 million due to the proposed NIFA debt restructuring of $90.0 million. Because of the uncertainty of the restructuring, we have risked this savings in our projections. Offsetting this risk is approximately $2.0 million of projected savings in debt service in the Sewer and Storm Water Fund related to the Environmental Facilities Corporation bonds.

The Administration is also expecting NIFA to restructure $75.0 million of its debt that is maturing in November 2020, to a November 2021 maturity, which is anticipated to be restructured again in 2021. The total of the $90 million and the $75 million, or $165 million, is total NIFA debt projected to be refinanced in 2021. NIFA does not require the approval of the County Legislature to refinance its debt.

According to the Administration, the projected debt service costs include the 2020 projected capital borrowings of $100.0 million for general improvement capital projects and $25.0 million for sewer related capital projects. County future borrowings must be approved by the Legislature and NIFA.

The Administration has also included projected debt service savings for the restructuring of County debt. These savings are presented in the proposed budget in Capital Resources from Debt.

Note: Of the $302.7 million debt service costs budgeted for 2021, approximately 46.2%, or $139.9 million, represents debt service costs for bonds that were issued in prior years to pay operating expenditures, such as tax certiorari payments, judgments and settlements and termination pay to employees. The remainder is primarily attributed to capital projects, such as infrastructure and sewer related projects.

Table 22: Debt Service ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$392.1	$394.8	$302.7	$390.3	($87.6)

3.3 Contractual Expenditures | Budget Risk ($12.0) million

We project a risk of $12.0 million in contractual expenditures primarily due to a budget cut for services from Transdev for countywide bus services. There is the potential for a renegotiation in the Transdev 2021 contract, but the contract has not been approved so we are risking $12.0 million, the difference between the department's request and the proposed budget.

Table 23: Contractual Expenditures ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$330.4	$354.8	$344.8	$356.8	($12.0)

3.4 Utilities | Budget Opportunity $1.2 million

We project an opportunity of $1.2 million in the 2021 Proposed Budget in the category of utility expenditures due to lower fuel charges and usage in the Sewer and Storm Water Fund.

Table 24: Utilities ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
$38.3	$39.4	$40.9	$39.7	$1.2

3.5 Early Intervention - Preschool Programs | Budget Risk ($6.0) million

The 2021 Proposed Budget includes a risk of $6.0 million in Early Intervention/Pre-school program expense. We anticipate this shortfall based upon historical trends and a reduction in the department's request for 2021 in this budget category.

Table 25: Early Intervention/Pre-school Programs ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$147.4	$137.0	$139.6	$145.6	($6.0)

3.6 Local Government Assistance Budget Risk ($1.9) million

Due to our projected **opportunity** in sales tax revenue we also project a **risk** of $**1.9** million in Local Government Assistance. This assistance is a prorated portion of sales tax receipts and as that revenue **increases**, our expenditure liability in this category also **increases**.

Table 26: Local Government Assistance ($ Millions)

FY 2019	FY 2020	FY 2021		
Actual	Comptroller's Updated Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
$74.6	$63.5	$62.5	$64.4	($1.9)

4.0 The Multi-Year Financial Plan

As shown in the Table 27 below, the Administration's Multi-Year Financial Plan (MYP) projects budget baseline gaps for the three major operating funds of $(212.7) million in 2022, $(201.2) million in 2023, and $(251.1) million in 2024. **Based on our projected risks and opportunities, we estimate base-line gaps of $(192.5) million in 2022, $(179.0) million in 2023 and $(201.5) million in 2024.**

Projected risks and opportunities identified in the MYP include:

- Payroll and Fringe: Payroll is projecting an opportunity of $25.4 million, $33.5 million and $40.5 million for years 2022, 2023 and 2024, respectively. Fringe benefit expense is forecasting risk of $10.9 million in 2022, $0.3 million in 2023 and an opportunity for savings of $12.4 million in 2024. These variances are due to assumptions related to labor agreements currently being negotiated by the County.
    - Collective Bargaining Agreements: The MYP includes the following assumption: the MYP is consistent with the bargaining positions the County has taken at the bargaining table, which support a sustainable budget. For purposes of our analysis, no savings related to possible labor agreements has been projected.
    - Pension Expense: The Comptroller's forecast is projected to show a potential opportunity in 2021 of approximately $2.0 million based on the 2021 estimated and projected 2021 pension invoices from the State. The remaining out years are currently projecting an opportunity of $2.1 million, $14.7 million and $29.8 million for 2022, 2023 and 2024, respectively. Rates may vary in upcoming years due to the economy.
- Early Intervention: We are projecting a risk of $6.0 million each year for years 2022-2024. We project the amounts proposed in the out years will not be sufficient based on the Health department's funding request for year 2021.
- Departmental Revenues: Given historical trends and a significant drop in revenues in 2020 due to the COVID-19 pandemic, we project a risk in 2022-2024 in Departmental Revenues related to overbudgeted amounts. The risks projected are $13.1 million in year 2022, $4.5 million in 2023 and $5.1 million in 2024. This is primarily driven by revenues budgeted for the pending income and expense law that might not be legally available.
- Sales Tax: Using the current sales tax model and a 3.1% , 3.0%, and 3.1% growth rate on sales tax collections for 2022, 2023 and 2024, we project sales tax revenue opportunities of $43.0

million, $9.0 million and $18.2 million, for 2022-2024, respectively.

- Fines & Forfeitures: We project a risk in Fines and Forfeitures mainly related to $6.9 million budgeted each year for the Ticket Reconciliation Program (TRP). This program has not been designed or implemented and requires County legislative approval. The remaining risk lies in the Police Headquarters Fund where public safety fees appear to be overbudgeted.

- Sale of County Property: We project a risk of $2.8 million in each fiscal year 2022-2024 for Sales of County Property as closing dates (in the near years) and specific properties (in the out years) have not been identified.

- Federal Aid: We project a risk in 2022 for Federal Aid related to the SCAAP award and possible refunding of $3.3 million, similar to 2020 and 2021.

- State Aid: We project a risk each year for 2022-2024 for State Aid. Due to the State's budget crisis relating to the COVID-19 pandemic, we believe that apportion of State Aid funding may be at risk through these years.

- Use of Fund Balance: We project a use of fund balance risk in 2022 - 2024 to be $7.2 million, $1.4 million and zero, respectively. The MYP has projected use of fund balance for the Sewer and Storm Water Fund only. We are risking use of fund balance because our projections anticipate no remaining fund balance for this fund.

- Other: The risk in Other consists primarily of local government assistance. We anticipate a risk in local government assistance related to a projected opportunity in Sales Tax, offset by smaller net risks and opportunities in various other lines.

Table 27: Multi-Year Plan Baseline Gap and Projected Risks and Opportunities

PROPOSED NASSAU COUNTY 2021-2024
MULTI-YEAR FINANCIAL PLAN
MAJOR FUNDS
SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES
($'s Millions)

	2022	2023	2024
Baseline Gap per Financial Plan (before Gap Closing Measures)	**$ (212.7)**	**$ (201.2)**	**$ (251.1)**
Items included in Baseline Gap that are risks/opportunites			
Payroll & Fringe	14.5	33.2	52.9
Early Intervention	(6.0)	(6.0)	(6.0)
Departmental Revenue	(13.1)	(4.5)	(5.1)
Sales Tax	43.0	9.0	18.2
Fines & Forfeitures	(11.6)	(11.6)	(11.6)
Rents and Recoveries	(2.8)	(2.8)	(2.8)
Federal Aid	(3.3)		
State Aid	(2.5)	(4.9)	(7.3)
Use of Fund Balance	(7.2)	(1.4)	
Capital Resources for Debt	(15.0)	(15.0)	(15.0)
Debt Service	25.2	25.3	25.3
Other	(1.0)	0.9	1.0
Baseline Gap Per Comptroller's Office	**$ (192.5)**	**$ (179.0)**	**$ (201.5)**

The table below details the Administration's gap closing measures as outlined in the Multi-Year Plan. At the time of this report, the Comptroller's Office considers these measures at risk primarily due to their need for State legislations to be enacted (NYS Actions) or the lack of data/assumptions provided to project the savings.

Table 28: Multi-Year Gap Closing Measures at Risk

PROPOSED NASSAU COUNTY 2021-2024
MULTI-YEAR FINANCIAL PLAN
MAJOR FUNDS
SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES
(Gap Closing Measures Considered at Risk)
($'s Millions)

Gap Closing Measures Considered at Risk	2022	2023	2024
NYS Actions			
State Aid Mandated Cap		$ 20.0	$ 20.0
Sub-Total NYS Actions		20.0	20.0
Other			
eFMAP Reconciliation		15.0	
NIFA Debt Restructuring	150.0		
Building Consolidation	5.0	5.0	5.0
Sales Tax from Belmont	2.5	3.5	5.0
Bus Camera	2.5	6.7	10.0
Value of New Construction	3.0	3.0	3.0
Efficiency Program	20.0	20.0	20.0
Contract Management	4.0	4.0	4.0
Economic Recovery Revenue	18.7	92.7	143.8
Total Gap Closing Measures at Risk	**$ 205.7**	**$ 169.9**	**$ 210.8**

5.0 Long-Term Obligations and Borrowing Trends

5.1 Property Tax Refunds (Tax Certiorari)

The Comptroller's Office is not risking the budgeted tax certiorari expenditures, given the $30 million appropriations in the General Fund; no budget was provided for the Disputed Assessment Fund.

As of December 31, 2019, the total property tax certiorari liability was estimated to be $587.4 million, comprising:

- $474.3 million in long-term liabilities:
- $26.5 million of liabilities accrued for as of year-end 2019; and
- an estimated $86.6 million related to the (DAF).

At year-end 2019, the total liability had decreased to $587.4 million from $603.5 million and $569.3 million, as of 2018 and 2017 fiscal year-end, respectively. The decline in 2019 is primarily due to the $24.5 million of property tax refunds processed in the last week of fiscal year 2018 but not mailed until the first week in January 2019. The increase in 2018's liability over 2017's balance is primarily due to an increase in the valuation of the Long Island Power Authority (LIPA) properties.

The 2021-2024 MYP does project that the Administration will request borrowing authorization of $200.0 million from the County Legislature and NIFA to pay off much of the remaining backlog beginning in 2023. At the time of this report, it is unknown whether this approval will be obtained.

The County's DAF became operational in 2017, and as of December 31, 2019 the fund recorded $204.9 million of assets and $199.0 million of liabilities resulting from the 2017, 2018 and 2019 collections of the DAF charge on class four (commercial) properties. The 2017 and 2018 DAF charges are parcel specific and thus may only be used to fund refunds for those specific parcels, should the commercial property owner's grievance prevail. Where the taxpayer is not successful, the DAF charge would be shared by the County, the towns and the school districts. The 2019 DAF charges are not parcel specific and may be used to refund any class four taxpayer, including liabilities that pre-dated the DAF charge. In 2019, the County reported $1.6 million in DAF Revenue resulting from grievances lost by taxpayers related to collections. The 2021 Proposed Budget does not include any revenue related to DAF Revenue; there is the potential opportunity for additional revenues although this cannot be estimated at this time.

As of August 2020, the DAF has $244.1 million of assets and approximately $227.4 million of liabilities. As of the date of this report, no payments to commercial property owners have been made from the DAF during the fiscal year. At this time, we cannot estimate the DAF charge revenue that will be transferred to the County's General Fund.

5.2 Deferred Pension Expense Amortization Liability

The Employer Contribution Stabilization Program (Chapter 57, Laws of 2010) and the Alternate

Contribution Stabilization Program (Chapter 57, Laws of 2013) allowed employers who participate in the NYS and Local Retirement Systems to amortize a portion of the annual pension cost. The amortized amount is to be paid in equal installments over a ten-year or twelve-year period, dependent upon which program was being selected. Beginning with the NYS retirement invoices due on February 1, 2012 (for the State fiscal year 4/1/2011 to 3/31/2012) the County has opted to amortize a portion of its annual pension bill.

The County expects to opt in for the 2021 pension invoice, due in February 2021 and is not expecting to prepay the invoice in December 2020 as it has done historically. The estimated amortization to be taken in the February 2021 invoice, for all funds and the Nassau Community College, is $14.2 million. The amortization in the February 2022 projected invoice increased significantly to $35.8 million. The February 2023 and February 2024 invoices have not yet been received. The total amortization taken since the February 2012 invoice, including the estimated amortization for the February 2021 invoice, is $365.9 million, inclusive of the Nassau Community College, and $351.1 million excluding the Nassau Community College.

As of December 31, 2020, we estimate that the County's GAAP liability to the NYS and Local Retirement Systems for the deferral of annual pension expense will be $194.2 million. This is slightly down ($0.5 million) from the estimated liability reporting in the 2020 Mid-Year report due to an updated estimated invoice from New York State. Assuming the projected amortizations on the 2021-2022 invoices are elected, the County's estimated GAAP liability at the end of fiscal years 2020-2021 are estimated at $194.2 million, and $191.9 million respectively.

Table 29: Deferred Pension Expense Liability

GAAP Basis - All Funds including Nassau Community College ($'s in millions)					
	Balance at beginning of year	Additions	Payments	Balance at end of year	Change in Bal at the end of the year from 2020 Mid-Year Report
2012	$ 43.6	$ 52.2	$ 5.8	**$ 89.9**	$ -
2013	89.9	68.0	10.4	**147.5**	-
2014	147.5	63.3	15.8	**195.1**	-
2015	195.1	46.7	20.8	**221.1**	-
2016	221.1	33.1	21.6	**232.6**	-
2017	232.6	26.1	23.8	**235.0**	-
2018	235.0	17.8	26.4	**226.4**	-
2019	226.4	13.0	28.5	**210.9**	-
2020 est. *	210.9	13.7	30.4	**194.2**	**(0.5)**
2021 est. *	194.2	30.0	32.4	**191.9**	
* assumes amortization elected in 2020-2022 invoices					

5.3 Borrowing Trends

The 2021 Proposed Budget projects long-term borrowings of $325.4 million, which will require NIFA approval, subject to Legislative (supermajority) approval. The Administration expects to issue long-term bonds of $325.4 million to pay for capital projects, which include borrowing of $60.7 million for sewer related projects and $264.7 million for general improvement projects. The projected borrowing for tax certiorari payments is not until year 2023 in the amount of $200 million per the Administration's multi-year plan. The last time the County borrowed to pay property tax refunds was $100 million borrowed in 2018, the proceeds of which were used to pay property tax refunds in 2018 and early 2019.

The Administration's proposed capital borrowings in year 2022 include $200.0 million in general improvement capital projects and $50.0 million in sewer related projects. In year 2023, the Administration is proposing $150.0 million in general improvement capital projects and $50.0 million in sewer related capital projects as well as $200.0 million for tax certiorari payments. In year 2024, the Administration is proposing borrowings of $150.0 million in general improvement capital projects and $50.0 million in sewer related projects. Chart 4 below illustrates the County's historical and new proposed debt issuances.

Chart 4: Nassau County Historical and New Debt Issuances

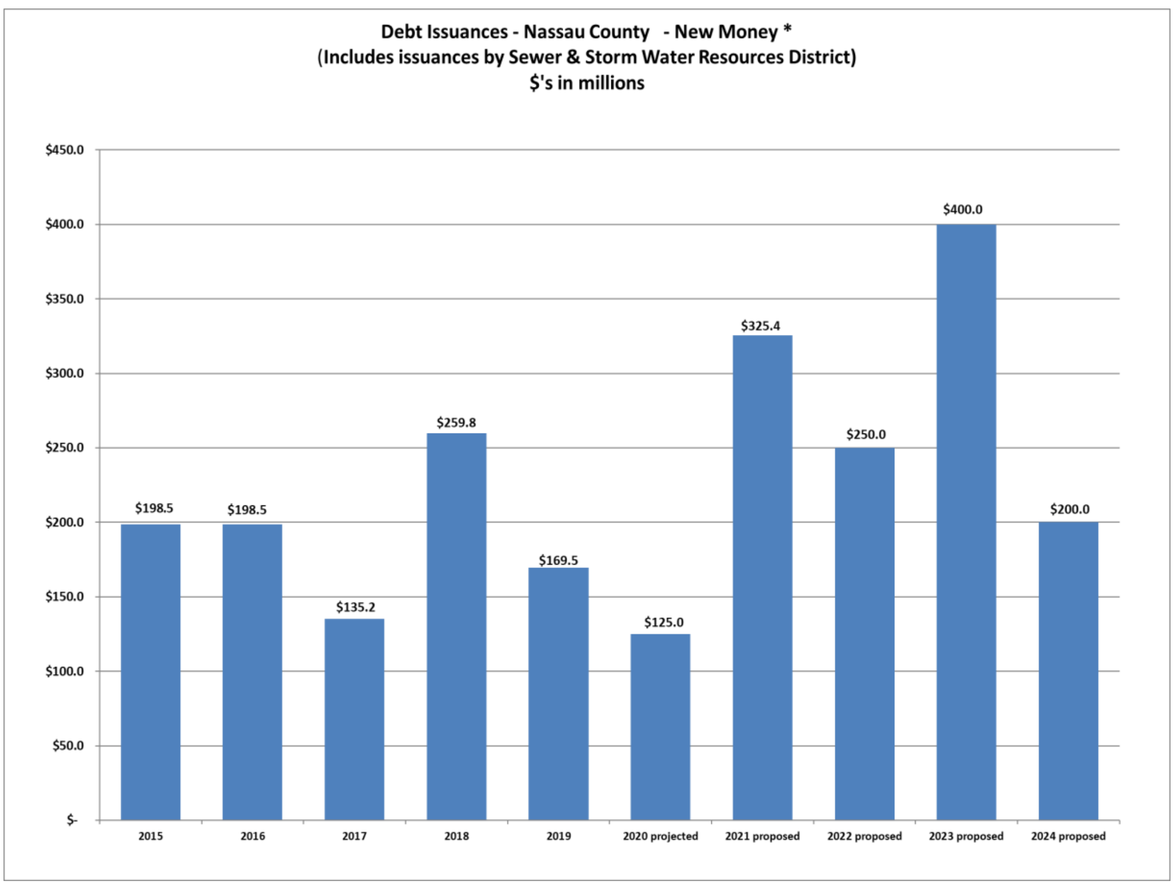


Table 24 below illustrates projected long-term debt issued through December 31, 2021 by the County including SSW District, Nassau Community College, NIFA, Sewer and Storm Water Finance Authority (SFA), and Nassau County Tobacco Settlement Corporation (NCTSC).

At 2019 year-end, the total of the County's general obligation bonds and its component units' long-term bonds outstanding was approximately $3.5 billion (including serial bonds and accreted interest of the NCTSC, both of which the County has no recourse). The 2020 and 2021 anticipated borrowings will slightly decrease the total long-term bonds outstanding from $3.5 billion at year-end 2019 to approximately $3.4 billion at year-end 2021 after reductions of maturing debt, for a net decrease of 1.2% (see table below).

Table 30: Total Projected Long-Term Borrowings

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

	As of December 31, 2019 Actual	2020 Projected Additions	2020 Projected Reductions	As of December 31, 2020 Estimated	2021 Projected Additions	2021 Projected Reductions	As of December 31, 2021 Estimated
County w/SSW (a)	$ 2,490.0	$ 125.0	$ 128.3	$ 2,486.7	$ 325.4	$ 137.4	$ 2,674.7
NIFA	412.0	-	117.6	294.4	-	90.1	204.3
Sewer and Storm Water Finance Authority (SFA) (b)	111.5	-	11.8	99.7	-	12.4	87.3
Tobacco Settlement Corp (NCTSC) (c)	485.5	8.7	-	494.2	9.2	12.1	491.3
Total	**$ 3,499.0**	**$ 133.7**	**$ 257.7**	**$ 3,375.0**	**$ 334.7**	**$ 252.0**	**$ 3,457.6**

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt
(b) Assume no additional borrowings for SFA
(c) December 31,2019 includes accumulated accreted interest of $84.9 million; projected additions for 2020 and 2021 represent accreted interest

* 2020 and 2021 Projected Additions and Deletions do not include NIFA and County restructuring

The Administration is proposing NIFA and County debt restructuring in order to help alleviate the adverse effects COVID-19 has had on the County. The Administration is proposing restructuring of $75.0 million of NIFA debt in 2020 and an additional $90.0 million of NIFA debt in 2021, as well as NIFA restructuring approximately $120.0 million of County debt, on the County's behalf due to NIFA's higher credit rating. Restructuring of debt will assist the County in 2020 and 2021 and it will increase the outstanding debt in future years. The projected long-term borrowing chart below includes the proposed restructurings. If the County chooses to adopt the proposed restructurings, the projected debt level will be $3.7 billion as of December 31, 2021. This is an increase of $285.0 million, or approximately 8%, in the projected debt level. Note that the Administration is also projecting, as a gap closing option, that NIFA restructure County debt of $150 million that would mature in 2022.

Table 31: Total Projected Long-Term Borrowings – Assuming NIFA and County Debt Restructurings

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

	As of December 31, 2019 Actual	2020 Projected Additions	2020 Projected Reductions	As of December 31, 2020 Estimated	2021 Projected Additions	2021 Projected Reductions	As of December 31, 2021 Estimated
County w/SSW (a)	$ 2,490.0	$ 125.0	$ 128.3	$ 2,486.7	$ 445.4	$ 137.4	$ 2,794.7
NIFA	412.0	75.0	117.6	369.4	165.0	165.0	369.4
Sewer and Storm Water Finance Authority (SFA) (b)	111.5	-	11.8	99.7	-	12.4	87.3
Tobacco Settlement Corp (NCTSC) (c)	485.5	8.7	-	494.2	9.2	12.1	491.3
Total	**$ 3,499.0**	**$ 208.7**	**$ 257.7**	**$ 3,450.0**	**$ 619.6**	**$ 326.9**	**$ 3,742.7**

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt
(b) Assume no additional borrowings for SFA
(c) December 31,2019 includes accumulated accreted interest of $84.9 million; projected additions for 2020 and 2021 represent accreted interest

* 2020 and 2021 Projected Additions and Deletions include NIFA and County restructuring

6.0 Control Period Calculation

6.1 Nassau County Interim Finance Authority ("NIFA") Act

Since its enactment in 2000, the Nassau County Interim Finance Authority ("NIFA") provides State oversight of the County's finances. NIFA was created pursuant to the NIFA Act (the Act) codified as Title I of Article 10-D of the State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition with any United States district court or bankruptcy court for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2025. The NIFA Act was amended on April 3, 2020 as part of New York State's 2021 budget, which was passed on April 3, 2021. Included in the legislation for the State's budget for the 2021 fiscal year were modifications to the NIFA Statute that allowed it to issue up to an additional $400 million of bonds for tax certiorari refunds and an unlimited amount of bonds for other financeable costs through December 31, 2021 allowing any bonds issued by NIFA to mature no later than January 31, 2051.

6.2 Control Period Calculation

NIFA has certain powers under the Act to monitor and oversee the County's finances and upon the declaration of a "control period," additional oversight authority. On January 26, 2011, NIFA adopted a resolution which imposed a control period on the County pursuant to the Act. It determined that the County's proposed fiscal 2011 budget reflected a substantial likelihood that the budget would produce a deficit in excess of one percent of the aggregate result of operations in the major operating funds. The major funds are defined in the Act as the General Fund, the Police Headquarters Fund, the Police District Fund, the Fire Commission Fund, and the Debt Service Fund. This is based on the assumption that all revenues and expenditures are reported in accordance with generally accepted accounting principles.

During a control period, NIFA has the authority to withhold transitional state aid and is empowered, among other things, to:

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

Under the Control Period Calculation requirement, the budgetary results of the County's General, Fire Commission, Police Headquarters, Police District, and Debt Service Funds are converted to GAAP results. Then, adjustments are made to remove the effect of other financing sources that are derived from the issuance of bonds. These include bond proceeds and premiums used to pay for operational expenditures.

The projected Control Period Calculation results for fiscal year 2021 are negative $259.9 million Thus, the County is projected to continue to be in a Control Period for fiscal year 2021 based on the Comptroller's Office projections contained in this report.

Table 32 below presents the Control Period Calculation results as projected by the Comptroller's Office. NIFA projects the Control Period Calculation results to determine whether a deficit of more than one percent of the aggregate result of operations in the operating funds (as defined above) exists, there by triggering a NIFA Control Period.

Table 32: Proposed 2021 Budget Control Period Calculation

Revenue and Obligations Risks/Opportunities - 2021 Proposed Budget Reconciled to the Control Period Calculation*
($'s millions)

Estimated Results on a Budgetary Basis *	**($249.1)**
Adjustments to reconcile to Modified Accrual Basis	
Net adjustments for to remove the effect of encumbrances	(1.7)
Use of Fund Balance	(0.1)
Net adjustment to record pension expense on a modified accrual basis	(8.0)
Adjustment for cash receipts outside period of availability	(1.5)
Sale of Mitchel Field Leases	1.3
Reversal of prior year on-top GAAP adjustments	-
Other Estimated GAAP Adjustments	(0.8)
Net Change in Fund Balance on a Modified Accrual Basis	**(259.9)**
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense **R1507**	-
Operating expense paid with bond proceeds	-
Control Period Calculation Results	**($259.9)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Commission Fund, Debt Service Fund (not including sewer debt).

The historical Control Period Calculation results for the fiscal years 2010-2019 and projected 2020 and 2021 are presented below. The 2020 projections have been updated from the 2020 Mid-Year Report.

Table 33: Historical Control Period Calculation 2010-2019 with 2020 and 2021 Projections

Control Period Calculation 2010 - 2021 (projected)*

($'s millions)	2021 (projected)	2020 (projected)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net Change in Fund Balance - modified accrual basis	($259.9)	($321.6)	$138.9	($17.4)	($58.8)	$27.1	$28.0	($21.5)	$48.6	$24.0	($98.0)	$31.0
Less: adjustments included in other financing sources												
Premium on bonds				2.0		43.8	19.0	4.4	4.0	3.7	6.2	21.3
Borrowed funds to pay Property Tax Refunds			61.1	38.5	0.7	59.0	96.2	126.4	75.0	14.7	21.0	42.5
Borrowed funds to pay Other Judgments								8.3	26.5	20.0	4.6	30.4
Borrowed funds to pay Termination Pay						2.3	26.1	20.1	14.0	33.1	17.7	80.0
Borrowed funds to pay Other Operating Costs			0.2	3.1	3.5							
Transfer of revenue from other funds to offset debt expense	0.0	10.5	0.8	0.2	0.2	5.1	12.0	8.5	2.7	16.6	12.5	1.7
Total other financing sources/uses to be eliminated	0.0	10.5	62.1	43.8	4.4	110.2	153.3	167.7	122.2	88.1	62.0	175.9
Control Period Calculation Results	**($259.9)**	**($332.1)**	**$76.8**	**($61.2)**	**($63.2)**	**($83.1)**	**($125.3)**	**($189.2)**	**($73.6)**	**($64.1)**	**($160.0)**	**($144.9)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Commission Fund, & Debt Service Fund (not including sewer debt)