NASSAU COUNTY
OFFICE OF THE COMPTROLLER

REPORT ON THE COUNTY'S FINANCIAL CONDITION FOR THE FIRST SIX MONTHS OF FISCAL YEAR 2011

George Maragos
Nassau County Comptroller

July 29, 2011

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REPORT ON THE COUNTY'S FINANCIAL CONDITION FOR THE FIRST SIX MONTHS OF FISCAL YEAR 2011

1.0 EXECUTIVE SUMMARY

The Nassau County Charter requires that the Comptroller report on the status of the budget for the first six months of the current fiscal year and give an opinion concerning whether there will be a surplus or deficit at year-end. This report is required by §402 (9) of the County Charter.[1]

Our review and analysis of revenues and expenses to June 30, 2011 and projection to year end are summarized in Exhibit 1. **We project a year-end deficit of $42 million after gap closing opportunities identified by the Administration. The deficit, could possibly increase to $140 million should the gap closing opportunities fail to materialize**. However, the County would be projecting close to break-even performance, and not the $42 million deficit, if Nassau County Interim Finance Authority (NIFA) had not changed its interpretation of the accounting for borrowing to pay property tax refunds.

It is apparent that the gap closing opportunities identified by the Administration to date are insufficient to close the projected year-end budgetary shortfall under the existing NIFA budgetary accounting interpretation. Furthermore some of the significant opportunities are disputed by NIFA and may not be fully permitted. **Decisive action and cooperation is required by NIFA, the Administration and the Legislature to avoid a significant year-end deficit.**

The projected year-end deficit excluding opportunities is mainly attributable to an estimated $134 million shortfall in County revenues. This is due primarily to lower sales tax revenues from a weak economy ($10 million), failure to obtain State approval for additional red light cameras ($23 million), failure to close on the sales of properties ($46 million), lower departmental revenues ($13 million) and failure of the State to authorize LIE Ticket Surcharges ($5 million).

Expenses, however, are projected to end in line at just $5.3 million over budget. The strong expense control measures implemented by the Administration have been offset by NIFA's imposed $70 million budgetary requirement to pay all property tax refunds from current revenues. At the same time efforts to control overtime cost and reduce payroll do not appear to be succeeding as these expense variances remain essentially unchanged from the first quarter projections. The overtime costs require immediate attention.

The historical negative fiscal trends which had begun to improve in 2010 have been generally sustained with a modest deterioration in the structural gap. These fiscal trends are projected as follows:

[1] The Comptroller reports on the status of the budget for the County's primary funds: the General, Fire Safety, Debt Service, Police Headquarters and Police District Funds.

- The structural gap is projected at $168 million, greater than 2010 but down from $251.6 million in 2009.

- The amount of borrowing is projected to decrease again this year down 66% from 2010 and 62% from 2009.

- The Primary Funds' Reserves which were depleted to $14.4 million are not projected to be further reduced.

We urge the Mangano Administration, the Legislature and NIFA to deal cooperatively with the projected deficit in the current year and to develop a comprehensive multi-year plan beyond 2011 which brings current expenses in line with current revenues without reliance on bonding, one-shot revenues, or a tax increase on our hard pressed residents. Such a plan may require structural changes in the County government, debt restructuring, strategic technology deployment and significant increases in non-tax revenues to reach comparable levels with other counties.

As part of its multi-year planning, the County adopted a fund balance policy in 2005. The policy provided that the County would maintain a level of unreserved fund balance of no less than 4% and no more than 5% of normal prior year expenditures from the General Fund and the County-Wide Special Revenue Funds. Fund Balance is in effect a rainy day fund that can be drawn on in emergencies when budgeted revenues drop for unpredictable reasons or budgeted expenses rise in ways that could not have been either predicted or controlled. The Fund Balance as of December 31, 2010 stands at $85.3 million or 3.98% of the 2009 normal, recurring expenditures (see Exhibit 2). The 3.98% is close to compliance. This improvement was a result of the 2010 budget surplus.

EXHIBIT 1

Revenue and Obligations Forecast for 2011*
($'s millions)

	2011 Budget	2011 Projected Actual	Variance	
Revenues				
Fines & Forfeitures				
Red Light Cameras	$61.7	$24.5	($37.2)	
Other Traffic & Parking	27.9	19.9	(8.0)	
Other Fines & Forefeitures	6.0	4.5	(1.5)	($46.7)
Rents & Recoveries				
Sale of Mitchel Field Rent	36.0	6.0	(30.0)	
Sale of Property	25.0	9.0	(16.0)	
Other Rents & Recoveries	21.6	21.5	(0.1)	(46.1)
Departmental Revenue				
Ambulance Fees	29.2	20.2	(9.0)	
Parks Revenue	22.8	19.5	(3.3)	
Other Departmental Revenue	72.2	71.8	(0.4)	(12.7)
Sales Tax	1,023.4	1,013.4		(10.0)
State Aid (excluding L.I.E. Ticket Surcharge)	216.6	208.0		(8.6)
L.I.E. Ticket Surcharge	5.0			(5.0)
Investment Income	7.4	2.1		(5.3)
Capital Backcharges	12.6	9.0		(3.6)
OTB Revenues	6.5	3.9		(2.6)
Property Tax	800.4	801.9		1.5
Revenue Designated for the retirement of debt	6.0	10.3		4.3
Other	871.6	872.0		0.4
Total Revenue	**3,251.9**	**3,117.5**		**(134.4)**
Expenses				
Property Tax Refunds	0.0	70.0		(70.0)
Payroll and Fringe Benefits (excluding Overtime below)	1,197.2	1,218.9		(21.7)
Overtime (Police Department and Correctional Center)	59.2	78.2		(19.0)
NIFA Expense	1.4	3.4		(2.0)
Other	1,269.2	1,268.8		0.4
Early Intervention / Special Education	171.3	169.5		1.8
Debt service	355.5	338.6		16.9
Contractual Expense	127.8	109.8		18.0
Contingencies	70.3	0.0		70.3
Total Expense	**3,251.9**	**3,257.2**		**(5.3)**
Estimated Budget Risk excluding Potential Opportunities				**($139.7)**

Estimated Budget Risk by Taxpayer Base	**Police District**	**Other Funds**	
Estimated Budget Risk excluding Potential Opportunities	**($15.3)**	**($124.4)**	**($139.7)**
Potential Opportunities for funds other than Police District			
Administrative actions likely to occur			
Sale of Mitchel Field rents			37.5
Additional disencumbrances			5.0
Increase in ambulance fees			3.0
Parks advertising			0.5
Possible			
Use of available borrowed funds			34.7
Additional land sales			15.0
Recoup cost of August voting			2.0
Total potential opportunities			**$97.7**
Estimated Budget Risk including Potential Opportunities			**($42.0)**

*This forecast includes the following five County funds:
General, Police Headquarters, Police District,
Debt Service, and Fire Prevention, Safety, Communication and Education

EXHIBIT 2

FUND BALANCE AS A PERCENTAGE OF RECURRING EXPENDITURES
($'s in millions)

UNRESERVED FUND BALANCE

	2004	2005	2006	2007	2008	2009	2010
Total Cumulative Unreserved Fund Balance		$ 85.6	$ 87.8	$ 77.7	$ 69.3	$ 50.9	$ 85.3
Normal recurring expenses less interfunds (General & County-Wide Special Revenue Funds)	$ 2,141.5	$ 2,144.2	$ 2,064.4	$ 2,196.0	$ 2,137.8	$ 2,144.8	
Total Unreserved Fund Balance as % of prior year expenses		**4.00%**	**4.09%**	**3.76%**	**3.16%**	**2.38%**	**3.98%**

2.0 REVENUE VARIANCES

This section discusses the revenue items with significant variance from budget as identified in Exhibit 1.

2.1 Fines and Forfeitures

The major variances in Fines and Forfeitures are from the Traffic and Parking Violations Agency (TPVA) revenues for both non-red light camera violations and tickets for red light camera violations. Based on year to date collections compared to 2010, we project that in 2011 TPVA revenue related to non-red light violations will fall short of budget by approximately $8 million. The red light camera revenue shortfall is also projected to fail to meet budget goals by $37.2 million due to the failure of the State to give approval for an additional phase of installations ($23.4 million in 2011) and lower violations from already installed cameras. As a result, we forecast that the revenues from Fines and Forfeitures will be $46.7 million less than budgeted.

FINES AND FORFEITURES ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$37.3	$95.6	$22.8	$48.9	($46.7)

2.2 Rents & Recoveries

Rents and Recoveries are projected to be $46.1 million under budget due to a $30 million risk in selling the Mitchel Field leases and $16 million risk in completing sales of property included in the 2011 budget. These sales can still occur and have been credited under “potential opportunities.”

RENTS AND RECOVERIES ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$35.3	$82.6	$9.4	$36.5	($46.1)

2.3 Departmental Revenue

Parks Department revenues are projected to be $3.3 million under budget. The fee increases instituted appear to have had the effect of lowering projected park attendance. Consequently, we project fee revenues will be $2.3 million under the 2011 budget. Also, due to the lack of a final contract with an advertising vendor, the advertising initiative budgeted at $1 million is not expected to bring in any significant revenue in 2011.

Year to date ambulance fees are only 11% above last year, however, the budget included an increase of 58%. We project that these revenues will be approximately $9 million under budget in 2011.

In total we project that Departmental Revenues will fall short of budget by $12.7 million.

DEPARTMENTAL REVENUE ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$94.5	$124.2	$46.4	$111.5	($12.7)

2.4 Sales Tax

Sales tax, at approximately 37% of budgeted revenues net of inter-fund transfers, is the County's largest revenue source. Based on sales tax collections for the first 6 months of 2011, sales tax receipts are projected to total $1,013.4 million. Year to date sales tax collections, including residential energy tax, through June 30th showed a 0.9% decrease compared to last year's collections. However, the latest sales tax check we received on July 12th was disappointing and we are now 1.8% lower than the collections of the prior year. We project sales tax will be approximately $10 million less than the County's adopted budget of $1,023.4 million. This is an overall 2% increase over last year's actual, excluding the amount collected for residential energy tax. There is some risk that sales tax might decline further given the weakening economy.

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Sales Tax Collected on a Cash Basis ($'s in millions)			
	July 1 YTD Sales Tax Collected excluding Residential Energy Tax	% July 1 YTD vs Total Sales Tax Collected/Projected excluding Residential Energy Tax	Gross Annual Sales Tax Collected/Projected excluding Residential Energy Tax
2005	$392.1	41.1%	$953.8
2006	415.6	41.9%	991.2
2007	423.5	41.8%	1,012.0
2008	430.4	42.9%	1,003.1
2009	386.6	41.6%	929.4
2010	410.4	41.4%	992.0
2011	424.2	41.9%	1,011.8

RECONCILIATON OF CASH BASIS SALES TAX TO PORTION RECOGNIZED IN 2011 ($'s in millions)	
Gross sales tax forecast 2011	$942.3
Part County portion forecast 2011	69.5
Total sales tax projected on a cash basis	1,011.8
Part County in excess of budget - deferred to future year	
Net sales tax forecast 2011	1,011.8
Residential Energy Tax received	
Prior year deferral recognized in 2011	1.6
Sales tax per Exhibit 1	$1,013.4

2.5 State Aid (excluding L.I.E. Ticket Surcharge)

State Aid is projected to be $8.6 million under budget due to New York State budget reductions in reimbursements and reduced reimbursements because of lower spending in line with the County-wide initiative to reduce departmental spending. Also contributing to the shortfall is lower than expected grant-related reimbursements in Police Headquarters.

STATE AID (excluding L.I.E. Ticket Surcharge) ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$171.0	$216.6	$56.5	$208.0	($8.6)

2.6 L.I.E. Ticket Surcharge

The anticipated revenue to the County from a surcharge on L.I.E. tickets has not materialized because the State has not authorized the surcharge. Therefore $5 million budgeted as State Aid will not be realized.

L.I.E. TICKET SURCHARGE ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
	$5.0			($5.0)

2.7 Investment Income

The County typically invests available funds in interest-bearing checking accounts and bank certificates of deposit. Because interest rates have not recovered to the extent expected when the budget was adopted, we forecast that investment income will be $5.3 million under the $7.4 million budget.

INVESTMENT INCOME ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$2.4	$7.4	$0.9	$2.1	($5.3)

2.8 Capital Backcharges

A deficit of $3.6 million is projected primarily due to lower than budgeted chargebacks in connection with the County's ERP financial and human resource system project.

CAPITAL BACKCHARGES ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$9.4	$12.6	$0.7	$9.0	($3.6)

2.9 OTB Revenues

Nassau Regional Off-Track Betting Corporation (OTB) revenues are projected to be $2.6 million under budget. OTB, which shares its net profit with the County, projects an overall loss in 2011 caused by increases in expenses such as regulatory fees and employee benefits combined with decreased handle.

OTB REVENUES ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$4.3	$6.5	$1.0	$3.9	($2.6)

2.10 Property Tax

Property Tax revenue is projected to be $1.5 million more than the $800.4 million in the 2011 Adopted Budget. The increase is generated primarily by the expiration of property tax exemptions upon the sale of properties. The value of the assessment roll has increased due to an increase in new construction. The total budgeted property tax levies for all funds, including the County-wide Sewer and Storm Water District in the 2011 Budget, remained the same as the total budgeted property tax levies included in the 2010 Adopted Budget, except for an increase in the value of new constructions of $1.7 million.

Even in an economic downturn, property taxes continue to be paid since they are a first lien on the real estate. A slowdown in property tax payments may affect the County's cash flow in 2011 because the County must make up the difference between the tax levy and collections for school districts, towns and special districts.

PROPERTY TAX (EXCLUDING SEWER DISTRICT FUND) ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$803.0	$800.4	$801.9	$801.9	$1.5

2.11 Revenue Designated for the Retirement of Debt

Based on premiums earned from borrowings in the first half of 2011, we anticipate premiums related to borrowings to bring Revenue Designated for Retirement of Bonds over budget by $4.3 million.

REVENUE DESIGNATED FOR THE RETIREMENT OF DEBT ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$31.5	$6.0	$6.8	$10.3	$4.3

3.0 EXPENSE VARIANCES

This section discusses the expense items with significant variance from budget as identified in Exhibit 1.

3.1 Property Tax Refunds

The 2011 Budget does not provide for any real property tax refunds. The Administration has estimated that the expense for 2011 will be $70 million. NIFA has ordered that any refunds be paid by current revenues.

PROPERTY TAX REFUNDS ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$36.9	$0.0	$0.0	$70.0	($70.0)

3.2 Payroll & Fringe Benefits

We project salaries (excluding overtime for the Police Department and the Correctional Center) and fringe benefits to have a combined shortfall of $21.7 million from the 2011 budget. This negative variance is primarily due to partially unrealized budgeted salary savings of $61 million planned from labor concessions. However the County has realized some positive salary variances including the following:

- unfilled budgeted full-time positions are projected to save $18.5 million in 2011
- savings of approximately $10 million resulting from a wage freeze enacted on March 24 by NIFA which eliminated colas, mid-year steps, and increases in longevity for the County's non-College union employees
- anticipated savings from unfilled part-time positions of approximately $4 million and
- savings from layoffs implemented by the Administration as of June 30 of $2.7 million.

The Voluntary Retirement Incentive Program (VSIP) implemented by the Administration in 2011 will result in a net cost of approximately $1.6 million in 2011 as the salary savings that are to be realized will be offset in the current year by the incentive pay-out and the related termination pay, both of which are to be paid out of operating funds.

Fringe benefits are projected to show a positive variance of $4.8 million primarily due to lower than budgeted health insurance premiums for active employees of $4.2 million and slightly lower pension expense.

SALARIES and FRINGES (excluding overtime for Police Department and Correctional Center) ($'s in millions)					
	2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
Salaries	$749.0	$752.6	$386.7	$779.1	($26.5)
Fringes	383.2	444.6	261.4	439.8	4.8
Total Salaries and Fringes	$1,132.2	$1,197.2	$648.1	$1,218.9	($21.7)

3.3 Overtime

Based on current expense trends, overtime costs for the Police Department and the Correctional Center are projected to be $19.0 million over the $59.2 million budget. The shortfall is primarily comprised of $4 million in the Correctional Center, $11 million for the Police District Fund, and almost $4 million for the Police Headquarters Fund.

Despite the wage freeze implemented by NIFA, we project overtime expense to be approximately 10% higher than the 2010 expense in the Correctional Center, and 25% higher than the 2010 expense for the two Police Funds. The Administration is working on a plan to address the overtime issues but results have yet to be realized.

OVERTIME ($'s in millions)					
	2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
Police District	$24.3	$19.0	$7.3	$30.2	($11.2)
Police Headquarters	19.0	20.0	7.9	23.8	(3.8)
Correctional Center	22.0	20.2	9.3	24.2	(4.0)
Total	$65.3	$59.2	$24.5	$78.2	($19.0)

3.4 NIFA Expense

As a result of the NIFA takeover of the County finances, NIFA anticipates incurring an additional $2 million in expenses for contracted accounting and legal expertise. These expenses are being paid with County funds.

NIFA EXPENSE ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$1.5	$1.4	$1.1	$3.4	($2.0)

3.5 Early Intervention/Pre-School Education

We project that expenses for Early Intervention and Preschool Education will be $1.8 million under the budget of $171.3 million due to a reduction in service rates from New York State.

EARLY INTERVENTION / PRE-SCHOOL EDUCATION ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$162.9	$171.3	$136.2	$169.5	$1.8

3.6 Debt Service

We are projecting a positive variance of $16.9 in Debt Service due to the timing of borrowings and continuing low interest rates.

DEBT SERVICE ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$296.2	$355.5	$72.6	$338.6	$16.9

3.7 Contractual Expense

Contractual expense is expected to be $18 million under the budget of $127.8 million. $7.4 million of this variance is due to the contractual expense related to the Red Light Cameras. The expense is anticipated to be under budget because of delays in installation and lack of State approval for expansion. The remainder of the contractual expense variance is due to the Administration's effort to control contractual expenses by monitoring and reviewing all contracts more closely.

CONTRACTUAL EXPENSE ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
$118.5	$127.8	$65.3	$109.8	$18.0

3.8 Contingencies

Our analysis indicates that a budgeted contingency of $70.3 million will need to be used to cover shortfalls projected elsewhere in the budget.

CONTINGENCIES ($'s in millions)				
2010 Actual	2011 Budget	2011 YTD June	2011 Forecast	Variance
	$70.3			$70.3

4.0 OPPORTUNITIES TO ACHIEVE A BALANCED BUDGET

Exhibit 1 (see page 3) shows the significant projected revenue and expense variances for year-end 2011 based on the first six month financial results. We project that the County will have a year-end deficit of $139.7 million before gap closing opportunities. The identified opportunities are insufficient to close the projected budget gap. Additionally, these opportunities have experienced delays and hence have increased risks.

Furthermore, some gap closing opportunities are disputed by NIFA and may not be permitted. For example, NIFA has challenged the County's use of borrowed funds to pay property tax refunds. The County has not acted unilaterally in using bonded proceeds to pay for such operating expenses as termination pay and worker's compensation claims. The County has received authorization from New York State to bond for these purposes. Also, NIFA has pointed out that the proceeds from the sale of the Mitchel Field rents cannot be fully recognized in the year of the sale under modified accrual accounting. For budgetary purposes, this is a revenue source that may be recognized in full to close a budgetary gap.

We urge the Administration, NIFA and the Legislature to cooperate in implementing these opportunities and to find additional opportunities to close the looming year-end budget deficit.

5.0 OTHER CONCERNS

5.1 Nassau Health Care Corporation

The financial stability of the Nassau Health Care Corporation (NHCC) is essential so that it can continue to operate as a health care safety net for the County's uninsured.

The County guarantees the NHCC's outstanding indebtedness of $259 million and the institution's continued ability to repay its bonds is of fiscal importance to the County. The NHCC is now forecasting that its loss for 2011 will be between $13 and $20 million.

The national recession has increase pressure on the NHCC in a time of great uncertainty in the area of health care and its funding. New York State budget cuts have reduced reimbursed expenses. These changes will require monitoring by the County and the NHCC to ensure that services can be offered where needed without additional demands on County taxpayers.

5.2 Nassau Regional Off-Track Betting Corporation

The 2010 audited financial statements for the OTB were issued with a "going concern" opinion. This indicates that there is substantial doubt about the OTB's ability to continue as a going concern. If it were to fail, Nassau County is responsible for repayment of its outstanding debt until maturity which is July 1, 2020. The principal payment totals $1.45 million annually. The County holds the mortgage on the Racing Palace which can be sold.

6.0 MAJOR COUNTY FINANCIAL TRENDS

6.1 Revenues and Expense Divergence

The deteriorating control of expenses and the overspending by the County since 2004 is best illustrated in Exhibit 3. This chart shows the percentage of recurring expense over recurring revenue in each year. This overspending increased almost every year and reached a critical point in 2009 exceeding 10% of current recurring revenues. In 2011, we project a modest increase to about 6% due to revenue shortfalls from the continued recession but well below the peak of 2009.

EXHIBIT 3

6.2 Budgetary Structural Gap Trend

Like most governments, the County has an imbalance between its recurring operating revenues and expenses, known as a structural gap. While an important financial indicator, a structural gap is not the same as a budget deficit. Since 2002 the County's budget has been balanced each year, as required by law, and the County has ended every year with a budget surplus. Structural gaps can only be narrowed by reducing recurring expenses or by increasing recurring revenues. When the County balances its budget by using non-recurring revenues, such as drawing down reserves, it does not reduce the structural gap.

The projected 2011 structural gap is projected to climb to $168.1 million, a $30.5 million increase from 2010. Although this is lower than the amount in 2009, it is high by historical standards and reverses the positive trend achieved in 2010. The main factor in this negative variance is the significant shortfall in revenues projected at $134.4 million under budget and the increased need for one shots to end in balance.

EXHIBIT 4

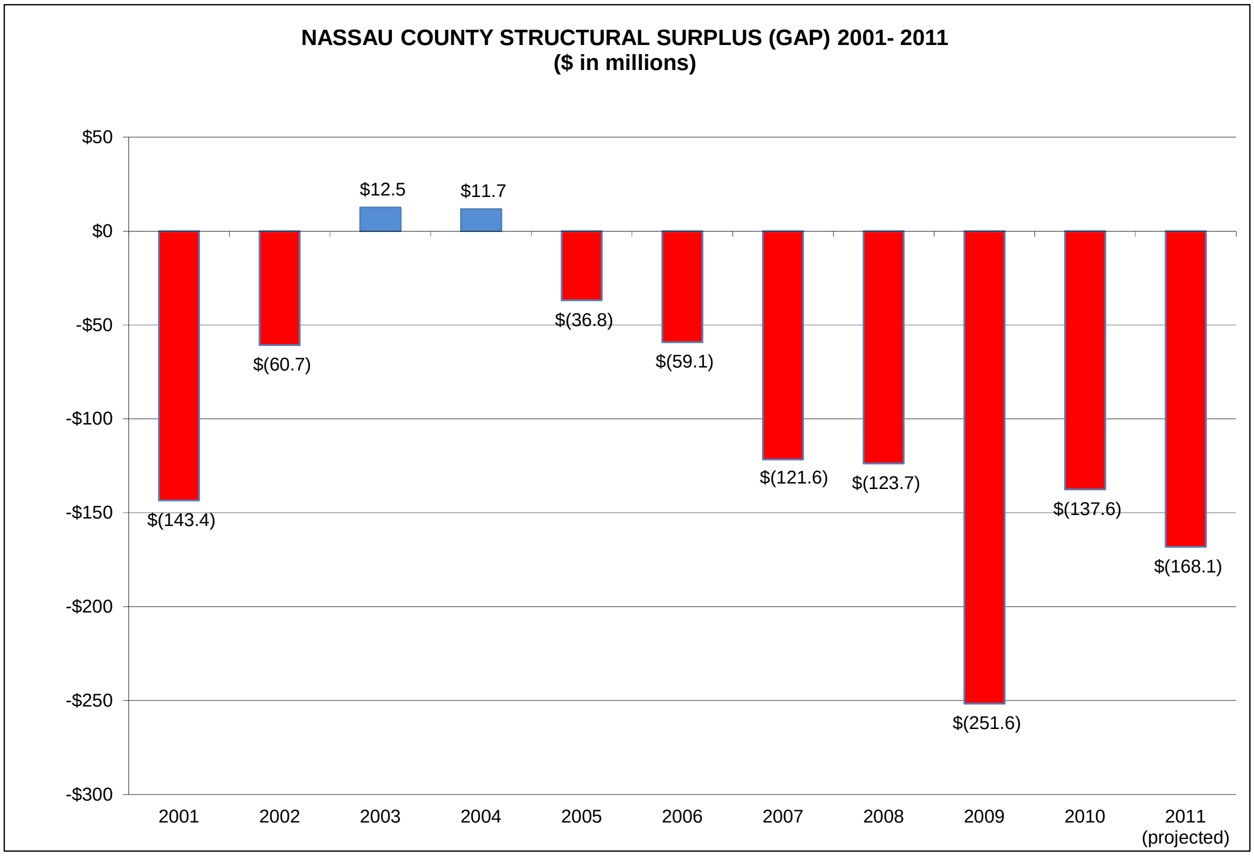


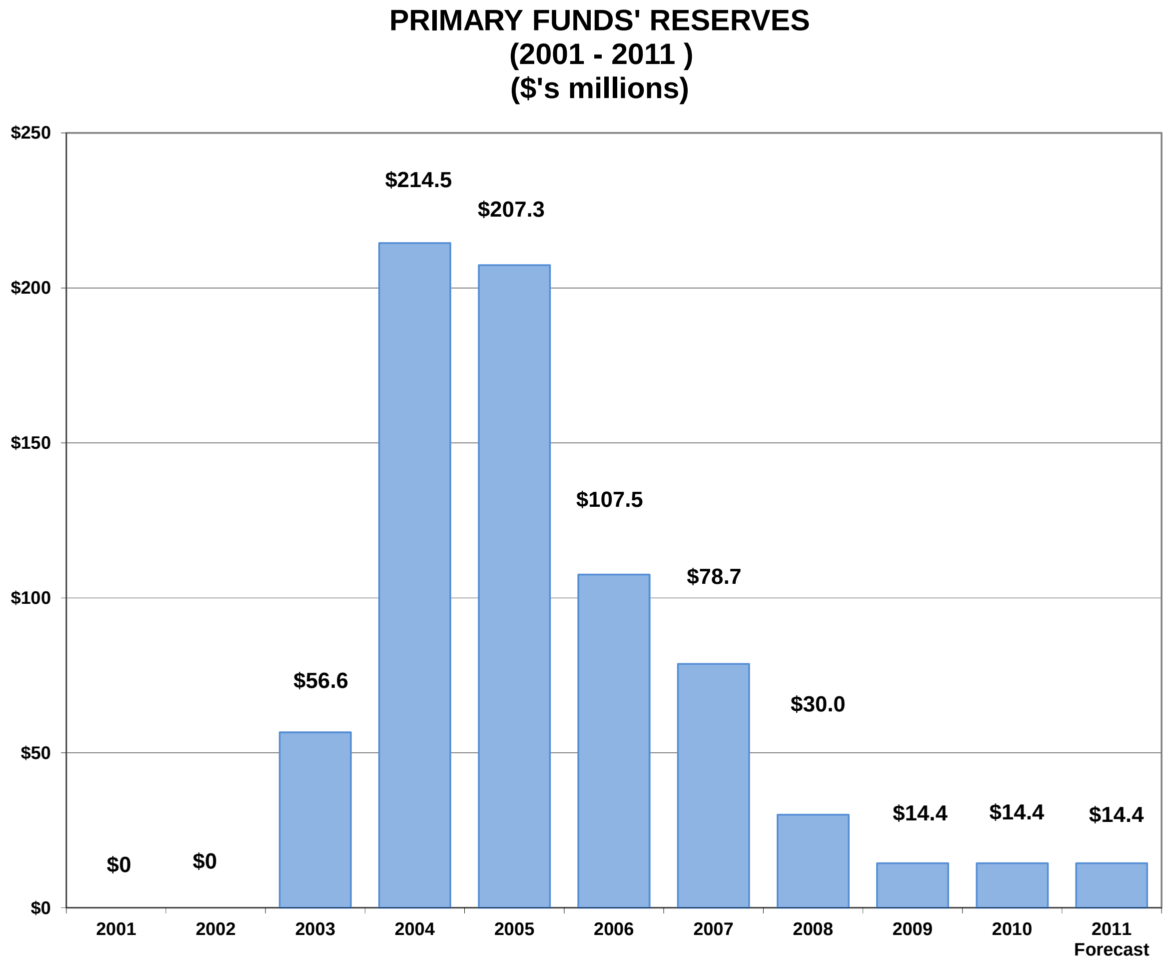
EXHIBIT 5

Comparison of Structural Gap Detail ($'s in millions)	2010	2011 (projected)
Revenue One Shots:		
FMAP and Other ARRA	$45.1	$16.9
Residential Energy Tax	17.3	
Sale of Property		10.0
Total Revenue One Shots	**62.4**	**26.9**
Expense One Shots:		
Use of borrowed funds to pay property tax refunds paid in excess of budget	42.5	
NIFA Restatement-excess accrual	15.3	
Bonding for Termination Pay	26.8	
Deferral of Wages and Benefits	17.2	1.5
Total Expense One Shots	**101.8**	**1.5**
Total One Shots	**164.2**	**28.4**
Net Surplus (Deficit)	**26.6**	**(139.7)**
Structural Gap (Surplus or Deficit less One Shots)	**$137.6**	**$168.1**

6.3 Primary Fund Reserve Trend

From 2003-2004 the County accumulated reserves totaling $214.5 million through annual surpluses. From 2005 onwards, the County began to deplete the reserve funds at an alarmingly accelerated rate as shown in Exhibit 6 to cover current expenses. The reserve fund is projected to be $14.4 million at the end of 2011.

EXHIBIT 6



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6.4 New Bonding Trends

The County typically bonds each year for capital projects and property tax refund payments. From 2002 to 2006, NIFA did primarily all the borrowing for the County. Since 2008, the County has borrowed in excess of $280 million each year. As shown in the Exhibit 7 below, in 2009 and 2010 the bonding increased. The reason is that in 2009 and 2010 borrowing includes $80 million and $92 million for termination pay respectively. The 2011 borrowings are lower than 2010 or 2009 since they do not include any amounts for termination pay or payment of property tax refunds.

At 2010 year end, the total of County general obligation and NIFA bonds outstanding was $2.8 billion. The debt service for principal, interest and financing costs relating to this debt was $298 million. The County portion of this debt stood at $1,157.6 million and the debt service for 2010 was $128.7 million.

EXHIBIT 7