

**NASSAU COUNTY
OFFICE OF THE COMPTROLLER**



**REPORT ON THE COUNTY'S FINANCIAL CONDITION FOR
THE FIRST FOUR MONTHS OF FISCAL YEAR 2002**

**HOWARD S. WEITZMAN
COMPTROLLER**

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NASSAU COUNTY
OFFICE OF THE COMPTROLLER

HOWARD S. WEITZMAN
Comptroller

Jane R. Levine
Chief Deputy Comptroller

Jacques Jiha
*Deputy Comptroller
For Audits and Finances*

Susan D. Wagner
*Deputy Comptroller
for Operations*

Randolph Ghisone
Director of Accounting

Michael Kornfeld
Communications Director

Staff

Judy Bejarano
Ed Burfeindt
Kathy Kugler
Chuck Lott
Bob Martin
Leah Perrakis
Susan M. Murphy
Gail McGrath-Gough

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I. EXECUTIVE SUMMARY

This report, which is mandated by Article IV § 402.9 of the Nassau County Charter, assesses the financial condition of the county for the first four months of the fiscal year 2002 (FY 02). Our analysis of revenue collections and obligations through April indicates that the county is headed in the right direction for FY 02. However, Nassau County is far from out of the financial woods because of risks associated with the as-yet unresolved contractual disputes with police unions and metropolitan area economic conditions. In addition, this year will be impacted by the Gulotta administration's overstating of prior-years' Medicaid revenues from the state.

A brief review of FY 02 will highlight the progress made so far this year and the financial challenges the county faces.

- On December 7, 2001 the Nassau Interim Finance Authority (NIFA) approved the first year of the multi-year plan for the years 2002 through 2005, which was subsequently adopted by the county legislature as the FY 02 budget. Upon taking office, the Suozzi administration conducted a review of the Adopted Budget. The review concluded that the county faced a FY 02 baseline-budget gap in the Multi-year Plan of \$29.9 million. To close the gaps in the Multi-Year Plan, the new administration proposed a number of actions, including workforce reductions and debt reduction and restructuring.

- On April 30, the county executive issued the *Quarterly County Budget Report* for the period ended March 31, 2002, wherein a surplus of \$4.5 million was projected for FY 02.

Based on an analysis of revenue-collection and obligation patterns during the first four months of 2002, and depending on the resolution of labor contracts, the comptroller's office is projecting between a \$9.4-million surplus and a \$18.8-million deficit in the five major funds (General, Parks, Fire Commission, Police District and Police Headquarters), before discretionary transfers. (See Table 1.)

If police officers receive a zero-percent increase in wages in FY 02 as assumed in the *Quarterly County Budget Report*, the county may end the year with a surplus of \$9.4 million. Any settlement with the police unions that includes wage increases comparable to those of neighboring Suffolk County would create a deficit. Police contracts patterned after an arbitrator's award earlier this year in Suffolk County would cost the county \$28.2 million in FY 02 and would result in a deficit of \$18.8 million in FY 02.

The comptroller's office forecast assumes that 200 or more police officers will leave the force in 2002 at a cost of \$44.7 million, compared with the county's expectations of 160 police officers at a projected termination cost of \$34 million. The comptroller's office forecast is based on the following premises: (1) overtime resulting from the September 11 terrorist attack on the World Trade Center has greatly enhanced retirement

benefits for many police officers and (2) the uncertainty associated with the labor agreements may motivate many officers to retire earlier than anticipated.

Of particular concern is the impact on the Police District Fund of escalating overtime costs, termination pay and potential wage settlements. This fund is financed by separate taxpayers, and, accordingly, cannot be subsidized by the General Fund.

Recent revelations of the Gulotta administration's overstating prior-years' Medicaid revenues received from New York State have added to the county's fiscal woes. From FY 96 forward, the county's department of social services incorrectly recorded certain Medicaid advances from New York State as revenues, rather than advances to be repaid. To address this problem, the county will have to set aside \$12.3 million in reserves against its opening fund balance for FY 01 – funds that were designated for other purposes in FY 02.

The continued deterioration of the New York City economy also poses a growing risk to the budget. Labor-market conditions in the county appear to have stabilized, while sales-tax revenue growth – a proxy for retail sales – also is signaling a recovery. However, the strength of the county's economic recovery is inextricably linked to the performance of the city's economy since many county residents work in the city. Continued job losses there, with their impact on consumption and sales-tax revenues here, could adversely affect the county's economy and exert further pressures on the budget.

In sum, many of the necessary operational actions taken by the Suozzi administration have begun to bear fruit. As a result, the county is likely to end FY 02 with a small surplus. However, because the county does not have a significant financial cushion, we remain concerned about the potential impact on the FY 02 budget of collective-bargaining settlements, termination costs associated with police retirement, the rising cost of police overtime and a slower-than-anticipated economic recovery. The county should develop a contingency plan to deal with these potential problems.

Table 1. Revenue and Obligation Forecasts for FY 02, Five Major Funds, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Revenues				
Fund Balance, Beginning	\$27.8	\$18.0	\$0.0	(\$18.0)
Miscellaneous	358.7	307.7	313.7	6.0
Inter-fund Revenues	210.4	132.9	132.0	(0.9)
State and Federal Aid	310.4	328.2	326.8	(1.4)
Sales Tax – Gross	828.8	855.0	855.0	0
Subtotal	1736.1	1641.8	1627.5	(14.3)
Property Tax*	563.5	615.7	620.7	5.0
Subtotal	<u>2,299.6</u>	<u>2,257.5</u>	<u>2,248.2</u>	<u>(9.3)</u>
Obligations				
Personal Services	933.0	943.0	927.6	15.4
General Expenses	226.4	241.3	237.3	4.0
Local Government Assistance	49.1	50.2	50.2	0
PBC Costs**	38.2	35.1	35.1	0
Inter-fund Charges	81.6	85.0	85.0	0
Debt Service	261.8	290.4	290.5	(0.1)
Subsidies	137.6	57.9	57.9	0
Transfer to Technology Fund	10.0	-	-	0
Transportation	43.5	43.2	43.2	0
Social Services	418.1	441.1	441.7	(0.6)
Education – Handicapped Children	72.6	70.3	70.3	0
Subtotal	<u>2,271.9</u>	<u>2,257.5</u>	<u>2,238.8</u>	<u>18.7</u>
Surplus/(Deficit)	27.7	0.0	9.4	9.4
Effect of Potential Police Contract Award***	0.0	0.0	28.2	(28.2)
Surplus/(Deficit)	<u>\$27.7</u>	<u>\$0.0</u>	<u>(\$18.8)</u>	<u>(\$18.8)</u>

* At the beginning of the fiscal year, property tax is recorded prospectively for the entire year.

** Costs related to the Nassau Health Care Corporation, a public benefit corporation.

***4.5 percent increase is equivalent to current Suffolk County PBA contract.

Sources: Nassau County, FY 02 Adopted Budget and comptroller's office.

II. ECONOMIC OVERVIEW

Almost halfway through 2002, many economists remain uneasy with the pace of economic recovery, despite the 5.6-percent growth in the gross domestic product (GDP) during the first quarter of 2002. Since then, monthly data suggest that economic activity has slowed considerably. For the remainder of the year, the recovery will continue to be weak because of the impact on consumer spending of rising unemployment and a growing debt burden.

Nassau County's economy has gained some momentum in recent months. However, the slow pace of the national economic recovery and deteriorating economic conditions in New York City are likely to dampen the county's growth prospects for 2002.

A. The National Economy

The U.S. economy posted its strongest growth in more than two years during the first quarter of 2002, driven largely by reduced inventory liquidation. The nation's gross domestic product (GDP) rose by 5.6 percent in the first quarter, up from 1.7 percent in the fourth quarter of 2001. While growth is expected to slow in the second half of 2002, the Blue Chip Economic Indicators Survey calls for GDP growth of 3.1 percent in the third quarter.

On the inflation front, the news also has been encouraging despite the 0.5 percent rise in the consumer price index (CPI) in April –, which was more than at any time in the last 11 months. The rise in the CPI is primarily attributable to rising energy and tobacco costs. The CPI is running at a 3.8-percent annual pace so far this year, compared with a 3.5 percent rate in the same period last year. Sluggish labor-market conditions, coupled with soaring productivity, have put a lid on inflation.

Unemployment reached six percent in April – the highest it has been in nearly eight years. Real hourly earnings fell 0.7 percent last month, following a small increase of 0.2 percent in March. Meanwhile, productivity surged 8.4 percent in the first quarter from a 5.5 percent jump in the fourth quarter of 2001. As a result of tame inflation, a weak labor market and soaring productivity, the Federal Reserve is unlikely to raise interest rates in the short term – or at least until the labor market stabilizes.

With the Federal Reserve holding interest rates steady; with consumer confidence rebounding from its December low; with consumer spending remaining strong as evidenced by the 1.2 percent jump in retail sales in April; with productivity advancing at unprecedented rates and industrial production growing for three straight months, the U.S. economic recovery should remain on track despite signs of labor-market weaknesses, although the pace of growth will be moderate. Rising unemployment, however, poses a threat to the continuing strength of consumer confidence and spending and, hence, to the national economic recovery.

B. The Local Economy

For Nassau County, the economic news has been encouraging so far this year, as labor-market conditions appear to have stabilized. More county residents are working in 2002 than last year, reversing the pattern of job losses that began in September 1999. On a year-over-year basis, there were 14,200 (or 2.2 percent) more Nassau residents with jobs in April 2002 than in the same month last year. The labor force also grew in April by 24,800, or 3.7 percent. The county's unemployment rate had risen consistently every month since April 2001, when the rate reached a low of 2.3 percent. It reached 4.4 percent in February 2002 – the highest since January 1996. In April 2002, the unemployment rate fell to 3.7 percent – the second monthly decline since April 2001. (See Table 2.)

Sales-tax revenue growth – a proxy for retail sales – also is signaling a recovery. Compared with last year, sales-tax collections were up 3.9 percent during the first quarter of 2002. The news on the housing front has also been encouraging. Fueled by low interest rates and a low inventory, home prices in Nassau County rose through the roof during the first quarter of this year. The median price of existing single-family homes sold in Nassau soared to \$300,000, a 14-percent jump from March 2001.

Table 2. *Nassau County's Labor-Market Indicators, Monthly, 2001-2002*

	Labor Force	Year-over-Year Change	Employed	Year-over-Year Change	Unemployment Rate
April 02	697,200	26,900	669,100	14,200	3.7%
March 02	697,200	25,400	669,200	13,500	4.0%
February 02	692,200	24,100	661,900	11,400	4.4%
January 02	690,600	20,900	661,600	9,800	4.2%
December 01	687,100	1,100	662,700	(7,800)	3.6%
November 01	684,600	(800)	659,300	(9,100)	3.7%
October 01	683,300	(2,300)	658,300	(8,600)	3.7%
September 01	678,500	(5,700)	653,900	(9,500)	3.6%
August 01	692,100	(5,000)	669,100	(7,700)	3.3%
July 01	698,000	(5,100)	675,000	(7,600)	3.3%
June 01	692,800	(6,800)	672,000	(7,100)	3.0%
May 01	677,100	(9,000)	659,400	(9,000)	2.6%
April 01	670,300	(10,000)	654,900	(9,700)	2.3%
March 01	671,800	(6,100)	655,700	(4,600)	2.4%
February 01	668,100	(7,400)	650,500	(5,000)	2.6%
January 01	669,700	(6,900)	651,800	(4,600)	2.7%

Source: New York State Department of Labor

Going forward, the strength of Nassau County's economic recovery is very much dependent on the performance of New York City's economy. The county and New York City are inter-dependent. NYC is in a deep recession in the aftermath of the September 11 terrorist attack on the World Trade Center. Employment in NYC declined 3.6 percent in the first quarter of 2002. If City job losses continue unabated in coming months,

economic conditions in Nassau will likely slow. Many county residents who work in the city could be laid off, thereby affecting consumption and sales-tax revenues. In short, New York City can potentially drag Nassau County down with it.

III. REVENUES

During the first four months of the year, the county collected \$204.7 million in non-property taxes for its five major funds, which is a 8.4-percent increase over revenues during the same period a year ago. The five major funds are the General Fund, the Parks Fund, the Fire Commission Fund, the Police District Fund and the Police Headquarters Fund. (See Table 3.) The following sections describe revenue-collection patterns during the first four months of 2002.

Table 3. *Revenues, Five Major Funds, January - April 2002, \$ millions*

	Jan – April 2001 Actual (a)	Jan – April 2002 Actual (b)	Increase/ (Decrease) (c) = (b) – (a)
Interest Penalty on Tax	\$4.1	\$5.0	\$0.9
Permits & Licenses	2.3	2.3	0.0
Fines & Forfeitures	3.0	3.4	0.4
Investment Income	7.3	3.0	(4.3)
Rents & Recoveries	6.6	5.0	(1.6)
Departmental Revenue	11.5	12.0	0.5
Capital Charge-backs *	(0.4)	0.0	0.4
Interdepartmental Revenue	0.4	1.1	0.7
Payment in Lieu of Taxes	1.0	0.0	(1.0)
Inter-fund Revenue	1.0	0.9	(0.1)
Federal Aid*	1.2	(6.0)	(7.2)
State Aid *	(21.7)	(0.9)	20.8
Sales Tax **	168.9	174.2	5.3
Property Tax ***	564.4	620.7	56.3
OTB 5% Tax	0.7	0.8	0.1
Special Taxes	3.0	3.9	0.9
Total Revenues	\$753.3	\$825.4	\$72.1

Source: Nassau Integrated Financial System (NIFS), as of May 2002.

* Negative amounts result from prior-year accrual reversals.

**Sales taxes are adjusted to be gross of accrual reversals, and NIFA set asides and expenditures.

*** Property tax includes the full year levy, not cash collected during the year.

A. Tax Revenues

Non-property-tax collections during the first four months of the year were relatively strong, growing at the rate of 8.4 percent over the same period a year ago. As depicted in Table 3, all taxes contributed to this positive performance.

1. Sales Tax

Through April 2002, sales-tax collections have grown almost four percent on a gross, unadjusted accrual basis. However, taking into account prior period adjustments,

assessment collections and late filers, collections through April were down 1.25 percent. The temporary decline was the result of the seasonal effect of an extremely mild winter that reduced consumption of home heating oil. Hence, associated sales-tax collections have been reduced.

Based on year-to-date collections and the county's economic prospects, Nassau should be able to achieve its sales-tax-revenue target for FY 02. The budget assumes sales-tax revenue will total \$855 million in FY 02. This represents a 3.9-percent growth rate, gross of NIFA set-asides for debt repayment and net of the phased-in loss of tax on energy transmission.

As stated previously, rising unemployment remains the major risk to this forecast. Although the county's unemployment rate dipped last April, it is relatively high by recent historical standards.

2. Property Tax

At the beginning of FY 02, the county recorded the entire property tax levy for the year. In FY 02, the county recorded \$620.7 million, up from \$563.5 million in FY 01. Depending upon year-end adjustments to the allowance for un-collectible property taxes and deferred property-tax revenues, the county could experience a \$5-million positive property-tax variance. The favorable variance is comprised of a \$3.6-million adjustment for pre-empted sales-tax revenues and a \$1.2-million adjustment for restored property taxes and \$200,000 in tax-roll surplus. The \$3.6-million adjustment relates to sales-tax revenues collected on hotel-occupancy room and alcoholic beverages outside the City of Long Beach, known as "part-county" sales tax. Only Long Beach receives this tax directly. As a result, the amounts collected in Nassau County's three towns and the City of Glen Cove are used to reduce the General Fund real-property-tax levy. Since actual results for the fiscal year are not known until the subsequent year's budget is already in place, budgetary variances are adjusted through the real-property-tax levy two years after actual occurrence. The 2002 levy did not reflect the \$3.6-million adjustment related to the 2000 collections that were over-budget.

B. Miscellaneous Revenues

In the category of miscellaneous revenues, we combine departmental revenues, interdepartmental revenues, rents & recoveries, investment income, fines & forfeitures, interest penalty on tax, payment in lieu of taxes, permits & licenses, revenue offset to expense, capital charge-backs, OTB 5 percent tax and special taxes. Through April, miscellaneous revenues totaled \$36.5 million, down from \$39.5 million during the same period last year. The following sections describe the major variances during the first four months of the year.

1. Traffic and Parking Violations Agency

During the first four months of FY02, the county collected \$2.3 million in traffic and parking violation fines, which represents a 4.5-percent increase over the same period a year ago. The Traffic and Parking Violations Agency has not been able to process the high volume of tickets because of clerical staff shortages. Collections during the first four months of the year represent 21.7 percent of projected revenues. Based on this level of collection, the agency could experience an unfavorable variance of approximately \$1.6 million. This estimate is consistent with that assumed in the *Quarterly County Budget Report* for the first quarter.

2. Investment Income

Investment income during the first four months of FY 02 totaled \$3 million, representing a decline of 58.9 percent over the same period a year ago. Falling interest rates, coupled with a drop in the daily average cash balances, contributed to the decline of investment income. While weak relative to the prior year, investment income was stronger than anticipated. The FY 02 Budget anticipates only \$6.6 million in revenue for the year. The first four months of the year represent 45.5 percent of the expected revenue. Based on the level of earnings already achieved, the full-year results may reach \$9.8 million – or \$3.2 million over budget estimates.

3. Recovery of Prior-Year Appropriations

Recoveries of prior-year appropriations are generated when reserves encumbered in prior fiscal years are cancelled, thereby releasing previously appropriated and obligated funds into the unreserved fund balance. The FY 02 Adopted Budget assumes recoveries of \$5.5 million from this source in 2002. In 2001, \$18.1 million was recognized on an opening encumbrance balance of \$80.9 million (net of county health care facility encumbrances). The 2002 beginning encumbrance balance was \$115.6 million; approximately \$39.3 million of which is for health care expenses at the Nassau Health Care Corporation, which will probably be used. Based on the balance of \$76.3 million, projected revenues of \$11 million may be attainable.

4. Parks Department Revenue

Parks Department revenue is comprised of fees and charges paid in return for the use of various county services and facilities. During the first four months of 2002, the county's parks collected \$3.2 million – or 20.1 percent of its total budget. The FY 02 Adopted Budget is \$15.8 million, or 13.7 percent over last year's actual. Based on the current levels of revenues, a shortfall of \$600,000 could be experienced in FY 02. However, the planned introduction of certain increases in golf fees may eliminate this shortfall.

5. Indirect Cost Charge-backs

The FY 02 Adopted Budget and the *Quarterly County Budget Report* assume the recognition of revenue for indirect costs that are charged back to various county funds. The indirect-cost budget includes \$900,000 for charges to Nassau County Community College. Pursuant to a June 2001 opinion from the office of the Counsel of the State University of New York, interpreting the New York State Education Law, the county, as a local sponsor, is not entitled to charge the college for indirect costs in 2001. The county attorney is examining this issue. In the meantime, however, a \$900,000 unfavorable variance is projected by the comptroller's office.

C. State and Federal Aid

During the first four months of the year, the county experienced a positive variance of \$13.6 million for state and federal aid. This apparent positive variance stems from the timing of various state and federal aid accruals and accrual reversals. The county should collect most of its state and federal aid payments during the remainder of the year. Consequently, the comptroller's office anticipates a small shortfall of \$1.4 million in state and federal assistance for FY 02.

1. Federal Aid - Correctional Center

The number of federal prisoners housed at the Nassau County Correctional Center has been larger than anticipated in the FY 02 Adopted Budget. The amount of federal reimbursement for these prisoners has also exceeded original estimates. Through April, 66.4 percent of the revenue expected in the budget has already been obtained. If the federal inmate population remains as high throughout the year, a positive variance of as much as \$3.7 million could occur. Although the *Quarterly County Budget Report* recognizes that there are additional federal inmates housed in the county facility, it does not reflect the additional resources.

2. State Aid - Interdepartmental Revenue

The *Quarterly County Budget Report* assumes a \$4-million positive variance in interdepartmental revenues related to the transfer of state aid for the department of drug and alcohol program grants from the county's Grant Fund to the General Fund. These funds will properly be recorded as state aid instead of interdepartmental revenue. The county expects this pick-up to be offset by the non-recognition of \$4 million in NIFA transitional aid related to tax-certiorari operational assistance which, to date, has not taken place. Additionally, the comptroller's office is projecting potential negative state aid variances of approximately \$2.5 million in mental health, \$1.9 million in health, and \$500,000 in social services, along with reduced associated expenditures.

3. Overstatement of Medicaid Revenues

The county has recently discovered that the Department of Social Services overstated certain prior-years' state revenue by \$12.3 million. The monies received were Medicaid advances that should have been recorded as liabilities, with no effect on the county's revenues. Instead, the \$12.3 million was recorded as revenue, effectively overstating revenues and the fund balances for FY 96 through FY 01. Appropriate action has been taken to correct the county's 2001 financial statements. Such advances have been recorded properly for FY 02.

IV. OBLIGATIONS

Nassau County's obligations for the five major funds totaled \$716.6 million through April. This represents an increase of 5.5 percent over the same period a year ago. The increase in obligations is largely driven by the following factors: a 22.3-percent increase in Medicaid, to \$66.4 million, to finance the greater utilization of Family Health Plus¹ and Safety Net Assistance; a 34.2-percent increase in emergency-vendor payments, to \$25.1 million; a 193.1 percent increase in NIFA set-asides, to \$5.6 million; and timing differences associated with the acceleration of processing contractual encumbrances and the payment of the county's share of costs at the Nassau Health Care Corporation. (See Table 4.)

Table 4. *Obligations, Five Major Funds, January – April 2002, \$ millions*

	Jan – April 2001 Actual (a)	Jan – April 2002 Actual (b)	Increase/ (Decrease) (c) = (b) – (a)
Payroll	\$229.1	\$227.1	(\$2.0)
Fringe Benefits	63.8	63.9	0.1
Equipment	0.3	0.3	0.0
Materials & Supplies	2.4	2.2	(0.2)
General Expenses	8.2	5.7	(2.5)
Contractual Expenses	62.5	78.5	16.0
Utilities	8.4	9.2	0.8
Direct Expenses	0.2	0.1	(0.1)
PBC Costs	8.9	21.4	12.5
Inter-fund Charges	(0.4)	(1.4)	(1.0)
Debt Service	119.2	112.1	(7.1)
NIFA Set-asides	2.9	8.5	5.6
Reserves	0.1	0.0	(0.1)
MSBA	7.9	4.4	(3.5)
LIRR-Station Maintenance	0.2	0.0	(0.2)
MTA-LIRR Operations Assistance	2.9	2.9	0.0
Handicap Transportation	3.5	3.3	(0.2)
Other	9.0	12.0	3.0
Recipient Grants	13.8	14.4	0.6
Purchased Services	20.7	20.3	(0.4)
Emergency Vendor Payments	18.7	25.1	6.4
Medicaid	54.3	66.4	12.1
Education Handicapped Children	42.7	40.2	(2.5)
Lawsuits & Damage Awards	0.1	0.0	(0.1)
Total Obligations	<u>\$679.4</u>	<u>\$716.6</u>	<u>\$37.2</u>

Source: NIFS

¹ The Family Health Plus is a State program that provides Medicaid coverage to individuals who do not have health insurance with their employers, but have income that make them ineligible for Medicaid.

A. Payroll

Total payroll expenditures during the first four months of fiscal year 2002 totaled \$227.1 million, representing a 0.9-percent decline over the same period a year ago. While total payroll for the major funds experienced a decline, General Fund payroll posted an increase of 3.7 percent. County Parks Fund payroll exhibited an increase of 15.9 percent to \$7.3 million and Fire Commission Fund posted a growth rate of 7.7 percent to \$2.8 million. Meanwhile, Police Headquarters Fund payroll recorded a decline of 6 percent, from \$58 million a year ago to \$54.5 million through April. Police District Fund payroll also was lower by 5.9 percent, to \$55.8 million during the first four months of 2002 from \$59.3 million during the same period a year ago due to accrual reversals. (See Tables 5 and 6.)

Table 5. *Obligations, Police Headquarters Fund, January - April 2002, \$ millions*

	Jan - April 2001 Actual (a)	Jan -April 2002 Actual (b)	Increase/ (Decrease) (c) = (b) - (a)
Payroll	\$58.0	\$54.5	(\$3.5)
Fringe Benefits	13.9	11.8	(2.1)
Equipment	0.1	0.1	0.0
General Expenses	1.2	0.5	(0.7)
Contractual Expenses	<u>1.5</u>	<u>1.5</u>	<u>0.0</u>
Total Obligations	<u>\$74.7</u>	<u>\$68.4</u>	<u>(\$6.3)</u>

Source: NIFS

Table 6. *Obligations, Police District Fund, January - April 2002, \$ millions*

	Jan - April 2001 Actual (a)	Jan -April 2002 Actual (b)	Increase (Decrease) (c) = (b) - (a)
Payroll	\$59.3	\$55.8	(\$3.5)
Fringe Benefits	14.5	11.7	(2.8)
Equipment	0.1	0.0	(0.1)
General	0.9	0.9	0.0
Contractual	0.1	0.1	0.0
Utilities	0.1	0.2	0.1
Lawsuits & Damage Awards	<u>0.1</u>	<u>0.0</u>	<u>(0.1)</u>
Total Obligations	<u>\$75.1</u>	<u>\$68.7</u>	<u>(\$6.4)</u>

Source: NIFS

Police Department termination pay for those officers who opt to retire this year, unresolved labor agreements and potential overtime expenditures could result in negative variances in the police salary line and pose a significant risk to the county's FY 02 financial results. Of particular concern is the potential fiscal impact of these issues on the Police District Fund because it is financed by separate taxpayers, and, accordingly, cannot be subsidized by the General Fund.

In 2001, 114 police officers and other non-uniformed employees retired, with individual termination-pay packages that averaged \$287,000 for superior officers, \$227,000 for detectives and \$173,000 for PBA members. The projections contained in the *Quarterly County Budget Report* conservatively anticipate 160 police retirements during 2002, comprised of 100 employees financed by the Police Headquarters Fund and 60 employees financed by the Police District Fund. As a result, in the *Quarterly County Budget Report* the county projected FY 02 total termination costs at \$23 million for the Police Headquarters Fund and \$12 million for the Police District Fund. The comptroller's office projects that of the 895 officers eligible to retire, 200 or more will opt to do so during the year – including some 140 from police headquarters and 60 from the police districts. At average termination payments of \$225,000 for police headquarters and \$220,000 for police districts, the comptroller's office estimates the cost to the county at \$44.7 million. Terminations are expected to be this high for the following reasons: (1) overtime resulting from the September 11 terrorist attack on the World Trade Center has greatly enhanced retirement benefits for many police officers and (2) the uncertainty associated with the labor agreements. Our projections exceed the termination pay projected in the *Quarterly County Budget Report* by \$9.6 million and that projected in the Adopted Budget by \$20.1 million.

Police officers and other personnel represented by the county's three police unions are currently working without labor agreements. The contracts with both the Police Benevolent Association and the Detectives Association expired on December 31, 2000, while the Superior Officers Association agreement expired on December 31, 2001. The police unions have the legal right to pursue binding arbitration. Table 7 depicts the estimated fiscal impact in 2002 of each one-percentage point increase granted to the police unions.

Table 7. 2002 Salary Cost for Each One-Percent Increase,
\$ Millions

	Base Increase from 2001 Raise	2002 Raise	Total
Police Headquarters			
PBA	\$0.52	\$0.52	\$1.04
DAI	0.59	0.59	1.18
SOA		0.39	0.39
Subtotal	\$1.11	\$1.50	\$2.61
Police Districts			
PBA	\$1.48	\$1.48	\$2.96
SOA		0.34	0.34
Subtotal	\$1.48	\$1.82	\$3.30
Total Impact	\$2.59	\$3.32	\$5.91

Source: Nassau County, computed by the comptroller's office.

If Nassau County grants its police officers a 4.5-percent wage increase similar to the agreement reached in neighboring Suffolk County, the salary cost for the year could be \$28.2 million. If raises were granted in line with inflation, this would have a \$15-million impact on the FY 02 budget.

Negative salary variances within the Nassau County Police Department will be partially offset by longevity-pay savings of \$6.7 million in headquarters and \$5.6 million in the districts. This benefit is budgeted both separately and as part of base pay.

B. Overtime

Through April 2002, overtime in the Police District Fund was \$600,000 – or 36 percent higher than the same period a year ago, partly driven by The Vanderbilt shooting, the hostage situation at Staples and the murder of a priest in Lynbrook. The expense in the Police Headquarters Fund was down \$400,000, or 11 percent.

Based on year-to-date payments, overtime costs appear to be under-budgeted in the Police District Fund. Police Department overtime costs could be further impacted by a greater-than-anticipated increase in the number of retirements during the year. If the current level of overtime is maintained during the year, a \$6.3-million budgetary shortfall could be experienced in the Police District Fund. The Suozzi administration is committed to managing and curbing these costs and will be monitoring results through initiatives such as NASS-STAT, which is the Nassau County Police Department manpower and crime statistics tracking system.

Overtime expenditures at the Correctional Center were under control during the first four months of the year. Between January and April, overtime totaled \$3.3 million – or 21 percent of the FY 02 Adopted Budget. This is 26.7 percent less than overtime expenditures during the same period last year. At this rate, savings of \$3.7 million could be realized.

C. Fringe Benefits

Fringe benefits through April totaled \$63.9 million for the five major funds. This is in line with expenditures during the same period last year. General Fund fringe benefits rose 14.5 percent in the first four months, largely driven by health insurance costs. Offsetting the increase in the General Fund fringe benefits were declines in the Police District and Police Headquarters Funds. These two funds posted declines of 19.3 percent and 15.1 percent, respectively, due to accrual reversals. (See Tables 5 and 6).

The county may realize a favorable fringe-benefit variance within the five major funds, of almost \$11 million in FY 02. The potential savings are attributable to revised New York State Retirement System estimates related to benefit contributions for active

police officers; lower-than-anticipated health-insurance and FICA costs; and a partially offsetting overage of workers' compensation expenditures.

The New York State Retirement System recently revised downward its 2002 estimated employee contribution rate increase for police officers, from 2.5 percent of wages to 1 percent. The comptroller's office projects that, if this estimate holds, actual expenditures would be approximately \$10.5 million, resulting in a positive variance of approximately \$4.1 million on the \$14.6-million adopted budget. The state also revised the estimated rate increase for the Employees Retirement System (ERS) from 1.5 percent of wages to 0.5 percent. This could result in a positive variance for non-police retirement in the five major funds of \$2.3 million. Although 2002 may not be problematic, poor recent retirement system investment earnings may have a significant the impact on future fiscal years' employer contributions.

Positive variances of \$2.5 million and \$1.6 million are also expected in health-insurance expenditures and FICA, respectively. Workers' compensation appears to be under-budgeted by \$2.8 million. For the first four months, \$9 million was slated for payment in 2002. Last year, \$8.9 had been recorded during the same time span, with the year-end actual spending being \$13.9 million. The FY 02 budget was cut to \$11.1 million – an amount that may be achievable if previously identified initiatives become reality.

D. Nassau Health Care Corporation

Another issue of concern to the comptroller's office relates to the financial performance of the Nassau Health Care Corporations (NHCC). During the first four months of the year, NHCC had a loss of \$3.2 million. While this is \$272,000 better than anticipated, the loss should nonetheless be a concern to the county because Nassau is the guarantor of \$256 million in bonds issued in connection with the creation of the public benefit corporation. While the financial risk of default appears small, the county would be drawn into a crisis situation if NHCC, the public benefit corporation that runs the medical center, were to falter.

VI. APPENDIX

This appendix contains many of the tables that were used in the report, but which were not part of the main body of the report.

Table A1. *Revenues, General Fund, January - April 2002, \$ millions*

	Jan – April 2001 Actual (a)	Jan – April 2002 Actual (b)	Increase / (Decrease) (c) = (b) – (a)
Interest Penalty on Tax	\$4.1	\$5.0	\$0.9
Permits & Licenses	1.6	1.6	0.0
Fines & Forfeitures	3.0	3.2	0.2
Investment Income	7.3	3.0	(4.3)
Rents & Recoveries	6.2	4.4	(1.8)
Departmental Revenue	6.6	6.4	(0.2)
Capital Charge-backs	(0.4)	0.0	0.4
Interdepartmental Revenues	0.4	1.1	0.7
Payment in Lieu of Taxes	1.0	0.0	(1.0)
Inter-fund Revenue	1.0	0.8	(0.2)
Federal Aid	1.1	(6.3)	(7.4)
State Aid	(21.8)	(0.9)	20.9
Sales Tax	168.9	174.2	5.3
Property Tax*	146.0	110.5	(35.5)
OTB 5% Tax	0.7	0.8	0.1
Special Tax	<u>0.5</u>	<u>1.6</u>	<u>1.1</u>
Total Revenues	<u>\$326.2</u>	<u>\$305.4</u>	<u>(\$20.8)</u>

* A portion of property tax in FY 02 was shifted to the Police Headquarters Fund to properly match tax revenues and expenditures. In prior years, the tax in the General Fund subsidized expenditures in the Police Headquarters Fund.

Source: NIFS

Table A2. *Obligations, General Fund, January - April 2002, \$ millions*

	Jan – April 2001 Actual (a)	Jan – April 2002 Actual (b)	Increase/ (Decrease) (c) = (b) – (a)
Payroll	\$102.9	\$106.7	\$3.8
Fringe Benefits	32.5	37.2	4.7
Equipment	0.1	0.2	0.1
Materials & Supplies	2.0	1.7	(0.3)
General Expenses	5.2	3.7	(1.5)
Contractual Expenses	57.3	73.3	16.0
Utilities	7.7	8.4	0.7
Direct Expenses	0.2	0.1	(0.1)
PBC Costs	8.9	21.4	12.5
Inter-fund Charges	(0.4)	(1.4)	(1.0)
Debt Service	119.2	112.1	(7.1)
NIFA Set-asides	2.9	8.5	5.6
Reserves	0.1	0.0	(0.1)
MSBA	7.9	4.4	(3.5)
LIRR-Station Maintenance	0.2	0.0	(0.2)
MTA-LIRR Operation Assistance	2.9	2.9	0.0
Handicapped Transportation	3.5	3.3	(0.2)
Other	9.0	12.0	3.0
Recipient Grants	13.8	14.4	0.6
Purchased Services	20.7	20.3	(0.4)
Emergency Vendor Payments	18.7	25.1	6.4
Medicaid	54.3	66.4	12.1
Education - Handicapped Children	<u>42.7</u>	<u>40.2</u>	<u>(2.5)</u>
Total Obligations	<u>\$512.3</u>	<u>\$560.9</u>	<u>\$48.6</u>

Source: NIFS

Table A3. Revenue Forecasts for FY 02, General Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Fund Balance, Beginning	\$35.4	\$18.0	\$0.0	(\$18.0)
Interest Penalty on Tax	19.0	15.8	16.0	0.2
Permits & Licenses	4.3	5.3	5.3	0.0
Fines & Forfeitures	11.8	13.6	12.0	(1.6)
Investment Income	31.0	6.6	9.8	3.2
Rents & Recoveries	52.5	39.0	44.7	5.7
Revenue Offset to Expenses	0.5	0.5	0.5	0.0
Departmental Revenue	127.3	116.2	116.2	0.0
Capital Charge-backs	5.3	4.7	4.7	0.0
Interdepartmental Revenue	26.7	25.8	25.8	0.0
Payment in Lieu of Taxes	3.4	3.0	3.0	0.0
Debt Service from Capital Fund	15.6	6.0	6.0	0.0
OTB Profits	8.6	13.2	13.0	(0.2)
Inter-fund Revenue	69.1	71.6	70.7	(0.9)
Federal Aid	102.8	109.8	113.2	3.4
State Aid	190.0	217.8	213.0	(4.8)
Sales Tax – Gross	828.8	855.0	855.0	0.0
Property Tax	145.1	105.5	110.5	5.0
OTB 5% Tax	7.3	7.5	7.5	0.0
Special Taxes	5.9	7.0	6.8	(0.2)
Total Revenues	<u>\$1,690.</u> 4	<u>\$1,641.</u> 9	<u>\$1,633.7</u>	<u>(\$8.2)</u>

Sources: NIFS, FY 02 Adopted Budget, and comptroller's office.

Table A4. *Obligation Forecasts for FY 02, General Fund, \$ millions*

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (b) - (c)
Payroll	\$297.1	\$327.5	\$307.5	\$20.0
Fringe Benefits	127.2	113.4	110.6	2.8
Equipment	0.7	1.7	1.7	0.0
Materials & Supplies	5.9	6.9	6.9	0.0
General Expenses	14.8	13.9	13.9	0.0
Contractual Expenses	133.0	139.7	139.1	0.6
Utilities	24.5	23.3	23.3	0.0
Direct Expenses	0.5	0.5	0.5	0.0
Local Government Assistance	49.1	50.2	50.2	0.0
PBC Costs	38.2	35.1	35.1	0.0
Inter-fund Charges	10.8	7.7	7.7	0.0
Debt Service	0.0	243.3	243.4	(0.1)
NIFA Set-asides	24.8	45.3	45.3	0.0
NIFA Expenses	0.3	1.8	1.8	0.0
Reserves	0.2	0.0	0.0	0.0
FCF Subsidy	1.0	0.0	0.0	0.0
PDH Subsidy	93.4	10.0	10.0	0.0
CPF Subsidy	43.2	47.9	47.9	0.0
Transfer to Debt Service Fund	236.7	0.0	0.0	0.0
Transfer to Technology Fund	10.0	0.0	0.0	0.0
MSBA	7.9	5.9	5.9	0.0
LIRR-Station Maintenance	20.5	21.2	21.2	0.0
MTA-LIRR Operations Assistance	11.6	11.6	11.6	0.0
Handicapped Transportation	3.5	4.5	4.5	0.0
Other	17.3	19.1	19.2	(0.1)
Recipient Grants	40.9	46.2	46.2	0.0
Purchased Services	42.0	49.8	49.1	0.7
Emergency Vendor Payments	47.3	48.7	47.9	0.8
Medicaid	287.9	296.4	298.5	(2.1)
Education - Handicapped Children	<u>72.6</u>	<u>70.3</u>	<u>70.3</u>	<u>0.0</u>
Total Obligations	<u>\$1,662.9</u>	<u>\$1,641.9</u>	<u>\$1,619.3</u>	<u>\$22.6</u>

Sources: NIFS, FY 02 Adopted Budget, and comptroller's office.

Table A5. *Revenues, County Parks Fund, January - April 2002, \$ millions*

	Jan - April 2001 Actual (a)	Jan - April 2002 Actual (b)	Increase/(Decrease) (c) = (b) - (a)
Rents & Recoveries	\$0.2	\$0.2	\$0.0
Departmental Revenue	<u>2.6</u>	<u>3.2</u>	<u>0.6</u>
Total Revenues	<u>\$2.8</u>	<u>\$3.4</u>	<u>\$0.6</u>

Source: NIFS

Table A6. *Obligations, County Parks Fund, January - April 2002, \$ millions*

	Jan - April 2001 Actual (a)	Jan - April 2002 Actual (b)	Increase/(Decrease) (c) = (b) - (a)
Payroll	\$6.3	\$7.3	\$1.0
Fringe Benefits	2.3	2.6	0.3
Supplies	0.4	0.5	0.1
General Expenses	0.8	0.6	(0.2)
Contractual Expenses	0.6	0.9	0.3
Utilities	<u>0.6</u>	<u>0.6</u>	<u>0.0</u>
Total obligations	<u>\$11.0</u>	<u>\$12.5</u>	<u>\$1.5</u>

Source: NIFS

Table A7. Revenue Forecasts for FY 02, County Parks Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Rents & Recoveries	1.1	0.7	0.7	0.0
Departmental Revenues	13.9	15.8	15.0	(0.8)
Transfer from General Fund	43.2	47.9	47.9	0.0
Special Taxes	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.0</u>
Total Revenues	<u>\$58.4</u>	<u>\$64.7</u>	<u>\$63.9</u>	<u>(\$0.8)</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A8. Obligation Forecasts for FY 02, County Parks Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (b) - (c)
	\$19.5			
Payroll	9.5	\$21.0	\$21.2	(\$0.2)
Fringe Benefits	0.1	7.9	8.0	(0.1)
Equipment	1.1	0.1	0.1	0.0
Supplies	1.6	0.9	0.9	0.0
General Expenses	2.8	1.3	1.3	0.0
Contractual Expenses	2.6	3.1	3.1	0.0
Utilities	<u>21.2</u>	3.2	3.2	0.0
Inter-fund Charges	<u>\$58.4</u>	<u>27.2</u>	<u>27.2</u>	<u>0.0</u>
Total Obligations			<u>\$65.0</u>	<u>(\$0.3)</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A9. *Revenues, Fire Commission Fund, January - April 2002,*
\$ millions

	Jan-April 2001 Actual (a)	Jan-April 2002 Actual (b)	Increase/(Decrease) (c) = (b) - (a)
Departmental Revenue	\$0.7	\$1.0	\$0.3
State Aid	0.1	0.0	(0.1)
Property Tax	<u>14.9</u>	<u>14.2</u>	<u>(0.7)</u>
Total Revenues	<u>\$15.7</u>	<u>\$15.2</u>	<u>(\$0.5)</u>

Source: NIFS

Table A10. *Obligations, Fire Commission Fund, January - April 2002,*
\$ millions

	Jan - April 2001 Actual (a)	Jan - April 2002 Actual (b)	Increase/ (Decrease) (c) = (b) - (a)
Payroll	\$2.6	\$2.8	\$0.2
Fringe Benefits	0.6	0.6	0.0
General Expenses	0.1	0.0	(0.1)
Contractual Expenses	<u>3.0</u>	<u>2.7</u>	<u>(0.3)</u>
Total Obligations	<u>\$6.3</u>	<u>\$6.1</u>	<u>(\$0.2)</u>

Source: NIFS

Table A11. Revenue Forecasts for FY 02, Fire Commission Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Fund Balance, Beginning	\$0.1	\$0.0	\$0.0	\$0.0
Rents & Recoveries	0.1	0.0	0.0	0.0
Departmental Revenues	2.3	3.7	3.7	0.0
State Aid	0.2	0.2	0.2	0.0
Property Tax	14.9	14.2	14.2	0.0
Inter-fund Revenue	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Revenues	<u>\$18.6</u>	<u>\$18.1</u>	<u>\$18.1</u>	<u>\$0.0</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A12. Obligation Forecasts for FY 02, Fire Commission Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (b) - (c)
Payroll	\$7.9	\$8.1	\$8.2	(\$0.1)
Fringe Benefits	2.0	1.9	2.0	(0.1)
Equipment	0.1	0.2	0.2	0.0
General Expenses	0.2	0.2	0.2	0.0
Contractual Expenses	3.9	3.6	3.6	0.0
Inter-fund Charges	<u>4.3</u>	<u>4.1</u>	<u>4.1</u>	<u>0.0</u>
Total Obligations	<u>\$18.4</u>	<u>\$18.1</u>	<u>\$18.3</u>	<u>(\$0.2)</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A13. Revenues, Police District Fund, January - April 2002, \$ millions

	Jan - April 2001 Actual (a)	Jan - April 2002 Actual (b)	Increase/(Decrease) (c) = (b) - (a)
Permits & Licenses	\$0.4	\$0.3	(\$0.1)
Rents & Recoveries	0.0	0.2	0.2
Departmental Revenues	0.7	1.1	0.4
Interdepartmental Revenue	0.0	0.1	0.1
Property Tax	<u>272.5</u>	<u>270.6</u>	<u>(1.9)</u>
Total Revenues	<u>\$273.6</u>	<u>\$272.3</u>	<u>(\$1.3)</u>

Source: NIFS

Table A14. Revenue Forecasts for FY 02, Police District Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Fund Balance, Beginning	(\$7.7)	\$0.0	\$0.0	\$0.0
Permits & Licenses	1.3	1.7	1.4	(0.3)
Rents & Recoveries	0.5	0.4	0.4	0.0
Departmental Revenues	2.5	2.4	2.4	0.0
Interdepartmental Revenues	0.3	0.3	0.3	0.0
Federal Aid	4.2	0.0	0.0	0.0
Property Tax	<u>272.5</u>	<u>270.6</u>	<u>270.6</u>	<u>0.0</u>
Total Revenues	<u>\$273.6</u>	<u>\$275.4</u>	<u>\$275.1</u>	<u>(\$0.3)</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A15. Obligation Forecasts for FY 02, Police District Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (b) - (c)
Payroll	\$193.5	\$186.5	\$192.8	(\$6.3)
Fringe Benefits	51.4	57.2	52.2	5.0
Equipment	0.5	3.3	0.8	2.5
General Expenses	5.1	6.5	5.5	1.0
Contractual Expenses	0.5	0.6	0.6	0.0
Utilities	0.9	0.9	0.9	0.0
Inter-fund Charges	21.6	20.0	20.0	0.0
Lawsuits & Damage Awards	<u>0.1</u>	<u>0.4</u>	<u>0.4</u>	<u>0.0</u>
Sub-total Obligations	<u>273.6</u>	<u>275.4</u>	<u>273.2</u>	<u>2.2</u>
Effect of Potential Police Contract Award*	<u>0.0</u>	<u>0.0</u>	<u>16.1</u>	<u>(16.1)</u>
Total Obligations	<u>\$273.6</u>	<u>\$275.4</u>	<u>\$289.3</u>	<u>(\$13.9)</u>

* 4.5% increase is equivalent to current Suffolk County PBA contract
Source: Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A16. Revenues, Police Headquarters Fund, January - April 2002, \$ millions

	Jan-April 2001 Actual (a)	Jan-April 2002 Actual (b)	Increase/(Decrease) (c) = (b) - (a)
Permits & Licenses	\$0.3	\$0.4	\$0.1
Fines & Forfeitures	0.0	0.2	0.2
Rents & Recoveries	0.2	0.2	0.0
Departmental Revenues	0.9	0.3	(0.6)
Federal Aid	0.1	0.3	0.2
Property Tax	131.0	225.4	94.4
Special Taxes	<u>2.5</u>	<u>2.3</u>	<u>(0.2)</u>
Total Revenues	<u>\$135.0</u>	<u>\$229.1</u>	<u>\$94.1</u>

Source: NIFS

Table A17. Revenue Forecasts for FY 02, Police Headquarters Fund, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Permits & Licenses	\$1.1	\$1.2	\$1.0	(\$0.2)
Fines & Forfeitures	0.1	0.0	0.2	0.2
Rents & Recoveries	0.5	0.4	0.4	0.0
Departmental Revenues	4.6	6.2	6.2	0.0
Interdepartmental Revenues	0.4	0.4	0.4	0.0
Transfer from Police District Fund	3.8	3.4	3.4	0.0
Federal Aid	3.2	0.4	0.4	0.0
Inter-fund Revenue	93.3	10.0	10.0	0.0
NIFA Aid	10.0	0.0	0.0	0.0
Property Tax	131.0	225.4	225.4	0.0
Special Taxes	<u>10.6</u>	<u>10.0</u>	<u>10.0</u>	<u>0.0</u>
Total Revenues	<u>\$258.6</u>	<u>\$257.4</u>	<u>\$257.4</u>	<u>\$0.0</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A18. *Obligation Forecasts for FY 02, Police Headquarters Fund, \$ millions*

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d)=(c)-(b)
Payroll	\$177.1	\$168.9	\$177.4	(\$8.5)
Fringe Benefits	47.8	50.6	47.7	2.9
Equipment	0.6	0.6	0.6	0.0
General Expenses	5.0	5.3	5.3	0.0
Contractual Expenses	4.3	5.8	5.8	0.0
Inter-fund Charges	23.7	26.0	26.0	0.0
Lawsuits & Damage Awards	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.0</u>
Subtotal Obligations	258.6	257.4	263.0	(5.6)
Effect of Potential Police Contract Award*	<u>0.0</u>	<u>0.0</u>	<u>12.1</u>	<u>(12.1)</u>
Total Obligations	<u>\$258.6</u>	<u>\$257.4</u>	<u>\$275.1</u>	<u>(\$17.7)</u>

4.5% increase is equivalent to current Suffolk County PBA contract
 Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A19. Revenue Forecasts for FY 02, Five Major Funds, \$ millions

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (c) - (b)
Fund Balance, beginning	\$27.8	\$18.0	\$0.0	(\$18.0)
Interest Penalty on Tax	19.0	15.8	16.0	0.2
Permits & Licenses	6.7	8.2	7.7	(0.5)
Fines & Forfeitures	11.9	13.6	12.2	(1.4)
Investment Income	31.0	6.6	9.8	3.2
Rents & Recoveries	54.7	40.5	46.2	5.7
Revenue Offset to Expense	0.5	0.5	0.5	0.0
Departmental Revenues	150.6	144.3	143.5	(0.8)
Capital Charge-backs	5.3	4.7	4.7	0.0
Interdepartmental Revenues	27.4	26.5	26.5	0.0
Payment in Lieu of Taxes	3.4	3.0	3.0	0.0
Debt Service from Capital Fund	15.6	6.0	6.0	0.0
OTB Profits	8.6	13.2	13.0	(0.2)
Inter-fund Revenues	210.4	132.9	132.0	(0.9)
Federal Aid	110.2	110.2	113.6	3.4
State Aid	200.2	218.0	213.2	(4.8)
Sales Tax – Gross	828.8	855.0	855.0	0.0
Property Tax	563.5	615.7	620.7	5.0
OTB 5% Tax	7.3	7.5	7.5	0.0
Special Taxes	<u>16.7</u>	<u>17.3</u>	<u>17.1</u>	<u>(0.2)</u>
Total Revenues	<u>\$2,299.6</u>	<u>\$2,257.5</u>	<u>\$2,248.2</u>	<u>(\$9.3)</u>

Sources: NIFS, FY 02 Adopted Budget and comptroller's office.

Table A20. *Obligation Forecasts for FY 02, Five Major Funds, \$ millions*

	2001 Actual (a)	2002 Adopted Budget (b)	2002 Comptroller (c)	2002 Variance (d) = (b) – (c)
Payroll	\$695.1	\$712.0	\$707.1	\$4.9
Fringe Benefits	237.9	231.0	220.5	10.5
Equipment	2.0	5.9	3.4	2.5
Materials & Supplies	7.0	7.8	7.8	0.0
General Expenses	26.7	27.2	26.2	1.0
Contractual Expenses	144.5	152.8	152.2	0.6
Utilities	28.0	27.4	27.4	0.0
Direct Expenses	0.5	0.5	0.5	0.0
Local Government Assistance	49.1	50.2	50.2	0.0
PBC Costs	38.2	35.1	35.1	0.0
Inter-fund Charges	81.6	85.0	85.0	0.0
Debt Service	0.0	243.3	243.4	(0.1)
NIFA Set-asides	24.8	45.3	45.3	0.0
NIFA Expenses	0.3	1.8	1.8	0.0
Reserves	0.2	0.0	0.0	0.0
FCF Subsidy	1.0	0.0	0.0	0.0
PDH Subsidy	93.4	10.0	10.0	0.0
CPF Subsidy	43.2	47.9	47.9	0.0
Transfer to Debt Service Fund	236.7	0.0	0.0	0.0
Transfer to Technology Fund	10.0	0.0	0.0	0.0
MSBA	7.9	5.9	5.9	0.0
LIRR-Station Maintenance	20.5	21.2	21.2	0.0
MTA-LIRR Operations Assistance	11.6	11.6	11.6	0.0
Handicapped Transportation	3.5	4.5	4.5	0.0
Other	17.3	19.1	19.2	(0.1)
Recipient Grants	40.9	46.2	46.2	0.0
Purchased Services	42.0	49.8	49.1	0.7
Emergency Vendor Payments	47.3	48.7	47.9	0.8
Medicaid	287.9	296.4	298.5	(2.1)
Education - Handicapped Children	72.6	70.3	70.3	0.0
Lawsuits & Damage Awards	<u>0.2</u>	<u>0.6</u>	<u>0.6</u>	<u>0.0</u>
Subtotal	2,271.9	2,257.5	2,238.8	18.7
Potential Police Contract Award*	0.0	0.0	28.2	(28.2)
Total Obligations*	<u>\$2,271.9</u>	<u>\$2,257.5</u>	<u>\$2,267.0</u>	<u>(\$9.5)</u>

* This 4.5% increase is equivalent to current Suffolk County PBA contract
Sources: NIFS, FY 02 Adopted Budget and comptroller's office.